



Performance Audit

Preliminary Review: Leasing of Private Property by Government

Report by the Auditor General
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Table of Contents

Key Facts	4
List of Abbreviations	6
Executive Summary	7
Chapter 1: Terms of Reference	10
1.1. Background Information	10
1.2. Government leasing of private property was only recently regulated	10
1.3. Audit Scope	12
1.4. Audit Objectives	13
1.5. Audit Methodology	13
1.6. Audit Limitations	14
1.7. Report Structure	15
Chapter 2: Administration of public property for use by Governmental Entities	16
2.1. Introduction	16
2.2. The existing regulatory framework generally mandates the Lands Authority to contribute effectively towards the management of properties in use by Governmental Entities	17
2.3. Various operational issues hinder the Lands Authority from ensuring effective and efficient estate management	18
2.4. The Lands Authority contends that vacant public properties do not generally meet the needs of Governmental Entities	20
2.5. Additional resources are required to better administer vacant public properties and monitor the Governmental Entities' needs	22
2.6. Conclusions	24
Chapter 3: Leasing of private properties by Government	26
3.1. Introduction	26
3.2. As at December 2022, Government was leasing more than 260 properties from the private sector	28
3.3. In cases, Governmental Entities deviated from good governance practices during the planning and procurement phases of leasing private property	33
3.4. Value for Money considerations influenced Government leasing of private properties	37
3.5. Conclusions	41

Chapter 4: Concluding remarks	42
4.1. Introduction	42
4.2. Government leasing of private property was only recently regulated	42
4.3. As at December 2022, Government was leasing more than 260 properties from the private sector despite owing more than 4,000 unutilised properties	43
4.4. Overall Conclusion	43
4.5. Recommendations	44
Appendix I: NAO survey results	47
Appendix II: NAO surveys submitted after 1 November 2023	78

List of Tables

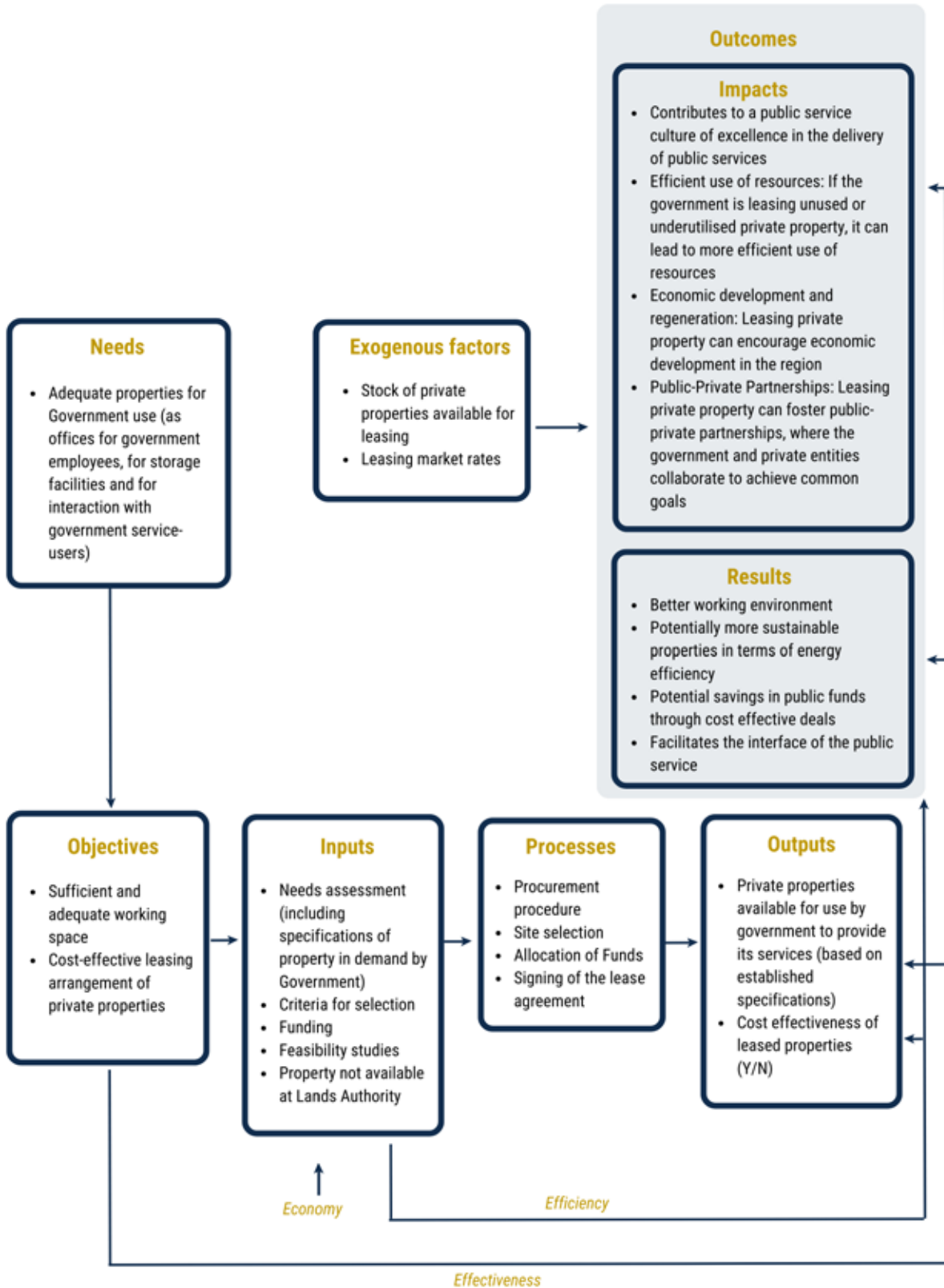
Table 1: Generic enquiries for vacant properties by Governmental Entities	21
Table 2: Private property leased by region	28
Table 3: Distribution of lease agreement by lessor	30
Table 4: Frequency of leases from the same owners	31
Table 5: Area per employee for office use	33
Table 6: Diverting from S.L. 601.12 ' <i>Procurement of Property Regulations</i> '	35
Table 7: Direct Orders by Ministry (2022)	36
Table 8: Financial materiality of Direct Orders entered into after April 2020	37
Table 9: Reasons why the leased site was not meeting the needs of the Governmental Entity	38
Table 10: Leases with a capital investment exceeding €1 million	40

List of Figures

Figure 1: Leasing of Private Property Procurement Process	12
Figure 2: Number of leased properties by location	29
Figure 3: Number of properties leased by year and type of agreement	30
Figure 4: Cost per sqm for Government leased sites (office use)	39



Key Facts

Programme Logic Model





Government leased private properties analysed by the NAO

	Total	Office use
 Number of Government leased private properties	260	167
 Area of leased private properties	213,112 sqm	156,994 sqm
 Leasing cost for 2022 (€ excl. VAT)	€21.97M	€18.89M
 Total leasing cost for the entire contractual duration (€ excl. VAT)	€204.00M	€173.72M
 Capital investment incurred by Government in leased private properties up to December 2022 (€ excl. VAT)	€41.82M	€33.73M

List of Abbreviations

DoC	Department of Contracts
ECA	European Court of Auditors
FIAU	Financial Intelligence Analysis Unit
HA	Housing Authority
INDIS Malta Ltd	Industrial Innovation Solutions Malta Ltd
ISSAI	International Standards of Supreme Audit Institutions
JO	Joint Office
LA	Lands Authority
LEMIS	Land and Estate Management Information System
MAFA	Ministry for Agriculture, Fisheries and Animal Rights
MEEE	Ministry for the Environment, Energy and Enterprise
MEFL	Ministry for the Economy, European Funds and Lands
MEYR	Minister for Education, Sport, Youth, Research and Innovation
MFAA	Ministry for Active Ageing
MFE	Ministry for Finance and Employment
MFET	Ministry for Foreign and European Affairs and Trade
MFH	Ministry for Health
MFJ	Ministry for Justice
MFT	Ministry for Tourism
MGOZ	Ministry for Gozo
MHAL	Ministry for The National Heritage, The Arts and Local Government
MHSR	Ministry for Home Affairs, Security, Reforms and Equality
MIVC	Ministry for Inclusion, Voluntary Organisations and Consumer Rights
MPWP	Ministry for Public Works and Planning
MSAA	Ministry for Social and Affordable Accommodation
MSPC	Ministry for Social Policy and Children's Rights
MTIP	Ministry for Transport, Infrastructure and Capital Projects
NAO	National Audit Office
NGO	Non-Governmental Organisation
OPM	Office of the Prime Minister
PLC	Public Limited Company
SOP	Standard Operating Procedure
SPO	Senior Professional Officer
S.L.	Subsidiary Legislation
sqm	square metre
VAT	Value Added Tax

Executive Summary

Introduction

1. In the past years, due to increasing space requirements and to facilitate client services and interface, various Governmental Entities leased premises from the private sector. This was mainly due to the expansion of Government services and the establishment of new Governmental Entities. The leasing of private properties by Government was on many occasions triggered by the lack of readily available State-owned properties which could adequately cater for the current and future needs of Governmental Entities. Even though Government owns a number of unutilised properties, the Lands Authority (LA) contended that the majority of these buildings needed extensive refurbishment which could not be carried out in a short timeframe. To-date, a centralised database with respect to the total population of private property leased by Government is not available. This data is fragmented between the different Ministries depending on the respective portfolio.
2. Within this context, the National Audit Office (NAO) sought to establish the degree to which Governmental leasing of private property reflects value for money. For the purpose of this Preliminary Review, the NAO sought to:
 - a. assess whether the appropriate procedural framework governing the leasing of private property by Governmental Entities is in place;
 - b. determine the level to which the LA maintains updated information regarding the public properties available for potential use by the different Governmental Entities, and which can potentially meet the latter's needs; and
 - c. identify and analyse the main characteristics of the private properties being leased by Governmental Entities in Malta and Gozo.

Key Findings

3. This Preliminary Review elicited several key findings. These mainly related to the LA and the Joint Office (JO), as well as other issues prompted by the survey undertaken by this Office to collate the total population of Government-leased private properties. The following refers:

Various operational issues hinder the Lands Authority from ensuring effective and efficient estate management

4. Some operational issues are hindering the LA from administering vacant properties in a more efficient and effective manner. This situation is mainly attributable to the limited human, financial and technological resources at the Authority's disposal.

Limited resources at the Joint Office are restricting the stock of property at Government's disposal

5. The JO also lacks the necessary resources to resolve the often complex issues concerning unregistered ecclesiastical properties, that is, properties that were transferred to the State under the 1993 Church-State Agreement. This situation limits the stock of properties at the State's disposal, and which could potentially meet the needs of different Governmental Entities that are currently resorting to leasing property from the private sector.

In 2022, Government incurred a cost of €22 million for the leasing of 260 private properties, with a total area of 213,112 sqm

6. As at end December 2022, Governmental Entities were leasing at least 260 properties from the private sector, with an annual leasing cost greater than €1,000 each. To this end, in 2022, the total leasing cost for the 260 private properties under review amounted to €22 million.
7. These lease agreements had the following characteristics:
 - a. Around two-thirds of the leases relate to office space.
 - b. In 43 per cent of the 260 cases, Governmental Entities did not carry out a formal and documented needs assessment prior to leasing a private property.
 - c. Since the introduction of Subsidiary Legislation (S.L.) 601.12, that is after 30 April 2020, Governmental Entities entered into 84 leasing agreements. In 23 out of these cases, Governmental Entities declared that they have diverted from the procurement regulations established in S.L. 601.12. These 23 lease agreements with the private sector have a total contract value of over €16.5 million.
 - d. The average annual lease for office space stood at €118 per square metre (sqm). However, this rate cannot be assessed on its own as one has to take into account other variables, such as the location and the trade-off between the leasing rate per sqm and the capital investment required.

8. In six cases, the capital investment incurred by Governmental Entities over and above the leasing fees exceeded €1 million per property. These leasing arrangements had an average lease duration of 13 years. The Entities involved incurred this capital expenditure to ensure that the leased property addresses more adequately their operational requirements. This state of affairs further raises concerns since, in three out of these six cases, the capital investment per sqm exceeds the average leasing rates.
9. The above findings show that the leasing of private property by Governmental Entities is yielding benefits, such as providing additional space and better location. On the other hand, this Office raises concerns about the procedures in place to lease private property. These concerns relate to planning, management and monitoring issues.

Overall Conclusion

10. Governmental Entities' practice of leasing private properties for their daily operations has been increasing over the years. Consequently, the *Procurement of Property Regulations* (S.L. 601.12) was introduced in 2020, aiming to better regulate the procurement of property, a matter that was previously exempted from the *Public Procurement Regulations* (S.L. 601.03).
11. The drive to lease property from the private sector was two-pronged. On one hand, Governmental Entities moved to leased property due to insufficient office space and to operate from a better location. On the other hand, the condition of Government-owned property and the relative operational issues are hindering Governmental Entities from making use of unutilised Government-owned property. This situation implies that Government needs to strengthen its estate management function, both with respect to state-owned properties and leasing arrangements with the private sector.
12. This Study has uncovered various governance concerns, more specifically relating to compliance to the regulatory framework, economy, efficiency, and effectiveness, as well as accountability and transparency issues. These elements affect the degree to which a number of leasing arrangements could be considered as optimal and conducive to value for money.
13. The recommendations related to this Preliminary Review are presented in Chapter 4 'Concluding Remarks' from page 44 to 45.

Chapter 1 | Terms of Reference

1.1. Background Information

- 1.1.1. In the past years, due to increasing space requirements and to facilitate client services and interface, various Governmental Entities leased premises from the private sector. This was mainly due to the expansion of Government services and the introduction of new Governmental Entities. The leasing of private properties by Government was on many occasions triggered by the lack of readily available State-owned properties which could adequately cater for the current and future needs of Governmental Entities. Even though Government owns a number of unutilised properties, the Lands Authority (LA) contended that the majority of these buildings needed extensive refurbishment which could not be carried out in a short timeframe. Moreover, should Government resort to invest in buying new properties, this would probably be reflected in a significant increase in the Government cash outflow.
- 1.1.2. To-date, a centralised database with respect to the total population of private property leased by Government is not available. This data is fragmented between the different Governmental Ministries, where each Ministry is responsible for the leases under its portfolio.
- 1.1.3. During the preliminary stage of this audit, this Office managed to trace several Parliamentary Questions which provided broad information about the extent of leased premises within the various Ministries. The analysis of this data, however, was subject to some limitations. In some instances, Ministries did not furnish Parliament with information on the cost of the leasing of some premises, whereas in other cases, the cost of lease did not relate to the period under audit. This hindered this Office from collating full information concerning leased properties, as well as prohibited analysis which considers the same baseline. This limitation was mitigated by firstly requesting each of the 19 Governmental Ministries¹ to indicate all properties leased from the private sector.
- 1.1.4. Following this phase, a questionnaire was disseminated to each Governmental Entity identified by the respective Ministries as having leased property from the private sector. This questionnaire was intended to help us identify and collate information regarding the population of private properties being leased by the various Governmental Entities, as well as to gain a better understanding of the challenges faced during such leasing.

1.2. Government leasing of private property was only recently regulated

- 1.2.1. The process regulating the procurement of Government leasing of private property was only addressed through the introduction of Subsidiary Legislation (S.L.) 601.12 *Procurement of*

¹ For the scope of this Preliminary Review, this Office considered the Ministries' remit and responsibilities as at December 2022.

Property Regulations. This legislation came into force on 30 April 2020. This was enacted to address the gaps in the procurement process relating to immovable property. The main objective of the legislation was to regulate the way Government carries out the procurement of property in an efficient and transparent manner. In October 2020, the Department of Contracts (DoC) issued Contracts Circular No 13/2020 with the primary objective of briefly summarising the salient contents of the Legal Notice. This circular provided a clearer overview of the legislation which became applicable to Governmental Entities who resort to such leasing of property from the private sector.

1.2.2. Prior to the enactment of this S.L. in April 2020, the procurement of immovable property was not covered by any regulatory framework. To this end, the *Public Procurement Regulations* specifically excluded ‘*public contracts for the acquisition or rental, by whatever financial means, of land, existing building or other immovable property or concerning rights thereon*’ from the scope of the same regulations through article 7(1)(g) of S.L. 601.03.

1.2.3. The standing practice at the time involved the Contracting Authority requesting funding from the Budget Office. The request for funding used to include the selection of the preferred bid from the identification of three properties. Through the introduction of the new legislation, the procurement was defined as the acquisition by whatever title, whether real or personal, of immovable property by a Contracting Authority.² Nonetheless, specific exclusions from the applicability of these regulations are stipulated therein. This comprises the following:

- a. Procurement of property which is regulated by any other law;
- b. Procurement of property outside the territory of Malta;
- c. Procurement of property between Contracting Authorities or bodies governed by public law;
- d. Procurement of property declared to be secret or is accompanied by special security measures in accordance with the laws, regulations or administrative provisions in force in Malta; and
- e. Procurement of property authorised under a Government scheme published in the gazette.

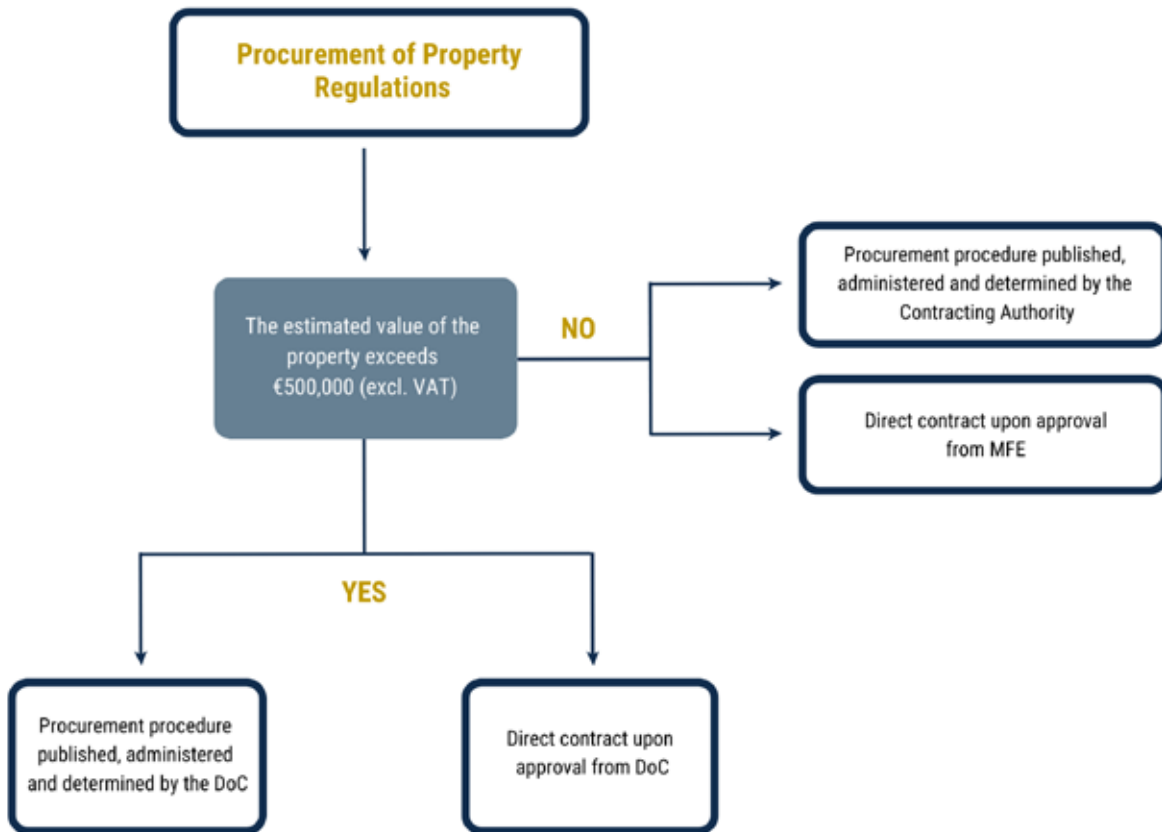
1.2.4. The procurement process regulated under S.L. 601.12 *Procurement of Property Regulations* is based on the estimated value of the property in question. Two courses of action are stipulated in the regulations, covering two different scenarios, namely, where the estimated value³ of the property does not exceed the threshold of €500,000 (VAT excl.), and where the said threshold is exceeded. In the former case, the procurement is considered as a Departmental Procurement Call and is published, administered and determined by the Contracting Authority without the need to involve the Director of Contracts. On the other hand, where the threshold of €500,000 is exceeded, procurement is published, administered and determined by the Director of Contracts, on behalf of the Contracting Authority. All procurement procedures published under these regulations will be awarded based on the criteria set out by the authority responsible for the tendering process. However, notwithstanding anything included under these regulations,

² Source: S.L. 601.12 *Procurement of Property Regulations*.

³ Covering the entire lease period.

pursuant to Regulation 41 of this legislation, a Contracting Authority may also procure through a Direct Contract upon obtaining the prior written approval from the competent authority, based on the threshold of the estimated procurement value as referred to earlier. Figure 1 provides a graphical illustration of this procurement process.

Figure 1: Leasing of Private Property Procurement Process



1.2.5. The procedure set out in the Legal Notice stipulated that, prior to the commencement of a procurement process related to immovable property, the respective Contracting Authority must consult with the authorities responsible for the administration of Government lands and building, namely the LA and Joint Office (JO). If these entities are of the opinion that a property in their respective portfolio fulfills the requirements of the Contracting Authority, then the latter will be obliged to make use of such property rather than proceed through the established process for the leasing of private property. Where the LA and JO have no suitable properties within their portfolios, then the Contracting Authority is to carry on with the procurement as per S.L. 601.12.

1.3. Audit Scope

1.3.1. This joint audit sought to identify all the private properties being leased and/or used by the 19 Governmental Ministries, as well as their respective Governmental Entities (including any specific Department / Directorate / Unit, and any other Constitutionally or Officially Appointed

Body) as at end December 2022. For the scope of this audit, properties used abroad by the Ministry for Foreign and European Affairs and Trade (MFET), properties currently being utilised by Local Councils, as well as properties leased by the Housing Authority (HA) for social housing residential purposes, were excluded. This review will be carried out in two stages, covered through two separate reports. This Report will mainly provide an in-depth analysis of the results collated through the survey, as well as review of the LA's contribution in the leasing of private properties. In the second Report, this audit seeks to determine the extent to which such leasing arrangements represent good value for money.

1.4. Audit Objectives

1.4.1. Within this context, the main audit question of the whole review is intended to establish the degree to which Governmental leasing of private property reflects value for money. To varying degrees, the limitations outlined in the opening paragraphs of this Report concerning the fragmentation of information about Government's leasing function, influenced the objectives of this phase of the assignment since the main quest at this stage was to determine a population and related characteristics concerning these properties. Consequently, for the purpose of this Preliminary Review, the National Audit Office (NAO) sought to:

- a. assess whether the appropriate procedural framework governing the leasing of private property by Governmental Entities is in place;
- b. determine the level to which the LA maintains updated information regarding the public properties available for potential use by the different Governmental Entities, and which can potentially meet the latter's needs; and
- c. identify and analyse the main characteristics of private properties being leased by Governmental Entities in Malta and Gozo.

1.5. Audit Methodology

1.5.1. The attainment of the audit objectives relating to the first phase of this review entailed a mix of methodological approaches. The following refers:

- a. **Adherence to ISSAIs and guidelines** – This audit was carried out in accordance with the Standards for Financial and Performance Auditing, International Standards of Supreme Audit Institutions (ISSAI), namely ISSAIs 2000 and 3000. Moreover, reference was also made to guidelines establishing performance audit methodology, particularly the European Court of Auditors (ECA) performance audit manual.
- b. **Documentation review** – This included a thorough analysis of the legislative framework, together with related strategies and policies where applicable.

- c. **Semi-structured interviews** – These interviews enabled the collation of qualitative data, which in turn was used to corroborate information arising from other sources. To this end, the NAO interviewed key officials within the LA, the JO and the DoC. The issues raised through these interviews were triangulated with information gathered through a survey which was addressed to Ministries and Governmental Entities involved in the leasing of property from the private sector.
- d. **Survey** – This survey was intended to help the NAO identify and collate information regarding the population of private properties being leased by the various Governmental Entities, as well as to gain a better understanding of the challenges faced during such leasing.

1.5.2. All issues presented in this Report reflect the situation as at end December 2022.

1.6. Audit Limitations

1.6.1. Despite the various methodological approaches adopted, this review encountered a number of limitations. These limitations and the mitigating approaches adopted will be discussed in detail in the relevant Chapters. Nonetheless, hereunder is a brief outline of the difficulties encountered:

- a. Data with respect to Government leasing from the private sector was not centrally available and requests for such data had to be made separately to each of the 19 Governmental Ministries. Such a scenario could potentially impact on the completeness of such data, since this is fragmented between the different Governmental Ministries and entities. To counter this limitation, a request has been made to all the Governmental Ministries to indicate the total number of private properties being leased by entities within their portfolio. This was followed by the issuance of a survey which was aimed at identifying and collating relevant information regarding this population of private properties being leased.
- b. Data with respect to unutilised Government properties in terms of type, location, footprint, and condition related to the use of property was not readily available. This precluded this Office from accurately determining the total portfolio of unutilised properties, which in turn hindered the analysis of the possible options available in lieu of leasing from the private sector. To mitigate this limitation, the audit team held discussions with the LA and engaged in official correspondence with Industrial Innovation Solutions Malta Ltd (INDIS Malta Ltd) and the HA to try to determine, as could be feasibly possible, the entire portfolio of these unutilised properties.
- c. Evaluation assessments comparing the cost-effectiveness of different possible options for Government estate management were not readily available. This limitation will be dealt in more depth during the second stage of this assignment where an analysis of market research could potentially be undertaken.

1.6.2. A number of leasing agreements signed between Governmental Entities and the private sector, and which to date are still *in vigore*, pre-date the introduction of S.L. 601.12. Therefore, prior to April 2020 when this legislation came into force, such leasing arrangements were not covered by appropriate regulations. To mitigate this limitation, during both this Preliminary Review and the second phase of this exercise, the audit team intends to compare leasing arrangements which came into effect prior to the introduction of S.L. 601.12 with other arrangements which were introduced following the enactment of this legislation.

1.7. Report Structure

1.7.1. Following this introductory Chapter, the Report proceeds to discuss the following:

- a. **Chapter 2** discusses the role of the LA and the JO in the procurement of Government leased private properties.
- b. **Chapter 3** aims to collate the total portfolio of private properties being leased by Ministries and Governmental Entities in Malta and Gozo, as well as provide an in-depth analysis of the characteristics surrounding such leases.
- c. **Chapter 4** outlines the conclusions emanating from this Review.

1.7.2. The overall conclusions and recommendations related to this Preliminary Review are presented in this Report's Executive Summary from page 7 to page 9.

Chapter 2 | Administration of public property for use by Governmental Entities

2.1. Introduction

2.1.1. During the past years, the expansion of Government services and the introduction of new and more adequate facilities resulted in Governmental Entities requiring additional space offering modern and often state of the art office facilities. The Government of Malta is by far the largest landowner in the country, owning a wide variety of property ranging from vacant to rural land, office buildings, commercial premises, residential premises, stores, garages as well as towers and fortresses. Nevertheless, various Governmental Entities very often resort to leasing premises from the private sector.

2.1.2. Government ownership of immovable property knows a variety of sources, including purchased property, being property acquired by Government from third parties.⁴ In terms of the *Lands Authority Act (CAP. 563)*, 'it shall be the duty of the Government to optimise land resources and its building resources for the economic and social development of Malta through a comprehensive sustainable land use and property use system, and to that effect:⁵

- a. ensure the best use of Government land;
- b. provide an effective and reliable land management system; and
- c. enable the full use of land and building information for better land and property management.'

2.1.3. Following the enactment of *Procurement of Property Regulations, Subsidiary Legislation (S.L.) 601.12 (Legal Notice 163 of 2020)*, Governmental Entities are to enquire about the availability of Government-owned properties with both the Lands Authority (LA) and the Joint Office (JO) before starting a procurement process. These organisations have separate and distinct roles, with the latter being responsible for registering the titles of all formerly owned Church property that was transferred to the State under the 1993 Church-State Agreement. Once the JO registers a property, it is passed on to the LA, which is responsible for the administration and management of all land and property owned by the Government of Malta, as well as all land forming part of the public domain.

2.1.4. Notwithstanding the above, rights and responsibilities on lands which have been disposed of by virtue of the *Commissioner of Land Ordinance (CAP. 169)* and the *Housing Authority Act (CAP. 261)* shall still be managed by Industrial Innovation Solutions Malta Ltd (INDIS Malta Ltd) (formerly known as the Malta Industrial Parks Limited) and the Housing Authority (HA).⁶ However, since these entities were not included in the *Procurement of Property Regulations*,

⁴ <https://landsauthority.org.mt/resources/faqs/> as at 23 November 2023.

⁵ This unit work is beyond the scope of this audit.

⁶ *Government Lands Act*, Article 4.

they were deemed to fall outside the scope of this audit, which relates to private properties leased by Government to be utilised as offices and other supporting functions.

- 2.1.5. Within this context, and considering the LA's role in finding suitable public properties from where Governmental Entities could operate, as well as the objectives of this audit particularly vis-à-vis the leasing of private property, this Chapter sought to present the extent to which the:
- a. legal framework is in place to enable effective estate management;
 - b. operations at the LA are backed up by appropriate database management systems to facilitate the identification of suitable properties;
 - c. vacant public property is made available for use by Governmental Entities in a timely manner; and
 - d. resources available are sufficient to enable the LA to carry out its role in the leasing of private property in a more efficient and effective manner.

2.2. The existing regulatory framework generally mandates the Lands Authority to contribute effectively towards the management of properties in use by Governmental Entities

- 2.2.1. Through the *Government Lands Act* (CAP. 573, Part II, Article 3), as well as the *Lands Authority Act* (CAP. 563), the LA is responsible for the administration of all the land that belongs to the Government as well as '*any other land that does not belong to the Government however it is possessed or held or administered by the Government*'. While this provision obliges the LA with administrative responsibilities for all the leased properties from the private sector, in practice the LA is not appropriately resourced to execute such a broad function.
- 2.2.2. The LA contends that the Authority is generally not involved in the leasing of private property by Governmental Entities. The Authority stated that Governmental Entities usually prefer to keep such task well within their own control.
- 2.2.3. As noted in Chapter 1 of this Report, the procedure set out in Legal Notice 163 of 2020, as well as the complementary circular issued by the Department of Contracts (DoC), stipulate that prior to the commencement of a procurement process related to immovable property, the respective Contracting Authority must consult with the LA and the JO. In case a property within their portfolio fulfills the requirements of the Contracting Authority in question, then the latter may decide to make use of such public property. If both the LA and the JO do not have suitable properties within their portfolio, then the Contracting Authority can proceed with the procurement process in connection with immovable property.

2.2.4. However, S.L. 601.12 includes specific exclusions, thus precluding the LA from contributing to these cases. As noted in Paragraph 1.2.3, these exclusions comprise cases whereby the procurement of property is:

- a. regulated by any other law;
- b. outside the territory of Malta;
- c. between contracting authorities or bodies governed by public law;
- d. declared to be secret or accompanied by special security measures in accordance with the laws, regulations, or administrative provisions in force in Malta; and
- e. authorised under a Government scheme published in the gazette.

2.2.5. The first exclusion, that is, '*Procurement of property which is regulated by any other law*', whilst being a matter of policy, does not seem to be consistent with the approach adopted by Government in 2020. The new legislation aimed to streamline the procurement process of immovable property through S.L. 601.12, for improved transparency and accountability.

2.2.6. With regard to the remaining exclusions, whilst understating the possible *raison d'être* behind such a decision, these cases still represent opportunities for circumventing the requirements of the Regulations. Specific cases were not within the scope of this audit, consequently, this Office is not aware whether, as a minimum, there are Standard Operating Procedures (SOPs) in place to manage such procurement in an efficient and effective manner.

2.2.7. As stated in Article 5 of S.L. 601.12, these Regulations do not apply retrospectively. This implies that leasing contracts which commenced prior to 30 April 2020 are still governed by the laws and regulations applicable at the time (where such procurement was excluded from the *Public Procurement Regulations*). Furthermore, the *Procurement of Property Regulations* do not apply in case where pre-existing agreements are renewed after the date of entry into force of these Regulations. Such situation limits the LA's contribution to the Governmental Entities' quest for adequate premises.

2.3. Various operational issues hinder the Lands Authority from ensuring effective and efficient estate management

2.3.1. The NAO managed to identify several operational issues that are holding back the LA from administering the properties under its responsibility in a more efficient and effective manner. These operational issues include incomplete and outdated digital information in the Land and Estate Management Information System (LEMIS), as well as the lack of SOPs for managing the Governmental Entities' queries for vacant properties.

The digital information available at the Lands Authority on vacant properties is not exhaustive

2.3.2. The LA carries out initial searches for vacant properties through its own database, that is, the LEMIS. This database was designed to facilitate the management of technical and financial information. Moreover, LEMIS holds information in relation to thousands of properties and was upgraded multiple times over the years. Thus, it is important to acknowledge the complexities associated with managing such tool efficiently. To this end, this Office has noted the following deficiencies:

- a. The reconciliation between the physical files and the data contained in the LEMIS remains outstanding. This situation was also noted by a previous National Audit Office (NAO) Report published in December 2022.⁷ Consequently, the LA is not able to confirm whether the current list of publicly managed properties, as available in the LEMIS, is complete or otherwise. Since the Authority is in possession of tens of thousands of files that have been accumulating over the past decades, the greater the importance of undertaking such an exercise at the earliest, as it is physically impossible to review a large quantity of physical files every time that it receives a request from a Governmental Entity. This would enable the LA to carry out this specific function, that is, identifying vacant public property that could meet the needs of specific Governmental Entities in a more efficient and effective manner.
- b. This database does not contain all property-related details. For instance, this review noted that the LEMIS includes fields in relation to the footprint, as well as the total utilisable area of properties, but these have not been populated. Moreover, this database is not used to log other important characteristics, such as site accessibility that may be a prerequisite to meet a specific Governmental Entity's needs. As a result, the LA's employees must also refer to the physical files containing property details to obtain a better picture of the situation, including whether the Authority should have the keys to the property or otherwise. It is to be noted that this can be a very time-consuming process.
- c. The actual status of the property may differ significantly from what is held on record, particularly those occupied under a title of emphyteusis, as cited by the LA. For example, a property recorded as a house may actually be a block of flats. However, the LA has deemed it impractical to inspect all properties to determine their actual status, as this would be a mammoth task that would require significant resources, which the Authority does not have. Additionally, the LA believes that such an exercise would be futile, as the status of properties could change again by the time the first round of inspections is completed. Nonetheless, this Office maintains that it is imperative that Government has a comprehensive inventory of its properties which is regularly monitored and kept up to date.

⁷ NAO, 2022, "Report by the Auditor General, Annual Audit Report Public Accounts 2021", p. 208.

2.3.3. The LA contends that data contained in LEMIS on unutilised Government properties, is around 80 per cent accurate in terms of property listing. Whilst the process of updating the LEMIS is in the pipeline, the LA stated that it is currently focusing the limited resources at its disposal on the scanning of the physical files to digitise that process.

There is no standard operating procedure in place for managing generic enquiries for vacant properties by Governmental Entities

2.3.4. The LA makes a distinction between those entities that request or enquire about a particular property (specific enquiry) and others who are enquiring about the availability of properties that match their specific needs and requirements (generic enquiry). In the first case, there is a set, formalised and documented process, whereby the enquiring entity needs to submit a duly filled in application form referred to as the GOV 1 application to kick-start the process.

2.3.5. On the other hand, there is no established SOP as to how generic enquiries by Governmental Entities in terms of S.L. 601.12, about the availability of properties that match an entity's specific requirements, shall be submitted to the Authority and processed by the latter. A similar situation was also noted at the JO, despite being specifically mentioned in the DoC circular 13/2020.

2.3.6. Since NAO's request for information, the LA has started to log such enquiries, as well as the respective outcome. This is considered as a welcome and positive development. In addition, the LA indicated its intention to set up an SOP for this type of request, which shall also be accompanied by an application form. However, in the absence of an SOP, it could not be ascertained what checks are carried out by the LA when trying to identify suitable properties, as shall be discussed in the ensuing Section of this Chapter.

2.4. The Lands Authority contends that vacant public properties do not generally meet the needs of Governmental Entities

2.4.1. Despite the operational issues discussed in the preceding Section of this Chapter, upon the NAO's request during the course of this audit, the LA compiled the list of generic enquiries for vacant properties made by Governmental Entities following the introduction of S.L. 601.12, in April 2020. This included 20 requests in total, of which two were raised in November and December 2022 respectively and the remaining 18 were all raised in 2023.

Table 1: Generic enquiries for vacant properties by Governmental Entities⁸

Outcome of generic enquiries for vacant properties	No. of Cases
No property matching with specifications requested	16
Property matching with most specifications	2
Ongoing property search	2
Vacant properties transferred to Governmental Entities	0
Total	20

2.4.2. As noted in Table 1, the LA managed to locate and offer a property in 2 of the 20 cases. However, the Authority contended that in both cases the property offered was refused by the respective Governmental Entity, mainly due to the extensive refurbishment works and costs involved. LA stated that vacant properties are often in a dilapidated state and consequently Governmental Entities often turn down such opportunities due to lack of resources and the long period which would be required to carry out the necessary works.

2.4.3. As at 23 October 2023, the Authority was still processing 2 of the 20 requests that were received on 26 July 2023 and 6 September 2023 respectively. In the remaining 16 cases, no property matching the required specifications was identified by the LA, and in five of these cases the respective Entity was advised to enquire with the HA and INDIS Malta Ltd.

2.4.4. In line with the objectives presented in the introductory part of this Chapter, the NAO has attempted to assess the timeliness associated with the processing of such generic enquiries. The time taken to process 16 of the 20 requests received by the LA between 11 November 2022 and 6 September 2023, ranged from 1 to 217 days, with a mean processing duration time of 45 days.

2.4.5. Moreover, 5 out of the 20 requests (25 per cent) were processed within six days or less, which seems to be relatively challenging. This ascertainment considers the additional duties performed by the same officers, the large portfolio of properties that are administered by the LA, as well as the limitations associated with LEMIS, including the need to go through hundreds of physical files (Paragraph 2.3.2.a refers). Information forwarded to this Office in October 2023 shows that there were around 4,119 vacant public properties on LEMIS, subject to additional verifications, such as physical inspections that would exclude any issues of concern, including the presence of squatters.

2.4.6. Within this context, the LA remarked that entities' requests are often quite elaborate, where requisites may include on-site parking and excessive floor space. Whilst this Authority understands the need for adequate, accessible and state of the art premises, the Government's real estate portfolio, apart from often being in a state of disrepair, is also located in buildings and areas that make it difficult to match with the requirements listed by the enquiring entity.

⁸ In the absence of an adequate audit trail, completeness and accuracy of the list provided could not be ensured.

- 2.4.7. The other authority mentioned in S.L. 601.12, namely the JO, could only trace two recent generic requests for vacant properties. The JO stated that both requests were forwarded to the LA as the responsible entity, for additional verifications from its end.
- 2.4.8. The NAO survey, that was conducted for the purpose of this audit, and which is discussed in detail in Chapter 3 of this Report, indicates that the LA should have received 84 enquires from various Governmental Entities in view of leasing agreements entered into between May 2020 and December 2022. However, only two cases were traced in the list provided by the Authority for the same period.

There is no strategy in place for the refurbishment of unutilised properties

- 2.4.9. The Government has not developed a comprehensive strategy and a detailed action plan for the refurbishment of existing unutilised buildings. The LA, as the entity responsible for the Government's estate, stated that one of its strategic aims is to be able to actively market Government-owned properties to increase take-up, thereby making better use of public assets. As suggested by the LA, a refurbishment programme should be developed for the unutilised properties owned by the Government, where at least the major capital expenditure is carried out to make the property usable. However, this program is still at its very early stages and no costing exercises have yet been undertaken to assess the feasibility of undertaking such works and to evaluate the cost-effectiveness of this decision.
- 2.4.10. The Authority attributes this situation to the lack of human and financial resources, as shall be discussed in the ensuing Section. A case in point relates to the budgetary allocation of €500,000 which is generally absorbed by urgent repair works or to clear imminent danger. Moreover, the Authority asserts that the refurbishment of Government-owned properties in a good state is strongly dependent on other Governmental Entities, such as the Public Works Department and the Restoration Directorate. However, the LA contends that there has never been much synergy between the Authority and other Governmental Entities when it comes to refurbishment or recovery projects. In this regard, the Authority was not able to submit to this Office the number of requests that it submitted to other entities to refurbish Governmental property.

2.5. Additional resources are required to better administer vacant public properties and monitor the Governmental Entities' needs

- 2.5.1. Over the past years, the LA embarked on various projects to enhance its management and operations of Government's property portfolio. The LA contends that initiatives in this regard include:
- a. the launching of several schemes designed to rationalise the disposal of Government property. These are in the form of Legal Notices under the umbrella of the *Government Lands Act, CAP 573*;

- b. the establishment of an online portal for the capture of applications linked to the various schemes. The most recent is the REC1 application, which has been produced in collaboration with the Notarial Council, with a view to streamlining requests for recognition of new tenants in the case of transfer of emphyteusis;
 - c. the launching of a paperless office to streamline the processing of applications. This has now been successfully tested on three applications and will be rolled out to all other applications in the near future; and
 - d. the scanning of all active files, which by end of 2023 was approaching the 70 per cent completion rate. This task will be followed by the digitalisation of the entire archive of around 150,000 records.
- 2.5.2. This audit, however, has revealed that the LA is not adequately resourced, both in terms of human as well as financial and technical resources. These circumstances hinder the LA from managing the significant portfolio of vacant properties in a more efficient and effective manner.
- 2.5.3. As confirmed by the Authority, it is finding it extremely difficult to recruit new staff. The multiple calls for the recruitment of different roles within the LA were generally unsuccessful. Recent vacancies included three positions for a Legal Senior Professional Officer (SPO), two positions for Architect and Civil Engineer SPO, and one call for a Manager in Public Relations. The LA noted that applicants are generally either not eligible or else not deemed to be suitable for the specific posts. In total, out of the 23 calls for recruitment issued by the Authority between 17 November 2022 and 12 September 2023, only one applicant was successfully employed with the Authority in the role of a Legal SPO.
- 2.5.4. The NAO noted that openings are currently being published on the Authority's website and on a specific virtual platform. Hence, the LA has not considered other platforms that can be powerful tools for reaching potential candidates and promoting vacancies.
- 2.5.5. According to the LA, this situation could be attributable to the lack of competitive salaries and benefits. The Authority suggested that the only solution to address the human resources issue could be to improve the conditions in the current Collective Agreement.
- 2.5.6. Nevertheless, this Office noted that such calls for recruitment were not supported by a formal and documented capacity building exercise. This type of assessment could not only prove to be beneficial for identifying and addressing present needs, in terms of the skills and knowledge that are required of its employees, but could include relevant projections to cater for future needs. The LA contended that the recruitment and training analysis carried out by the Human Resources section, despite not being documented, focused on the needs of each Directorate, mainly in terms of workload struggles to attain the set key performance indicators for greater efficiency.

- 2.5.7. To mitigate such a situation, the LA is also considering subcontracting specific labour-intensive tasks that are impinging negatively on its operations. These include the digitalisation of all physical files. However, the LA contended that it still needs to determine the cost of this task and raise the necessary funds as the budgetary allocation for 2024 does not permit the undertaking of such initiatives. A similar situation prevails with data inputting in the LEMIS to ensure that the system contains all relevant information in relation to each property.
- 2.5.8. The issue of limited resources is also hindering the Authority from adopting a more proactive approach regarding the private properties being leased by Governmental Entities. Unless explicitly requested, the LA is not involved in the leasing of private property and does not keep track of such agreements as discussed in paragraph 2.2.2. Consequently, the LA is not fully aware of the needs of different Governmental Entities that are currently leasing private property, particularly leases that commenced prior to the entry into force of S.L. 601.12, forfeiting the opportunity to facilitate the matching process and thus better manage its portfolio of vacant properties.
- 2.5.9. Similarly, the JO has a significant backlog of unregistered properties due to the lack of resources as well as the complexities involved. Registering these properties requires extensive research and documentation, resolving ownership disputes, and updating the land registry. This is a time-consuming process, especially given the age and condition of many of the properties. This Office is a relatively small entity with limited resources, making it difficult to keep up with the workload. As a result, it is taking a very long time to register and transfer all the properties under its responsibility to the LA. Such a situation is preventing the Government from making use of these unutilised assets, possibly as offices or for other purposes. Nonetheless, in the event that a Governmental Entity identifies an unregistered property that suits their requirements, the JO gives priority to the registration of the said property to facilitate the possible transfer and use.

2.6. Conclusions

- 2.6.1. Whilst acknowledging the complexities associated with managing such a large portfolio of vacant properties, allowing valuable public assets to remain unutilised or, worse still to become in a dilapidated state, is a cause of serious concern. This audit has revealed some operational issues that are hindering the LA from administering vacant properties in a more efficient and effective manner.
- 2.6.2. These issues mainly relate to the lack of comprehensive digital information and SOPs for managing the generic enquiries for vacant properties received from different Governmental Entities. Such a situation is mainly attributable to the limited human, financial and technical resources at the Authority's disposal.
- 2.6.3. Similarly, the JO also lacks the necessary resources to resolve the issue of unregistered ecclesiastical properties. This situation limits the stock of properties at the State's disposal, and which could potentially meet the needs of different Governmental Entities that are currently resorting to leasing property from the private sector.

- 2.6.4. Unutilised public properties generally require substantial refurbishment works as contended by the LA. Consequently, in the absence of a detailed strategy for the refurbishment of these assets, as well as the allocation of sufficient financial resources, these properties cannot be made available to Governmental Entities in a timely manner.
- 2.6.5. In the circumstances discussed in this Chapter, the LA can only play a marginal role in providing Governmental Entities with valid alternatives to the leasing of private properties. The NAO acknowledges that it remains essential for the LA to augment its IT infrastructure and to fully digitise its property inventory. In practice, however, unless this initiative is complemented with policy direction to significantly invest in Government property as a priority as opposed to leasing, it is unlikely that the recent trend towards reverting to the private sector will be contained in the short-term.
- 2.6.6. This Chapter discussed the LA’s role in the Governmental Entities’ quest for adequate facilities. The next Chapter discusses the results emanating from the NAO’s questionnaire regarding the private properties being leased by different Governmental Entities as at end 2022.

Chapter 3 | Leasing of private properties by Government

3.1. Introduction

- 3.1.1. Effective management of property used by public entities, including those leased from the private sector, is critical to ensure the efficient use of public resources and the alignment of assets being procured or leased with the users' needs. Thus, the management of property entails that Government has a comprehensive asset inventory, documentation of entities' property needs assessments, asset utilisation analysis, lease management, space optimisation, maintenance and repairs programmes, as well as sustainability and energy efficiency ratios of properties listed in Government's portfolio. These attributes will serve as the basis for financial management and performance analysis of property available to Government at a given time.
- 3.1.2. As discussed in the previous Chapter, Government does not have a comprehensive database that facilitates its overview of all property owned or leased. As the focus of this audit is on leased private property, this review, acknowledges the attempts carried out through various Parliamentary Questions to acquire information on leases. However, answers given did not generally provide comprehensive information on specific leases, including the yearly costs and contract duration of all the properties rented from the private sector.

Survey undertaken by NAO to determine the population of Government leased properties

- 3.1.3. Against this backdrop, the National Audit Office (NAO) embarked on an exercise to determine the total number of leased private property by Governmental Entities and their characteristics. The exercise entailed two main tasks. First, a request was submitted to each of the 19 Government Ministries to provide a list of all entities within their respective remit that were leasing and/or making use of leased private property. Secondly, during July and August 2023, the NAO disseminated a questionnaire to all Ministries to gather information regarding the leases in place during December 2022 that had a yearly rental value exceeding €1,000. Excluded from this survey were local councils, property owned by the Housing Authority that is being used for residential purposes and property used by the Ministry for Foreign and European Affairs and Trade outside Malta (MFET).
- 3.1.4. Through the survey, this Office also aimed to gather information regarding the main elements that were considered as essential in property management. These included, among others, the use of the private property leased, contract duration, cost per year, area leased, the undertaking of needs assessments by Governmental Entities to facilitate leasing decisions, the procurement method used, energy efficiency ratings and insurance cover. The survey was prepared in an online format, using a third-party tool, to facilitate the data collection process and obtain an adequate response rate.

3.1.5. Up to end of October 2023, the questionnaire elicited 313 responses, out of which this Office has analysed 260 valid replies following a quality control exercise. This exercise entailed various validation checks. These included:

- a. ensuring that an agreement was in place as at end December 2022;
- b. eliminating multi submissions covering the same leased property;
- c. sub-leasing between Governmental Entities;
- d. leasing of facilities rather than premises, such as, gym facilities, operating theatre space and hospital beds.

3.1.6. Appendix I provides a detailed account of the questionnaire responses received.

3.1.7. This Office also corroborated the responses received from the questionnaire with the list of Direct Orders maintained by the Ministry for Finance and Employment (MFE), as well as data provided through Parliamentary Questions relating to leased private property. Through this exercise, a number of lease agreements that, for various reasons, were not included in the survey data submitted were identified. These circumstances necessitated that, where applicable, the Governmental Entities involved would complete a separate questionnaire. This approach elicited another eight survey responses which were submitted after the cut-off date of end October 2023. However, when considering the limited validation checks that could be carried out in the time frame available to the NAO, it was decided that, for the purpose of this exercise, it would only consider the 260 valid responses received. Appendix II provides further details regarding these eight survey responses. Due to the lease agreements' materiality, these additional eight survey responses will also be considered during the selection process of case studies that will feature in the second phase of this assignment.

3.1.8. This Office encountered a number of limitations in the undertaking of this survey. These relate to the following:

- a. **Leased property excluded from Subsidiary Legislation (S.L.):** Legal Notice 163 of 2020, entitled *Procurement of Property Regulations 2020*, regulating the lease of private property does not apply in various cases. These relate to exclusions highlighted in S.L. 601.12, such as lease agreements outside Malta (Section 1.2.3).
- b. **Completeness:** NAO was dependent on the information received through the survey. In this regard, this Office did not carry out physical checks, including review of files relating to the procurement of private property. To partially mitigate this limitation, two exercises were carried out, whereby the responses received were triangulated with the information retrieved from a list of Direct Orders issued and Parliamentary Questions on the subject matter.
- c. **Verification checks:** The first aim of the survey was to have a comprehensive database of all the leased property from the private sector. While validation checks, including

reasonableness testing, were carried out, following this study, a performance audit will be undertaken to analyse a number of case studies in further detail.

3.1.9. In view of the foregoing, this Chapter proceeds to discuss the following:

- a. a general overview of the questionnaire results;
- b. governance issues relating to the leasing of private property by Governmental Entities; and
- c. value for money considerations.

3.2. As at December 2022, Government was leasing more than 260 properties from the private sector

3.2.1. The survey undertaken by the NAO revealed that Governmental Entities were leasing more than 260 properties that had an annual lease cost greater than €1,000.⁹ In this regard, based on the information submitted by the entities leasing private property, during 2022, Government incurred €22 million to finance the leasing of 260 private properties. This amount increased by a further €210,651 when considering the additional eight survey responses submitted after the exercise’s cut-off date of end of October 2023. Through the questionnaire, the NAO elicited the main characteristics of the leased properties, namely their location, the year the agreement was entered into, the property owner and the use of the leased site.

12 per cent of the property leased by Government is located in Valletta

3.2.2. The survey showed that during 2022, Governmental Entities were mainly leasing property in the Northern Harbour and Southern Harbour Regions. Table 2 refers.

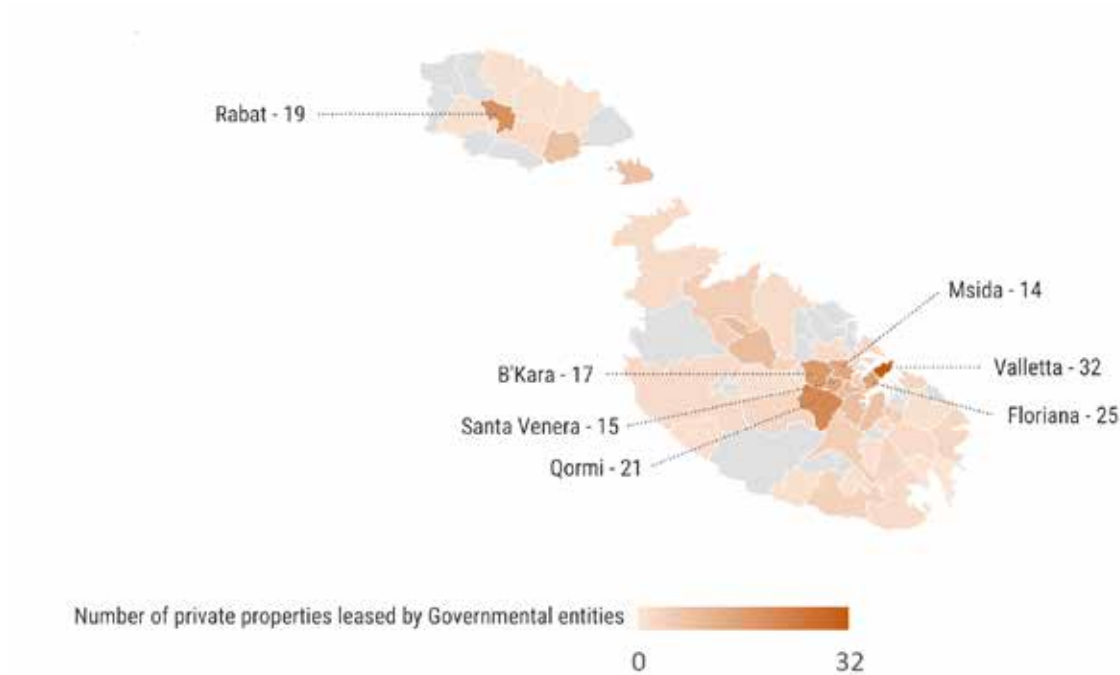
Table 2: Private property leased by region

Region	Property leased (No.)
Gozo and Comino	35
Northern	20
Northern Harbour	95
South Eastern	17
Southern Harbour	81
Western	12
Grand Total	260

⁹ 260 properties refer to the surveys submitted by Governmental Entities up to end of October 2023, and which were analysed by this Office.

3.2.3. Further analysis shows that 32 out of the 260 properties included in this analysis are located in Valletta. This amount constitutes 12 per cent of the total number of properties or five per cent of the total 213,112 square metres (sqm) that were under leasing arrangements as at December 2022. Figure 2 shows the number of leased properties by location and highlights the locations with the highest number of leased properties.

Figure 2: Number of leased properties by location

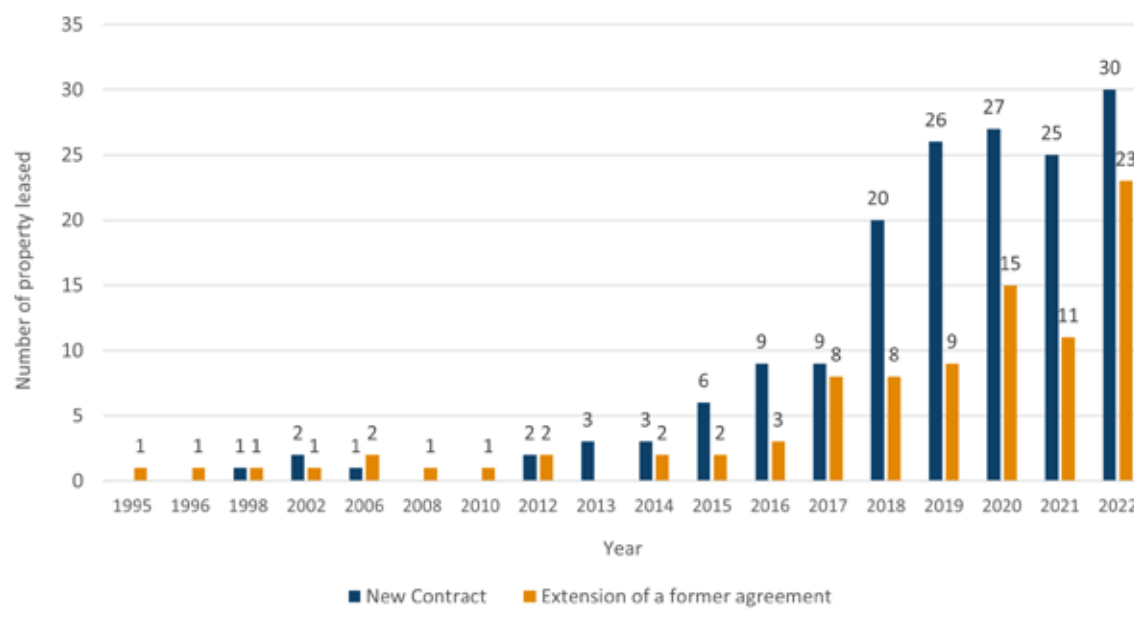


3.2.4. Figure 2 shows that Governmental Ministries are leasing most of the private property from Valletta, Qormi, Rabat (Gozo), Birkirkara, Santa Venera, Floriana and Msida. Governmental Entities leased nearly 80 per cent of the properties in these localities for office use. This 80 per cent equates to 105 leased properties which constitute an area of 75,743 sqm at an annual leasing rate for 2022 of €9,754,918. These properties were mainly leased between 2018 and 2022.

76 per cent of the leased property was leased between 2018 and 2022

3.2.5. Survey results show that from 2018 onwards there was a steady increase in the number of leased private properties. Figure 3 shows the new lease agreements entered into between Government and third parties, as well as subsequent extension to the original contracts by year. Figure 3 also highlights that 76 per cent of the leased agreements were entered into between 2018 and 2022.

Figure 3: Number of properties leased by year and type of agreement



3.2.6. Figure 3 shows that between 2018 and 2022, there were more than 20 new leasing contracts between Government and third parties, relating to private property each year. This Office tried to determine whether this trend was linked to the setting up of new entities. As the data provided in the survey related to high level responses, a deeper analysis into this phenomenon will be undertaken through a case study approach during the second phase of this assignment.

The majority of the lease agreements were either with individuals or companies

3.2.7. The lease agreements entered into by Governmental Entities with the private sector were in the majority of cases (82 per cent) with either individuals or companies. Table 3 elicits survey data on the owner of the leased site.

Table 3: Distribution of lease agreement by lessor

Lessor	Number of properties	Percentage
Companies	107	41
Individuals	106	41
Religious organisations	29	11
NGOs	11	4
Other	7	3
Total	260	100

3.2.8. This Office carried out further analysis to determine the leasing frequency from different owners. The main objective of this approach was to determine whether Governmental Entities were resorting to the same companies or individuals who have various financial vested interests in different portfolios when leasing property from private sources.

3.2.9. Within this context, the term ‘owners’ is defined as any person or entity who can benefit financially through the leasing arrangement, such as shareholders. For the purpose of this exercise, the NAO could only identify shareholding in private limited companies – this was done through the database maintained and available at the Malta Business Registry. While acknowledging that Limited Liability Companies constitute a separate legal personality, this review considered the relative shareholding to determine the ultimate beneficial owners of these companies. During the period under review, the NAO identified 155 different shareholders in 81 Limited Liability Companies.

3.2.10. The exercise to identify ownership of leased properties extended to private individuals. This evaluation elicited 106 persons. However, the shareholding of Public Limited Companies (PLCs) could not be identified since such information was not publicly available due to dispersed shareholding. The survey revealed that seven PLCs leased 12 properties to Governmental Entities during the period under review.

3.2.11. Additionally, this exercise did not consider ownership or shareholding related to the leased property from church institutions, Non-Governmental Organisations (NGOs), clubs, and associations, since in this case the title of the property pertains to the organisation rather than to a private individual. Table 4 refers.

Table 4: Frequency of leases from the same owners

Category	No of leased properties from the same owner	Frequency	No of Ministries involved	Total Agreement value (€)	Range (€)
Individuals and private Limited Liability Companies	1	152	18	144,630,742	1,200 – 26,123,546
	2	16	15	17,673,599	10,000 – 5,806,000
	3	5	10	14,800,389	86,823 – 6,900,197
	4	2	4	2,428,600	303,600 – 1,000,000
Church institutions		30	9	11,817,281	5,000 – 2,500,000
NGOs		7	4	1,766,185	8,000 – 1,300,489
Associations / clubs		3	3	118,308	2,400 – 70,158
Public Limited Company (PLC)		12	5	7,410,409	1,013 – 2,514,197
Partnership		1	1	406,260	

3.2.12. Table 4 shows that:

- a. the majority of the leases pertained to different individuals, whether in their own capacity or through their shareholding in a private company;
- b. the frequency of leasing from the same individual is limited. This statement becomes more pronounced when considering that different ministries may be involved in the agreement; and

- c. there were only few instances where specific ministries leased one or more properties involving the same party.

3.2.13. In the instances mentioned above total contract values ranged between €1,013 and €26.1 million. In view of this information, which identifies financially material agreements, the NAO will be selecting specific case studies for a more in-depth review.

Around two-thirds of the lease agreements with the private sector are to provide office space

3.2.14. The questionnaire showed that 64 per cent of the property leased from the private sector, that is 167 out of 260 lease agreements, relate to buildings which were being used as offices. Survey results indicate that 73 out of the 167 properties were leased to increase existing office space, while another 81 out of 167 leasing arrangements were entered into to enhance facilities or to operate from a more ideal location. The remaining leases were considered a combination of the options discussed herein.

3.2.15. This Office sought to determine the cost and area allocated to these leased sites. However, this exercise considered only 164 out of the 167 properties, since in three cases, the annual leasing cost or the total area were not made available by entities. In this regard, the survey results showed that during 2022, Governmental Entities leased at least an area of 156,994 sqm for an annual cost of €18.6 million, which equates to an average of €118/sqm. Section 3.4 will provide further analysis regarding the cost per sqm. Moreover, 35 of these lease agreements provide for parking arrangements within the same leased area. These agreements provide for 1,202 car parking spaces, which are mainly located in newly built complexes, specifically built to house offices.

In 15 cases concerning office use leases, the area exceeded 50 sqm per employee

3.2.16. This Office analysed in further detail 153 out of the 167 cases where the leased properties were utilised for office use. This analysis could be undertaken since the NAO received survey responses relating to the relative area and the number of employees pertaining to these leased sites.

3.2.17. As discussed in the previous Section, the survey outlined that Governmental Entities were entering into lease agreements to have better facilities. Thus, this Office considered that an analysis of office space per employee would be appropriate. This analysis showed that the area per employee ranged between 4 and 150 sqm. Furthermore, the average area was of 26 sqm/employee, with a standard deviation of 21 sqm/employee. Table 5 refers.

Table 5: Area per employee for office use

Parameter	Area/employee (sqm)
Minimum	4.18
Maximum	150
Mean	26
Standard Deviation	21
Mode	20

3.2.18. Survey analysis showed a number of outliers when plotting survey results in terms of area per employee. In 15 cases, the average area per employee exceeded 50 sqm. Where information was available (5 of these 15 cases), the subsequent analysis resulted in the following:

- a. One of the properties was temporally being leased by the Government Entity for a specific period of time, since there was an ongoing refurbishment in the site originally hosting the same entity.
- b. Another property was leased for office use. However, this site can be transformed to be used for various requirements, including a temporary shelter for homeless. In this regard, during the 2020 pandemic, these premises were transformed to host COVID-19 positive service users and staff.
- c. In another case, the Governmental Entity leased extra space to ensure that the necessary security requirements were adhered to in the provision of its service.
- d. In contrast, in two further leases, the respondents argued that there was a lack of space available, despite an area per employee of 56 sqm and 90 sqm, respectively. In the latter case, only one employee works from the site. This survey did not reveal further information regarding this situation.

3.3. In cases, Governmental Entities deviated from good governance practices during the planning and procurement phases of leasing private property

3.3.1. The survey outlined how the Government leasing of private properties was characterised by various governance issues particularly during the planning and procurement stages. This analysis considered two parameters, namely whether Governmental Entities carried out and documented a needs assessment and whether the procurement process adhered to the provisions of S.L. 601.12, which came into effect in April 2020.

In 43 per cent of the cases, Governmental Entities did not formally document a needs assessment exercise prior to leasing a private property

3.3.2. Governmental Entities did not always document needs assessment exercises which may have been undertaken before embarking on leasing related processes. Appendix I shows that only 57 per cent (147 respondents) of the active Government leases as at end December 2022 were supported by a comprehensive and documented needs assessment which is a valuable tool that supports effective decision-making, resource allocation and strategic planning. It also enables organisations to respond to challenges in a targeted and evidence-based manner, ultimately leading to more successful outcomes. The consequences of not conducting a needs assessment can result in inefficient resource allocation, strategic misalignments, and a higher likelihood of project failure. Within this context, 19 Governmental Entities that did not document their needs assessment noted their dissatisfaction with the current leased property for various reasons.

3.3.3. In these 19 cases, respondents indicated that they were mainly dissatisfied due to the lack of space available, despite that more than half of the leasing arrangements were entered into or reconfirmed from 2020 to date. Leasing costs for these properties in 2022 amounted to €766,842. Moreover, in 5 out of the 19 cases, an additional total capital investment of €156,802 was carried out. This situation shows that deviating from good governance practices impacts on the outcome.

In some instances, Governmental Entities declared that they did not follow the procurement process established in S.L. 601.12 when leasing private property

3.3.4. The survey showed that Governmental Entities entered into 84 new leasing agreements after 30 April 2020, that is when S.L. 601.12 came into effect. The survey results show that in at least 23 out of these 84 cases, the Governmental Entity declared that they have diverted from S.L. 601.12 *Procurement of Property Regulations* when leasing private property. Table 6 refers.

3.3.5. Table 6 shows that in 23 lease agreements, Governmental Entities declared that they diverted from the principles in S.L. 601.12. Throughout the full contract duration, these amounted to over €16.5 million.

Table 6: Diverting from S.L. 601.12 Procurement of Property Regulations

Ministry	Number of lease agreements	Cost of Lease in 2022 (Excl VAT) (€)	Total Cost for the entire lease duration (Excl VAT) (€)
MGOZ - Ministry for Gozo	6	94,039	704,692
OPM - Office of the Prime Minister	1	9,600	148,284
MFAA - Ministry for Active Ageing	1	57,200	286,000
MEEE - Ministry for the Environment, Energy and Enterprise	2	172,400	737,296
MEFL - Ministry for the Economy, European Funds and Lands	1	403,284	1,109,031
MHAL - Ministry for the National Heritage, the Arts and Local Government	1	170,648	1,668,538
MEYR - Ministry for Education, Sport, Youth, Research and Innovation	2	115,400	935,000
MHSR - Ministry for Home Affairs, Security, Reforms and Equality	3	99,510	614,948
MFJ - Ministry for Justice	2	22,775	73,875
MFE - Ministry for Finance and Employment	2	490,695	10,158,421
MSPC - Ministry for Social Policy and Children's Rights	1	12,000	60,000
MFH - Ministry for Health	1	42,000	63,000
Total	23	1,689,551	16,559,085

Executive Summary

Chapter 1

Chapter 2

Chapter 3

Chapter 4

Appendices

3.3.6. The divergence from public procurement regulations relating to the leasing of property from the private sector raises governance concerns, particularly in terms of adherence to legislative provisions, transparency, fairness and accountability, also diminishing the competition spirit promoted by the regulations in question.

3.3.7. The latter becomes a critical matter since public procurement regulations typically mandate a competitive bidding process to ensure that the Government gets the best value for money. Moreover, operating within the public procurement legal framework helps maintain public trust in Government actions.

In 45 per cent of the cases reviewed, Governmental Entities resorted to Direct Orders for the leasing of private properties

3.3.8. This survey showed that in 117 out of the 260 questionnaires reviewed (45 per cent), Governmental Entities made use of Direct Orders for the leasing of private properties. These figures comprise all the leasing agreements analysed, that is the 80 and 37 agreements entered into before and after the introduction of S.L. 601.12, respectively.

3.3.9. For these 117 leasing arrangements, in 2022, Governmental Entities paid €6.6 million. Table 7 provides a breakdown by Ministry of these Direct Orders, the aggregate costs incurred in 2022 and the total area leased. The red, amber and yellow colours highlight the top three in each of the aforementioned categories.

Table 7: Direct Orders by Ministry (2022)

Ministry	Number of Direct Orders	Cost of lease in 2022 (€ excl. VAT)	Total area (sqm)
MFE - Ministry for Finance and Employment	9	1,429,539	12,844
MHSR - Ministry for Home Affairs, Security, Reforms and Equality	21	832,465	9,358
MIVC - Ministry for Inclusion, Voluntary Organisations and Consumer Rights	11	597,547	4,534
OPM - Office of the Prime Minister	5	581,961	17,871
MEFL - Ministry for the Economy, European Funds and Lands	3	461,202	3,411
MTIP - Ministry for Transport, Infrastructure and Capital Projects	2	450,562	4,886
MEYR - Ministry for Education, Sport, Youth, Research and Innovation	14	396,841	4,069
MHAL - Ministry for the National Heritage, the Arts and Local Government	5	317,957	1,121
MGOZ - Ministry for Gozo	16	298,623	9,874
MCAA - Ministry for Social and Affordable Accommodation	4	267,434	2,309
MEEE - Ministry for the Environment, Energy and Enterprise	4	244,660	2,635
MFJ - Ministry for Justice	8	228,238	1,528
MFH - Ministry for Health	6	176,709	965
MFAA - Ministry for Active Ageing	5	140,558	2,569
MAFA - Ministry for Agriculture, Fisheries and Animal Rights	1	72,917	800
MFT - Ministry for Tourism	1	16,000	456
MSPC - Ministry for Social Policy and Children's Rights	1	12,000	115
MPWP - Ministry for Public Works and Planning	1	9,000	90
Grand Total	117	6,534,213	79,435

3.3.10. Table 7 shows that the MFE incurred the highest cost with respect to lease agreements entered into through Direct Orders. In this regard, this Ministry's expenditure constituted nearly a quarter of the total costs incurred to finance agreements that were procured through Direct Orders.

3.3.11. This Office notes that the 37 of the 117 Direct Orders which were concluded by various Governmental Entities after the introduction of S.L. 601.12 in April 2020 amounted to an expenditure of €7.6 million throughout the total duration of the respective contracts. Table 8 refers.

Table 8: Financial materiality of Direct Orders entered into after April 2020

Total cost for the entire lease duration (€ excl. VAT)	Number of lease agreements
Less than €10,000	5
€10,001- €100,000	15
€100,001- €500,000	14
€500,001- €1,000,000	2
More than €1,000,000	1
Total	37

Executive
Summary

3.3.12. Table 8 shows that five lease agreements had a value of less than €10,000. However, in 32 cases, the total leasing contract amount exceeded €10,000, to the extent that in one case the total contract value amounts to €1.6 million. The survey did not provide the reasons substantiating why the Governmental Entity resorted to Direct Orders. This issue will be further analysed through specific case studies in the second report that is planned to be issued on the subject matter.

Chapter 1

3.4. Value for Money considerations influenced Government leasing of private properties

Chapter 2

3.4.1. The decision to lease private properties for Governmental use requires a comprehensive evaluation of costs, benefits and long-term sustainability. This helps Governments achieve financial prudence while effectively meeting public service needs. The NAO determined three main value for money criteria – as noted below – against which to analyse survey results relating to the costs incurred in terms of the leasing rate per sqm and capital investment, as well as client satisfaction levels. In this regard, this Section discusses the following:

- a. the degree to which the leased properties are meeting the needs of service users;
- b. the annual cost per sqm paid by Governmental Entities for office use; and
- c. an analysis of the capital investment made by Governmental Entities in addition to leasing costs to ensure that leased properties are adequate to meet their needs.

Chapter 3

13 per cent of Governmental Entities stated that the leased property is not meeting their present needs, primarily due to insufficient space

Chapter 4

3.4.2. As discussed earlier, in 34 out of the 260 cases (13 per cent) considered through the NAO survey, Governmental Entities declared that the leased sites are not meeting their present needs primarily due to insufficient space available. Table 9 refers.

Appendices

Table 9: Reasons why the leased site was not meeting the needs of the Governmental Entity

Reason	Number of Governmental Entities
Lack of accessibility	5
Lack of space	27
Not adequate to meet client’s needs	8
Not centrally located	2
Premises required constant maintenance	2
Total	34

3.4.3. When entities were further asked whether they have prepared a formal needs assessment to justify the need to relocate from the existing leased site, the majority responded in the negative. (Refer to paragraph 3.3.2).

3.4.4. When leased properties do not meet the needs of Governmental Entities, several implications and consequences may arise. The following refers:

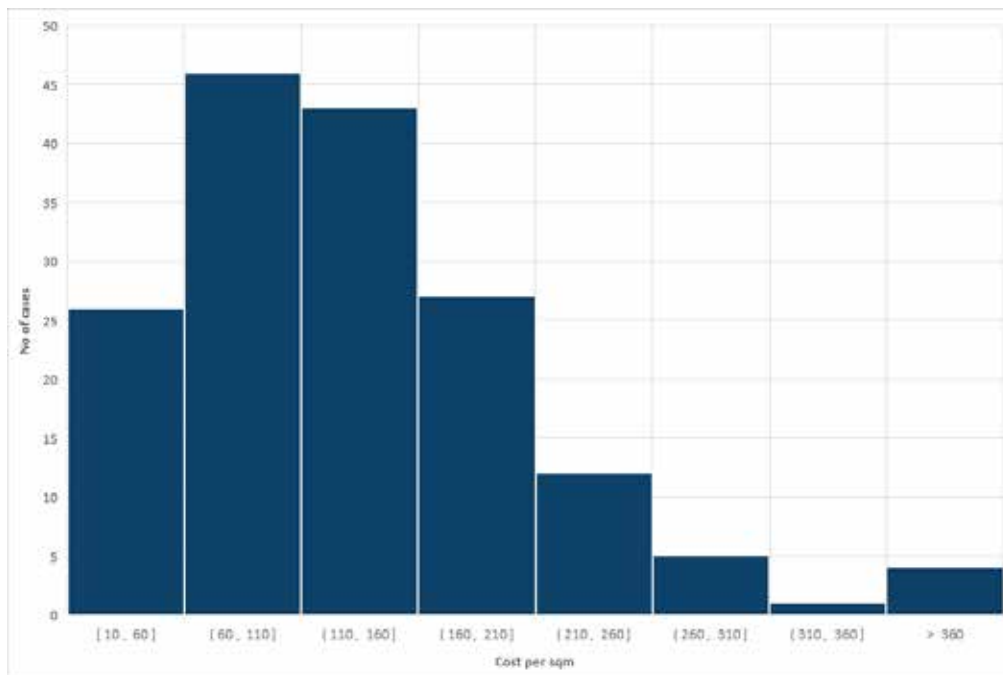
- a. **Increased costs** – These entities may need to incur additional costs to address the shortcomings of the leased property. This could involve renovations, expansions, or even acquiring new properties, leading to unexpected expenses.
- b. **Compromised service delivery** – If the leased property directly affects the ability of Governmental Entities to carry out their functions properly, there may be a negative impact on service delivery to the public. This could result in delays, reduced quality of services, or an inability to meet certain obligations.
- c. **Employee productivity** – Inadequate facilities can affect the morale and productivity of Government employees. Insufficient space, outdated infrastructure, or poor working conditions may contribute to lower employee satisfaction and hinder their ability to perform their duties effectively. In this regard, 8 out of the 34 respondents highlighted above, indicated that the leased site is not adequate to meet the clients’ necessities.
- d. **Long-term planning challenges** – More than 40 per cent of the Governmental Entities that declared that the leased property is not meeting their present needs, entered into the lease agreement or extended existing contracts between 2020 and 2022. The inability to meet present needs may necessitate a reassessment of long-term planning and real estate strategies. Government may need to reconsider leasing options, explore the possibility of refurbishing State-owned properties, or even consider buying new facilities to address future requirements. Additionally, such evaluations are also to consider remote working policies in place within Governmental Entities.

3.4.5. In addressing these implications, Governmental Entities often need to carefully evaluate their current leases, engage in negotiations with landlords, explore alternative options, and potentially make strategic decisions regarding their real estate portfolio.

In 2022, Government property leasing costs for office use averaged €118 per sqm annually

3.4.6. The questionnaire showed that in 2022, on average, Government was leasing private property for office use for €118/sqm. This exercise considered the 164 out of 260 sites (63 per cent) which were being leased for office use only. Moreover, this exercise considered leasing arrangements where both the annual leasing cost for 2022 and the total area were made available. Figure 4 refers.

Figure 4: Cost per sqm for Government leased sites (office use)



3.4.7. Figure 4 shows that the leasing costs incurred by most of the Governmental Entities for office use had an average cost of €118/sqm. Moreover, 53 per cent of the leased properties fall within the €60/sqm to €110/sqm and the €110/sqm to €160/sqm intervals. This review also noted that 76 and 60 properties had leasing costs exceeding 10 and 20 per cent of the average leasing cost, respectively.

3.4.8. Three cases had significantly higher cost per sqm than the average. These relate to the Department of Justice, Malta Crafts Foundation, and Residual Balances Fund / Malta Fiscal Advisory Council where the annual cost per sqm, in 2022, stood at €938, €897 and €657, respectively.

3.4.9. Further analysis, considering localities in which more than one leased property is situated, showed that the average cost per sqm varies by locality. For instance, the average for Msida and St Paul's Bay are at both ends of the spectrum, with the former having an average rate of €222/sqm while the latter has an average of €44/sqm.

3.4.10. This Office will benchmark the cost per sqm with the market rates in the second audit relating to this matter.

In six cases, the capital investment incurred by Governmental Entities over and above leasing rates exceeded €1 million in each case

3.4.11. The NAO sought to determine capital investment costs undertaken within the leased property which was over and above the leasing rates agreed to by Governmental Entities. Entities expended capital costs to improve various aspects of the leased facilities. These capital works were evident in 99 properties of the 260 analysed and costs ranged from €1,665 to €11.6 million.

3.4.12. To this end, the NAO subjectively considered capital expenditure incurred from the start of the lease of the active agreement, up to the end of December 2022. Maintenance costs incurred by Governmental Entities in these leased sites were excluded from the scope of this exercise.

3.4.13. Analysis of survey data revealed that, in six instances, the capital expenditure incurred from the start of the lease up to end of December 2022 exceeded €1 million. In one of these cases, capital works within the leased property amounted to €11.6 million. These six leasing agreements had an average contract duration of 13 years. Table 10 refers.

Table 10: Leases with a capital investment exceeding €1 million

Governmental Entity	Total area (sqm)	Contract duration (in years)	Cost of lease in 2022 (€ excl. VAT)	Cost of lease in 2022 / sqm (€)	Capital investment (€ excl. VAT)	Capital investment / sqm (€)
Financial Intelligence Analysis Unit	5,059	10	196,250	38.79	2,647,301	523
Authority for Transport in Malta	19,317	10	1,580,376	81.81	1,980,682	103
Malta Digital Innovation Authority	1,308	15	210,350	160.82	1,900,203	1,452
Malta Gaming Authority	2,733	15	449,638	164.52	3,834,176	1,403
Malta Business Registry	9,523	14	1,630,110	171.18	11,556,925	1,214
Foundation for Social Welfare Services	3,320	16	206,458	62.19	1,371,738	413

3.4.14. Table 10 shows the following:

- a. Up to 2022, the Malta Business Registry had the highest total capital expenditure on leased property which amounted to €11.6 million.
- b. When considering the capital investment per sqm, the Malta Digital Innovation Authority registered the highest rate, at €1,452 per sqm. This is in addition to the prevailing annual leasing rate of €160.82 per sqm.

¹⁰ Capital investment incurred from the start of the lease of the active agreement up to the end of December 2022. Maintenance costs incurred by Governmental Entities in these leased sites were excluded from the scope of this exercise.

- c. This Office acknowledges that there may have been a trade-off between the annual leasing rate per sqm and the capital investment per sqm. However, this review noted that in these three particular instances both the aforementioned rates were significantly high, questioning the degree to which a trade-off between the leasing rate and the capital costs in place was effectively considered by the lessees.

3.4.15. As noted in Table 10, the significant amounts in capital investment could have various implications and considerations, depending on the context of the specific leasing arrangements. Nonetheless, a capital investment exceeding €1 million is a substantial financial commitment when considering that this is over and above the stipulated leasing payments. Understanding the decision-making process behind such an investment is crucial, as one needs to determine whether this was part of a long-term strategic plan or if it was a response to an immediate need. One must also consider whether this capital investment was taken into account when negotiating the annual leasing rate and the contract duration. Moreover, understanding the obligations, rights and responsibilities outlined in the leasing agreements is also essential. All these considerations will be further dealt with in the second report.

3.5. Conclusions

3.5.1. This Chapter has analysed the survey results and determined the population of leased property by Governmental Entities. This Preliminary Review raised a number of concerns that impinge on governance. The survey has shown that governance issues could, in part, be addressed through increased adherence to the provisions of S.L. 601.12 and by carrying out a formal needs assessment to determine requirements and their respective financial feasibility.

3.5.2. The survey results show that, in 2022, the average leasing cost was €118 per sqm. However, there were instances where the additional capital costs incurred by Governmental Entities to refurbish or to effect structural changes to the leased properties, together with significant deviations from the average leasing rates, raises questions concerning value for money. These circumstances further underscore the point for a cost-benefit analysis to assess the degree to which it is feasible to lease from the private sector rather than upgrading unutilised Government-owned properties.

3.5.3. As noted in the initial Chapter of this Report, the scope of this review mainly related to collate information on Governmental Entities' leasing activities. Barring some limitations, the survey has provided strategic information which, through the analysis presented in this Chapter, has highlighted various areas of concerns which will be delved into more comprehensively by the NAO in a subsequent performance audit of Government's leasing of private property. Through a case study approach, the NAO will be following up the more material issues raised in this Chapter.

Chapter 4 | Concluding remarks

4.1. Introduction

4.1.1. The main aim of this Preliminary Review was to evaluate the degree to which Government's leasing of private property reflects value for money. This first stage of the assignment was to solicit information about the properties leased from the private sector since such information was not fully available centrally. This phase of this study sought to:

- a. assess whether the appropriate procedural framework governing the leasing of private property by Governmental Entities is in place;
- b. determine the level to which the Lands Authority (LA) maintains updated information regarding the public properties available for potential use by the different Governmental Entities, and which can potentially meet the latter's needs; and
- c. identify and analysis the main characteristics of private properties being leased by Governmental Entities in Malta and Gozo.

4.2. Government leasing of private property was only recently regulated

4.2.1. The process regulating the procurement of Government leasing of private property was only recently addressed through the introduction of Subsidiary Legislation (S.L.) 601.12 *Procurement of Property Regulations*. This legislation came into force on 30 April 2020. This was enacted to address the gaps in the procurement process involved relating to Government's leasing of private property. The main objectives of the legislation were to enhance the efficiency and transparency of leasing activities.

Various operational issues hinder the Lands Authority's estate management

4.2.2. Following the enactment of the *Procurement of Property Regulations* (S.L. 601.12, Legal Notice 163 of 2020), Governmental Entities are to enquire about the availability of Government-owned properties with both the LA and the Joint Office (JO) before starting a procurement process.

4.2.3. The National Audit Office (NAO) identified various operational issues that are holding back the LA from administering the properties under its responsibility in a more efficient and effective manner. These operational issues include incomplete and outdated digital information in the Land and Estate Management Information System (LEMIS), as well as the lack of standard operating procedures for managing the Governmental Entities' generic enquiries for vacant

properties.

The Lands Authority contends that vacant public properties do not generally meet the needs of Governmental Entities

4.2.4. The LA understands Governmental Entities' need for adequate, accessible and state of the art premises. The Authority, however, contended that Government's real estate portfolio, apart from often being in a state of disrepair, is also located in buildings and areas that make it difficult to match with the requirements listed by the enquiring entity.

4.3 As at December 2022, Government was leasing more than 260 properties from the private sector despite owing more than 4,000 unutilised properties

4.3.1. From 2018 onwards, Governmental Entities increasingly opted to lease private properties to cater for the expansion in services as well as the establishment of new entities. To this end, as discussed in previous Chapters, despite owing more than 4,000 unutilised properties, Governmental Entities were leasing more than 260 private properties in 2022.

4.3.2. Moreover, the survey results show that, in 2022, the average leasing cost per square metre (sqm) was €118. However, the additional capital costs incurred by Governmental Entities to refurbish some of the leased properties, raises value for money concerns.

4.4. Overall Conclusion

4.4.1. This audit has shown that the leasing of private property by Governmental Entities has increased over the years. This was also reflected in the legislative context through the introduction of S.L. 601.12 in 2020, which aimed to regulate and improve the level of transparency within the process involved in leasing of private property by Governmental Entities.

4.4.2. The drive to lease property was two-pronged. On one hand, Governmental Entities noted that they faced insufficient office space and needed to operate from a better location to facilitate operational logistics and enhance client interface. On the other hand, the prevailing condition of many unutilised Government-owned property as well as the upgrading costs involved and the time required to refurbish unutilised properties, discourage and hinder Governmental Entities from transferring and operating from these unutilised properties, which are listed in property inventories maintained by the LA. This situation implies that Government needs to strengthen its estate management arm to cater for demands driven by specific Governmental Entities.

4.4.3. The survey carried out by the NAO during July and August 2023 has shown that there are various governance concerns which in cases involve a combination of value for money, accountability, transparency as well as deviations from procurement regulations and official policy.

4.4.4. This review marks the conclusion of the first phase of the NAO's analysis related to Governmental Entities' leasing of private properties. This phase was primarily concerned with the collating of information related to leasing activities, which thus far is not centrally available. This part of the NAO's work has elicited a number of risk areas within the leasing process, issues that are being followed up by this Office.

4.5. Recommendations

4.5.1. In view of the findings and conclusions emanating from this Preliminary Review, the NAO is proposing the following recommendations:

General

- i. Government is to introduce a **centrally maintained database** of all leases from the private sector involving Governmental Entities, new agreements, lease duration and annual leasing rate. This would facilitate comprehensive overviews of such activities, as well as facilitating the management of leased assets more effectively. Moreover, access to real-time, centralised data enables informed decision-making as Government can analyse such information to make strategic decisions about leasing agreements renewals, terminations, or renegotiations based on current market conditions, budget constraints and policy priorities.
- ii. The appropriate mechanisms are to be **employed to prompt Governmental Entities when leasing arrangements are about to expire**. Firstly, timely notifications prevent potential disruptions to government services that may be housed in leased properties. Secondly, early notifications provide Governmental Entities with ample time to assess market conditions, property values, and leasing trends. This positions them strategically to perform comprehensive needs analysis assessments and cost benefit analysis involving all the options available – such as making use of and upgrading unutilised Government-owned properties, leasing, outright purchase of the property or evaluating private public partnerships. Moreover, acting in good time to lease properties enables Governmental Entities to embrace and comply with the prevailing procurement regulations which would introduce the competition element in any leasing transaction. This would bring various benefits in play such as, better terms, potential cost savings, and improved overall lease agreements. Thirdly, early alerts enable better budget planning where entities can allocate resources effectively and avoid unexpected financial burdens associated with rushed or unplanned renewals. This contributes to overall cost savings.
- iii. In view of the increasing number of Government leasing from the private sector, Government is encouraged to consider **introducing a central department/entity** which manages these leases. Centralising lease management ensures consistency and standardisation in lease agreements across various Governmental Entities. This helps in maintaining uniformity in terms, conditions and contractual clauses, reducing the likelihood of discrepancies and ensuring fairness in negotiations. Moreover, a central department/entity can optimise the

allocation of resources by pooling expertise and resources for lease management. This can lead to cost savings, efficient utilisation of staff, and the avoidance of duplicative efforts across Governmental Entities.

- iv. Government is to **commission appropriate studies and cost-benefit analysis** to determine the best possible cost-effective options for having additional space for government use, when required. To this end, such studies should duly consider the usage of unutilised Government-owned properties which according to the LA, in 2023, amounted to over 4,000. This provides decision-makers with comprehensive insights into the various options available and ensures that decisions are based on data-driven assessments rather than assumptions or limited information. These studies enable organisations to assess potential risks associated with different options. This includes financial risks, operational challenges and uncertainties related to the selected approach. Mitigation strategies can then be developed to address identified risks.

Lands Authority

- v. The LA is to enhance its **existing databases with respect to the total population of Government properties**, including vacant and unutilised properties. This includes verifying the specific characteristics of each property, determining property ownership details, and recording any changes in property conditions. An updated and real time database of the full population of Government properties plays a pivotal role in ensuring effective governance, resource allocation and decision-making processes. Of course, this would entail that the human and financial resources of this Authority are revised accordingly.
- vi. The LA is to **develop its Standard Operating Procedures (SoPs)** with respect to requests received from Governmental Entities in line with S.L. 601.12 introduced in April 2020. The Authority is to maintain appropriate records and documentation with respect to each request made by specific Governmental Entities. SOPs and maintaining appropriate records and documentation are integral components of effective organisational management. Their importance extends to ensuring consistency, accountability, compliance and continuous improvement.
- vii. The LA is to enhance its internal resources to **better optimise the benefits associated with the LEMIS system**. This includes both the scanning of the physical files maintained by the Authority with respect to the total population of properties within the estate management of the Authority, as well as the digitalisation of the information based on the different categorisations and specifications of the respective properties. A good database system is a foundational element for effective governance, enabling accurate, timely and transparent management of public assets. It contributes to better decision-making, risk management and overall efficiency on handling Government properties.

Appendix I: NAO survey results

Introduction

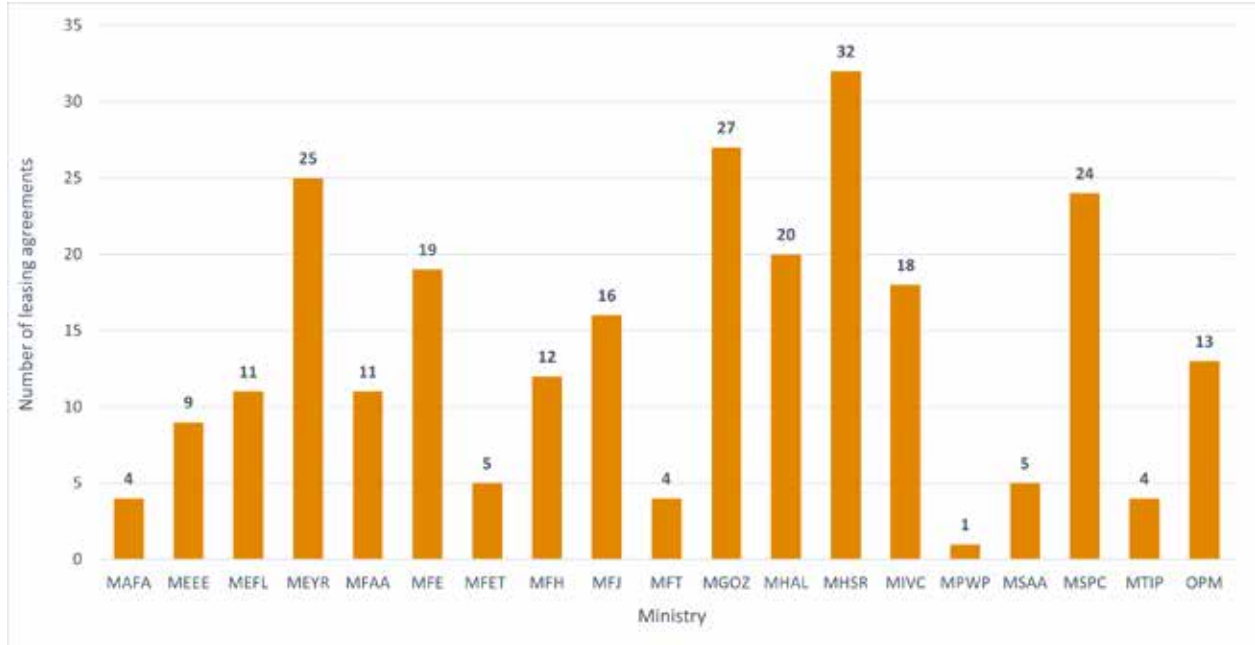
This survey considered the private property leasing agreements in place with Governmental Entities as at end of December 2022. Leasing agreements whose cost for 2022 did not exceed €1,000 were excluded from this survey. Similarly, the following types of leasing agreements were also excluded from the scope of this survey:

- i. Properties located abroad, such as foreign embassies;
- ii. Properties currently being utilised by Local Councils; and
- iii. Properties leased by the Housing Authority for social housing residential purposes.

Unless otherwise indicated, the analysis of this survey, for each question, considered 260 responses received from Governmental Entities that are leasing property from the private sector.

Section 1 – General Information

1 - Under which Ministry does the Governmental Entity leasing from the private sector fall?



2 - Which Governmental Entity (specific Department/Directorate/Unit, or any other Constitutionally or Officially Appointed Body) is leasing and operating from the premises leased from the private sector?

Ministry	Governmental Entity	Name of Leased Site	Location
MAFA	Commissioner of Animal Welfare (CAW) and Agriculture Bioresources Agency (GAB)	Regent Building, Racecourse Street	Marsa
	MAFA Gozo Office	The Dukes Shopping Mall, Block A, Triq ir-Republika	Rabat (Gozo)
	MAFA Ministry, Parl. Sec. Office and Office of the PS	Pinto Business Centre, Floor 3, Mill Street	Qormi
	Rural Affairs Department	10, Cross Street	Mellieħa
MEEE	Ambjent Malta	Ten Green Bottles	Żebbuġ (Malta)
	Business 1st	Cobalt House, Notabile Road	Birkirkara
	Enemalta	Sunflower Garage	Mosta
	Environment and Resources Authority	Millennia Building, Aldo Moro Road	Marsa
	Malta Resources Authority	Millennia Building, Aldo Moro Road	Marsa
	Premises leased are being used as a 'Remote Work Hub' for the Public Service. Original lease agreement was entered into by the former MESD as the Ministry piloting the remote working policy in the Public Service.	MF Electrix	Birkirkara
	Project Green Agency	JPR Buildings	San Ġwann
	REWS	Level 1, Zentrum Business Centre	Qormi
	The Energy & Water Agency	Pinto Business Center	Qormi
	MEFL	Central Business District Foundation	Avenue 77
Malta Communications Authority		Valletta Cruise Port (Viset)	Floriana
INDIS Malta Ltd		88, Triq il-Wied ta' l-Imsida	Birkirkara
Malta Crafts Foundation		Regus	Birkirkara
Responsible Gaming Foundation		Unnamed Block	Birkirkara
Malta Digital Innovation Authority		Twenty20 Business Centre	Birkirkara
Directorate Corporate Services & Information Management Unit & Policy Development and Programme Implementation Directorate: all directorates falling under MEFL		Millennia Building	Marsa
National Foreign Direct Investment Screening Office- officially appointed body governed by a Board of Directors under Cap 620 of the Laws of Malta.		The Watercourse, Triq l-Imdina, Zone 2, Central Business District	Birkirkara
Malta Gaming Authority		SmartCity Malta	Kalkara
Malta Business Registry		AM Business Centre	Żejtun
MEYR	EU Funds Directorates (PPCD, FPD, MSD)	The Oaks Business Centre	Ħamrun
	Department of Examinations (MEYR)	Pinto Business Centre	Qormi
	FITA Foundation for ICT Accessibility	Onda Building	Marsa
	Foundation for Educational Services	Zentrum Business Centre	Qormi

Executive
Summary

Chapter 1

Chapter 2

Chapter 3

Chapter 4

Appendices

¹¹ This list captures questionnaire replies submitted to NAO by 30 October 2023. Other completed questionnaires submitted by Governmental entities following this date do not feature in this analysis and are separately reported on in Appendix II of this Report.

Ministry	Governmental Entity	Name of Leased Site	Location
MEYR <i>cont.</i>	Foundation for Educational Services- Il-Bebbuxu Childcare Centre	Bebbuxu Childcare Centre	Santa Venera
	Maria Regina College Mellieha Primary School	Mellieha Sports Club	Mellieha
	St Ignatius College Office of the HCN within DES	Easysell Kia Showroom now known as Zentrum Business	Qormi
	University of Malta	2 Garages Misraħ il-Barrieri (21- 23)	San Ġwann
	University of Malta	Garage No 1, Valletta Road	Qormi
	University of Malta	2 Garages at Sqaq Barrieri, Triq Santa Marija	Lija
	University of Malta	Garage @ 12, Triq il-Kaccatur	Qormi
	University of Malta	Agnano Garage @ 58, Triq il-Ħammieri	Qormi
	University of Malta	Garage @ 5, Immaculate Conception Str	San Ġwann
	University of Malta	Garage @ 112, St Margaret Street	San Ġwann
	University of Malta	Garage @ Censu Farrugia Street	Msida
	University of Malta	Ta' Xmiexi Garage	Msida
	University of Malta	43 & 45, Triq l-Esperanto	Msida
	University of Malta	Calypso Court, Judge E Debono Street	Msida
	University of Malta	Triq l-Esperanto	Msida
	University of Malta	Maracana Court	Msida
	University of Malta	Triq Esperanto	Msida
	University of Malta	JPR Building	San Ġwann
	University of Malta	Campus Hub Block O	Msida
	University of Malta	Phoenix Court	Msida
University of Malta	Garage, Triq ir-Ragħaj	Qormi	
University of Malta	Garage @138, Clarence Street	Msida	
MFAA	AACC	Active Ageing Day Centre	Ħamrun
	AACC	Not available	Birżebbuġa
	AACC	Not available	Dingli
	AACC	Melody Hall	Żurrieq
	AACC	Not available	Safi
	AACC	St Thomas	Qormi
	AACC	Kunvent ta' Sant' Antnin	Għajnsielem
	AACC	FXB Building	Qormi
	Minister's Private Secretariat and Office of the Permanent Secretary	The Penthouse and Part of Level 5, Palazzo Spinola	Valletta
	Office of the Commissioner for Older Persons	Bugeia Institute	Santa Venera
Social Care Standards Authority	The Oaks Business Centre	Ħamrun	

Ministry	Governmental Entity	Name of Leased Site	Location
MFE	Air Malta plc	Sky Parks Business Centre, Level 2, Malta International Airport	Luqa
	ARMS, MITA, NCPE, FMS and IDENTITY MALTA	Gattard House	Hamrun
	Budget Affairs Division/ IMU/ Direct Orders Unit/ Tax Review Working Group	66/67, South Street	Valletta
	Central Bank of Malta	No name	Floriana
	Constitutionally or Officially Appointed Body	Europa Centre	Floriana
	Department of Contracts- Sectoral Procurement Directorate	MCE Buildings	Qormi
	Department of Customs	Lab Wharf Offices	Paola
	Department of Customs	Deep Water Quay- facilities at the Grand Harbour Valletta	Marsa
	FIAU	Trident Parks Limited	Birkirkara
	FIAU	No name	Birkirkara
	Jobsplus	Jobsplus Gozo Branch	Rabat (Gozo)
	Jobsplus	274/6, Main Street Mosta and 1, St Anne Street	Mosta
	Jobsplus	Tracey's Cabin, Porzjunkola Street	St Paul's Bay
	Malta Financial Services Authority	Fort Business Centre	Birkirkara
	Malta Statistics Authority	Malta International Airport	Gudja
	Ministry for Tax and Customs Administration	183 /2 , Old Railway Track	Santa Venera
	Ministry for Tax and Customs Administration	All Office Building , 7 , Triq il-Masgar and Triq il-Milied	Qormi
	Residual Balances Fund / Malta Fiscal Advisory Council	The Business Centre	Msida
Treasury Department	Development House, Level 2A,B,C,D and Level 3D, St Anne Street	Floriana	
MFET	Director General/ Directorate Corporate Services/ Protocol Directorate	Allied House, St Paul's Street	Valletta
	Directorate Consular Services and Maltese Living Abroad + Infrastructure and Security Unit	18, Zachary Street	Valletta
	IMU- Information Management Unit	172, Melita Street	Valletta
	Ministry for Foreign and European Affairs and Trade	Garage Adjacent to dwelling named Ave Maria Triq Santa Katerina	Rabat (Malta)
	Permanent Secretary Office	Palazzo Melita 17, Melita Street	Valletta

Executive Summary

Chapter 1

Chapter 2

Chapter 3

Chapter 4

Appendices

Ministry	Governmental Entity	Name of Leased Site	Location
MFH	Embryo Protection Authority	88, Tarxien Road	Luqa
	Environmental Health Directorate, Superintendence of Public Health, Public Health Regulation	Cutrico Building Centre	Santa Venera
	Mental Health Services	25, Robert Sammut Square	Floriana
	Mental Health Services	Kamra numru 5 taċ-Ċentru Parrokkjali tal-Parroċċa ta' San Ġorġ	Qormi
	Mental Health Services	Zejtun Mental Health Rehabilitation Centre, Ramla Hall, Triq id-Dahla ta San Tumas	Żejtun
	Mental Health Services	Mental Health Clinic 40, Paola Square,	Paola
	People Management Division	No2, Independence Square	Valetta
	Pharmacy Of Your Choice	124 and 126	Rabat (Gozo)
	Primary HealthCare (Dept.084)	Tarxien Community Clinic	Tarxien
	Primary HealthCare (Dept.084)	Gzira Health Centre	Gzira
	Primary HealthCare (Dept.084)	Fgura Community Clinic	Fgura
Primary HealthCare (Dept.084)	Property 6, Harper Lane	Floriana	
MFJ	Asset Recovery Bureau	72, Market Street	Floriana
	Asset Recovery Bureau	Ballavostri Garage	Żebbuġ (Malta)
	Asset Recovery Bureau	Louis Garage	Għaxaq
	Asset Recovery Bureau	Salvu Garage	Għaxaq
	Corporate Service Directorate	46, Palazzo Spinola Business Centre	Valetta
	Court Services Agency	43/44, Strait Street	Valetta
	Court Services Agency	45, Flt 15/16, Strait Street	Valetta
	Department of Justice	14,16 and 18, Market Street	Floriana
	Law Commission	Vincenti Buildings	Valetta
	Legal Aid Malta Agency	188-189, Old Bakery Street	Valetta
	Malta Mediation Centre	Malta Mediation Centre	Valetta
	Office of the Information and Data Protection Commissioner	Airways House, Second Floor	Sliema
	Office of the State Advocate- OSA	Fleur-de-lys Garage	Birkirkara
	Office of the State Advocate- OSA	N/A	Qormi
	Office of the State Advocate- OSA	Conservatorio Vincenzo Bugeja	Santa Venera
Permanent Commission Against Corruption	Vincenti Buildings	Valetta	
MFT	Cleansing and Maintenance Division	Calpe House	Luqa
	Cleansing and Maintenance Division	Calpe House	Luqa
	Malta Tourism Authority	Malta Tourism Authority	Msida
	Malta Tourism Authority	SmartCity Malta	Kalkara

Ministry	Governmental Entity	Name of Leased Site	Location
MGOZ	Care for the Elderly Section	Active Aging Centre Church Street	Żebbuġ (Gozo)
	Care for the Elderly Section	Active Aging Centre St Catherine Street	Xewkija
	Care for the Elderly Section	Active Aging Centre, Sir Paul Boffa Street	Rabat (Gozo)
	Care for the Elderly Section	Gesu Nazzerenu Night Shelter Triq Gnien Xibla	Xagħra
	Care for the Elderly Section	Għajnsielem Day Centre for the Elderly J.F de Chambray Street	Għajnsielem
	Care for the Elderly Section	St Joseph Elderly Home	Għajnsielem
	Central Procurement and Supplies Unit (CPSU) & Wild Birds Regulation Unit (WBRU)- Gozo Branch	116, Archpriest Pietro Pace Street	Rabat (Gozo)
	Commissioner for Revenue_Gozo Office	Tigrija Palazz	Rabat (Gozo)
	Faculty of Dental Surgery, University of Malta	Centru Santa Apollonia, Mgarr Road c/w Triq J.F. De Chambray	Għajnsielem
	Gozo Regional Development Authority	75, Republic Street	Rabat (Gozo)
	Gozo Sports Complex	Sala Għaqda Muzikali San Girgor Pjazza Orvieto	Kerċem
	Identity Malta Agency	The Tower, Level 1, Fortunato Mizzi Street	Rabat (Gozo)
	Information Management Unit	The Duke Complex	Rabat (Gozo)
	Malta Competition and Consumer Affairs Authority (MCCAA)	Saint John, Saint Elizabeth Street, Corner with Mgarr Road	Xewkija
	Malta Financial Services Authority (MFSA)	The Tower, Level 3, Fortunato Mizzi Street,	Rabat (Gozo)
	Ministry for Gozo	25, Triq il-Kappillan Guzeppi Hili	Fontana
	Ministry for Gozo	Dar Fatima	Pietá
	Ministry for Gozo	Villa Lauri- Dar Frate Francesco	Birkirkara
	National Statistics Office_Gozo Branch currently being used as a temporary measure by DSS employees.	53, Triq Għajnsielem	Għajnsielem
	Notary to Government Office (Gozo) & Public Registry (Gozo)	Ex DDS Store, Gorg Borg Olivier Street	Rabat (Gozo)
Operations Division	Dar it-Tagħlim San Pietru u San Pawl	Nadur	
Operations Division & Corporate Services Directorate	St. Augustine Monastery	Rabat (Gozo)	
Operations Division within the Ministry for Gozo	Kercem Street	Rabat (Gozo)	
Social Work Unit & Public Registry Archives, both under MGOZ	Tigrija Palazz_Level 3	Rabat (Gozo)	
Strategy and Support Division	Lourdes Garage	Rabat (Gozo)	
To be used by various sections but currently housing Customs on one floor.	Marina Point, Shore Street	Għajnsielem	
Wild Birds Regulation Unit	Home Space, Triq Misrah il-Barrieri	Santa Venera	

Executive
Summary

Chapter 1

Chapter 2

Chapter 3

Chapter 4

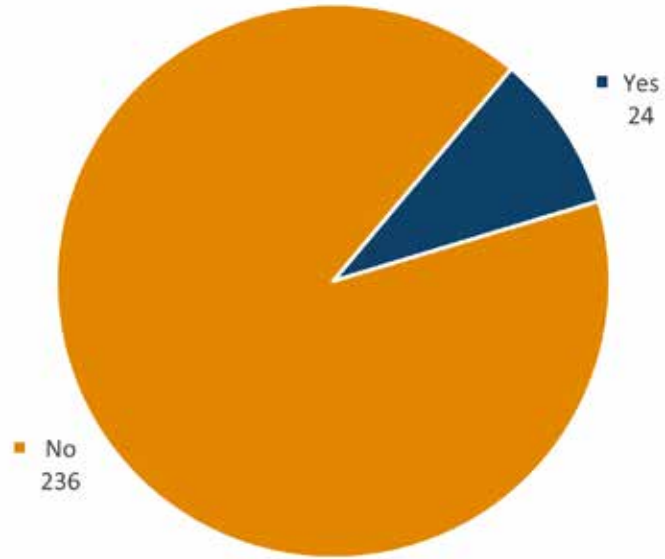
Appendices

Ministry	Governmental Entity	Name of Leased Site	Location
MHAL	Arts Council Malta	TG Complex	Birkirkara
	Eastern Regional Council	Relos Services Ltd	San Gwann
	Eastern Regional Council	Tribunal Lokali	San Gwann
	Festivals Malta	Europa Centre	Floriana
	Festivals Malta	Għaxaq Stores	Għaxaq
	Gozo Regional Council	The Duke Business Centre	Rabat (Gozo)
	Heritage Malta	Garage 1 and 2, (private driveway off) Archbishop Pietro Pace Street	Rabat (Gozo)
	Heritage Malta	Warehouses 1-5, Triq Hal-Far	Birżebbuġa
	Kottonera Foundation	Dar Marija Bambina	Isla (Senglea)
	Kunsill Reġjonali Nofsinhar	28, Ċentru Parrokkjali, Triq San Edwardu	Qormi
	Local Government Division	Dar l-Għaqda', Castle Street	Rabat (Gozo)
	Ministry	Garage Rent	Marsaskala
	National Orchestra Ltd and subsequently The Agency for the Malta Philharmonic Orchestra as set up by Legal Notice 254 of 2022	Catholic Institute	Floriana
	Office of the Permanent Secretary	35, Old Bakery Street	Valletta
	Parliamentary Secretariat	183,184,185, Melita Street	Valletta
	Regjun Port	97, Triq Santa Marija	Tarxien
	Regjun Tramuntana	Grand Master Place Garage	St Paul's Bay
	Regjun Tramuntana	112, Triq Gulju, Bugibba and Grand Master Place Garage, Triq Emanuel Pinto	St Paul's Bay
	Superintendence for Cultural heritage	173, St. Christopher Street	Valletta
	Valletta Cultural Agency	Malta Chamber of Commerce	Valletta
MHSR	Agency for the Welfare of Asylum Seekers (AWAS)	Liedna House	Fgura
	Authority on Responsible use of Cannabis	Level 4, Onda Buildings, Aldo Moro Street	Marsa
	Commission on Gender-Based Violence and Domestic Violence	Zentrum Business Centre	Qormi
	Community Malta Agency	Midland Micro Enterprise Park	Burmarrad
	Department of Probation and Parole	Millennia Building	Marsa
	Human Rights Directorate	Level 0, 1 & 12 of A3 Tower and Level 1 of A1 Tower within the A3 Towers	Paola
	Identity Malta Agency	Castagna Buildings	Msida
	Identity Malta Agency	Onda Buildings	Marsa
	International Protection Agency	Fafner House	Ħamrun
	International Protection Agency- 2nd Floor	Fafner House	Ħamrun
	International Protection Agency- 4th Floor	Fafner House	Ħamrun
	Local Enforcement Systems Agency (LESA)	240 LTD	Fgura
	Local Enforcement Systems Agency (LESA)	Max 70 Co Ltd	Pietà
	Local Enforcement Systems Agency (LESA)	St. Joseph Warehouse	Mosta
Local Enforcement Systems Agency (LESA)	240 Ltd 254, Zabbar Road	Fgura	

Ministry	Governmental Entity	Name of Leased Site	Location	
MHSR <i>cont.</i>	Malta Police Department	Gzira Circus, Number 1 (formerly number 20), Pjazza Meme Scicluna	Gżira	Executive Summary
	Malta Police Department	The Oaks Business Centre, Blk A, Farsons Road c/w Triq San Gejtanu	Ħamrun	
	Malta Police Department	173/175/177, Triq Sta Katerina	Żurrieq	
	Malta Police Force	Valletta Police Station	Valletta	
	Ministry for Home Affairs, Security, Reforms and Equality	Block 29, 16, Vincenti Buildings, Strait Street	Valletta	Chapter 1
	Ministry for Home Affairs, Security, Reforms and Equality	43A, Flt 1, 2, 5, 6, West Street	Valletta	
	Ministry for Home Affairs, Security, Reforms and Equality	Garage No 17, Triq Wistin Levanzin	Fgura	
	Ministry for Home Affairs, Security, Reforms and Equality	7, Marija Tereza Spinelli Street	Gżira	
	Ministry for Home Affairs, Security, Reforms and Equality	Block 13, comprising Flat 26; Flat 11; Flat 10 Vincenti Buildings, Strait Street	Valletta	
	Ministry for Home Affairs, Security, Reforms and Equality	Block 28 Flat 18, Vincenti Buildings, Strait Street	Valletta	Chapter 2
	Ministry for Home Affairs, Security, Reforms and Equality	Block 29, Apartment 19, Strait Street	Valletta	
	Ministry for Home Affairs, Security, Reforms and Equality	107 / 108 / 109, Old Mint Street	Valletta	
	Ministry for Home Affairs, Security, Reforms and Equality	14/12, Vincenti Buildings, Strait Street	Valletta	
Not Available	33/3, Windsor Street	Paola		
Office of the Regulator, Granting of Citizenship for Exceptional Services	SML Blue Building	Luqa	Chapter 3	
Residency Malta Agency	Zentrum Business Centre	Qormi		
Victim Support Agency	52, Old Theatre Street, Valletta	Valletta		
MIVC	Agenzija Sapport	Continental Business Centre Level -1	Santa Venera	Chapter 4
	Agenzija Sapport	Continental Business Centre Level 3	Santa Venera	
	Agenzija Sapport	Continental Business Centre Level 0	Santa Venera	
	Agenzija Sapport	Cannon Road Offices	Ħamrun	
	Agenzija Sapport	Scouts Association	Santa Venera	
	Agenzija Sapport	Blue Haven Apartment-Community hub	Żurrieq	Appendices
	Agenzija Sapport	Sea Breeze- Marsascala Apartment	Marsaskala	
	Agenzija Sapport	Tal Virtu- Community Hub	Rabat (Malta)	
	Agenzija Sapport	Bahar Ic-Caghaq Day Centre- Casa Beata Caterina	Burmarrad	
	Agenzija Sapport	Qrendi Pastoral Centre	Qrendi	
	Agenzija Sapport	De Porres Pastoral & Cultural Centre	Sliema	
	Commission for the Rights of Persons with Disability	G5 Offices	Birkirkara	
European Consumer Centre	47A, South Street Valletta	Valletta		

Ministry	Governmental Entity	Name of Leased Site	Location
MIVC cont.	Malta Competition and Consumer Affairs Authority	Mizzi House	Blata I-Bajda
	Ministry for Inclusion, Voluntary Organisations and Consumer Rights	Għajnsielem Learning Hub	Għajnsielem
	Ministry Secretariat	Palazzo Francesco	Lija
	Office of the Commissioner for Voluntary Organisations	Media Centre Complex	Pietà
	Permanent Secretariat, DCS office, PDPID offices, DDI offices, Information Management Unit, Guardianship board	E&SV Building	Birkirkara
MPWP	Property Malta Foundation	MDA Offices	Pietà
MSAA	Housing Authority	Housing Authority (extension Magazine Street)	Floriana
	Housing Authority	Housing Authority- Block C (Apt 1 Ent 21/25)	Floriana
	Housing Authority	Housing Authority Block D	Floriana
	Housing Authority	Casa Floriani	Floriana
	Ministry for Social and Affordable Accommodation	Ministry for Social and Affordable Accommodation (123, St Lucy Street)	Valletta
MSPC	International Relations Unit	186/187 Casa Depares, Old Bakery Street	Valletta
	Social Innovative Project Management Limited	N/A	Żebbuġ (Malta)
MTIP	Authority for Transport in Malta	Sudvel Limited	Lija
	Authority for Transport in Malta	Paola Estate Limited	Paola
	Authority for Transport in Malta	Tigrija Development Limited	Rabat (Gozo)
	Grand Harbour Regeneration Corporation	11, Transport House, Triq Pietro Floriani	Floriana
OPM	Coordination and Implementation Division	Transcontinental House	Valletta
	Malta Strategic Partnership Projects Ltd (MSPP)	AX Business Centre	Mosta
	MITA	Mriehel Archives (Stores)	Birkirkara
	MITA (Smart City)	MITA Innovation Hub	Kalkara
	National Development and Social Fund (NDSF)	Orange Grove, Office Block 1 and 2, Triq Birbal	Balzan
	Office of the Electoral Commission	ex-Trade Fair and Exhibition Centre	Naxxar
	Public Service Commission	Palazzo Spinola Business Centre	Valletta
	servizz.gov Agency	Victoria Centre	Mosta
	servizz.gov Agency	servizz.gov Lija Hub	Lija
	servizz.gov Agency	servizz.gov Qormi Hub	Qormi
	servizz.gov Agency	servizz.gov St Paul's Bay Hub	St Paul's Bay
	servizz.gov Agency	servizz.gov Paola Hub	Paola
servizz.gov Agency	servizz.gov Zurrieq Hub	Żurrieq	

3 - Are there any other Governmental Entities benefiting from the same leasing agreement? (sub-leasing or jointly using the leased property)



4 - Which are the Governmental Entities benefitting from the same leasing agreement?

Ministry	Governmental Entity (specific Department / Directorate / Unit, or any other Constitutionally or Officially Appointed Body) operating from premises leased from the private sector (If applicable).
MAFA	Commissioner of Animal Welfare (CAW) and Agriculture Bioresources Agency (GAB)
MEEE	Business 1 st Malta Resources Authority
MEFL	Directorate Corporate Services & Information Management Unit & Policy Development and Programme Implementation Directorate: all directorates falling under MEFL EU Funds Directorates (PPCD, FPD, MSD) Malta Business Registry
MEYR	Department of Examinations Foundation for Educational Services St Ignatius College Office of the HCN within DES
MFE	MFE
MFJ	Corporate Service Directorate
MHAL	Eastern Regional Council Regjun Tramuntana
MFAA	Social Care Standards Authority
MFH	Primary HealthCare (Dept. 084) Human Rights Directorate
MHSR	Local Enforcement Systems Agency (LESA) Malta Police Department Residency Malta Agency
MIVC	European Consumer Centre Malta Competition and Consumer Affairs Authority Permanent Secretariat, DCS office, PDPID offices, DDI offices, Information Management Unit, Guardianship board

¹² This Table relate to the 24 'Yes' responses in pie chart 'Are there any other Governmental Entities benefitting from the same leasing agreement?'

Other Governmental Entities benefitting from the leasing agreement	Name of leased site as per agreement	Location of leased site as per agreement
Commissioner of Animal Welfare (CAW) and Agriculture Bioresources Agency (GAB)	Regent Building, Racecourse Street	Marsa
Malta Enterprise, CFR VAT, CFR INCOME TAX, Malta Tourism Authority	Cobalt House, Notabile Road	Birkirkara
CEMalta	Millennia Building, Aldo Moro Road	Marsa
Different directorates all falling under MEFL	Millennia Building, Aldo Moro Road	Marsa
EUPA	The Oaks Business Centre	Hamrun
Commissioner for Revenue, Tech.mt, FinanceMalta and Gaming Malta Foundation	AM Business Centre	Żejtun
Directorate for Learning & Assessment Programmes (DLAP)	Pinto Business Centre	Qormi
MEYR - St. Ignatius College - Office of the Head of College Network	Zentrum Business Centre	Qormi
Foundation for Educational Services	Zentrum Business Centre	Qormi
ARMS, MITA, NCPE, FMS and IDENTITY MALTA	Gattard House	Blata l-Bajda
IMU	46, Palazzo Spinola Business Centre	Valletta
Eastern Regional Council Administration Office and Tribunal Lokali f'San Gwann	Relos Services Ltd	San Gwann
Kumitat Kongunt Birkirkara (entity is holding tribunal cases pertaining to the period from 2001 till 2011)	Grand Master Place Garage	St Paul's Bay
Minor Care Review Board, Medical Boards and Procurement Unit (Ministry for Social Policy and Children's Rights); Social Projects Management Ltd (Ministry for Social and Affordable Accommodation); Courts of Justice (Ministry for Justice); Active Ageing and Community Care (Ministry for Active Ageing).	Bugeja Institute	St Venera
The Commissioner of Police	Gzira Health Centre	Gzira
MFH (Gender Wellbeing Clinic)	Level 0, 1 & 12 of A3 Tower and Level 1 of A1 Tower within the A3 Towers	Paola
Using the area as a hub to cater for the central region officers for parking of Agency's vehicles and small office	Max 70 Co Ltd	Pietà
Ministry for Health	Gzira Circus, Number 1 (formerly number 20), Pjazza Meme Scicluna	Gzira
Residency Malta Approvals Board and Board of Directors	Zentrum Business Centre	Qormi
Tribunal Office - MCCA, Government Arbiters (Tribunal Sittings)	47A, South Street	Valletta
National Accreditation Board and Consumer Affairs Council	Mizzi House	Blata l-Bajda
Guardianship Board	E&SV Building	Birkirkara
Jobsplus, MITA	Ghajnsielem Learning Hub	Ghajnsielem

Executive
Summary

Chapter 1

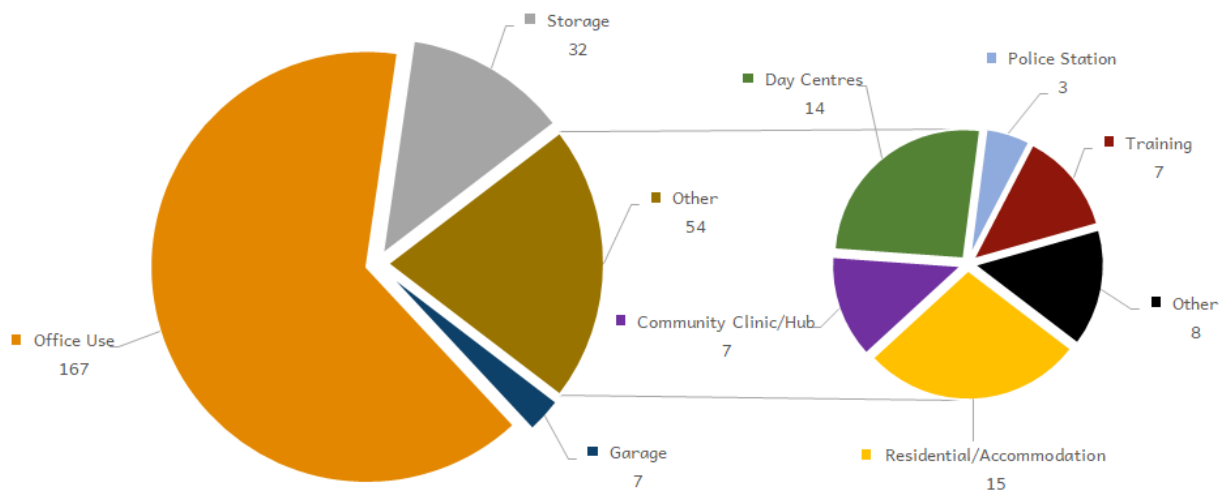
Chapter 2

Chapter 3

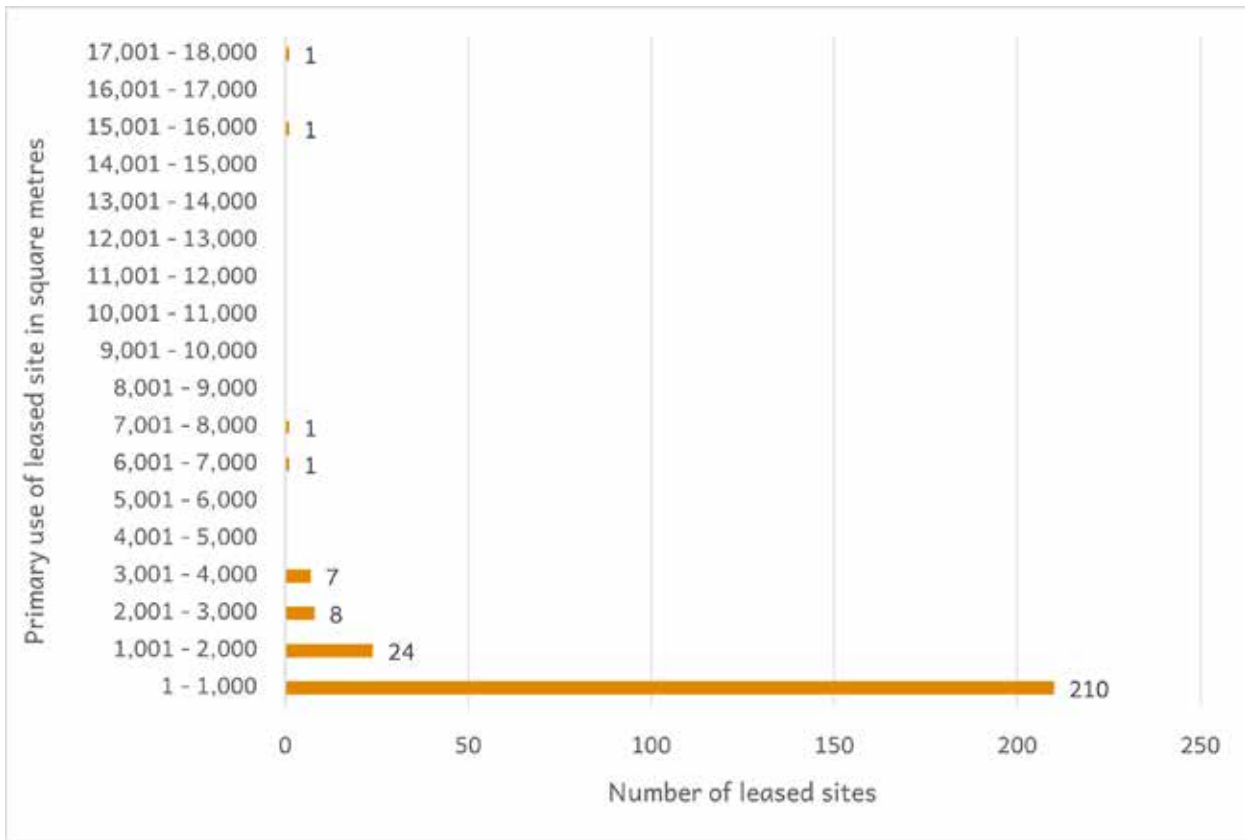
Chapter 4

Appendices

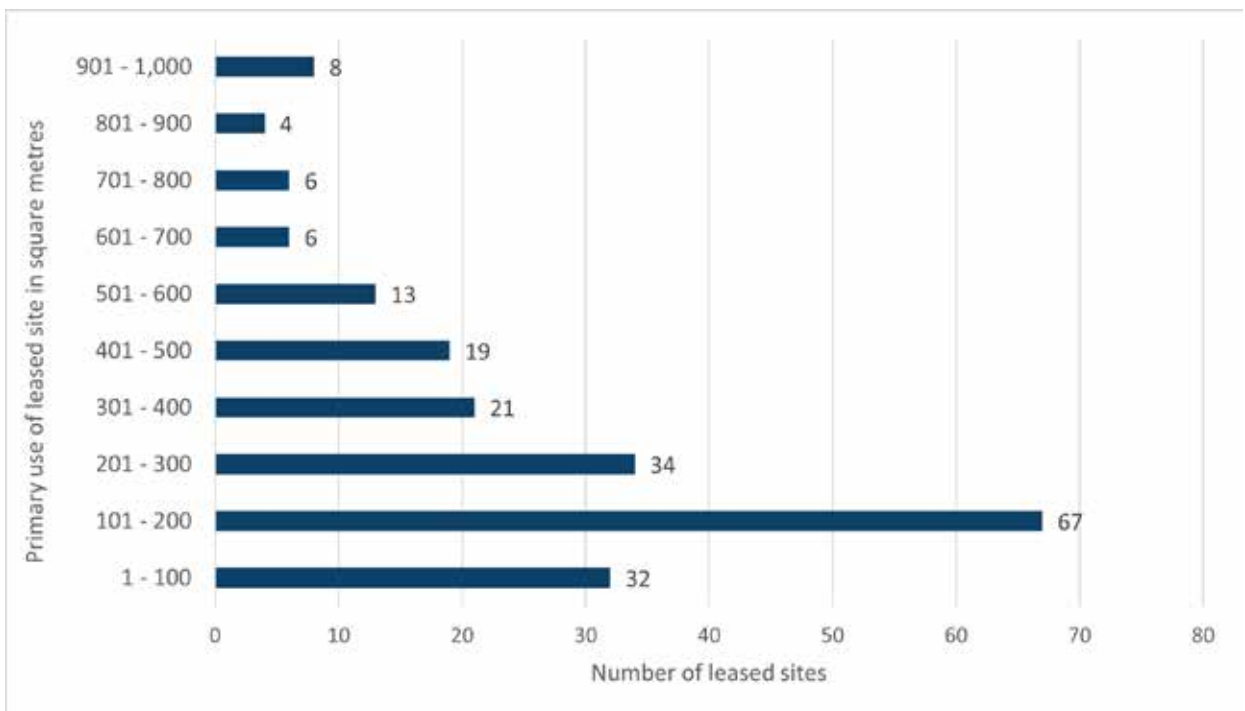
5 - For what purpose is the leased site mainly utilised? (i.e. Primary use)



6 - What is the size of the main part of the leased site? (i.e. Primary use - area as per agreement in square metres)

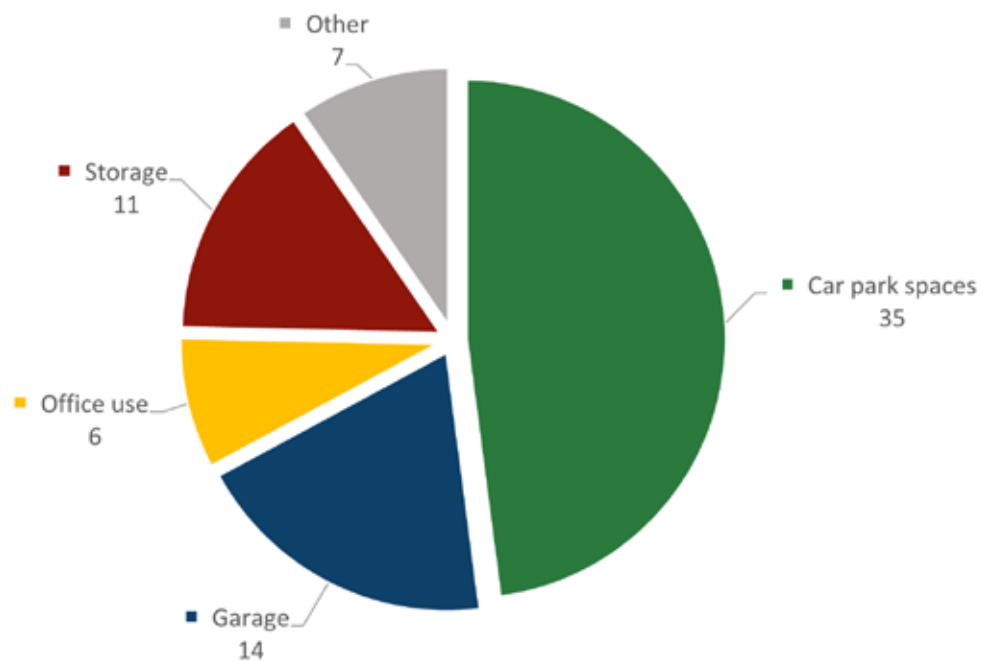


6a - Breakdown of the 210 leased sites ranging from 1 to 1,000 square metres

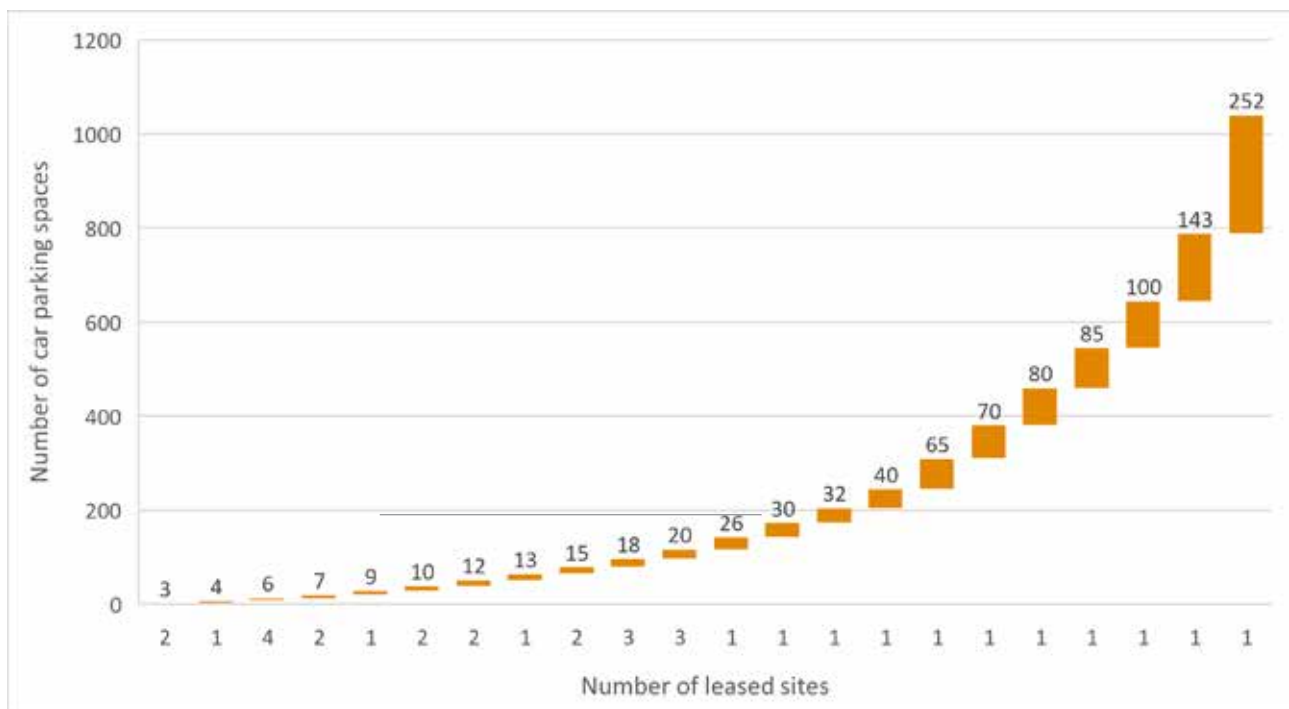


¹³ This question elicited 253 replies out of the 260 responses considered for this survey.

7 - Does the leased site have any additional purpose? (i.e. Secondary use)¹⁴



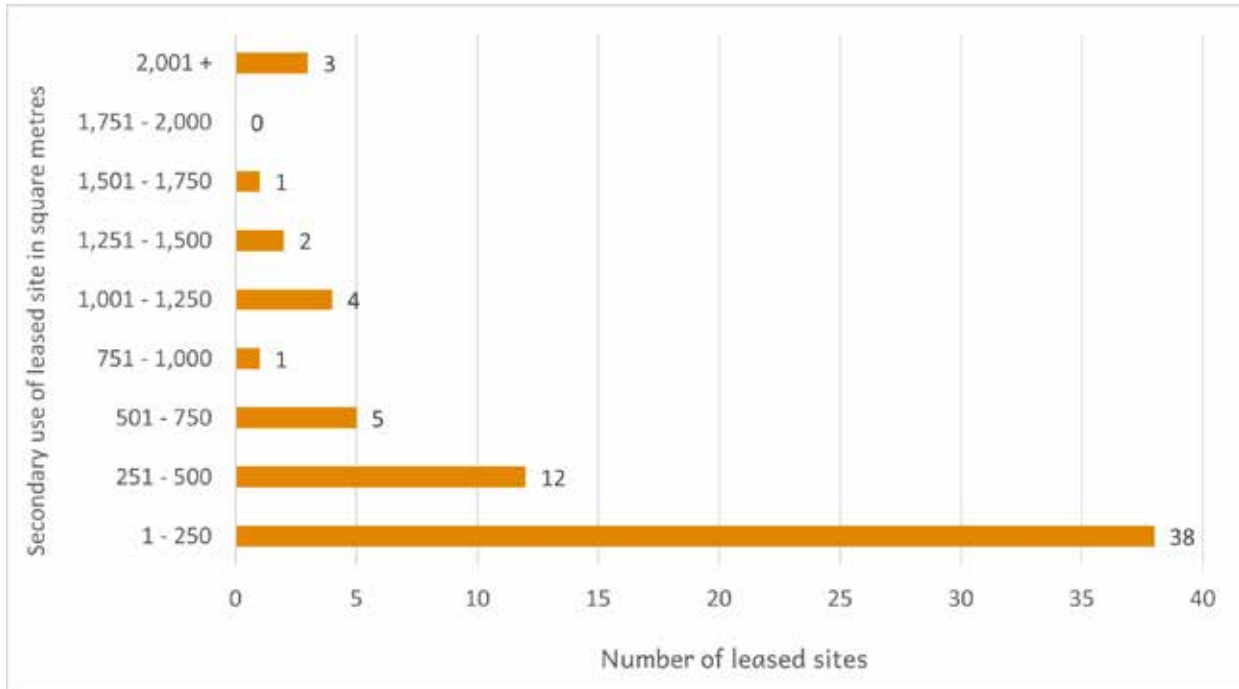
8 - What is the number of car parking spaces as per leasing agreement?¹⁵



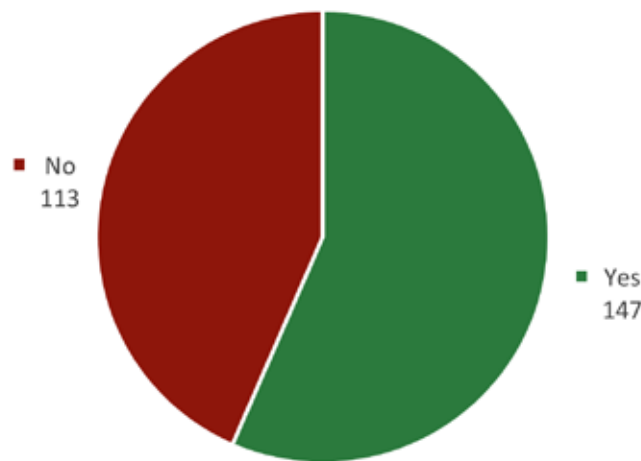
¹⁴ 73 out of the 260 responses indicated that the leased sites had a secondary use.

¹⁵ The survey elicited 34 premises where information on car parking spaces was available.

9 - What is the size of the remaining part of the leased site? (i.e. Secondary use - area as per agreement in square metres)¹⁶

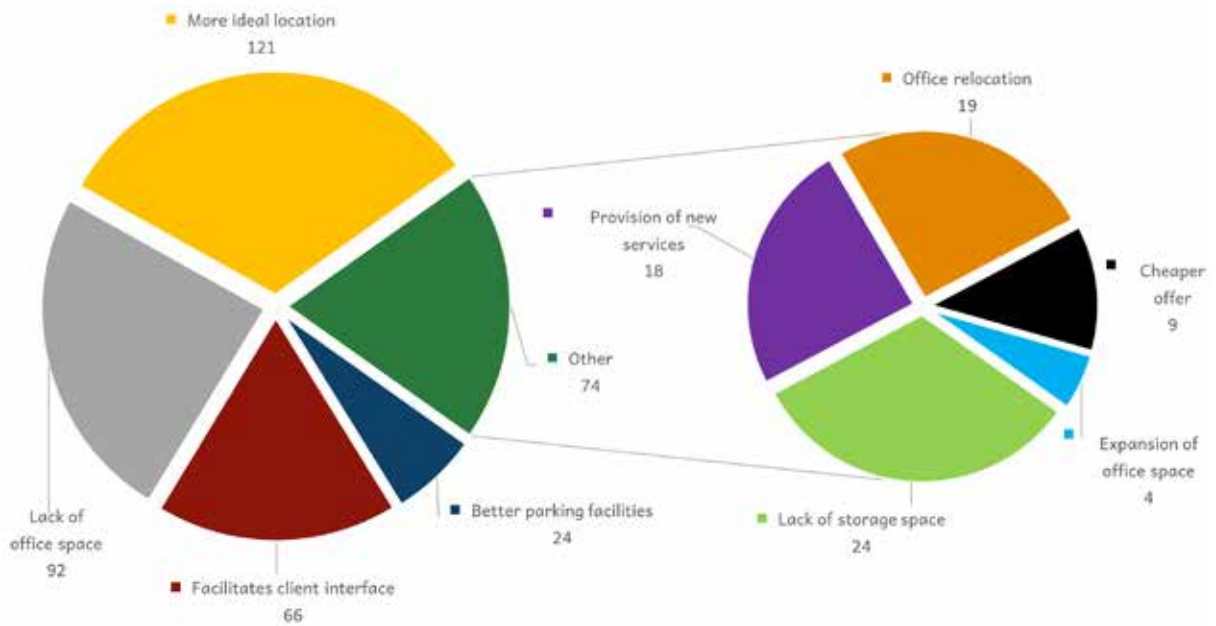


10 - Was a needs assessment carried out and documented (before commencing operations from the leased site)?



¹⁶ There were 66 leased sites considered for this question. For the scope of this audit, in cases where respondents indicated the number of car parking spaces, but no area of site was provided, an assumption of 17.13 sqm for each parking space was considered.

11 - What were the reasons for selecting the private property in use as at end 2022?¹⁷



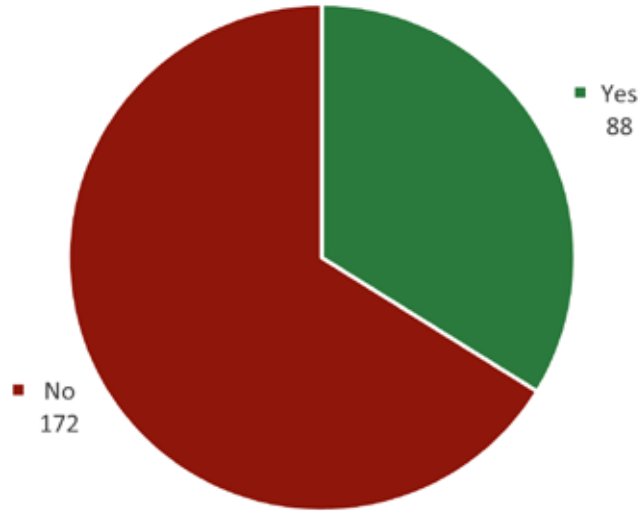
12 - What procurement method was adopted for leasing the private property in use?¹⁸



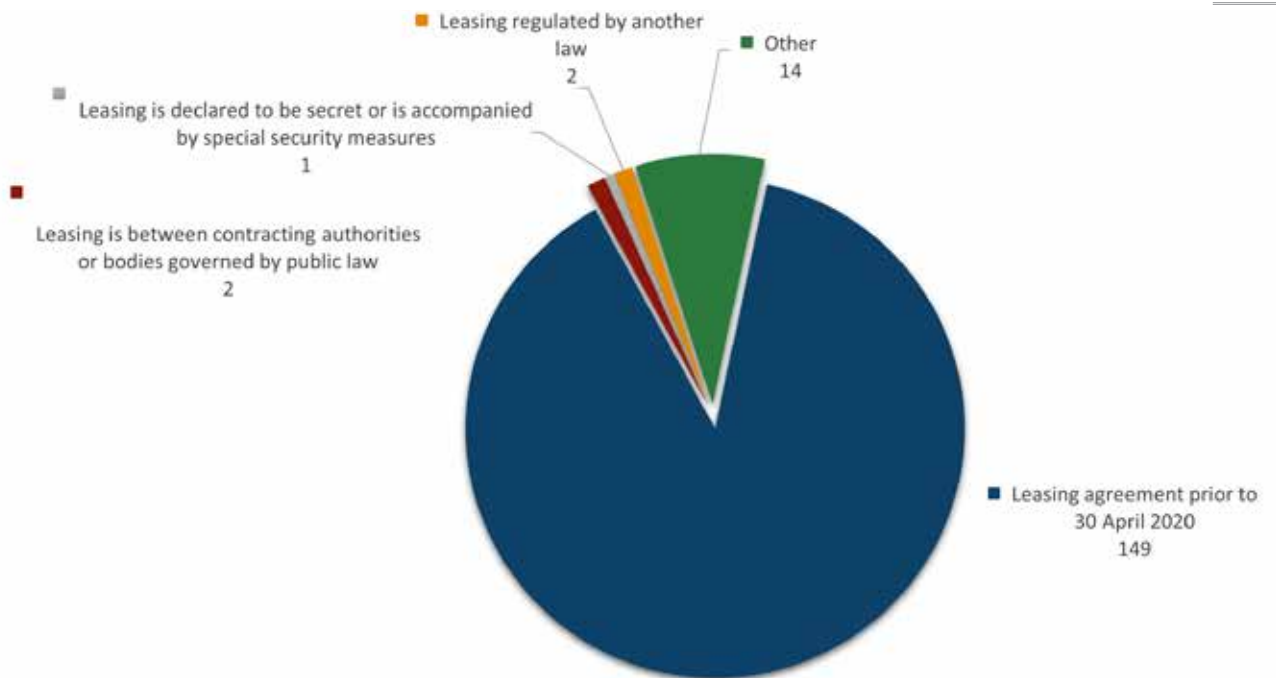
¹⁷ A multiple response question that elicited 377 replies.

¹⁸ 259 out of the 260 respondents answered this question.

13 - Is this leasing subject to Subsidiary Legislation 601.12 - Procurement of Property Regulations?



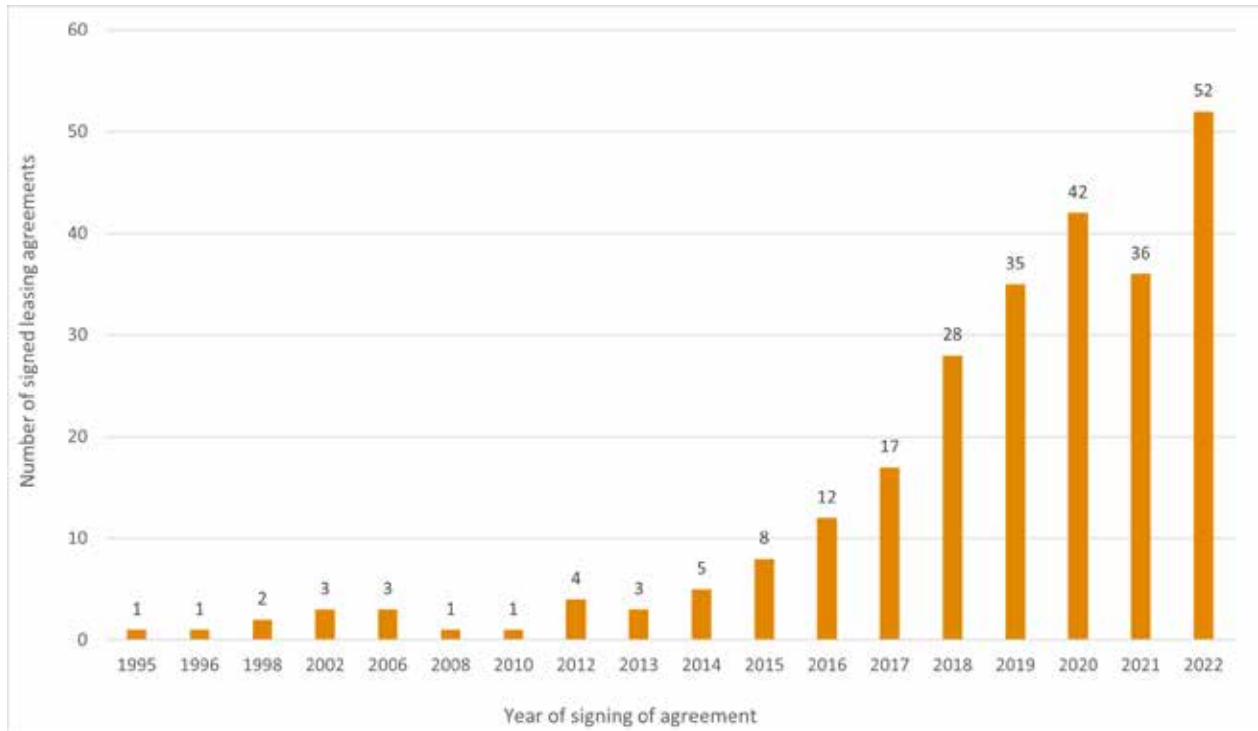
14 - Why is this leasing not subject to Subsidiary Legislation 601.12?¹⁹



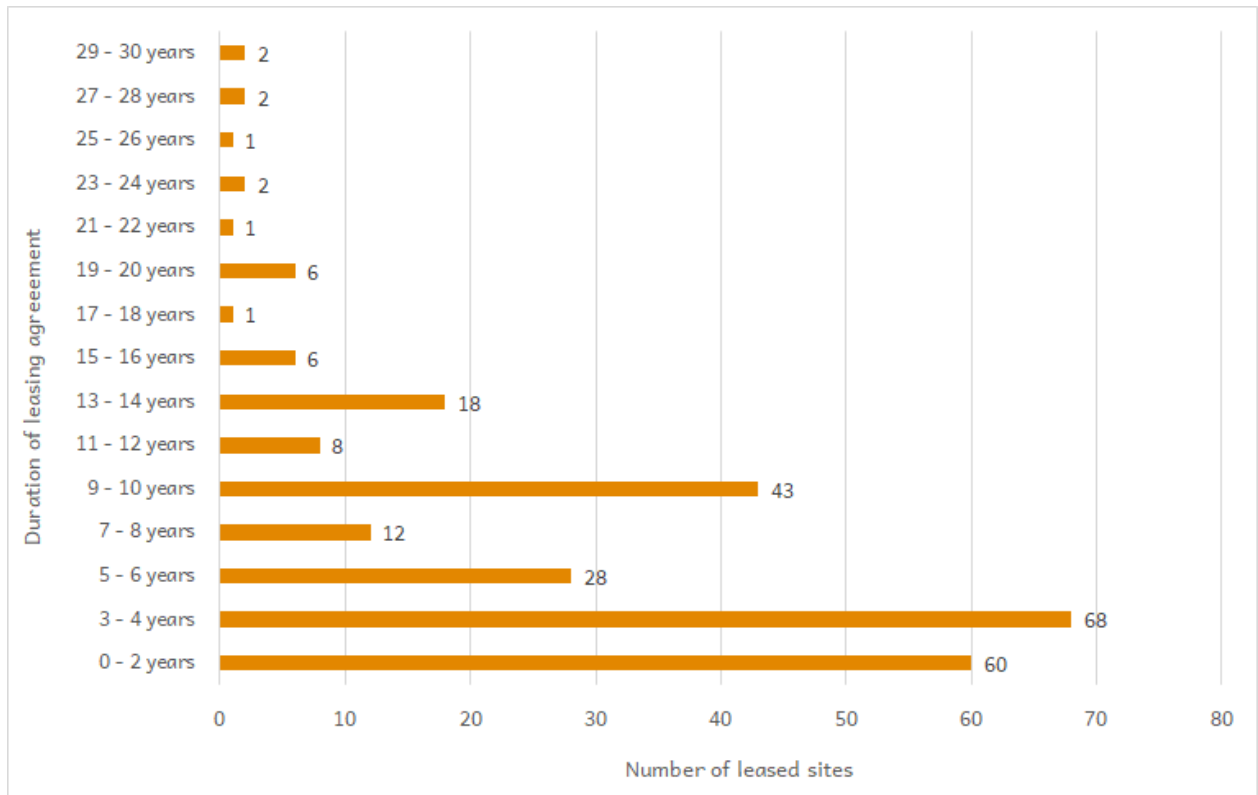
¹⁹ This pie chart relates to 168 out of the 172 'No' responses in pie chart 13 'Is this leasing subject to Subsidiary Legislation 601.12- Procurement of Property Regulations?'

Section 2 – Active Agreement (as at the end of 2022)

15 - When was the leasing agreement in place signed?²⁰



16 - What is the duration of the lease?²¹

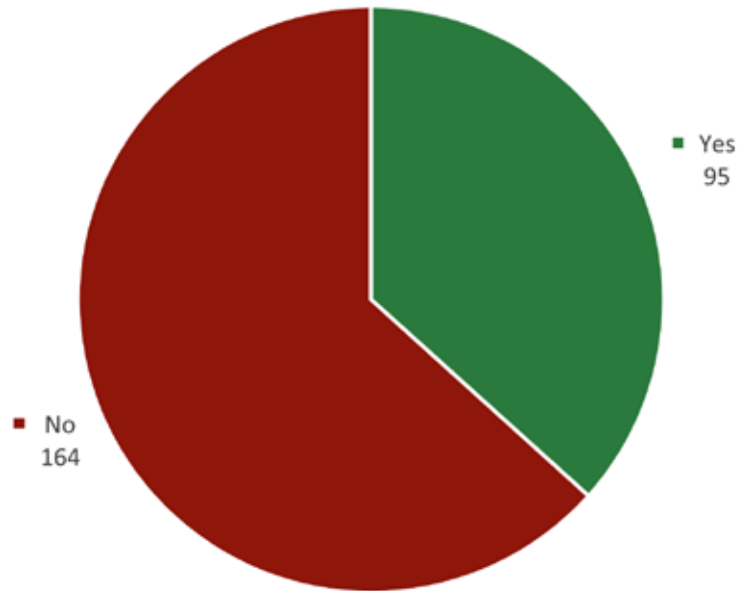


²⁰ In view that in five cases the date of the agreement was erroneously inputted whereas in another case the contractual agreement has expired, and the Governmental Entity concerned was still making use of the property during December 2022, the number of responses amounted to 254.

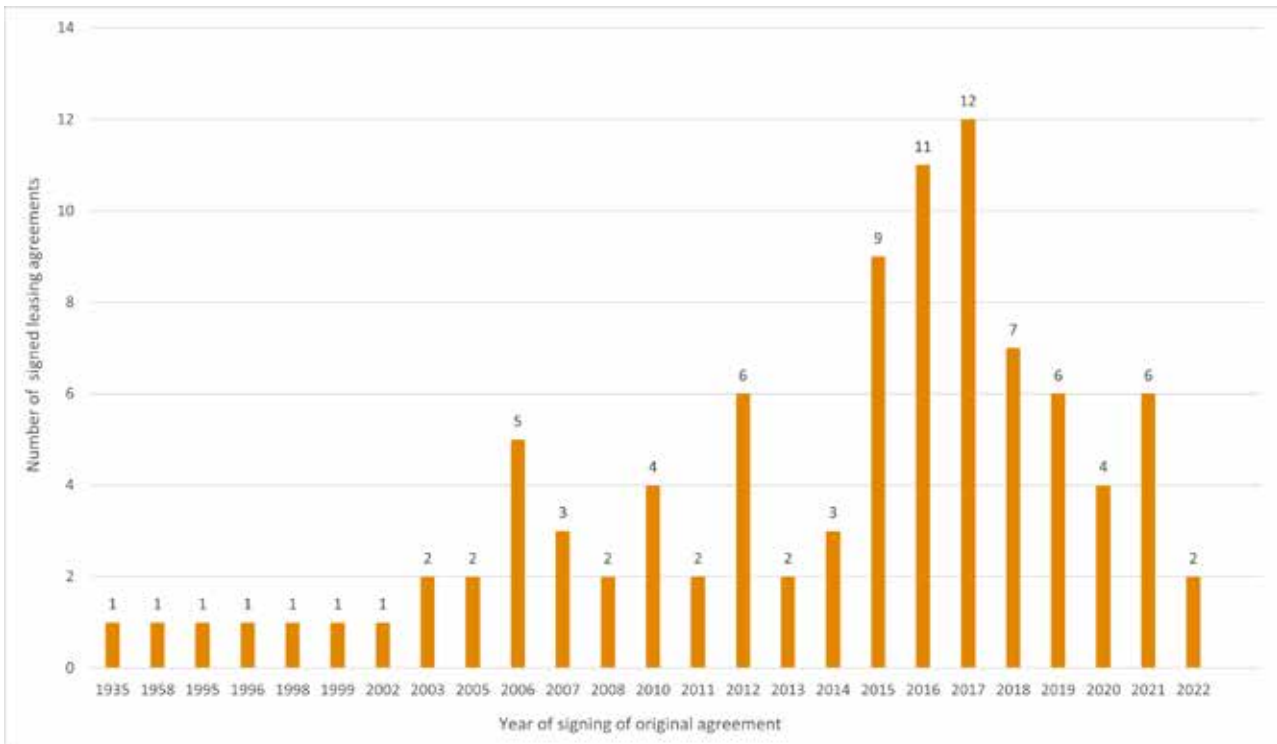
²¹ For this question 258 responses were elicited.

Section 3 – Extensions to the agreement

17 - Is the current agreement (active as at end 2022) an extension of former agreement/s?²²

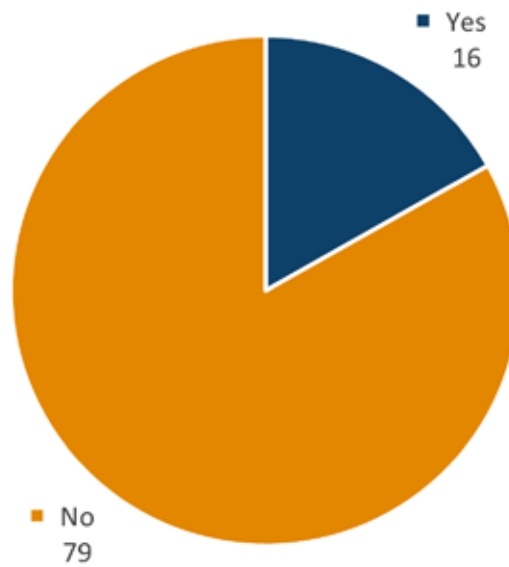


18 - When was the original agreement signed?

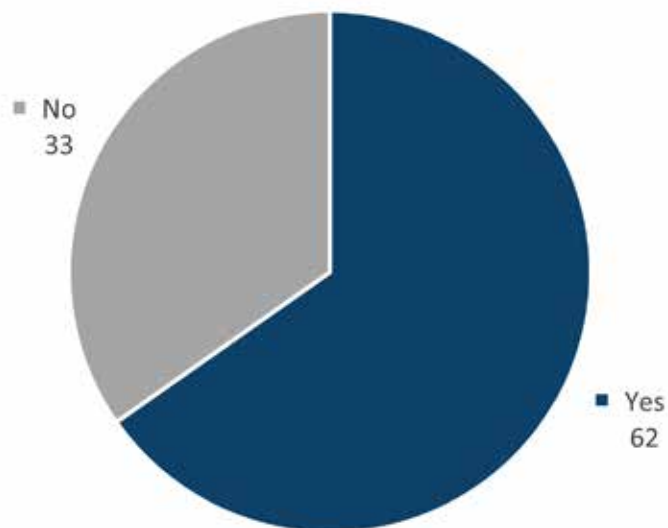


²² For the scope of this question, 259 replies were considered since during December 2022 one lease agreement has expired. The 95 'Yes' replies will be considered in questions 18 to 20.

19 - Has the agreement's extension/s increased the total area? (or increased any aspect of the area - e.g. number of car parking spaces)

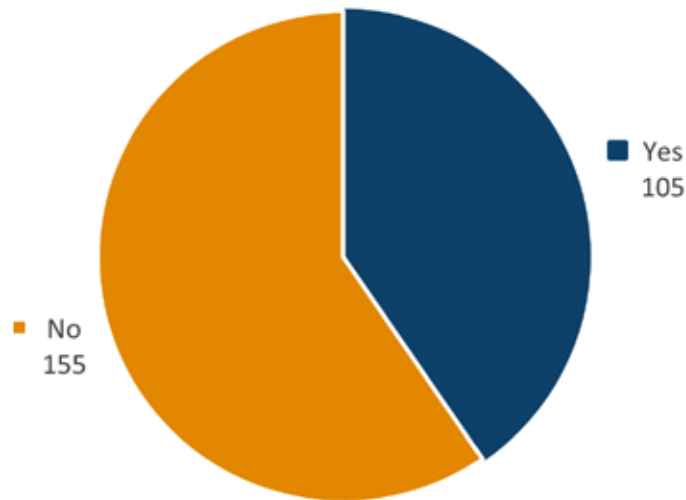


20 - Has the agreement's extension increased the leasing rate?

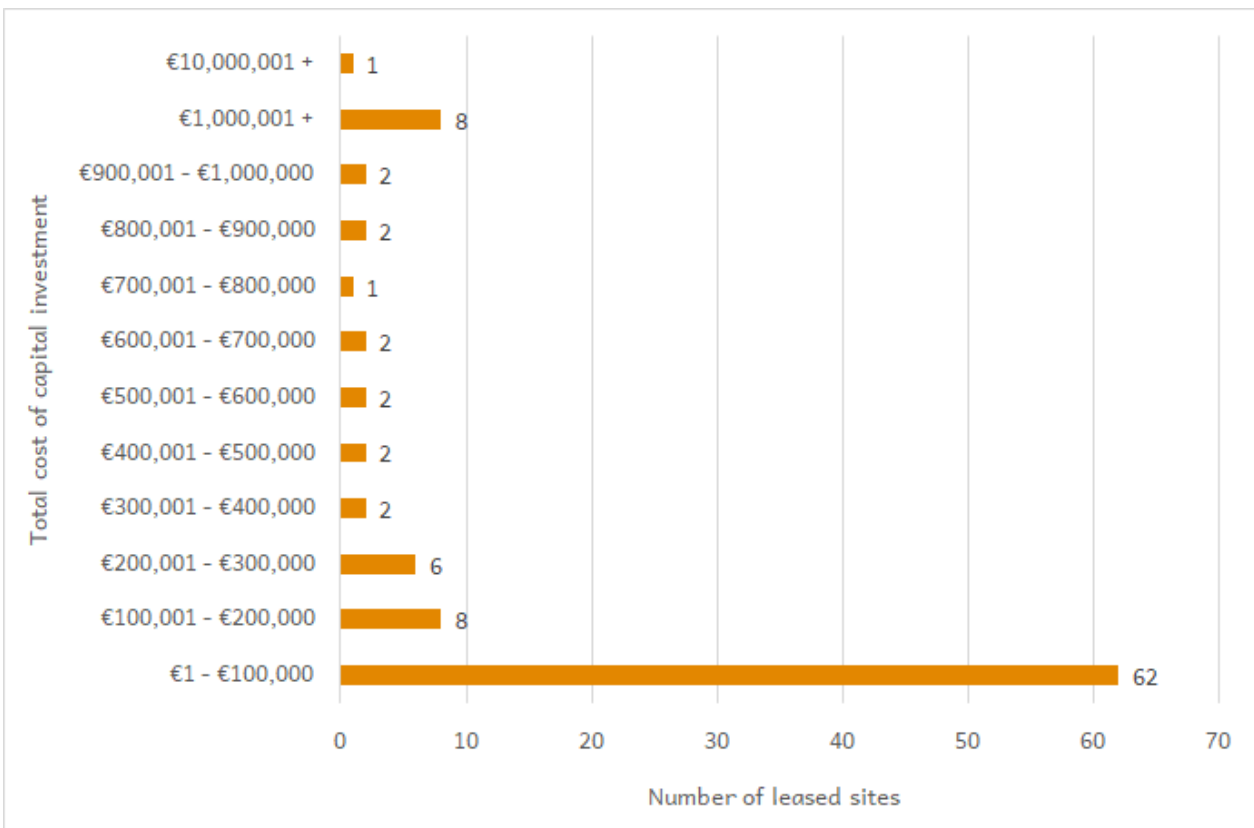


Section 4 – Capital Investment

21 - Was any capital investment carried out by Government to make the leased site ready for use? (excluding regular maintenance costs)



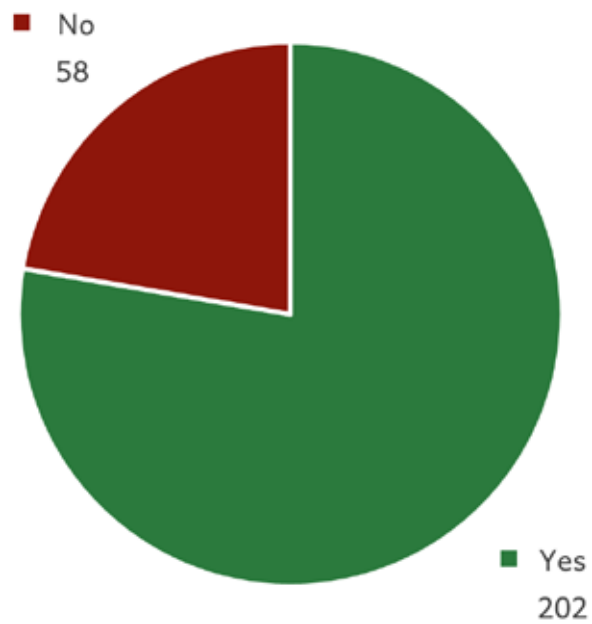
22 - What was the total cost of capital investment incurred from the start of the lease up to end of December 2022? (€ excl. VAT) (excluding regular maintenance costs)



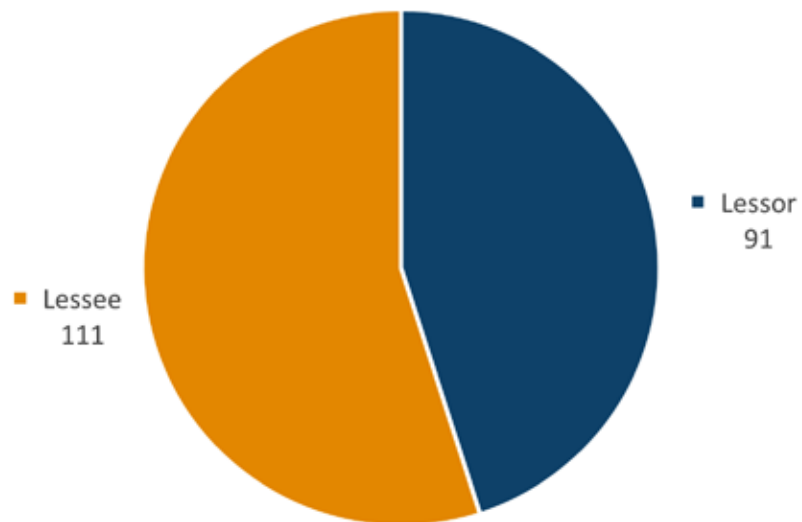
²³ 98 respondents out of the 105 'Yes' responses in question 21 provided the requested information.

Section 5 – Insurance

23 - Is the leased site being insured?

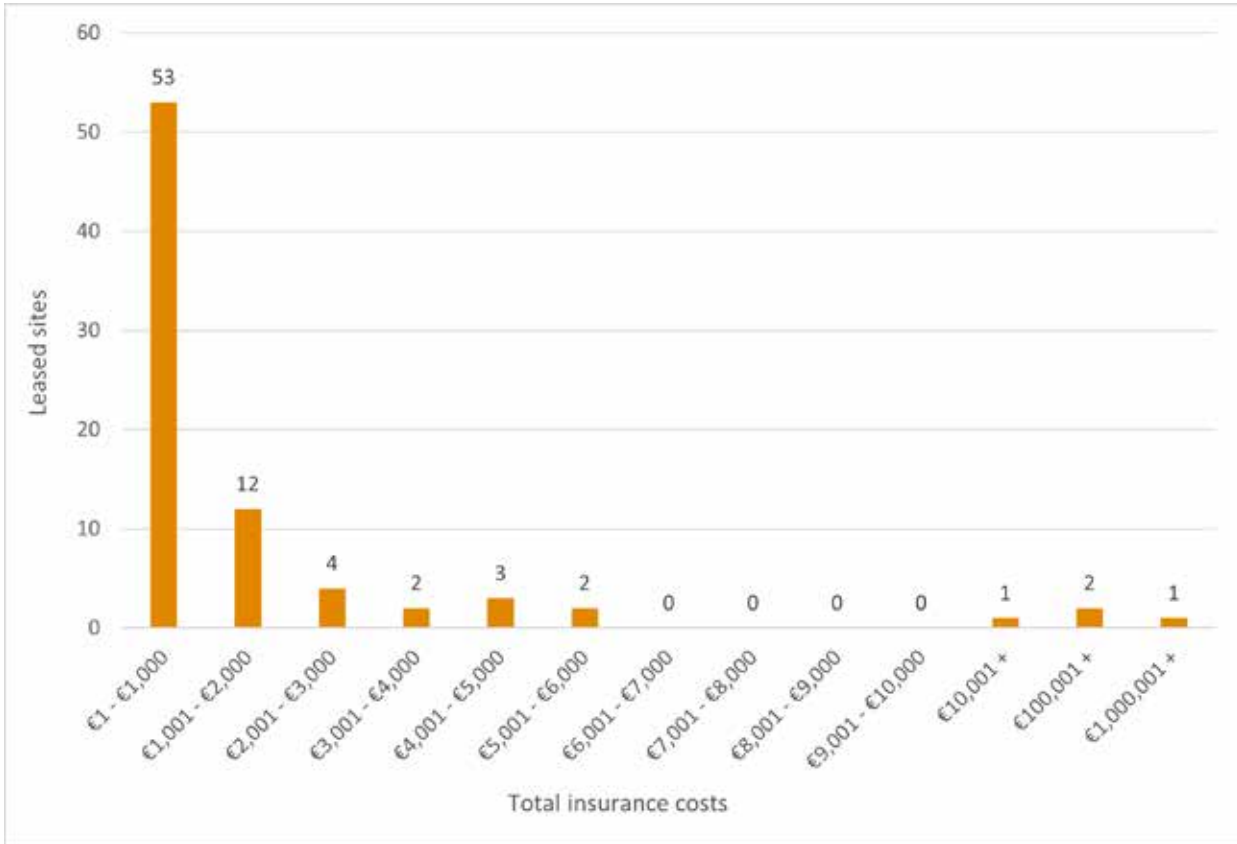


24 - Are insurance costs incurred by the Lessor (i.e. private owner) or the Lessee (i.e. Governmental Entity)?²⁴



²⁴ This pie chart illustrates the 202 'Yes' responses in question 23- 'Is the leased site being insured?'.

25 - What was the total insurance costs for 2022 incurred by the Governmental Entity? (€ excl. VAT)²⁵

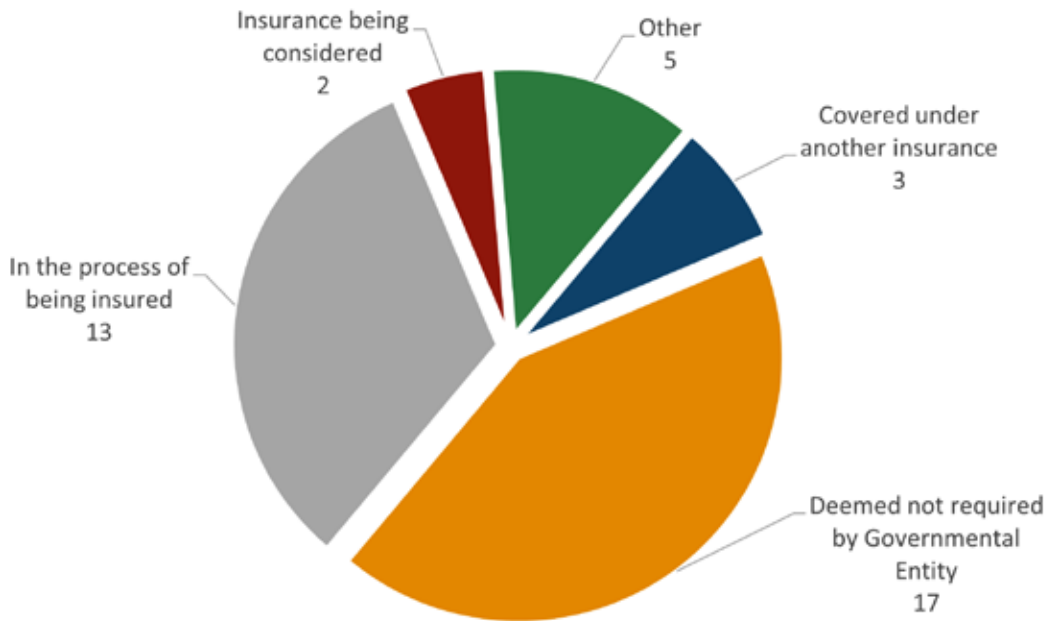


Executive Summary

Chapter 1

Chapter 2

26 - Why is the leased site not insured?²⁶



Chapter 3

Chapter 4

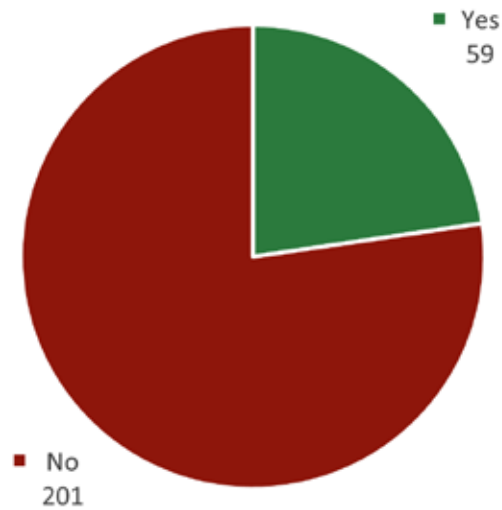
Appendices

²⁵ Only 80 out of the 111 'Lessee' responses in Question 24 responded.

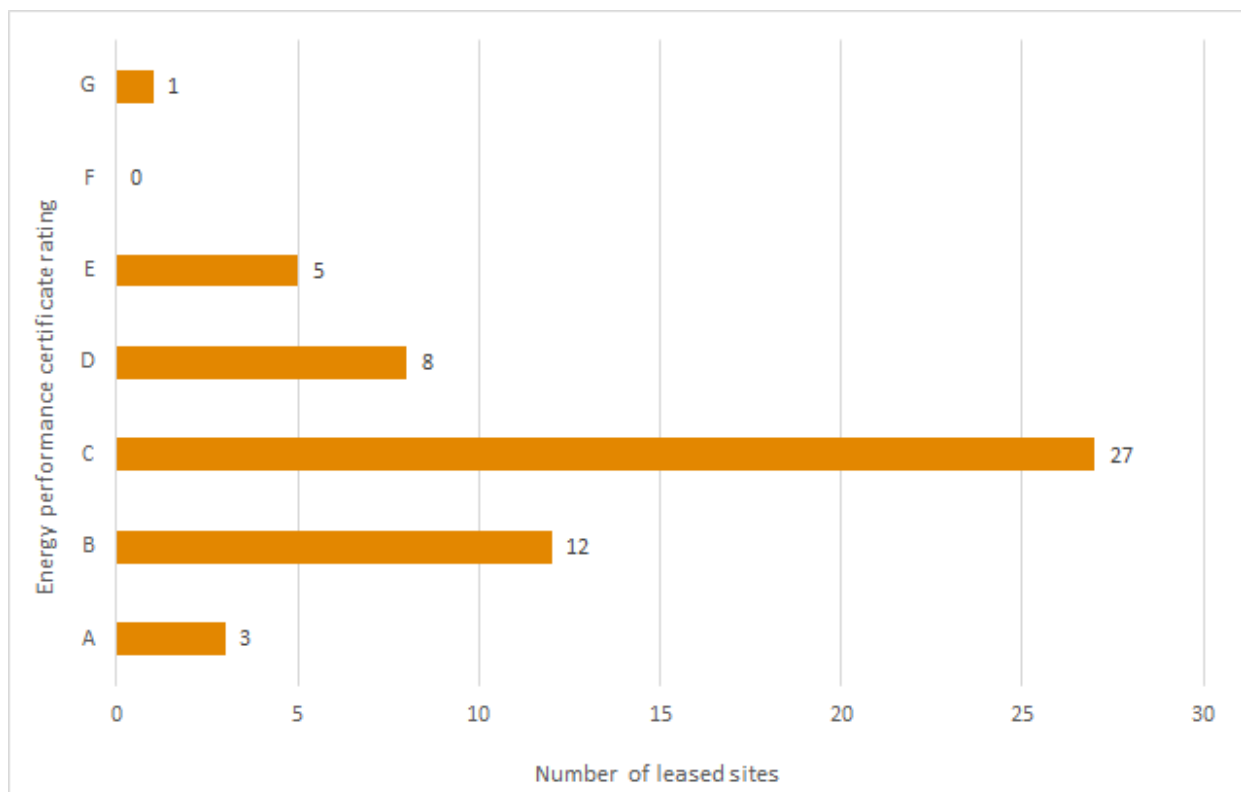
²⁶ Only 40 of the 58 'No' responses in Question 23 responded.

Section 6 – Insurance

27 - Does the leased site have an Energy Performance Certificate (EPC)?



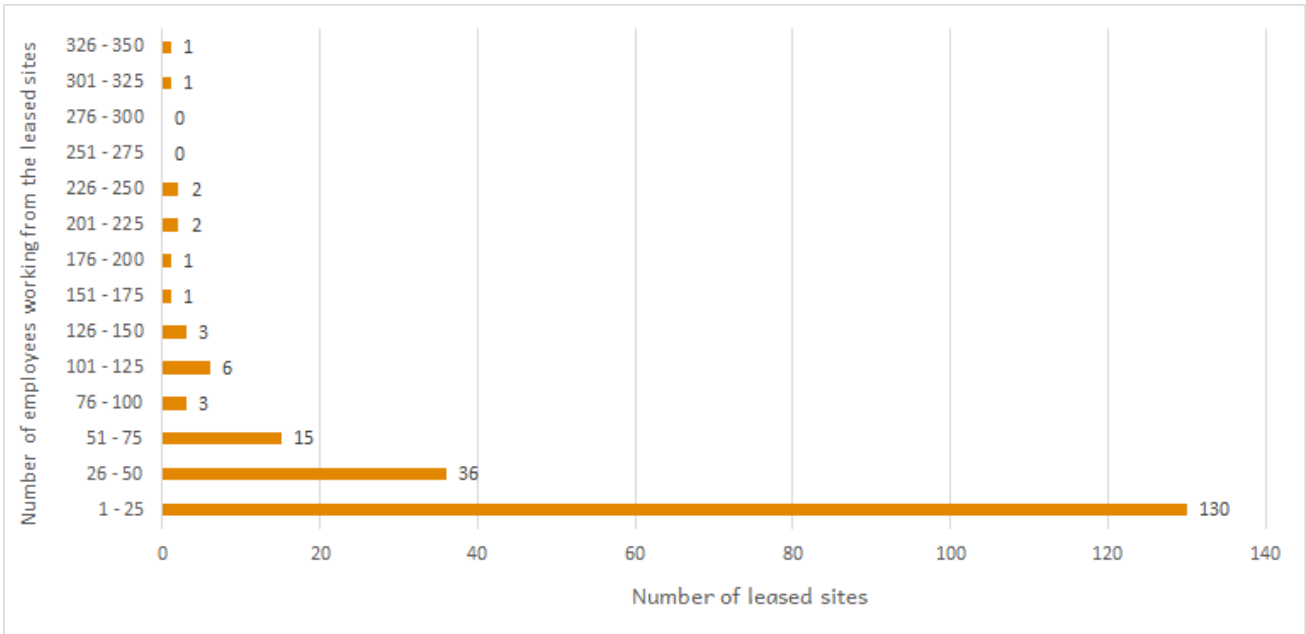
28 - What is the current EPC rating? (A+ to G)²⁷



²⁷ Only 56 out of the 59 'Yes' responses in Question 27 answered this question.

Section 7 – Insurance

29 - What was the number of employees working from the leased site as at end 2022?²⁸

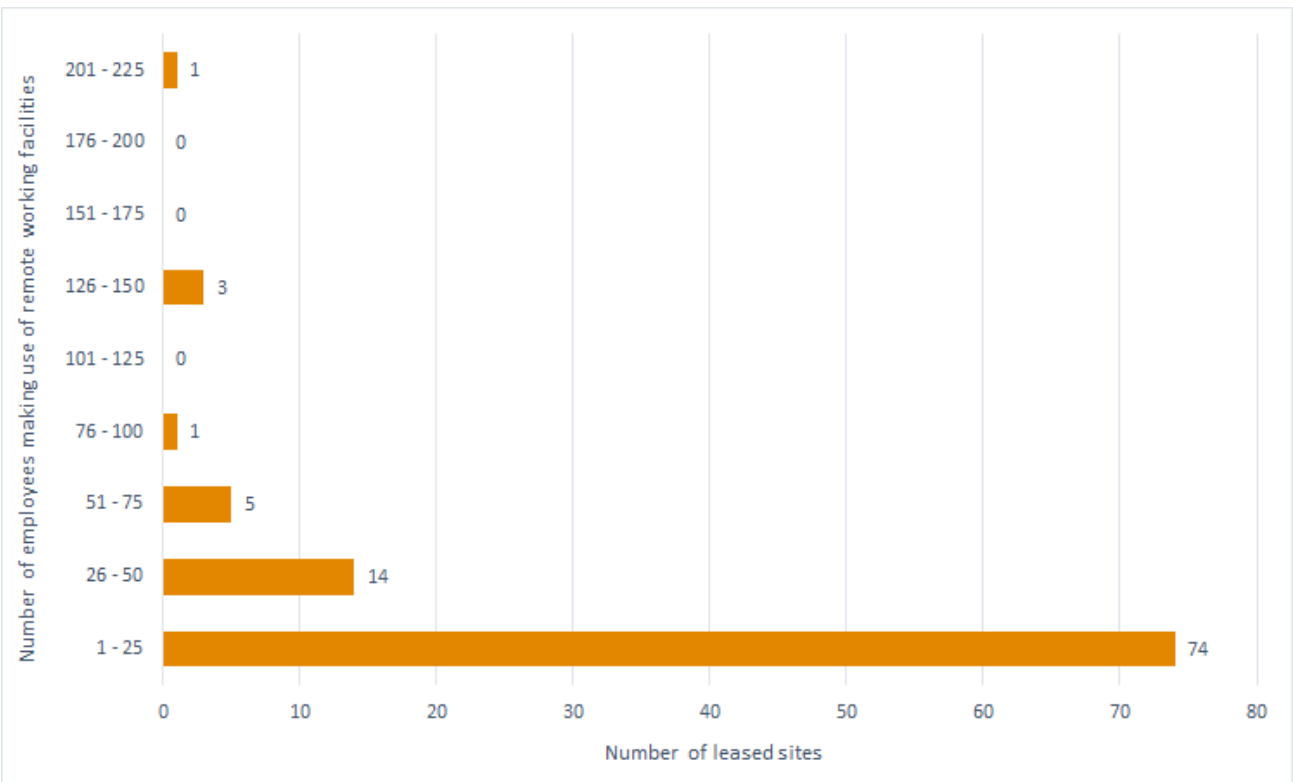


Executive Summary

Chapter 1

Chapter 2

30 - What was the number of employees working from the leased site and making use of remote working facilities as at end 2022?²⁹



Chapter 3

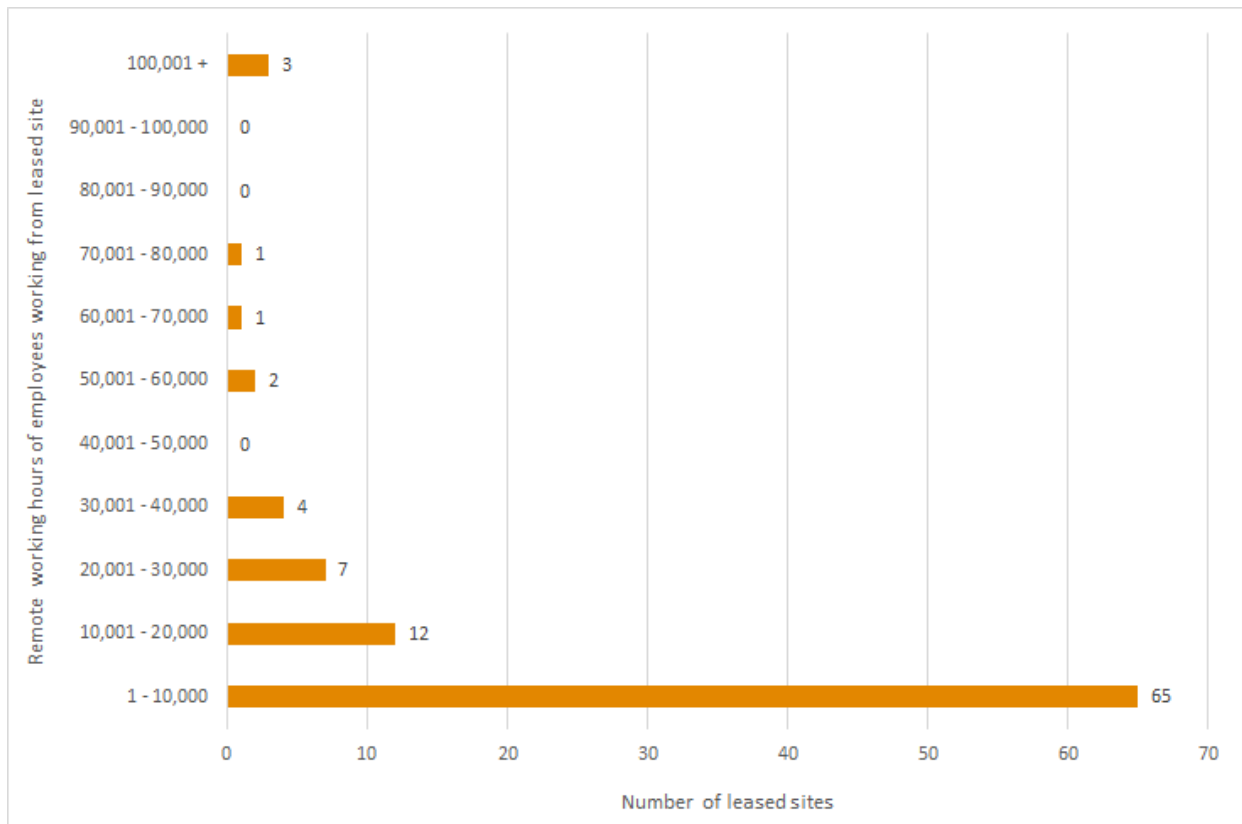
Chapter 4

Appendices

²⁸ 201 out of the total 260 respondents answered this question.

²⁹ 98 respondents outlined that they make use of remote working facilities.

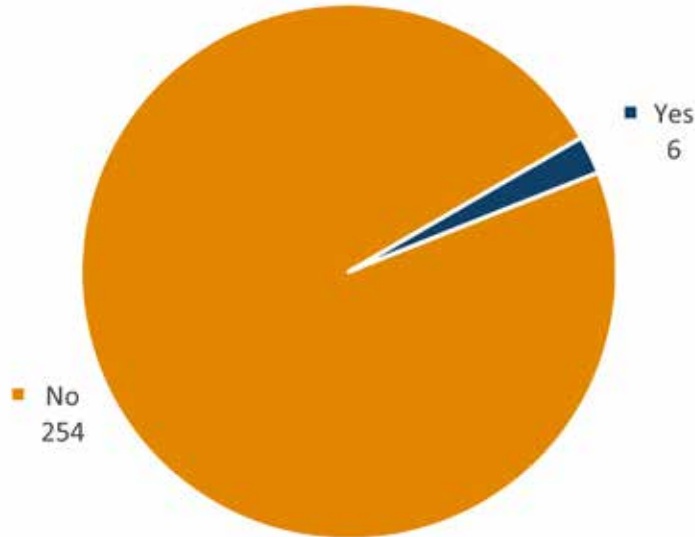
31 - What was the total remote working hours of employees working from the leased site during 2022?³⁰



³⁰ The remote working hours were only provided in 95 out of the 98 respondents in Question 30.

Section 8 – Sub-leasing

32 - Is your Governmental Entity sub-leasing the property?



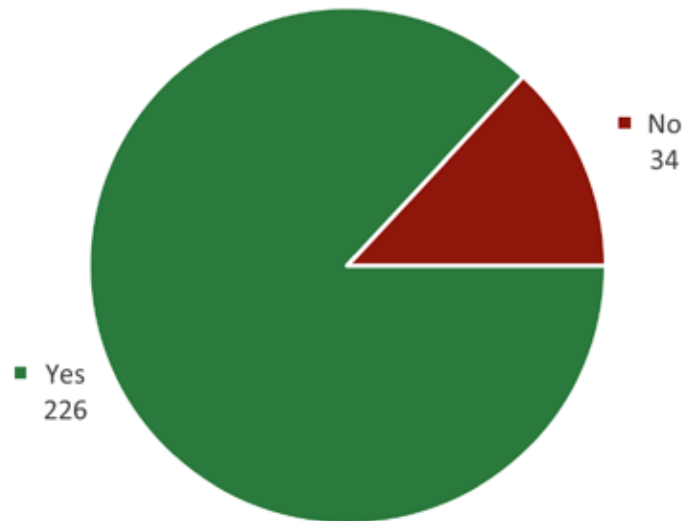
33 - To whom is the site being sub-leased? (Kindly specify all Private and/or Governmental sub-lessees)³¹

To whom is the site being sub-leased?
A contract for the Tender CT2281/2019 is not signed yet
ARMS, MITA, FMS and IDENTITY MALTA. The lease of the NCPE is paid by MFE.
CEMalta
MUHC (1,500 sqm)
Social Projects Management Ltd
Tech.mt, Commissioner for Revenue, FinanceMalta and Gaming Malta Foundation

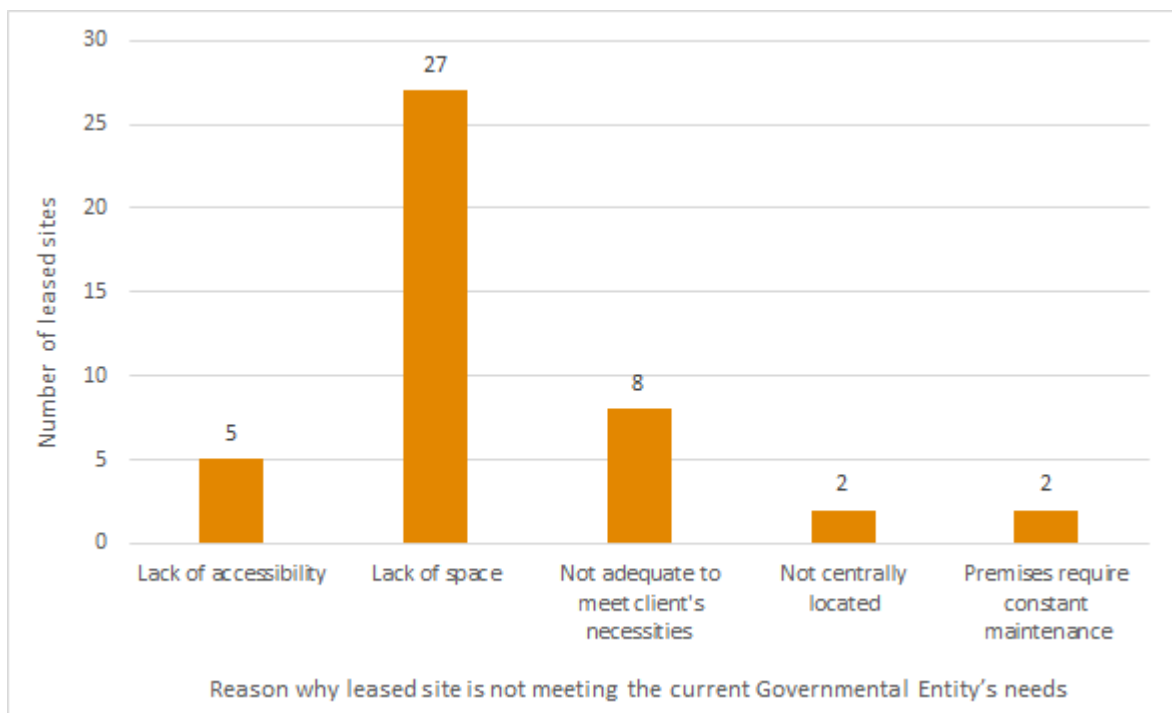
³¹ The six replies refer to the 'Yes' replies in question 32.

Section 9 – Insurance

34 - Is the leased site adequately meeting the Governmental Entity's present needs?

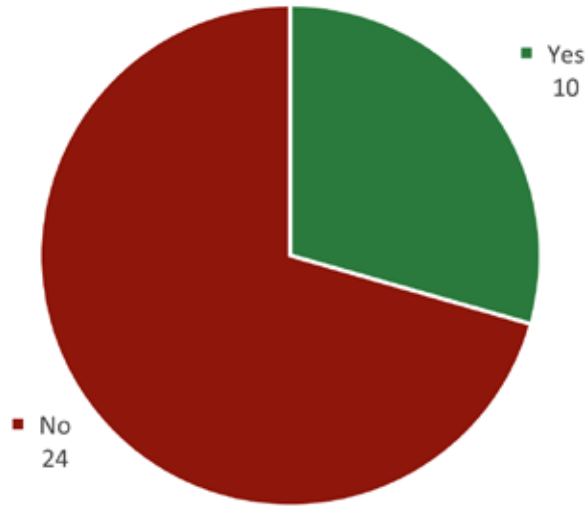


35 - Why is the leased site not meeting the current Governmental Entity's needs?³²



³² This is a multi-response question to the 'Yes' subset in question 34.

36 - In view that the leased site is not adequately meeting the Governmental Entity's present needs, was a formal needs assessment to change location undertaken and concluded?³³



³³ This includes the 34 'No' replies in question 34.

Appendix II: NAO survey submitted after 1 November 2023

1. As part of the audit methodology, this Office corroborated the data derived from the questionnaires submitted with other documents. The latter documentation included Parliamentary Questions published in 2022 and 2023 as well as the list of Direct Orders maintained by the Ministry for Finance and Employment.
2. Through this triangulation exercise, this Office identified a number of lease agreements that were not originally included in the survey data submitted. This Office followed up these new cases and where applicable, the Governmental Entities agreed to complete a separate new questionnaire. Through this exercise another eight surveys were submitted. Table 1 provides general information elicited from these eight questionnaires.

Table 1: Additional questionnaires submitted after the cut-off period

Ministry	Governmental Entity	Name of Leased site	Location
MEYR	Aġenzija Żgħażaġħ	Ċentru Appolina	Għajnsielem
MSPC	Foundation for Social Welfare Services	Galatea Buildings, St Luke's Road	Gwardamangia
MFH	Mater Dei Hospital	Oratorju MSSP (Oratorju Domenico Savio), Triq San Ġiljan	Birkirkara
MHAL	Creative Europe	202/3, Vincenti Buildings	Valletta
MFE	FIAU	Projetta Limited	Birkirkara
MGOZ	Gozo Channel (Operations) Ltd	30, Shore Street	Mġarr (Gozo)
MGOZ	Gozo Channel (Operations) Ltd	The Brokerage	Rabat (Gozo)
MGOZ	Gozo Channel (Operations) Ltd	24/26, Shore Street	Mġarr (Gozo)

3. The information derived from these eight questionnaires was not included as part of the population discussed in Chapter 3 and Appendix I. This decision was taken for practical reasons as survey evaluation was already concluded before the issues with these respective entities were fully resolved. However, the information derived from these eight questionnaires will be considered when drawing a sample from the total population of leased sites by Governmental Entities. This exercise will be part of a subsequent Report, which is scheduled to be published later in the year.

2023-2024 (to date) Reports issued by NAO

NAO Annual Report and Financial Statements

July 2023 National Audit Office Annual Report and Financial Statements 2022

NAO Audit Reports

April 2023 Performance Audit: An assessment of capital projects at the University of Malta

April 2023 Performance Audit: Ensuring fair Non-Contributory Social Benefits and safeguarding against related fraud

May 2023 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

May 2023 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 [Abridged]

June 2023 Follow-up Audits Report by the National Audit Office Volume I 2023

June 2023 IT Audit: Malta Food Agency

July 2023 A review of the implementation of Sustainable Development Goal 2: Addressing pre-obesity and obesity

October 2023 Review by the Auditor General on Fixed Assets and Stocks

November 2023 Follow-up Audits Report by the National Audit Office Volume II 2023

November 2023 Report by the Auditor General on the Workings of Local Government for the year 2022

November 2023 A review of the employment agreement of the Consultant to the Chief Executive Officer, Institute of Tourism Studies

December 2023 IT Audit: A Follow-up on the 2020 IT Audit – ICT Across Local Councils

December 2023 Report by the Auditor General 2022

January 2024 An audit of the contract for the provision of food and beverage services at the Malta Life Sciences Park

January 2024 Performance Audit on the Operations of Jobsplus' Law Compliance Unit

