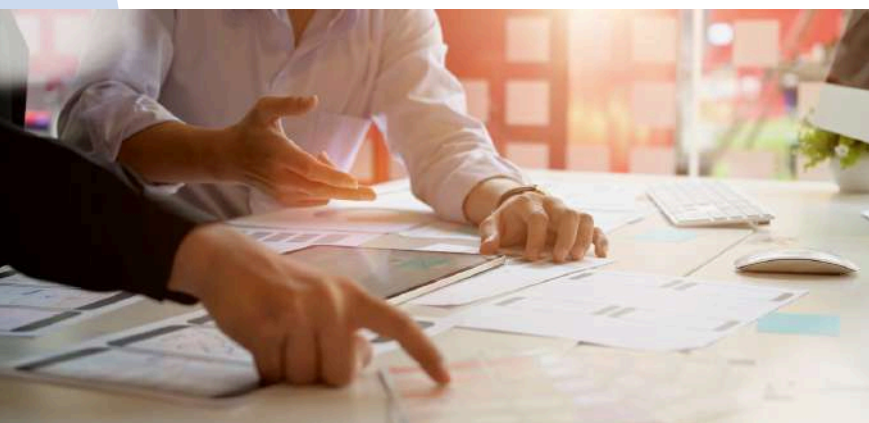




General Audit Chamber  

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Algemene Rekenkamer



# Review: Office housing policy of Government

December 2024



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December 2024

General Audit Chamber, Juancho Yrausquin Blvd #10, units 4 & 5.

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## PREFACE

Spending on office housing or accommodation is a significant component of the Government's operating expenditures. It requires continuous attention and evaluation to ensure that public funds are used in the best possible way. In [2021](#), the General Audit Chamber examined the cost of the Government's office housing policy, resulting in several recommendations to improve cost management and policy efficiency.

The Audit Chamber decided to assess the impact of these recommendations and evaluate the current state of office housing policy. This report focuses on three aspects: analyzing current office housing costs, following up on previously issued recommendations, and examining the development of office housing policy. By zooming in on the financial aspects, operational efficiency, and effectiveness of the policy, the report aims to provide a comprehensive overview of the current situation.

With this report, the Audit Chamber aims to provide both the Parliament and the Council of Ministers with an objective assessment, which can serve as a basis for their oversight task.

## 1. OUR AUDIT

### 1.1 Approach

This review analyzes the current state of office housing policies and costs within the Government, focusing on following up on the recommendations made in our [2021 audit](#). The approach consists of qualitative and quantitative methodologies designed to understand office housing policies' financial aspects and operational efficiency.

The information was primarily gathered through document analysis, reviewing official documents, financial statements, budgets from 2022 to 2024, and the Government's current office housing policies. Based on our recommendations from the earlier report, we submitted questions to the responsible ministry and analyzed the financial side of the housing policy.

The Country committed to the so-called [Country Packages](#) in 2020 in exchange for financial support due to the pandemic. One purpose of the Country Packages is to strengthen the Government's financial management. Within the packages, section B.10 specifies follows:

*"Based on existing and/or additional studies, the needs and costs for housing will be identified, and possibilities for cost reduction and improvements will be explored and, once identified, implemented. The aim is a cost reduction of 20% in 5 years (budget 2020 as a reference point) and incorporated in the budget for 2025."*

During this review, we examine the status of achieving the goal stated in component B.10.

### 1.2 Audit questions

Our audit addresses questions regarding the Government's office housing costs and policies. The main question and related sub-questions are as follows:

#### Main question

In what ways have office housing policies and the government's costs changed since 2021??

#### Sub-questions

Compared to spending in 2021, what are the monthly office housing expenditures in 2024, and what changes can be identified?

- What is the government's total rental cost?
- List of buildings/properties for each year, i.e., 2022 to 2024 (owned/rented).
- What is the rent budget for 2022, 2023 and 2024?
- Is there under or overspending on the item?
- Is the goal of reducing rental costs by 20% over five years for 2021 still relevant?
- Have negotiations been held with landlords to structurally lower rental costs?
- Has an office housing policy been developed, and how does this policy contribute to the change in the government's housing costs?
- Has the government addressed the recommendations from the 2021 survey, and what are the results?
- What recommendations from the 2021 study has the government addressed and/or implemented?
- How have these implementations affected office housing costs?

### 1.3 Reading Guide

Chapter 1 outlines the audit approach. Chapter 2 discusses the status of previously issued audits. Chapter 3 covers the financial aspects of office housing policy, including a review of the budget versus actual results. Chapter 4 provides an overview of the follow-up actions taken on recommendations. We conclude this review with our epilogue.

## 2. PREVIOUS FINDINGS

### 2.1 Introduction

In our report "[Mini Audit: Office Housing Policy](#)" (March 2021), we highlighted the need for efficiency and cost savings, including in office space, due to the economic pressures of natural disasters and the COVID-19 pandemic on the country's budget. A major weakness was the lack of a formal housing policy.

In July 2022, we published the report "[Audit into the possibilities of rent reduction for the government.](#)" The study evaluated the feasibility of reducing rental costs by 20% over 2020-2025. This cost reduction initiative is because of the agreed reforms in the Country Packages.

Our 2022 audit found that relocating to government buildings or terminating leases is necessary to achieve this goal. We recommended that the government consider relocation and site modification costs based on the specific needs of different government organizations.

We question the viability of the target outlined in the Country Packages, suggesting that an impact study should have been performed before pursuing this reduction.

Moreover, terminating leases can lead to long-term vacancy in office buildings. Although the goal is to reduce costs, the potential negative economic impact should not be underestimated and should have been examined more closely. Given the trend of rental costs since 2020, we considered it unrealistic even then to achieve the targeted 20% reduction relative to the 2020 budget.

### 2.2 Findings from the Mini Audit into Office Housing Policy (March 2021)

#### 2.2.1 *Absence of policy*

In our 2021 report, we refer to the absence of a well-established structured office housing policy, which prevented an adequate analysis of the effectiveness of choosing between renting versus owning buildings. Because of the lack of policy, it is unclear on what basis the Government has taken cost-effective measures to organize office accommodation within the government organization.

#### 2.2.2 *Own vs. Lease*

An inventory of office accommodation received from the Ministry of General Affairs indicated that the Government owns 51 buildings. However, the accuracy and completeness of the information could not be determined or verified. We could not determine the efficiency of the use of rental premises for a significant part of the government organization, mainly because comparing ownership and lease was not possible using the available data.

While we attempted to analyze the efficiency of spending on rent, the ministry could not provide detailed data on occupancy and vacancy rates. Moreover, although vacancies of certain properties were identified, the information proved incomplete. Consequently, determining the financial impact was not possible.

#### 2.2.3 *Financial*

An analysis of rental costs from 2016 to 2020 reveals increased costs due to hurricane damage, but there is no detailed comparison of costs for leased versus owned properties and no guidance on acceptable rents.

### 2.3 Findings from Audit into the Possibilities of Rent Reduction (July 2022)

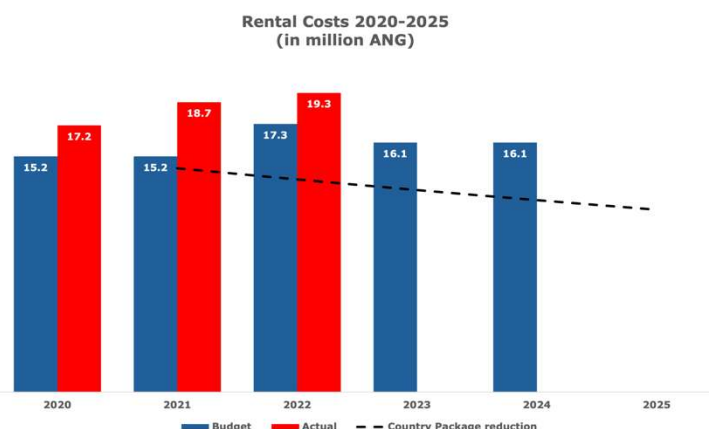
The audit revealed challenges regarding the feasibility of the intended rental reduction. A lack of clarity and consistency in office housing policy, unreliable administration, and variability in lease terms complicated our evaluation. We relied on a survey of landlords, which revealed some openness to dialogue. One bright spot was landlords' willingness to negotiate rent reductions. Further inquiries revealed that the government has not used the opportunity to dialogue with landlords to reduce rent to date.

### 3. IS A 20% RENTAL COST REDUCTION ACHIEVABLE?

#### 3.1 Analysis of the actual rental costs

Based on the available data and the declared goal of reducing rental costs by 20% in 2025 compared to 2020, it is important to evaluate the realism of this intention. The analysis includes the 'actual' rental costs achieved in recent years and the reduction targets from the country packages.

The data show that between 2020 and 2022, actual realized rental costs exhibited an upward trend. For example, costs increased from ANG 17.2 million in 2020 to ANG 19.3 million in 2022, showing no signs of decline. However, the Country Package reduction targets show a decrease from 2021, from a budget of ANG 14.44 million in 2021 to ANG 12.38 million in 2024. This implies that the country packages prescribe a clear plan for cost reduction, but the actual realized figures do not show a corresponding decrease.



#### 3.2 Will reduction targets be met?

In an implementation report, the Government of Sint Maarten and the Temporary Work Organization (TWO) state that executing the plan to reduce housing costs and enhance efficiencies, as detailed in the government's 2020-2025 housing strategy, has faced significant challenging delays.<sup>1</sup>

Despite the Council of Ministers having adopted the plan of approach on January 1, 2024, key milestones for its execution have not been met. Specifically, the drafting and validating lists of government buildings, both owned and rented, originally scheduled for completion by March 31, 2024, remain incomplete. According to the report, the lack of leadership in the Facilities Department has been a critical barrier, with no concrete timeline for filling this vacancy. This leadership gap has created a cascading delay in the associated actions and threatens to derail the broader objectives of achieving a 20% cost reduction in rental/housing costs by 2025.

According to the report, it remains uncertain whether validated data on government buildings will allow us to identify cost-reduction opportunities and incorporate them into the 2025 budget.

This information, along with our analysis of the rental cost trend, suggests that achieving the goal of a 20% reduction by 2025 is unlikely. The absence of a downward trend in actual realized costs indicates that the current approach may be insufficient to achieve the targeted savings. This raises questions about the feasibility of the government's intention and shows a discrepancy between the stated goal and the actual steps or policies taken to achieve it.

Given current spending trends, we conclude that measures are needed to achieve the target reduction by 2025. In recent years, the lack of reductions and challenges at the responsible department has raised questions about the government's ability and commitment to meet this goal. If this trend continues, the 2025 targets are unlikely to be met.

#### 3.3 Discrepancy between the 2022 Financial Statements and the 2024 Budget Amendment

The Government's 2022 Financial Statements report actual rental expenses of ANG 19.3 million. This figure has been audited by the accountant and reflects the validated expenditure for that year. In contrast, the 2024 budget amendment indicates a projected actual expenditure of ANG 17.3 million for 2022, which differs from the amount stated in the financial statements.

<sup>1</sup> Implementation Report Country Package Sint Maarten – 2024, No. 1, May 6, 2024, page 9.

The budget amendment is based on a lower amount than the audited figures, suggesting that a complete reconciliation with the final financial statement data was not conducted when preparing the amendment. It is unclear why the government decided to use these different figures.

However, this choice may have significant consequences for the transparency and reliability of budget policy.

Sound budgetary policy requires accuracy and consistency, especially regarding verified expenditures from previous years. Using unvalidated amounts creates a distorted picture of the financial situation, leading to inaccurate forecasts and potentially inefficient use of public funds. It also complicates the comparison of budgets with actual expenditures, hampering oversight and accountability.

A lack of transparency in deviating from audited figures creates distrust among stakeholders such as Parliament, citizens, and oversight agencies. By observing validated figures, the government can support a reliable and effective budgeting process, which is essential for responsible financial planning and execution.



## 4. STATUS RECOMMENDATIONS

In this Chapter, we present the status of the follow-up to our recommendations from the reports "[Mini Audit: Office Housing Policy](#)" (March 2021) and "[Audit into the Possibilities of Rent Reduction for the Government](#)" (July 2022).

### 4.1 Recommendations from the Mini Audit: Office Housing Policy (March 2021)

In our report: "[Mini Audit: Office Housing Policy](#)" (March 2021) we report the following:

An office housing policy or plan is crucial for analyzing properties and buildings from multiple angles. While a building serves as a facility, it should not be seen as an end goal. By incorporating office accommodation scenarios, such as renting versus owning, it is possible to assess whether public resources are utilized effectively, especially when reflecting on past choices.

On March 24, 2021, in response to our draft report, the then Secretary General (SG) of the Ministry of General Affairs mentioned that an office housing policy was in the works and would soon be presented to the Minister of General Affairs. The policy would include a comprehensive database that accurately reflects all important information, such as the lease contract, decisions, maintenance, and protocol supervision.

#### 4.1.1 Status 2024

In a response from the Secretary General of the Ministry of General Affairs, dated August 12, 2024, she mentions that the office housing policy has been part of a general policy since 2018. We note that we also mentioned this policy in our 2021 audit. However, we emphasized the importance of a separate, more detailed policy. Notably, the SG did not mention a 'near complete' office housing policy in 2021 in his March 24, 2021, response. Unfortunately, the details of that policy were not disclosed despite our request.

A Service-Level Agreement with the Ministry of Finance to share relevant information was also supposed to be signed. However, this SLA failed to materialize. The Audit Chamber was to receive an annual update on costs incurred and contracts for accuracy and consistency. However, we have not received such statements since then.

We conclude that since our initial audit of 2021, no policy improvements have been brought to our attention.

### 4.2 Recommendations Audit into the possibilities of rent cost reduction for the government

The report "[Audit into the Possibilities of Rent Reduction for the Government](#)" recommends maintaining reliable data on leases, examining the economic impact of rent reductions, initiating a dialogue with landlords about rent reductions, and establishing a multidisciplinary working group for policy review. Strategic relocation planning to carefully weigh potential savings and impacts is also recommended.

#### 4.1.2 Status 2024

As of 2024, we note that there has been little or no implementation of the recommendations. To our knowledge, no contact has been made with landlords regarding possible rent reductions, while our audit in July 2022 indicated that about half of the landlords were open to this. This is a missed opportunity to lower rental costs. Furthermore, we have found that a multidisciplinary working group was never established.

On several occasions, we presented the Ministry of General Affairs with the opportunity to indicate where savings have been made; however, we have received no response.

## 5. EPILOGUE

On December 13, 2024, as part of our audit protocol, we offered the Minister of General Affairs the opportunity to respond to this report. In our correspondence, we stated that if no response was received, it would indicate that the party involved does not wish to make use of this opportunity. The report would then be finalized. We have not received a response from the Minister.

At an earlier stage, the Secretary-General was offered a similar opportunity. No response was received in that instance either.

The absence of responses to both the draft report and the final report raises questions about the engagement and transparency of the parties involved. As the General Audit Chamber, we emphasize the importance of an open and constructive dialogue to enhance the quality of policy development and implementation. Failure to respond to our report can be interpreted as a missed opportunity to clarify any uncertainties or provide additional information.

We call on the Minister of General Affairs to take active steps to address the recommendations in this report. These recommendations have been designed with the aim of achieving a more efficient and cost-conscious housing policy. We are confident that, with the right focus and commitment, the proposed improvements are attainable and can contribute to a more sustainable and efficient use of public resources.



General Audit Chamber

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Algemene Rekenkamer