

NATIONAL AUDIT OFFICE

**Annual Report
and
Financial Statements**

31 December 2024

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GENERAL INFORMATION

Description

The National Audit Office is established under Article 108 of the Constitution of Malta.

Auditor General

Carmel Deguara

Deputy Auditor General

Noel Camilleri

Office

National Audit Office
Notre Dame Ravelin
Floriana FRN 1601
MALTA

Bankers

APS Bank P.l.c.
APS Centre
Tower Street
Birkirkara BKR 4012
MALTA

Auditors

Ernst & Young Malta Limited
Regional Business Centre
Achille Ferris Street
Msida MSD 1751
MALTA

REPORT OF THE AUDITOR GENERAL OF THE NATIONAL AUDIT OFFICE

The Auditor General presents his annual report, together with the financial statements of the National Audit Office (the “Office” or “NAO”), for the year ended 31 December 2024.

Principal Activities

The National Audit Office conducts audits of all Ministries, Departments and Offices of the Government of Malta, and of such other public authorities or entities, including NGOs, administering, holding or using funds belonging directly or indirectly to the Government of Malta, as may be prescribed by or under any law for the time being enforced in Malta.

Review of Results

The National Audit Office published a total of 11 reports with an average staff complement of 64 persons (equivalent to 59 full-timers). The reports consisted of four performance audit reports, one special audit report, one IT audit report, an annual report on the public accounts of 2023, an annual report on the audited financial statements of the local councils for year ending 2023, two consolidated follow-up audit reports, and the annual report and financial statements of the Office for 2023

Year	Amount approved by NAO Accounts Committee and authorised by the House of Representatives €	Amount withdrawn €	Surplus/ (Loss) €	Number of Audit Reports Published	Average Staff Complement (full head count)
2017	3,150,000	3,150,000	42,160	14	63
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	452,868	14	62
2024	4,000,000	4,000,000	(90,763)	11	64

Published Reports:

Financial and Compliance Audits

- i. Report by the Auditor General on the Public Accounts for the year 2023;
- ii. Report by the Auditor General on the Workings of Local Government for the year 2023;

REPORT OF THE AUDITOR GENERAL OF THE NATIONAL AUDIT OFFICE - continued

Performance Audits

- i. Performance audit on the operations of Jobsplus Law Compliance Unit
- ii. Preliminary review: leasing of private property by Government
- iii. High-level review on Enemalta's Planning and Investment in the local distribution network
- iv. Evaluating the role of the Malta Film Commission in promoting the Maltese film industry

Special Audit

- i. An audit of the contract for the provision of food and beverage services at the Malta Life Sciences Park

Information Technology Audit

- i. Information Technology Audit: Document Management Systems across Government

Other

- i. National Audit Office Annual Report and Financial Statements– 2023.
- ii. Follow-up Audits Report by the National Audit Office – 2024 Volume I.
- iii. Follow-up Audits Report by the National Audit Office – 2024 Volume II.

Financial Review

In 2024, the Office withdrew its full budget allocation of €4 million from Central Government. Total expenditure for the year after accounting for pension contributions to the Treasury amounted to approximately €4.09 million, resulting in a slight deficit of €90,763.

Salaries increased by 9% compared to the previous year. This rise is partly attributable to an increase in the average number of full-time equivalents (FTEs) by two employees. The average salary for the 59 FTEs rose by 6% over the comparative period, in line with expectations following the revision of Civil Service grades, to which the salary structure of NAO employees is pegged. Staff turnover remained negligible, consistent with trends observed over the past decade. During the year, one employee availed of long-term unpaid leave while two new employees joined the workforce resulting in a net increase to 64 full head count at the end of December 2024.

Subcontracted audit fees for local councils remained unchanged from the previous year, as the existing tender was extended for another year under the same pricing conditions.

REPORT OF THE AUDITOR GENERAL OF THE NATIONAL AUDIT OFFICE - continued

Administrative expenses increased by 9% compared to the previous period. This was mainly due to higher costs related to repairs and maintenance, travel, information services, and hospitality.

Capital expenditure during the year was minimal. Financial prudence was maintained, as reflected in the Office's liquidity ratio, which stood at 2.13 - consistent with prior years trends indicating that total liabilities were covered by more than twice the available assets.

Capital Commitments

The main development permit (Ref. PA/07768/21) of the building extension to house a resource centre was approved in January 2024. NAO subsequently submitted a separate application to enhance and enlarge the parking facilities, leading to a Minor Amendment (Ref. PA/07768/21/MA) submitted in November 2024. The project, located within the Notre Dame Ravelin Urban Conservation Area, is being guided by restoration and conservation principles. No capital expenditure was incurred in 2024, and with a €1.5 million capital vote allocated for 2025, the project remains in the preparatory phase, awaiting approval for the latest submission regarding the parking project facilities.

Reserves

After accounting for the deficit of €90,763, the closing balance of accumulated funds in the statement of financial position at the end of amounted to € 874,762. This balance is being carried forward to the next financial period.



CARMEL DEGUARA
Auditor General



NOEL CAMILLERI
Deputy Auditor General

National Audit Office
Notre Dame Ravelin
Floriana FRN 1601
Malta

28 May 2025

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2024

	Notes	2024 €	2023 €
Government subvention	6	4,000,000	4,200,000
Other income	7	3,000	14,320
Operating expenditure			
Salaries and personnel expenses	8	(3,203,051)	(2,918,779)
Administrative and other expenses	9	(535,490)	(489,285)
Sub-contracted audit fees of local councils		(319,427)	(317,378)
		(4,057,968)	(3,725,442)
Results from operating activities before pension costs		(54,968)	488,878
Provision for service pensions and gratuities	11	(36,013)	(36,227)
Results from operating activities		(90,981)	452,651
Bank interest receivable		218	217
(Deficit) / Surplus for the year		(90,763)	452,868
Total comprehensive (loss) / income for the year		(90,763)	452,868

The accounting policies and explanatory notes on pages 10 to 19 form an integral part of the financial statements.

**STATEMENT OF FINANCIAL POSITION
as at 31 December 2024**

	Notes	2024 €	2023 €
ASSETS			
Non-current assets			
Property and equipment	10	381,702	470,429
Current assets			
Debtors and prepayments		117,616	110,041
Cash and cash equivalents	13	1,081,078	1,096,546
		1,198,694	1,206,587
Total assets		1,580,396	1,677,016
RESERVES AND LIABILITIES			
Non-current liabilities			
Provision for service pensions and gratuities	11	143,195	168,908
Current liabilities			
Payables	12	502,518	482,784
Provision for service pensions and gratuities	11	59,921	59,799
		562,439	542,583
Total liabilities		705,634	711,491
Reserves			
Accumulated funds		874,762	965,525
Total reserves		874,762	965,525
Total liabilities and reserves		1,580,396	1,677,016

The accounting policies and explanatory notes on pages 10 to 19 form an integral part of the financial statements.

The financial statements on pages 6 to 19 have been authorised for issue on 28 May 2025 by:

CARMEL DEGUARA
*Auditor General of the
National Audit Office*

NOEL CAMILLERI
*Deputy Auditor General of the
National Audit Office*

STATEMENT OF CHANGES IN RESERVES
for the year ended 31 December 2024

	Accumulated funds
	€
Balance at 1 January 2023	512,657
Total comprehensive income for the year	
Surplus for the year	452,868
Balance at 31 December 2023	<u><u>965,525</u></u>
Balance at 1 January 2024	965,525
Total comprehensive loss for the year	
Deficit for the year	(90,763)
Balance at 31 December 2024	<u><u>874,762</u></u>

The accounting policies and explanatory notes on pages 10 to 19 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2024

	Note	2024 €	2023 €
Cash flows from operating activities			
(Deficit) / Surplus for the year		(90,763)	452,868
<i>Non-cash adjustments to reconcile surplus to net cash flows:</i>			
Depreciation		110,235	119,063
Bank interest receivable		(218)	(217)
Provision for service pensions and gratuities		36,013	36,227
		<hr/> 55,267	607,941
Movement in debtors and prepayments		(7,575)	40,348
Movement in payables		19,734	(25,847)
Movement in provision for service pensions and gratuities		(61,604)	(61,604)
		<hr/> 5,822	560,838
Cash generated from operating activities		218	217
Bank interest received		<hr/> 6,040	561,055
Net cash from operating activities			
Cash flows used in investing activities			
Building improvements and purchase of equipment		(21,508)	(313,592)
Cash used in investing activities		<hr/> (21,508)	(313,592)
Net (decrease)/increase in cash and cash equivalents		(15,468)	247,463
Cash and cash equivalents at 1 January		1,096,546	849,083
Cash and cash equivalents at 31 December	13	<hr/> 1,081,078 <hr/>	<hr/> 1,096,546 <hr/>

The accounting policies and explanatory notes on pages 10 to 19 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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 use of public funds; and
- contribute towards the better management of public funds and resources.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared and presented in accordance with International Financial Reporting Standards, as adopted by the European Union (“EU”). All references in these financial statements to IAS, IFRS or SIC/IFRIC interpretations refer to those adopted by the EU.

2.2 Basis of measurement

Assets and liabilities are measured at historical cost, except for the provision for service pensions and gratuities, which is measured according to the accounting policy disclosed in note 3.8.

2.2.1 *Going Concern*

The going concern of the Office is safeguarded since the Constitution of Malta and the Auditor General and National Audit Office Act guarantee the set-up and continuous operation of a state audit institution that is funded by government, while allowing it to remain autonomous and independent from any government authority.

The budgetary request of the National Audit Office is approved by the House of Representatives following the endorsement of a parliamentary committee, the National Audit Office Accounts Committee.

Furthermore, the operations of a state audit institution have become a fundamental international requirement for any country to safeguard its system of public finances; so much so that, as of the present date, state audit institutions from 194 countries (including Malta) are full members of the International Organisation of Supreme Audit Institutions (INTOSAI).

2.3 Functional and presentation currency

These financial statements are presented in Euro, which is the Office’s functional currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenditure. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in note 11 – Provision for service pensions and gratuities.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.5 Standards, interpretations and amendments to published standards as endorsed by the EU and effective in the current year

The accounting policies adopted are consistent with those of the previous financial year, except for the new standards and amendment to IFRS effective as of 1 January 2024. The adoption of these standards or interpretations did not have a material impact on the Office's financial statements or performance.

2.6 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2025 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the Office's financial statements, on initial application.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

3.1 Government of Malta subventions

Government subventions allocated to the office for recurrent expenditure are taken directly to statement of comprehensive income on approval of the allocated amount in the Budgetary Estimates by the Ministry for Finance.

3.2 Finance income

Finance income comprises interest receivable on bank balances. Interest is recognised as it accrues in the statement of comprehensive income, using the effective interest method.

3.3 Financial instruments

Non-derivative financial assets – recognition and derecognition

The Office initially recognises non-derivative financial assets on the date that they originated.

The Office derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Office is recognised as a separate asset or liability.

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position, when, and only when, the Office has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Office classifies its non-derivative financial assets in the debt instruments at amortised cost category, which includes cash and cash equivalents.

Non-derivative financial liabilities – recognition and derecognition

Financial liabilities are recognised initially on the trade date, which is the date that the Office becomes a party to the contractual provisions of the instrument.

The Office derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Office classifies its financial liabilities in the other financial liabilities category, which comprises payables.

NOTES TO THE FINANCIAL STATEMENTS – continued

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES – continued

3.3 Financial instruments - continued

Non-derivative financial assets – measurement

Debt instruments at amortised cost are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these receivables are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities – measurement

Non-derivative financial liabilities classified in the other financial liabilities category are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

3.4 Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

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

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” or “other expenses” in the statement of comprehensive income.

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 that 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 statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS – continued

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES – continued

3.5 Property and equipment - continued

Depreciation

Depreciation is recognised in the statement of comprehensive income 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
•	Equipment	5 years
•	Computer equipment and software	3 years
•	Motor vehicles	5 years
•	Furniture and fittings	10 years

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

3.6 Impairment

Non-derivative financial assets

The Office recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Office expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Non-financial assets

The carrying amounts of the Office's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value, less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in statement of comprehensive income.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS – continued

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES – continued

3.7 Employee benefits

The Office contributes towards the State pension defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of fixed contributions. Obligations for contributions are recognised as employee benefits expense in the statement of comprehensive income in the periods during which services are rendered by employees.

3.8 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 Office's present and retired employees. The present value is arrived at by using a risk-free rate based on the local Government bond that matures on a date equivalent to the average number of years during which the Office is expected to effect pensions and gratuities payments.

3.9 Leases

The Office elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). The Office rents its main building and other offices from the Government's Lands' Department, with the leases being renewable on an annual basis.

4. DETERMINATION OF FAIR VALUES

A number of the Office's accounting policies and disclosures requires the determination of fair value for financial assets and liabilities. For receivables and payables with a remaining useful life of less than one year, the carrying amount is deemed to reflect their fair value. Fair value is determined for disclosure purposes based on the following methods:

Receivables

The fair value of receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date.

Payables

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS – continued

5. FINANCIAL RISK MANAGEMENT

This note presents information about the Office's exposure to financial risks (credit risk, liquidity risk and market risk) arising from financial instruments, and the management of these risks. The Office does not have components of equity.

The Auditor General has responsibility for the establishment and oversight of the Office's risk management framework.

The Office does not enter into any transactions in derivative financial instruments to manage risks.

Credit risk

Credit risk is the risk of financial loss to the Office if a counterparty to a financial instrument fails to meet its contractual obligations.

Financial assets, which potentially subject the Office to a concentration of credit risk, consist principally of cash at bank. The Office's cash at bank is placed with quality financial institutions.

Liquidity risk

Liquidity risk is the risk that the Office will not be able to meet its financial obligations as they fall due and is principally represented by current liabilities that are payable on demand.

The liquidity risk is mitigated by the fact that the Office is financially supported by the Government of Malta.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Office's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Office is not subject to currency risk since all its monetary financial assets and liabilities are denominated in the Office's functional currency. The Office is exposed to interest rate risk on its bank balances. In view of the low interest rates in the market, a change in current market interest rates as at the reporting date would not have a material effect on the Office's surplus or loss.

NOTES TO THE FINANCIAL STATEMENTS – continued

6. GOVERNMENT SUBVENTION

	2024 €	2023 €
Authorised by the House of Representatives	4,000,000	4,200,000
Amounts withdrawn	4,000,000	4,200,000

7. OTHER INCOME

	2024 €	2023 €
Audit fee of a Non-Government Organisation	3,000	3,000
Reimbursements	-	3,118
EU Funding on training project	-	8,022
Profit on sale of computer equipment	-	180
	3,000	14,320

8. SALARIES AND PERSONNEL EXPENSES

	2024 €	2023 €
Salaries	3,034,902	2,766,708
Social security contributions	168,149	152,071
	3,203,051	2,918,779

The average number of persons employed by the Office during the year was as follows:

	2024 No.	2023 No.
Senior management	6	6
Operating	44	43
Research and international affairs	2	1
Administration and IT	9	9
Messenger staff	3	3
	64	62
Equivalent number of full-time employees	59	57

During the year, a total of 15 persons (2023: 15) worked on a reduced hours basis. This is equivalent to 23% (2023: 24%) of the workforce.

NOTES TO THE FINANCIAL STATEMENTS – continued

9. EXPENSES BY NATURE

	2024	2023
	€	€
Auditors' remuneration	7,434	7,080
Professional fees	51,711	56,730
Depreciation of property and equipment	110,235	119,063
Learning and professional development	12,143	11,375
Other administrative expenses	353,967	295,037
Total administrative and other expenses	535,490	489,285

10. PROPERTY 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	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	-	2,628	16,796	-	2,084	21,508
Write-offs/disposals	-	-	-	-	-	-
At 31 December 2024	996,215	150,792	207,837	132,560	164,711	1,652,115
Depreciation						
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 upon write-off/disposal	-	(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	68,715	10,040	12,656	13,200	5,624	110,235
Released upon write-off/disposal	-	-	-	-	-	-
At 31 December 2024	716,189	128,738	191,302	104,962	129,222	1,270,413
Carrying amount						
At 31 December 2024	280,026	22,054	16,535	27,598	35,489	381,702
At 31 December 2023	348,741	29,466	12,395	40,798	39,029	470,429

NOTES TO THE FINANCIAL STATEMENTS – continued

11. PROVISION FOR SERVICE PENSIONS AND GRATUITIES

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

	2024 €	2023 €
Non-current	143,195	168,908
Current	59,921	59,799
	<u>203,116</u>	<u>228,707</u>

Of the non-current portion of the provision, an amount of € 61,956 (2023: €77,809) refers to payments to be made after more than five (5) years from the reporting date. The movement in this provision for the current and comparative year is as follows:

	2024 €	2023 €
Service pensions and gratuities as at 1 January	228,707	254,084
Movement in provisions during the year	36,013	36,227
Provisions used during the year	(61,604)	(61,604)
Service pensions and gratuities as at 31 December	<u>203,116</u>	<u>228,707</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 10 persons who joined the Civil Service prior to 1979 but retired as full-time employees from the NAO. There are no further persons eligible to pension 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 on 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 2024 is arrived at by discounting the post-employment benefit obligations of the Office using the year-end yield to maturity of 2.81% on 5.25% 2030 I Government bonds (2023: 3.02% on 1% 2031 II Government bonds). The post-employment benefit obligations are computed after taking into consideration the following assumptions:

Average life expectancy of males and females is 80 years and 85 years, respectively (2023: males and females of 80 and 85 years, respectively), based on data published in the National Statistics Office Demographic Review.

NOTES TO THE FINANCIAL STATEMENTS – continued

12. PAYABLES

<i>Due within one Year</i>	2024 €	2023 €
Operational and capital payables	24,251	9,602
Accrued expenses	316,663	311,578
Amount due to Treasury for pension contributions	61,604	61,604
Deferred Government subvention on capital expenditure	100,000	100,000
	502,518	482,784

13. CASH AND CASH EQUIVALENTS

	2024 €	2023 €
Cash at bank	1,080,673	1,096,045
Cash in hand	405	501
	1,081,078	1,096,546



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INDEPENDENT AUDITOR'S REPORT TO THE NATIONAL AUDIT OFFICE ACCOUNTS COMMITTEE

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the National Audit Office (the "Office") which comprise the statement of financial position as at 31 December 2024 and the statement of comprehensive income, the statement of changes in reserves and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Office as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Office in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board of Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Auditor General is responsible for the other information. The other information, which we obtained at the date of the auditor's report comprises the General Information and the Report of the Auditor General of the National Audit Office, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE NATIONAL AUDIT OFFICE ACCOUNTS COMMITTEE – continued

Responsibilities of the Auditor General for the financial statements

The Auditor General is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as the Auditor General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Auditor General is responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Office is in the process of being terminated in accordance with national law.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

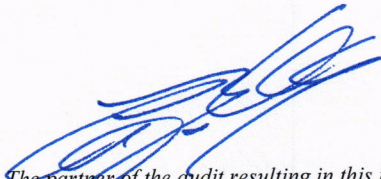
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Auditor General.
- conclude on the appropriateness of the Auditor General's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT
TO THE NATIONAL AUDIT OFFICE ACCOUNTS COMMITTEE – continued**

Auditor's responsibilities for the audit of the financial statements – continued

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Auditor General regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



*The partner of the audit resulting in this independent auditor's report is
Christopher Balzan for and on behalf of*

Ernst & Young Malta Limited
Certified Public Accountants

28 May 2025