

Submission No 7

INQUIRY INTO FOLLOW UP OF AUDITOR-GENERAL'S 2010 FINANCIAL AUDIT REPORTS

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Theme:

Summary



Ref: DG/11/2845

Mr Jonathan O'Dea MP
Public Accounts Committee
Legislative Assembly
Parliament of NSW
Macquarie Street
SYDNEY NSW 2000

Dear Mr O'Dea

I am writing regarding your letter requesting a submission in response to the Auditor General's 2010 report recommendations regarding the Government Property Register maintained by Land and Property Information, a division of the Department of Finance and Services.

Attached is a submission setting out Land and Property Information's actions in response to the recommendations and comments on the audit process.

Should you require information regarding the submission, Ms Madi Maclean, Director, Land and Property can be contacted on telephone 9228 6601 or email madi.maclean@lpi.nsw.gov.au

Yours sincerely

Michael Coutts-Trotter
Director-General

17 OCT 2011

SUBMISSION TO THE NSW PUBLIC ACCOUNTS COMMITTEE DEPARTMENT OF FINANCE AND SERVICES, LAND AND PROPERTY INFORMATION

Government Property Register

Background

Land and Property Information (LPI), a division of the Department of Finance and Services maintains the largest centralised land title registry in Australia. The Government Property Register (GPR), one of a number of public registers managed by LPI, is a subset of LPI's integrated titling system. The GPR contains information on property owned, occupied or controlled by NSW government agencies including State owned corporations. The GPR contains 272,709 properties comprising 292,921 lots owned or leased by 122 government agencies. The register does not include easements or licences over land. The GPR is the most comprehensive and authoritative record of NSW government property interests.

The GPR is automatically populated with current property ownership information and registered leases from LPI's integrated titling system and current land values from the Valuer General's register of land valuations. All departments and statutory authorities, including statutory State Owned Corporations (SOCs) and universities, are required under the Annual Reports Acts to provide supplementary information on the current use of their land, improvements and whether it is essential to operations. The GPR provides both a textual search on properties or agencies and a spatial representation of properties displayed over either a cadastral and street map or aerial photography.

Access to the GPR is limited to NSW government agencies. Currently 97 agencies (572 users) have access to the GPR. This includes the four central government agencies: Department of Premier and Cabinet, Audit Office, NSW Treasury and State Property Authority, a division of Department of Finance and Services. Agency users can search their properties and see all government property spatially but have restricted access to other agencies' property information such as lease information. Central Government Users have full search access of all properties.

Auditor General's Recommendations 2010

I recommend the Authority develops a strategic framework to guide the future maintenance, development and use of the Government Property Register.

I also recommend the limitations identified in the Government Property Register be resolved so that it becomes a complete and reliable record of all New South Wales Government property assets.

I recommend the Authority continues to work with agencies experiencing difficulty finalising 2010 annual reconciliations of the GPR with agency records, to ensure a complete reconciliation is achieved as soon as possible.

GPR Strategic Framework

LPI is commencing a major redevelopment of the GPR to improve its capacity as an asset management and strategic planning system. A GPR Executive Steering Committee has been formed to guide and oversee this program of work. The program will include an improved spatial viewer, additional datasets to support property and asset planning activities and enhanced functionality. A first stage is scheduled for the end of 2011, followed by a detailed requirement gathering phase in the lead up to 2012/13 capital development program. LPI is also restructuring its GPR team to create a GPR product manager to work directly with GPR-using agencies in further developing the utility of the GPR.

Results of the GPR 2010 Reconciliation

Analysis of the 2010 reconciliation between the GPR and agencies' own asset records using a sample of 31% of GPR properties showed that nearly 97% of agency owned lots were captured in the Register. LPI has developed an automated report that check GPR data against agencies data working from the critical data fields for audit purposes (government owned, name of controlling agency) to less significant data fields. The Audit Office has agreed that this is a good approach and is pleased with the initial results. The Audit Office advised that the two most critical fields of property information in GPR (that a property is (1) government owned and (2) the identity of the controlling agency) should reconcile with agencies' records in at least 95% of cases.

Main reasons where agencies' records do not agree with the GPR

LPI continues to work on resolving the areas of limitation in the GPR focusing on the main causes and dealing first with the causes affecting property ownership. Land title registration is the fundamental principle of the land title system in NSW. Because the GPR uses title registration as its source of truth, government owned land which does not appear in the GPR from LPI's systems has included

- land which is not yet in LPI's electronic integrated titling system (because it is Old System or Crown land which is yet to have its title converted to Torrens Title);
- land acquired by a government agency without registration, that is by gazettal, legislation (such as national parks or state forests) or by other historic methods such as Railway land "takings";
- some forms of Crown land such as Crown roads, lands under waterways, enclosure permits and lands under the three nautical mile limit have always been excluded from the GPR as being impractical to include;
- Lease with terms less than three years or expired leases – Leases greater than three years are registered and therefore are fed into the GPR whereas unregistered lease require manual input. LPI has so far been concentrating on improvements with property ownership rather than short term leases at this stage. Cleaning up expired leases will be addressed in the future.

The main affected agencies are Railcorp, Country Rail Infrastructure Authority, Roads and Traffic Authority, Primary Industries (Forests), Primary Industries (Crown Land), Office of Environment and Heritage (national parks).

While nearly all freehold titles in NSW are Torrens Titles, a very small proportion of land in NSW is still owned under the common law deeds based "Old System" that was used before the introduction of the Torrens system in 1863. LPI is currently converting remaining Old System parcels to the Torrens System. Because of the nature of Old System titles it is impossible to state definitively the number of live Old System titles

which are yet to be converted. However, data matching between LPI's titling and spatial databases, indicates that this is relatively small proportion of titles in NSW.

As well, LPI is currently converting some categories of Crown land which cannot yet be recognised in LPI's electronic integrated titling system. LPI is working to reduce these reasonably small limitations to the GPR. However, title investigation and conversion is a specialised manual process that requires allocation of dedicated LPI staff and also a time commitment from the relevant property owning agencies. .

In relation to land acquisition without registration, registration of a transfer of title is not compulsory under the Torrens Title system. Land transfer without registration by government agencies has usually been for land already in government ownership but passing from one agency to another (for instance, State Forests' land being gazetted as a national park or state recreation area or Crown land designated for a new purpose such as the Railway takings).

Auditor General's Comments on Accuracy and Completeness of Data in GPR

The Auditor-General's Report to Parliament 2010 Volume Nine reported a number of limitations that were initially identified and reported in the 2002 performance audit, namely:

- Changes in control or ownership are not always recorded
- Much of the land held by RailCorp has no title
- Some Crown land is still unidentified
- Some agencies are excluded from the legal requirements to provide information for the register (e.g. State owner corporations)
- Many agencies have unique property identifiers which may relate to a part of, one or many lots.

LPI's comments and activities to address each of these are set out below.

Changes in Control or Ownership are not always recorded – Change of control can occur without registration through gazettal or legislation. Under the Torrens system, registration of land transfers is not compulsory. LPI monitors Government Gazettes to identify any property changing ownership through gazettal rather than registration. These are then recorded in GPR with the owning agency shown as the controlling agency. LPI is currently examining how much these are historical rather than current practice and whether any other procedures could be introduced to address this issue. LPI has no way of monitoring legislated change of ownership where it occurs and relies on the agencies advising LPI at the time of the legislation or through the annual reconciliation with GPR.

Untitled Railcorp land - There are some 14,000 "Railway takings" which are land parcels without an identifier recognised by the land titling system. Providing a title for each of these land parcels would be a significant title conversion activity which would require both Railcorp and LPI dedicated resources. Title investigation and conversion is a specialised manual process which requires allocation of dedicated LPI staff and also a time commitment from the relevant property owning agencies. While LPI is currently using its title conversion teams on higher priority conversion activities, this might be a future conversion project.

In the meantime, the GPR has been enhanced to record non titled land, however, without title conversion any future changes in ownership of this land will need to be advised by Railcorp. To date an additional 11,000 Railcorp land parcels have been added with 3,000 waiting further investigation before being loaded. This enhancement is valid for any other agencies with non titled land which will be identified and added during the 2011 reconciliation.

Unidentified Crown Land – LPI's current Title Conversion of Crown Lands (Western Lands Division) project continues to investigate unidentified parcels from its Digital Cadastral Database and convert them to electronic Torrens title where appropriate. Between November 2010 and June 2011 approximately 3,500 Crown Land parcels were identified and converted to Torrens title. LPI's next priority for a dedicated title conversion project has been identified as Crown land reserved as state forests and national parks. This is supported by the two authorities concerned: State Forests and Office of Environment and Heritage, however, it is dependent on minor legislative change and capital funding.

Some state agencies are excluded from the legal requirements to provide information to the Register - All statutory State Owned Corporations (SOC)s' property and leases are now recorded in the GPR. An additional 6,600 properties (about 9,000 lots) from the thirteen outstanding SOC's were added to the Register in the last twelve months. LPI has not granted an exemption from providing information to the GPR to any department or statutory authority.

Agencies having properties affecting part, one or many lots – the Register caters for all these instances with one to many and many to one property:lot relationships.

Directions for GPR Improvements to Accuracy and Completeness

As well as the improvements outlined above, in early 2001 LPI commissioned a review identifying the main reasons for agencies' records not coinciding with the GPR, the underlying issues, how these items might be addressed and which ones could be addressed more easily.

This review set out as a framework a GPR Completeness Improvement Program over several years. LPI has commenced work on some of the items and is currently assessing the underlying policy issues affected by other items. In October 2011 LPI is commencing work on a number of system enhancements which will improve accuracy of the register and should be finished by early 2012. In this time period, the GPR staff will also be focused on working with government agencies on any outstanding issues in their responses to the 2011 reconciliation process.

LPI's continuing work with agencies to reconcile their records to the GPR

LPI continues to work with agencies in resolving issues identified through the annual reconciliation process. LPI developed a reconciliation application that compares agency property data against the GPR. The 2011 reconciliation has commenced and early results indicate 98% reconciliation between the GPR and agency data. LPI is scheduling meetings with major GPR agencies regarding the 2011 reconciliation issues.

LPI has regular communications with GPR agencies including twice yearly meetings with the central agencies and government agencies with large numbers of property holdings. These are a forum to discuss GPR operations and for agencies to communicate their requirements for the GPR. As well, email updates are sent out to all government

agencies using the GPR and training sessions are provided for government agency staff. The main group that were provided training last year were staff of the thirteen state owned corporations newly added to the GPR.

Audit Process Comments

The Audit Process is a useful and productive activity. In the last few years the Audit Office has discussed with LPI its desire to use the GPR as a source of truth in its annual audit of all government agencies. LPI has worked with the Audit Office to meet its request for an annual reconciliation of agencies' records against the GPR. The Audit Office has addressed a number of agency meetings that LPI holds to explain these requirements.

In 2010 LPI developed an automated report which reviews and categorises mismatches between the agencies' records and the GPR. This report is now being refined and improved as it is used in assessing agencies' responses to the current reconciliation process. The intention is eventually to make this report available to agencies to run themselves and so relieve some of the administrative requirements on LPI. In the short term LPI, has temporarily increased its staffing in the GPR team to review, investigate and resolve areas of difference. It is hoped that in time the reconciliation process will be quicker and more automated and be largely conducted by agencies who will report the results to LPI.