

National Audit Office

2025 Financial Estimates

For the National Audit Office Account Committee

October, 2024

Financial Estimates
for the
Year 2025

14 October 2024

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STATEMENT OF FINANCIAL ESTIMATES
 TO THE NATIONAL AUDIT OFFICE ACCOUNTS COMMITTEE
 for the years ending 31 December 2023, 2024 and 2025

	2023	2024	2025
	Actual	Approved	Proposed
	€	€	€
Recurrent Vote	4,200,000	4,400,000	4,450,000
Capital Vote	-	-	1,500,000
	4,200,000	4,400,000	5,950,000

STATEMENT OF COMPREHENSIVE INCOME ESTIMATES
for the years ending 31 December 2023, 2024 and 2025

	Notes	2023 Actual €	Approved Estimate €	2024 Revised Estimate €	Savings/ Excess €	2025 Proposed Estimate €
Government subvention	4	4,200,000	4,000,000	4,000,000	-	4,450,000
Other income		14,320	3,000	3,000	-	3,000
Total operating revenue		4,214,320	4,003,000	4,003,000	-	4,453,000
Salaries and personnel expenses	5	2,918,779	3,192,000	3,145,000	47,000	3,551,000
Sub-contracted audit fees of local councils	6	317,378	313,000	318,000	(5,000)	318,000
Administrative and other expenses	7	370,222	288,488	376,488	(88,000)	426,488
Depreciation	9	119,063	168,000	120,000	48,000	120,000
Total operating expenditure		3,725,442	3,961,488	3,959,488	2,000	4,415,488
Results from operating activities before pension costs		488,878	41,512	43,512	2,000	37,512
Provision for service pensions and gratuities	10	(36,227)	(35,100)	(35,600)	(500)	(35,600)
Bank interest receivable		217	100	100	-	100
Surplus for the year		452,868	6,512	8,012	1,500	2,012

STATEMENT OF OPERATING EXPENDITURE ESTIMATES for the years ending 31 December 2023, 2024 and 2025

	2023		2024		2025
	Actual	Approved Estimate	Revised Estimate	Savings /Excess	Proposed Estimate
	€	€	€	€	€
SALARIES AND PERSONNEL EXPENSES					
Salaries	1,919,371	2,100,000	2,090,000	10,000	2,370,000
Bonuses	28,570	35,000	30,000	5,000	31,000
Social security contributions	152,071	162,000	165,000	(3,000)	185,000
Allowances	792,787	880,000	835,000	45,000	940,000
Overtime	25,980	15,000	25,000	(10,000)	25,000
	2,918,779	3,192,000	3,145,000	47,000	3,551,000
<i>Average number of full time equivalents employees</i>	57	61	58	3	64
ADMINISTRATIVE AND OTHER EXPENSES					
Utilities	21,600	24,000	24,000	-	24,000
Materials and supplies	5,251	6,000	6,000	-	6,000
Repairs and upkeep	56,128	50,000	58,000	(8,000)	58,000
Rent	13,138	13,138	13,138	-	13,138
International memberships	1,009	1,000	1,000	-	1,000
Office services	57,561	45,000	60,000	(15,000)	60,000
Transport	14,813	15,000	15,000	-	15,000
Travel	40,723	30,000	40,000	(10,000)	40,000
Information services	10,355	2,000	2,000	-	2,000
Contractual services	60,702	62,000	62,000	-	62,000
Professional fees	63,810	25,000	65,000	(40,000)	65,000
Training	11,375	10,000	15,000	(5,000)	15,000
Hospitality	13,587	5,000	15,000	(10,000)	65,000
Incidental expenses	170	350	350	-	350
	370,222	288,488	376,488	(88,000)	426,488

STATEMENT OF CAPITAL VOTE REQUEST ESTIMATES for the years ending 31 December 2023, 2024 and 2025

The Planning Authority approved on the 24th of January a building project submitted by the NAO.

The building project consists of a resource centre that will house a conference and a training room with sound and visual facilities at ground floor level and additional office space and multi-purpose meeting rooms provided at the first-floor level. The resource centre is planned opposite the main building at approximately half its length, in the middle space of the ravelin.

Works are expected to commence by January 2025 and to be completed by March 2026 at an estimated cost of €2.4 million. The initial cost of the project expected to be incurred by 2025 and amounting to €872,000 is to be financed from accumulated funds.

A capital vote allocation of €1,500,000 is being requested to finance the remaining expenditure expected to be incurred in 2025.

	2023	2024	2025	Total
	€	€	€	€
Expenses incurred to date	94,500	-	-	94,500
Permitting to Validation Stage	-	50,500	-	50,500
Excavation and Foundation Works	-	247,800	-	247,800
Construction Works	-	413,000	112,100	525,100
Electrical, Mechanical and Ventilation Works	-	160,700	763,740	924,440
Finishing Works	-	-	424,800	424,800
Apertures	-	-	141,600	141,600
Contingencies	-	-	57,760	57,760
	94,500	872,000	1,500,000	2,466,500

To be financed by :

	€
Government allocation received from previous recurrent votes	100,000
Accumulated funds	866,500
Capital vote allocation for 2025	1,500,000
	2,466,500

STATEMENT OF FINANCIAL POSITION ESTIMATES
as at 31 December 2023, 2024 and 2025

	Note	Actual 2023 €	Revised Estimate 2024 €	Proposed Estimate 2025 €
ASSETS				
Non-current assets				
Building improvements and equipment	8	470,429	475,000	500,000
Current assets				
Debtors and prepayments		15,541	15,000	15,000
Cash and cash equivalents		1,096,546	169,744	120,756
Other current assets	9	94,500	966,500	2,466,500
		1,206,587	1,151,244	2,602,256
Total assets		1,677,016	1,626,244	3,102,256
RESERVES AND LIABILITIES				
Non-current liabilities				
Provision for service pensions and gratuities	10	168,908	142,908	116,908
Current liabilities				
Payables	11	482,784	450,000	450,000
Provision for service pensions and gratuities	10	59,799	59,799	59,799
		542,583	509,799	509,799
Total liabilities		711,491	652,707	626,707
Reserves				
Accumulated funds		965,525	973,537	975,549
Capital reserves		-	-	1,500,000
Total reserves		965,525	973,537	2,475,549
Total liabilities and reserves		1,677,016	1,626,244	3,102,256

STATEMENT OF CHANGES IN RESERVES ESTIMATES
for the years ending 31 December 2023, 2024 and 2025

Accumulated Funds	€
Balance at 1 January 2023	512,657
Surplus for the year	452,868
Balance at 31 December 2023	965,525
Balance at 1 January 2024	965,525
Estimated surplus for the year	8,012
Balance at 31 December 2024	973,537
Balance at 1 January 2025	973,537
Estimated surplus for the year	2,012
Balance at 31 December 2025	975,549
Capital Reserves	
Balance at 1 January 2023	-
Movement for the year	-
Balance at 31 December 2023	-
Balance at 1 January 2024	-
Movement for the year	-
Balance at 31 December 2024	-
Balance at 1 January 2025	-
Capital vote allocation (before project is capitalized)	1,500,000
Balance at 31 December 2025	1,500,000

STATEMENT OF CASH FLOWS ESTIMATES
for the years ending 31 December 2023, 2024 and 2025

	Actual 2023	Revised Estimate 2024	Proposed Estimate 2025
	€	€	€
Cash flows from operating activities			
Surplus for the year	452,868	8,012	2,012
<i>Non-cash Adjustments to reconcile surplus to net cash flows:</i>			
Depreciation	119,063	120,000	120,000
Bank interest receivable	(217)	(100)	(100)
Provision for service pensions and gratuities	36,227	35,600	35,600
	607,941	163,512	157,512
Movement in debtors and prepayments	40,348	95,041	-
Movement in payables	(25,847)	(32,784)	-
Movement in provision for service pensions and gratuities	(61,604)	(61,600)	(61,600)
Cash generated from operating activities	560,838	164,169	95,912
Bank interest received	217	100	100
Net cash from operating activities	561,055	164,269	96,012
Cash flows used in investing activities			
Building improvements and purchase of equipment	(313,592)	(124,571)	(145,000)
Initial capital expenditure on building project	-	(966,500)	(1,500,000)
Cash used in investing activities	(313,592)	(1,091,071)	(1,645,000)
Cash flows from financing activities			
Capital allocation from Government subvention	-	-	1,500,000
	-	-	1,500,000
Net increase/ (decrease) in cash and cash equivalents	247,463	(926,802)	(48,988)
Cash and cash equivalents at 1 January	849,083	1,096,546	169,744
Cash and cash equivalents at 31 December	1,096,546	169,744	120,756

Notes to the Estimates for the years ending 31 December 2023, 2024 and 2025

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 (IFRS) as adopted by the EU for financial statements up to and including the financial year ending 2023.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of previous financial years

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 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 Property and equipment

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 or improvements to building. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Notes to the Estimates
for the years ending 31 December 2023, 2024 and 2025 ... *continued*

3. SIGNIFICANT ACCOUNTING POLICIES ... *continued*

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.

3.5 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 present and 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.

Notes to the Estimates
for the years ending 31 December 2023, 2024 and 2025 ... *continued*

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
2019	3,500,000	3,500,000	119,862	11	61
2020	3,800,000	3,600,000	87,304	19	64
2021	3,850,000	3,850,000	291,540	15	64
2022	3,900,000	3,900,000	374,936	14	63
2023	4,200,000	4,200,000	452,868	14	62
2024	4,000,000	4,000,000	8,012	*11	*64

*Estimate

4.2 Proposed Government Subvention for 2025

The National Audit Office Estimates for 2025 provide for a financial resource requirement of €4,450,000 to maintain a planned staff complement of 69 staff (64 full time equivalents) and to cover operational costs and capital replacement.

The National Audit Office Estimates for 2025 also provides for a capital vote allocation of €1.5 million in 2025 to finance the construction of a resource centre.

This building project was approved by the Planning Authority on 24th January 2024.

Notes to the Estimates

for the years ending 31 December 2023, 2024 and 2025 ... *continued*

5. SALARIES AND PERSONNEL EXPENSES

The anticipated staff complement for 2024 is to remain constant at 64 individuals (equivalent to 69 full time employees). In accordance with the provisions of the Collective Agreement (2017-2024), salaries across all grades are projected to increase by 3.5% compared to the previous year's figures in 2023.

Looking ahead to 2025, the Office has allocated a further 4% salary increase to cater for the new Collective Agreement that should be concluded by mid-2025. 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 64 full-time employees) at a total cost of €3,551,000

6. SUB-CONTRACTED AUDIT FEES OF 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 process in January 2022. The subcontracted audit local council costs is thereby expected to remain constant for 2024 at €318,000.

Although a new tender is to be issued in 2025, with new audit fees being possibly tendered from different private audit firms, the amount has been assumed to remain on the same level of the current tender.

7. ADMINISTRATIVE AND OTHER EXPENSES

Administrative expenses forecasted for 2025 are expected to remain consistent with amounts provided for in 2024 with the exception of hospitality expenses which are expected to increase by €50,000. The increase is due to the hosting an EU contact committee of Heads of SAIS of EU member states by NAO Malta in October 2025.

Notes to the Estimates

for the years ending 31 December 2023, 2024 and 2025 ... *continued*

8. BUILDING IMPROVEMENTS AND EQUIPMENT

	Building improvements	Equipment	Computer equipment and software	Motor Vehicles	Furniture and fittings	Total
	€	€	€	€		€
Cost						
At 1 January 2023	803,509	131,453	181,270	116,358	162,708	1,395,298
Additions	192,706.00	25,803	16,013	46,000	33,070	313,592
Write-offs/disposals	-	(9,092)	(6,242)	(29,798)	(33,151)	(78,283)
At 31 December 2023	996,215	148,164	191,041	132,560	162,627	1,630,607
At 1 January 2024	996,215	148,164	191,041	132,560	162,627	1,630,607
Additions	69,000	12,000	16,571	21,000	6,000	124,571
At 31 December 2024	1,065,215	160,164	207,612	153,560	168,627	1,755,178
At 1 January 2025	1,065,215	160,164	207,612	153,560	168,627	1,755,178
Additions	69,000	12,000	37,000	21,000	6,000	145,000
At 31 December 2025	1,134,215	172,164	244,612	174,560	174,627	1,900,178
Depreciation						
	Building Improvement	Equipment	Computer equipment and software	Motor Vehicles	Furniture & Fittings	Total
At 1 January 2023	578,375	116,566	172,771	100,401	151,285	1,119,398
Depreciation charge for the year	69,099	11,224	12,117	21,159	5,464	119,063
Released write-off/disposals	-	(9,092)	(6,242)	(29,798)	(33,151)	(78,283)
At 31 December 2023	647,474	118,698	178,646	91,762	123,598	1,160,178
At 1 January 2024	647,474	118,698	178,646	91,762	123,598	1,160,178
Depreciation charge for the year	69,000	12,000	12,000	21,000	6,000	120,000
At 31 December 2024	716,474	130,698	190,646	112,762	129,598	1,280,178
At 1 January 2025	716,474	130,698	190,646	112,762	129,598	1,280,178
Depreciation charge for the year	69,000	12,000	12,000	21,000	6,000	120,000
At 31 December 2025	785,474	142,698	202,646	133,762	135,598	1,400,178
Carrying Amount						
At 31 December 2025 (estimate)	348,741	29,466	41,966	40,798	39,029	500,000
At 31 December 2024 (estimate)	348,741	29,466	16,966	40,798	39,029	475,000
At 31 December 2023 (actual)	348,741	29,466	12,395	40,798	39,029	470,429

Notes to the Estimates
for the years ending 31 December 2023, 2024 and 2025 ... *continued*

9. OTHER CURRENT ASSETS

This amount refers to the expenditure incurred on the building project prior to its completion in March 2026 and full capitalization as a fixed asset.

10. PROVISION FOR SERVICE PENSIONS AND GRATUITIES

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

	Actual 2023	Revised Estimate 2024	Proposed Estimate 2025
	€	€	€
Non-current	168,908	142,908	116,908
Current	59,799	59,799	61,261
	228,707	202,707	176,707

The movement in this provision for current and future years is as follows:

	Actual 2023	Revised Estimate 2024	Proposed Estimate 2025
	€	€	€
Service pensions and gratuities as at beginning of year	254,084	228,707	202,707
Provision made during year	36,227	35,600	35,600
Provision used during year	(61,604)	(61,600)	(61,600)
	228,707	202,707	176,707

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.

Notes to the Estimates

for the years ending 31 December 2023, 2024 and 2025 ... *continued*

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

The provision for service pensions and gratuities as at 31 December 2023 is arrived at by discounting the post-employment benefit obligations of the Office using the year end maturity of 3.02% on 1% 2031 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.

The provision for service pensions and gratuities as at 31 December 2023 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 2024 and 2025.

11. PAYABLES

	Actual 2023	Revised Estimate 2024	Proposed Estimate 2025
	€	€	€
Due within one year			
Operational and capital payables	9,602	10,000	10,000
Accrued expenses	311,578	340,000	340,000
Amount due to Treasury for pension contributions	61,604	-	-
Deferred Government subvention on capital expenditure	100,000	100,000	100,000
	482,784	450,000	450,000

Annex 1: NAO Publications in 2024

Published between January 2024 - October 2024

- An audit of the contract for the provision of food and beverage services at the Malta Life Sciences Park
- Performance Audit on the Operations of Jobsplus' Law Compliance Unit
- Preliminary Review: Leasing of private property by Government
- Follow-up Audit Reports 2024 Volume I
- NAO Annual Report and Financial Statements 2023
- High-Level Review on Enemalta's Planning and Investment in the Local Distribution Network
- Information Technology Audit: Document Management Systems across Government
- Evaluating the role of the Malta Film Commission in promoting the Maltese Film Industry

To be published between November 2024 - December 2024

- Follow-up Audit Reports 2024 Volume II
- Report by the Auditor General on the Public Account 2023
- Report by the Auditor General on the Workings of Local Government for the Year 2023