

Performance Audit of PPPs Residential Homes for the Elderly

National Audit Office - Malta

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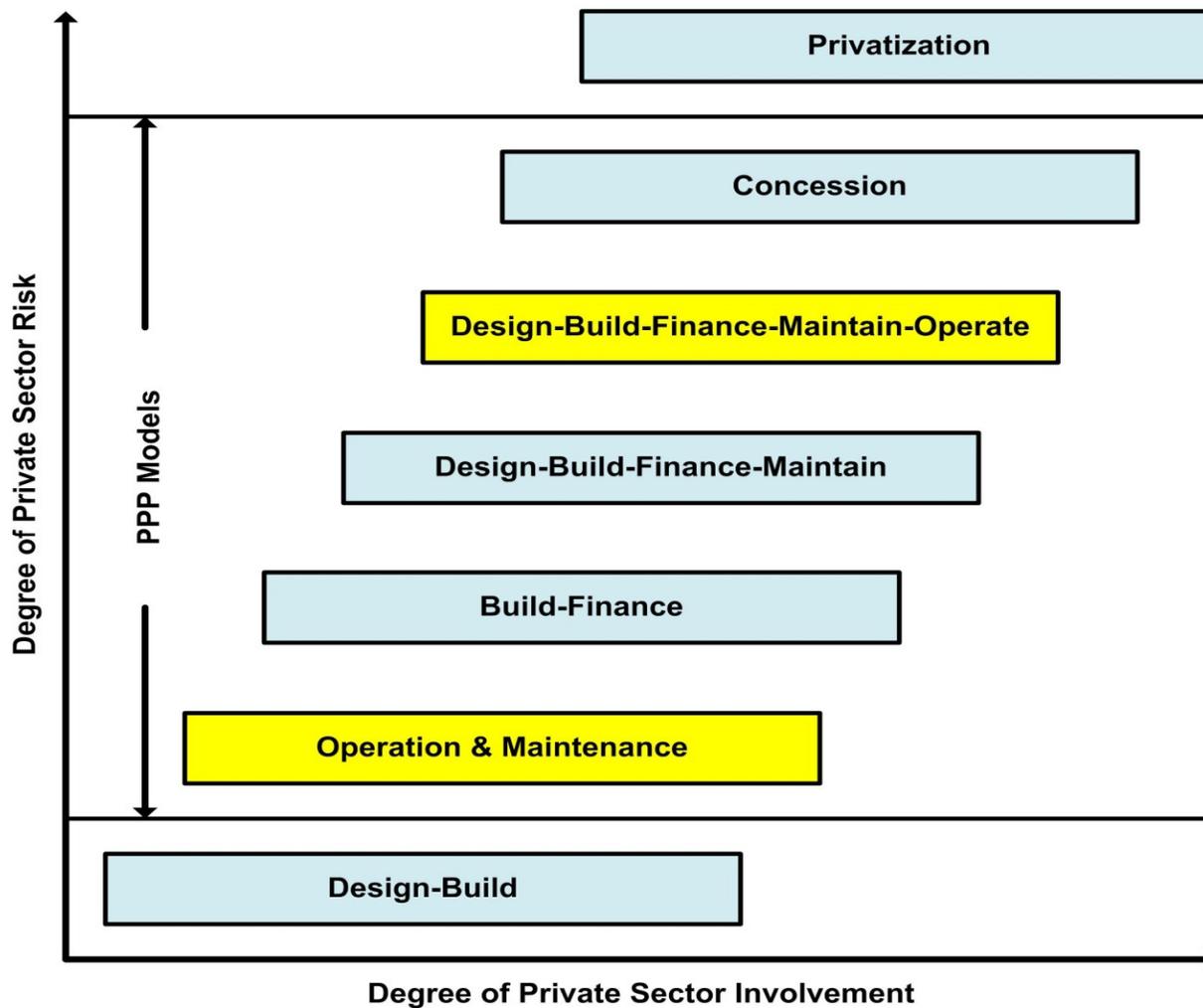
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PPPs in Malta

- In Malta, PPPs constitute a relatively novel approach in delivering public services
- Over the past few years a number of projects have been undertaken through PPPs
- These included:
 - landscaping and embellishment
 - homes for the elderly
- Since 2005, it has been Government policy to give new impetus to PPP and place at ‘the heart of government investment’

The Scale of Public-Private Partnerships



Source: Adapted from the 'Guidebook on Promoting Good Governance in Public-Private Partnerships', United Nations, page 4, 2008.



Audit Context (I)

- Contracts entered into by Government are long-term and financially material
- Limited PPP expertise within the public service
- PPP challenges are not fully appreciated by contracting departments



Audit Context (II)

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- The provision of residential care for the elderly has historically been a problematic area
- Issues of supply and demand of residential accommodation
 - Ageing population
 - Difficulties to increase supply by 300 beds annually through direct public provision
 - Bed blocking by elderly patients at the General Hospital
 - Administrative and control problems relating to admissions
- Limited supply of nurses and care workers
 - Trade Union issues
 - Inherent inefficiencies in the provision of residential care by Public Entities



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Audit Objectives

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Against this backdrop, this audit aimed to evaluate the extent to which services related to residential care for the elderly, provided through the PPPs, reflect good value for money.

Consequently, the audit's objectives sought to determine the degree to which:

- i. a sound business case illustrating that the PPP project was the best option available to Government;
- ii. the Department for the Elderly and Community Care has the appropriate organisation structure and administrative capacity to support the implementation of PPP projects;
- iii. the appropriate mechanisms were in place to ascertain the effectiveness of the tendering process and the development of the PPP contracts;



the PPP projects, as implemented, delivered their pre-
N A O objectives and constituted value for money
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Methodological challenges

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- Data and information related to the reasons for deciding in favour of the PPP approach was at best fragmented and at worst undocumented
- Public officials involved in the decision making process relating to the tender evaluation, contract addendums are no longer employed by the public service
- Pre-determined outcomes and performance criteria were not always developed by the contracting authority
- Difficulties in developing value for money criteria – for instance information providing robust indications of cost per person per night in private sector were not available



Internal challenges

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- The NAO's mandate does not encompass third parties providing services to Government
 - Clause in contract, permitting auditee to furnish NAO with documentation, was invoked
 - Matter was resolved through auditee and contractor cooperation
- NAO staff had limited knowledge of the residential care industry
- Complex financial arrangements relating to the construction and operational elements of the

Conclusions (I)

Objective 1

A sound business case illustrating that the PPP project was the best option available to



- The absence of a robust business case justifying the PPP approach impinged on the ensuing phases of contract implementation and monitoring
- Direction and official guidelines from the centralised PPP Unit were not fully adhered to
- Government lacked long term policies about the provision of care, including residential, for the elderly
- Initiatives to address the demand for residential care were



Conclusions (II)

Objective 2

The Department for the Elderly and Community Care has the appropriate organisation structure and administrative capacity to support the implementation of PPP project

- The Department lacked the appropriate human resources to implement PPP projects
- To this end, the Department was not in a position to regularly monitor the extent to which the contractor was adhering to the provisions of the contract
- The balance of power shifted from the Department to the Contractor



Conclusions (III)

Objective 3

The appropriate mechanisms were in place to ascertain the effectiveness of the tendering process and the development of the PPP contract

- The price bids were significantly higher than costs being incurred by governmental homes and other residential care services contracts in force
- Discussions with the two bidders showed that Government set itself very broad negotiating parameters during the negotiated tendering process
- The opportunity cost related to the use of public land was not given the appropriate consideration during negotiations
- The contract did not provide adequate information about costs related to the construction of the Home
- The 'expediency element advantage' associated with PPPs was not fully exploited since the duration between the submission of the development application and the signing of the



Conclusions (IV)

Objective 4

The PPP project delivered its pre-determined objectives and constituted



- The project did alleviate the demand related problems for residential care
- Government paid premium rates for the construction and financing of the Home
- Government was not in a position to regularly monitor and enforce the full implementation of the contract



Lessons Learnt (I)

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- From a macro-level perspective
- The full benefits of PPPs can only be exploited when the contracting authority has the appropriate administration capacity and organisational structure to manage, control and monitor all aspects related to the project
- The effectiveness of PPPs depends on the Public Service's ability to clearly determine its needs and outcomes from projects
- Choosing the right PPP model is critical in optimising value for money
- A strong negotiation team, which is well versed in the industry and business practices, is vital to ensure that the Sector's interests are appropriately

Lessons Learnt (II)

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From the NAO – Malta's perspective:

- The review of PPPs is to increasingly feature in our auditing programmes
- PPP contracts clauses are to further facilitate external auditing of all aspects of the project
- We will aim to review PPP projects at the earliest opportunity – This may entail auditing the project in phases
- Audit scoping should not be too broad
- Audit teams may need the support of external

Thank you

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