REPORT OF PROCEEDINGS BEFORE

PUBLIC ACCOUNTS COMMITTEE

**FOLLOW UP OF THE AUDITOR-GENERAL'S PERFORMANCE 2012
FINANCIAL AUDIT REPORT**

At Sydney on Thursday 12 September 2013

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The Committee met at 4.14 p.m.

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PRESENT

Mr. Jonathan O'Dea (Chair)

Mr. Bart Bassett
Mr. Michael Daley
Dr. Geoff Lee
Mr. Greg Piper
Mr. John Williams

WILLIAM MURPHY, Executive Director, Strategic Policy, NSW Department of Finance and Services,

MALCOLM FREAME, A/Deputy Director General, Corporate Services, NSW Department of Finance and Services,

DAVID SCHNEIDER, Chief Information Officer, Department of Premier and Cabinet,

JOHN CLARK, Assistant Director General, Corporate Services, Department of Premier and Cabinet,

TONY WHITFIELD, Deputy Auditor-General, NSW Audit Office, sworn and examined

CHAIR: I declare the hearing open. Good afternoon, thank you for attending the Public Accounts Committee hearing for the inquiry into the follow up of Auditor-General's 2012 Financial Audit Reports. We will be hearing today from the Department of Premier and Cabinet, the Department of Finance and Services, Land and Property Information, Government Property NSW and the Audit Office of NSW.

Before the proceedings commence, can I remind everyone to switch off their mobile phones as they can interfere with the recording equipment. Hansard is not directly recording this, but there is a recording process in place. If your phone is on silent, please switch it off completely. For the benefit of those in the gallery, and we will be joined a little bit later by a delegation from Laos, which will swell the already growing number in the gallery, I note that the Committee has resolved to authorise the media to broadcast sound and video excerpts of these public proceeding. Copies of the guidelines governing the coverage of proceedings are available on request.

I'd like to swear in those witnesses who have joined us for the first part of this hearing and welcome in particular Mr John Clark and Mr David Schneider, representatives from the Department of Premier and Cabinet. Thank you, Gentleman, for appearing before the Committee today to give evidence. I also welcome Mr William Murphy and Mr Malcolm Freame, representatives from the Department of Finance and Services. Thank you also for appearing before the Committee today to give evidence. Finally I welcome Mr Tony Whitfield, representative from the Audit Office of NSW, thank you again for appearing before the Committee today to give evidence.

Before we commence with questions from members of the Committee, we're five in number - Mr Piper was here, but did have to excuse himself - there will be questions from around the table. Before we do that, would any of you like to make a brief opening statement, and perhaps I would give that invitation first to the acting Auditor-General?

Mr WHITFIELD: Thank you, Chair. We have seen the response that the Department of Premier of the Cabinet has put forward and we feel comfortable with that response. We will be monitoring actions that have been taken place since the matter was brought to our attention and we will report in due course when we finalise our audit this year.

CHAIR: Thank you. Do you want to, Auditor-General, headline any further in terms of some of the outstanding issues as you saw them when you revisited the issue in this year's report in terms of themes from your financial audits?

Mr WHITFIELD: Thank you, Chair. The main issue that concerned us was in relation to Disaster Recovery Plans in relation to financial systems. The fact that the number of agencies that had a tested plan, had reduced, and the number of agencies that had no plan at all, had increased. Given the extensive use of computers throughout the sector, we were concerned with the lack of Disaster Recovery Plans that were actually in place and had actually been tested.

CHAIR: Thank you. Nice scene setting. If I could ask our representatives of the Department of Premier and Cabinet, if they'd like to make an opening statement?

Mr CLARK: No.

CHAIR: Finances and Services?

Mr MURPHY: No, thank you, Chair.

CHAIR: Before we head into, as I say, the more formal question and answer session, I note that this Committee has last year, and again this year, decided to pursue a follow-up of various financial audit recommendations which hadn't occurred previously.

We particularly wanted to focus on recommendations coming from the Audit Office, which had been repeated over at least two, and in the case of the two items we are seeing here today, more than two years, and to test the progress of initiatives in those areas. Disaster Recovery Plans was an area, as the acting Auditor-General has identified, where it appeared that the progress was slower than it should be. To that extent, I appreciate that there is activity occurring, but we'd like to get greater comfort that those matters raised have been adequately addressed.

In terms of scene setting, I might just ask in a general sense for the purpose of the record, if one of you—happy to be guided by who wants to volunteer to answer some of these questions rather than directing them to individuals—in overview, what are Disaster Recovery Plans, and why you would see it as important that agencies have them in the first place?

Mr FREAME: Thank you, Mr Chair.

CHAIR: You might just identify who is speaking for the purpose of the on air record.

Mr FREAME: Sure, it's Malcom Freame from the Department of Finance and Services. Disaster Recovery Plans are part of an overall requirement that had been identified in the Digital Information Security Policy regarding continuity in business operations.

What we require of departments is that they identify their key business processes and therefore the systems that support those business processes. What we require is that they had developed Disaster Recovery Plans. In other words, if, for some reason, the system that supports their business processes was unavailable, what are the alternative solutions that we have in place and be able to activate to ensure there is continuity in business operations. What we also asked the agencies to assess: what is the recovery time objective, so if a particular business process fails or ceases operations for a certain period of time, what is the optimal amount of time that they need to have a recovered solution in place.

In the case of certain parts of the sector this has to be very rapid. In other parts of the sector some of those business functions can operate even manually or not operate for a period of time before the recovery time objective needs to kick in. So in the case of this department, the Office of State Revenue has a very high recovery time objective. In other words, every minute of downtime is lost revenue for the State. Their Disaster Recovery Plans are matched to that business requirement. Other systems don't have the same level of urgency in requirement. In other words, the consequential loss of not having those business processes in place is not as great—the Disaster Recovery Plan is then matched to that particular requirement.

Mr MURPHY: Can I just add to that, Chair, by way of context for those who aren't aware of the requirements that my colleague is referring to are contained in the NSW Governments Digital Information Security Policy. It is a new framework that was promulgated under the Government's whole-of-Government ICT strategy, in November last year, which replaces a previous Digital Information Security Policy that had been in place since 2007 – and the Auditor-General had expressed some concerns about the degree of compliance with.

With the new framework that puts in place a risk-based approach to information security across Government, one of the Auditor-General's concerns about the previous policy for whole-of-Government information security was that the bar was set very high. There was a test put in place that all agency systems needed to meet a very high standard for information security performance and that that was seen as a barrier to the implementation of that policy.

The new policy takes a risk-based approach whilst still implementing the recognised International Standard for Information Security, the ISO 27001 standard. What it does is to draw from that standard a minimum set of controls that all agencies need to demonstrate that they have in place. Then for agencies that have a slightly higher risk profile, they need to then apply the relevant other parts of that standard. For agencies with a significant risk profile, they'll need to demonstrate that they have third party certification to meeting the requirements of 27001.

One of those minimum controls, so this will be a control all agencies need to demonstrate compliance with, is a control that states that controls must be in place to counteract interruptions to business activities and to protect critical business processes from the effects of major failures of Digital Information Systems or disasters. The timely resumption of business processes in the event of a major failure must be ensured.

So this is, in fact, the obligation on agencies to have effective business continuity arrangements in place. The policy does not distinguish between financial systems and other IT systems, so this applies equally across all of the systems that an agency has in place. This policy is currently being implemented across Government, and is due to be fully implemented by the end of this year with annual attestations by Directors-General as to their compliance with the policy from the end of this financial year onwards.

CHAIR: I appreciate there is a need for a differentiated approach across different agencies, but I think equally there'd be a recognition that each agency does need to have a plan. The Auditor-General in 2012 reported that 18% of large agencies did not have a disaster recovery plan at all for their key financial systems, that is of concern—has the number of agencies without a Disaster Recovery Plan reduced over the past year?

Mr MURPHY: I don't have specific data on the number of agencies that have a Disaster Recovery Plan. What I can say is that part of the implementation of the Information Security Policy requires agencies to make periodic progress reports on how they are going with implementing the policy. One progress report was due at the end of July this year, and the next progress report is due at the end of January next year. The evidence that we have seen coming out of these progress reports suggests that implementation of the policy is going quite well. I can't provide you any more detailed 'unpicking' of that data to say how does that apply across disaster recovery or business continuity planning. Just to say that: the performance to date is promising.

CHAIR: Well, I would say the performance to date is not promising, I would say it's substandard. And I would say, and the fact that we don't know what agencies do not have a Disaster Recovery Plan, is unsatisfactory. That's my view. Can you please take on notice the question, which agencies still do not have a Disaster Recovery Plan for their financial system and come back to us?

Mr MURPHY: We can come back to you on that.

CHAIR: I would have thought that that information should be available from the July report, and if it's not, then I would put forward to getting that information.

Mr MURPHY: That information may be in the data, I just don't have the data to hand.

CHAIR: Okay, thank you. The Auditor-General recommended that all agencies should define their recovery requirements and ensure that they are reflecting in Disaster Recovery Plans for financial systems. Can you, other than the introduction of the new policy and steps that are in place in that regard, indicate, what steps have been taken to ensure that all agencies have Disaster Recovery Plans in place? You touched on that already. Are there any other steps that we should be aware of? Beyond the implementation of the new policy, which may will be, as I said, in train, but this is a matter, which has been outstanding for some time.

Mr MURPHY: In terms of requirements on agencies for business continuity planning, there is a whole-of-Government Treasury Policy referred to as TPP 0905, which is the Internal Audit and Risk Management Policy. Part of that policy establishes internal audit, I should say, Audit and Risk Committees for agencies. One of the functions of those Audit and Risk Committees is to review whether an agency has taken a sound approach to business continuity, planning arrangements including

the periodic testing of Disaster Recovery Plans. So there is a requirement already in place under that policy.

CHAIR: Who else then has responsibility for ensuring that agencies do have Disaster Recovery Plans - is it your department or the Department of Premier Cabinet, both?

Mr MURPHY: That's an agency responsibility.

CHAIR: Who's responsible in a coordinating sense then? For following up and ensure that - you said it's a sign-off from agencies?

Mr MURPHY: Yes.

CHAIR: Do they sign-off through your or the Department of Premier and Cabinet - just for clarity?

Mr MURPHY: Treasury is the owner of the Internal Audit Risk Management Policy. Department of Finance and Services is responsible for the Digital Information Security Policy. At the end of the day, we will be providing reports on compliance with the Digital Information Security Policy. The other policy is not in our area of responsibility.

CHAIR: So is there a need for clearer lines of responsibility between those two policies if there's an overlap?

Mr MURPHY: Well, the Internal Audit and Risk Management Policies are a very broad framework that applies to all activities in a department. Obviously the Information Security Policy is a much more narrowly focused policy.

CHAIR: Is there anyone from the Department of Premier and Cabinet, who would like to add anything there? In terms of responsibility, or who you see is responsible for this area?

Mr CLARK: No, I don't—just to agree: we follow the treasury guidelines from the Audit Risk Management Committee's perspective and our business continuity plan in accordance with that.

Mr FREAME: Sorry, Mr Chair, if I could just comment—the requirement in the policy that Mr Murphy has referred to regarding attestation: it is at the agency lead level, at the Director-General level or a Chief Executive level, and attestation is reported through to the ICT board - and ultimately through to the Chief Government Information Officer.

CHAIR: Thank you. Dr. Lee?

Dr GEOFF LEE: Thank you, Mr Chairman. There is a question to follow up, and I don't know if you can answer it: obviously you are implementing a new framework on a risk approach based on for the future, and it will be rolled out over the next 12 months. I understand that the Director General will then sign off if the goals have been met and we're doing the right thing, et cetera. So why is it that even though we're bringing in a new set of rules – why is it that the previous set of rules, or the previous guidelines - that didn't happen before - just as a question?

Mr FREAME: Dr Lee, I'm happy to take that. It's Malcolm Freame. I think, as Mr Murphy referred to, the previous incarnation of this policy was extremely rigorous. It took it to a very, very high level, which was in fact very onerous and in most cases -

Dr GEOFF LEE: - precluded -

Mr FREAME: - precluded it actually being complied with. The secondary thing, I think that is important is that the previous policy had a reporting requirement to the former GCIO, which a number of agencies didn't follow, but there was no consequence to not doing so. We have made it much more stringent and put the onus on the Director-General or the Chief Executive of an agency to report. We believe there is a much higher chance of compliance with this policy than there was the

with the previous one. For the two reasons – one, the bar was set too high, and secondly, there was no consequence for non-compliance.

Mr MURPHY: The reporting obligation in the new policy has Directors-General or agency heads attesting to their compliance with the requirements of the Digital Information Security Policy in their annual report to Parliament. So it's a very public attestation of compliance and I think that agencies will take that sort of level of attestation very seriously.

Dr GEOFF LEE: Excellent. Do you think, Mr Auditor-General, that will solve this issue of years of non-compliance? Your view?

Mr WHITFIELD: I believe if there is an attestation and it is monitored and followed-up, it will. My basic view is that irrespective of whether the previous policy was set too high, it still had basic requirements to have a Disaster Recovery Plan. It's something that is essential to every organisation. The fact that the old policy required certification of the whole system, in my mind does not excuse agencies from not having basic safe guards in place. And a basic safe guard in my mind is a Disaster Recovery Plan and a Business Continuity Plan.

Dr GEOFF LEE: Thank you. Just another question, if I may: in 2012 the Auditor-General reported that 45% of agencies with Disaster Recovery Plans had not fully tested them in the previous 12 months. Has the number of agencies who has conducted annual testing of their Disaster Recovery Plans changed over the last year? Not the Auditor-General, but the other guys.

Mr MURPHY: I don't have access to that kind of data, I'm afraid.

Mr FREAME: Sorry, Dr Lee.

Dr GEOFF LEE: Right.

CHAIR: Would you like to take that question on notice?

Mr FREAME: Happy to take it on notice.

CHAIR: Because, obviously, it's one thing not having a plan, but if you do have a plan that is not tested, you'll find out it doesn't work at the worst possible time. We look forward to getting response to that question.

Mr FREAME: Again, Mr Chair, if I could just comment on that. It is quite normal for the cycle not to be an annual cycle. In other words, the testing of Disaster Recovery Plan - full testing may only happen on a bi-annual type basis. Often there will still be desktop checks of the processes and procedures on an annual basis.

CHAIR: Can we just invite a comment from the Auditor-General in that regard. Annual, bi-annual testing and what you're recommending—whether you accept the approach that Mr Freame has just given is satisfactory—fully bi-annual, but otherwise checks of other sorts every other year?

Mr WHITFIELD: Well, my view would be: we've got large agencies and multiple systems that a bi-annual approach makes sense - to try and test every system every year could be onerous. But if you've got a smaller agency with only minimum systems, I would then be saying that they should be tested annually.

CHAIR: I'm seeing nodding from Mr Freame?

Mr FREAME: I accept that approach.

CHAIR: Thank you. Mr Daley?

Mr MICHAEL DALEY: No.

CHAIR: Mr Williams?

Mr JOHN WILLIAMS: This might sound naïve, but I thought, when I've read this report and talked about a Disaster Recovery Plan, it wouldn't have to be that complex. We're talking about backing-up data and having a procedure in place, where we back it up - and how we follow that procedure, who is responsible, whether there's a main frame offsite, how you're going to deal with that. Do you think that is a complex thing to ask for? I find it very hard to think it's beyond agencies to comply with what you'd think is reasonable.

Mr FREAME: I can take that question, Mr Chair. What you outlined is in fact the basis of a Disaster Recovery Plan. In other words, if something goes wrong, you can recover it. One of the things that we've talked about is linked to Business Continuity and the Recovery Time Objective. So simply backing-up a system is a form of disaster recovery, but if you don't have the facilities and infrastructure in place to recover that system, it may be days, or weeks or months before that business process can continue to operate. It is both the stages of the disaster recovery planning and execution itself, but it's also then, matching the Recovery Time Objective of the business process.

Mr JOHN WILLIAMS: I'm starting to think that this probably goes beyond the capacity of most of the agencies to have that skill within the agencies, so you're probably contracting a hardware/software supplier to ensure that, I guess, taking prevention rather than cure. Do agencies do that?

Mr FREAME: It is very common for a Disaster Recovery Centre to be contracted to a third party. In other words, a secondary location away from the base operation of the agency, so that in the event that that facility is not available, you would go to a third party operation to be able to continue your own businesses. So the answer -

Mr JOHN WILLIAMS: - so to test the disaster recovery plan, it's not a big issue? It's a bit like testing the fire bells or having fire practice? You know, it's a couple of hours at best?

Mr MURPHY: I think it might just depend on the nature of the system that you're testing. A system like, for example, the website that houses the guidance we provide to agencies on project management. It is not critical that if that were to go down that it's up again instantly, it might be appropriate that we put in place mechanisms to ensure that it's up again within a couple of hours.

Whereas a system such as the dispatch system for fire and rescue is the sort of system you don't want to have down for any period at all. You would have a totally different approach to business continuity planning around a system like that than you would have around something like a website.

Mr JOHN WILLIAMS: Yes, I understand that, but we are in an age now where we've overcome a lot of this type of situation, and I think we've got computer hardware that's fairly reliable. It is obviously more about testing the ability of staff to manage a situation and I'd say that that website you're talking about, is just as easy to recover as any other situation.

Mr MURPHY: Well, I'd have to leave the answer to that question to the people who manage systems across Government. I think it's the sort of case by case basis depending on the type of system, how it's implemented and how it's managed and the impact of it being unavailable for any period of time.

Mr JOHN WILLIAMS: Thank you.

Dr GEOFF LEE: Can I just follow that on, Mr Chair, and just ask: I note that the NSW Government just opened - or in partnership with a third party - the data centre at Silverwater?

Mr FREAME: Correct.

Dr GEOFF LEE: And there is one down south - I was wondering how is the migration of that going, and what impact that will have in terms of disaster recovery that you predict.

Mr FREAME: Thanks, Dr Lee. That's an illustration of disaster recovery operation, where many of the agencies, who have put in their main systems in the Silverwater centre, are setting up their

disaster recovery site in Unanderra. If, for any reason, the Silverwater facility wouldn't be available, they would automatically kick over to operating out of the facility in Unanderra, which has only just opened. Our agency itself is moving its disaster recovery site to Unanderra in October/November this year. And as part of that process, we'll be testing the data recovery facilities. In other words, once we switch off the system - will it operate from that second re-location?

Dr GEOFF LEE: Can I ask a question - why did we built two? You built one in Silverwater and we have that one in Unanderra. Why don't we go with other States so that we had interstate ones? Why don't we do Government sharing? Most people have things on the other side of the country, so if we have something happening in a State you can recover it somewhere else. All Governments, the three Governments - Queensland, Victoria and NSW - would all share the same problem in terms of size and capacity, and things like that. It amazes me that we don't. We're large enough. We actually subcontract out these services, but we're large enough actually to house the Victorian and Queensland in capacity with our own, and then just share and say: well, if your system goes down, we'll take over.

Mr MURPHY: Can I just clarify about the Government data centres? These are public facilities that the Government is the anchor tenant for. So it's not all our environment – it has not been built to be owned by us. It's built to provide services for us as an anchor tenant.

Mr GEOFF LEE: But why don't we build them? I understand that - I was there for the opening, it just amazed me as we don't—is it that much cheaper that we contract these services out to—?

Mr MURPHY: There was a fairly exhaustive cost-benefit analysis worked through of a number of options for how these services might be procured. And this worked out to be the outcome of that process. I understand that since the data centres have opened, there is some interest from other State Governments about taking advantage of the opportunity to locate some of their equipment in those facilities. So that may happen.

Dr GEOFF LEE: Thank you.

CHAIR: Mr. Williams.

Mr JOHN WILLIAMS: What's the history of actually having a crash with the systems? How often is that being experienced?

Mr MURPHY: Perhaps one of my CIO colleagues could answer that question?

Mr FREAME: Mr Williams, I assure you it has happened on a number of occasions in recent times. The one example that I would give was the employment site, which is Jobs NSW. A couple of years ago it crashed and it wasn't recovered for a number of days. So people applying for positions in the sector weren't able to do so, because the Disaster Recovery Plan wasn't adequate to cover the system going down. It certainly does happen from time to time.

CHAIR: Mr Bassett.

Mr BART BASSETT: Thank you, Chair. What's your definition of a disaster recovery? What disaster are we talking about, and therefore what is the disaster recovery we are talking about - a fire in the building or an IT disaster internally - what's your definition?

Mr FREAME: Again, it's a question of scale. There are scales of disasters, but simply, if the system is not available for regular and normal usage, it is considered a disaster. That could be any number of elements that have caused that. If you're sitting at your desk and the network goes down, that's a disaster that is affecting a small number of people for a limited period of time. If a building is unavailable, that is also a disaster, but it's affecting a larger number of people and effecting their ability to do their job for an even longer period of time. The scale is just slightly different.

Mr BART BASSETT: My following question to that answer would be: quite a while back somebody gave an answer about third parties being used for disaster recovery. The answer wasn't: all Government agencies were required to do that. So if they're not, how can we be assured that a

Government agency in a building—if the whole building was taken out through fire, for example—that the disaster recovery plan isn't based in that building? How could we be guaranteed that this isn't going to occur?

Mr FREAME: The requirement again under the Digital Information Security Policy refers to the International Standard 27002. If you followed through on complying with those requirements you would have to have an alternate site. You would have to have the ability for people to access the systems and solutions in that alternate site. Simply saying 'I backed it up', wouldn't meet that minimum requirement, because you are, as you say, limited to that facility that wouldn't meet the requirement of standard.

Mr BART BASSETT: Thank you.

Dr GEOFF LEE: Could I just ask quickly, and this is an easy one, does that mean our systems now will comply with ISO 27002 systems or quality certification?

Mr MURPHY: The ISO standard is a suite of standards, so 27000 standards. 27001 has some obligations, it refers to obligations in 27002, et cetera. It's a suite of standards.

Dr GEOFF LEE: So it complies with all of the suites or the suite of standards?

Mr MURPHY: The approach that the new policy takes is that agencies take a risk-based approach to its application. There is about 133 controls in the 27000 suite, out of that 133 controls we identified as a group of mandatory controls -

Dr GEOFF LEE: - risk-based assessments -

Mr MURPHY: - and they would apply to any agency regardless of the scale, regardless of the business. For an agency that holds a lot of personal information of citizens, we would expect them to meet a higher bar. And there are other standards.

Dr GEOFF LEE: I am just asking because it scares me when people say it totally complies, and I go: those ISO standards are just the most rigorous and onerous things that make a system not workable and not cost-effective.

Mr MURPHY: That's why the risk-based approach has been taken.

Dr GEOFF LEE: Excellent.

Mr FREAME: Mr Chair, if I could just express: we have access to specified certain types of organisations that should be certified 27001. Those who are shared services providers, in other words, they provide services to a number of agencies, are required to be 27001 certified. In the Department of Finances and Services, Land and Property Information is 27001 certified. The Office of State Revenue is 27001 certified. ServiceFirst, who is a shared service provider, is 27001 certified.

Dr GEOFF LEE: Thank you.

CHAIR: Mr Murphy, before you mentioned that there is now a process whereby the Director-General of the relevant agency will give an attestation that there is a Disaster Recovery Plan in place on an annual basis and that that will be in place across the board at the end of this financial year.

Mr MURPHY: Can I just clarify that?

CHAIR: Yes.

Mr MURPHY: The obligation is on the agency head to attest that the requirements of the Information Security Policy are in place. One of those requirements is the requirement for business continuity planning including disaster recovery.

CHAIR: Will that attestation extend also to, or does the policy extend to, annual testing? Or bi-annual testing, if we accept that that might occur over two years?

Mr MURPHY: The policy at the moment requires the timely resumption of business processes in the event of major failure must be ensured and controls must be in place to counteract interruptions to business activities, et cetera. Whatever is required to achieve that control is what will be required around periodic testing assistance. For some systems it may be annual, for some systems it may be more often. For others it may be bi-annual. It depends on the system.

CHAIR: Other than the Auditor-General be going in to check how often it does or does not occur? Is there a level of specificity that is provided to ensure that there is at least some testing on that, because the attestation seems fairly general? Certainly there was a recommendation in this Committee's report on the procurement of management of ICT services in the NSW public sector that it should be annual, and I take the point it might be bi-annual testing of Disaster Recovery Plans as a mandatory part of agency attestations. I'm just wondering whether that recommendation has been looked at in the context of your overall policy, and otherwise, how that issue might be specifically driven home to the agencies?

Mr MURPHY: The obligation under the Internal Audit and Risk Management Policy, which also requires an attestation, is that it includes a role for an Audit and Risk Committee to assess whether sound and effective approaches have been followed in establishing business continuity arrangements - including whether the Disaster Recovery Plans have been tested periodically. That is an obligation on the Audit and Risk Committees now under TPP 0905.

CHAIR: I know that Volume 1 of the 2013 Financial Audit Report from the Auditor-General or the Audit Office noted that there was significant increase in a number of issues reported for disaster recovery planning. Just wondering why there has been an increase in issues if we're getting on top of these sorts of aspects or these sorts of challenges? Are you aware of that increase? Or perhaps I might ask the acting Auditor-General to make a comment here, if he wishes?

Mr WHITFIELD: That was an observation coming out of our audits into the ICT areas that there had been an increase in the DRP incidents.

CHAIR: I'd perhaps invite a response – happy to take it on notice, if you wish. It's certainly counter intuitive to a situation where we think we might be getting on top of the challenge.

Mr MURPHY: I think we might have an issue with timing here, Chair, where the data collection for the Auditor-General's report was the financial year 11/12, was it?

Mr WHITFIELD: That's correct.

Mr MURPHY: The new policy that we are talking about was promulgated in November 2012 with an expectation of it being implemented by the end of this year. The actions that have been taken to implement the new policy including disaster recovery planning won't have shown up in the data collection for the Auditor-General's report.

CHAIR: Well, perhaps if you have some more up-to-date figures that might give this Committee some greater level of comfort - I'd appreciate if you could give us that information on notice.

Mr MURPHY: Yes, I'd take that as an action.

CHAIR: Thank you.

Dr GEOFF LEE: All good.

CHAIR: All good. Are there any other comments or observations that anyone would like to make to my presenting witnesses?

Mr MURPHY: No thank you, Chair.

Dr LEE: Thank you.

CHAIR: We do appreciate very much the fact that you've taken the time out, I know of your busy schedules, to come and give evidence before the Committee today. Obviously we all want to make sure that the systems work well. And to that extent, if we shine a little bit of light on some of these areas, hopefully we will help you guys to do your job and make sure most importantly that the public aren't inconvenienced at the time, and these IT systems or other financial systems are challenged. Thank you for your assistance in this process.

We'll take those questions on notice for within two weeks – that will be done. We'll formalise the correspondence in that time frame, and if you can follow-up on that, I'd appreciate it.

We're going to adjourn briefly and reconvene at 5 p.m., so a 5-minute break. A particular welcome to our friends from Laos in the public gallery. We reconvene in 5 minutes.

- BREAK –

(The witnesses withdrew)

BRETT NEWMAN, Chief Executive Officer, NSW Government Property, sworn and examined.

DESMOND MOONEY, General Manager, Land and Property Information, affirmed and examined.

TONY WHITFIELD, Deputy Auditor-General, NSW Audit Office.

CHAIR: We will reconvene. We've got one or two members who will be with us shortly, but in the meantime I'd like to welcome and swear in representatives in relation to that part of the hearing, which will now focus on the Government Property Register.

Welcome Mr Desmond Mooney, a representative from Land and Property Information. Thank you for appearing before the Committee today, Mr Mooney, to give evidence. I'd like to welcome Mr Brett Newman, representative from the Government Property NSW. Thank you also for appearing before the Committee to give evidence. We also have the acting Auditor-General, Mr Tony Whitfield, who has already been sworn in earlier.

Before we commence with formal questions from those around the table, I'd like to give each of you the opportunity to make a brief opening statement as appropriate. First, the acting Auditor-General, if you'd like to make some scene setting comments, I'd appreciate that.

Mr WHITFIELD: Thank you, Chair. This matter of the Government Property Register is one that we've been reporting on since 2002. We saw it as something that was an important thing for the Government to have, enabling the Government to validate who owns the property, to establish property usage, to identify under-utilisation, and also to support strategic land use decision making.

We've continued to report on that for a number of years in 2010 and 11, and again in 2012, where we were told that things were getting closer to occurring. We've received and looked at the response from Department of Finance and Services in relation to the recommendations we made, and we also received some dates for certain of those recommendations. There is one that the register itself seems to be ongoing.

One of the concerns that we were having in the response is that whilst there are 127 agencies that own land, only 29 out of that 127 have bothered to respond and verify what's there. That is a concern, because unless everyone can get that information in, it's not really going to end up with a usable register at the end of the day, having spent a whole lot of effort and dollars too to build it. So we will continue to monitor what's happening and report again on where we see progress is when we do have annual reporting this year.

CHAIR: Thank you, Mr Whitfield. Mr Mooney, would you like to make an opening statement?

Mr MOONEY: Yes, certainly. I also have a written document, if you'd like that. Did you take one?

CHAIR: Would you like to table that document? We'll admit that into evidence a little later. But, please, are you going to speak to that document?

Mr MOONEY: More or less. Until the enactment of the GP NSW Act, the requirement for organisations to provide data to LPI has been under the Annual Reports Act. Now, LPI has no authority to compel people to comply with that. In the land titling system we have a register there that people bring information to us and we register it. However, after we got this information from the various agencies, who are bringing it to us and after we were maintaining the register, we used all our other systems like the titling system - like our digital cadastral database, and so on - to check the information that we were given and to the best of our ability to quality control what we've been given. Each year we also send out the information to all of the agencies that have land and ask them to verify that, and to add anything we're missing. We don't get a response from all of them, but once again there's nothing we can do except continually pester them and ask them to send the information in.

We have taken it on ourselves to do a lot of conversion work and to convert a lot of the old system land, forestry land and national parks land into torrents title. That is reliant also on the agencies having the resources to be able to search that land, identify that land and bring it forward. We cannot just put something into the titling system unless we're very sure about the information that's going into it. Nearly 30% of the NSW GDP is involved with property and that relies on the titling system. We're not going to put anything in that we're unsure of. We'd have to know the extent of it, we'd have to know what the ownership is, and so on. It is a complex project, and we have got most of the information, that is required and that is meaningful, we believe, in the GPR. It is not broken, it is quite a useful tool.

There is a lot of land that's not in, but you have to understand how land was developed in the first place in Australia and NSW since European settlement. Surveys were done, they were isolated island surveys - they were not connected. The crown land that's left is what is the residual. So how do you find a residual? You've got to take out all the other pieces of land that had been alienated or subdivided and try to find that other land. A lot of it is of very low value, but crown lands do just put forward what they believe is their broad acreage in these various areas, which is valued and which then goes into the State books that the Auditor-General is very interested in.

But the idea that this is not finished—no register is ever finished! I said this last time, there is not a finished date for a register – it's an ongoing thing. All the time you're getting new data, it's being augmented by data that you've found more information about. I have no right as Registrar General to go and make people register their dealings with me. I only can take dealings they bring to me and put them into the system. The GPR is much the same, although we go that extra step to and try and encourage everybody to put the information into it. We don't have any legislative backing to do that. When we say finished—as I said, it will never be finished. There is no plan to put beds of rivers, creeks, lakes, crown roads into the titling system or into the GPR, and that's all crown land. It will never finish. There could be hundreds and millions of dollars to do that, and to what benefit - it makes no material effect. I think where we find something that is material, like they found - the Audit Office said the crown reserves should be in there. The treasury gave money to crown land to identify that land, and we have put most of it - I think it is now in the GPR. You could find all of it in there by now.

Forestry and National Parks - we have ongoing programs with that, but we're doing that to get a single titling system, we're not doing this for the GPR, but the GPR is definitely benefitting from all of that work that we're doing. We believe it is quite a good system. It will never finish, and it's not a proper concept to say - what every piece of land ever known in NSW into the system by this date, is not going to happen. It's not going to happen. That recommendation is impossible, and it never was possible. So we really just have to have a look at what is possible, what is useful, what is meaningful, and I'll tell you what, I think we are getting pretty close.

CHAIR: Thank you, Mr Mooney. Now, Mr Newman, an opening statement.

Mr NEWMAN: Yes.

CHAIR: You might for the benefit of those around the Committee, in your opening statement just position the history of your organisation, limited as it is.

Mr NEWMAN: Yes. In fact that's all I was planning to do. I commenced as CEO Government Property in May 2013. Unfortunately I don't have a lot of history and direct personal knowledge as such with the Government Property Register. However I thought it would be useful for this Committee just to give the context of GPR in relation to Government Property NSW.

Where that starts is with the Property Asset Utilisation Task Force, which was brought in by this Government in 2012. One of the recommendations of that task was in their report, which is handed down towards the end of 2012, and it was effectively two things: firstly, for the management of the GPR that it would be transferred to Government Property NSW. Secondly, for an incentive to be included, whereby agencies, who put the value of their properties into GPR by 30 June 2014, received the values from those properties, but it was kept at that value. Therefore, if they didn't put the value of their properties into GPR after that date, the risk was that they would lose them.

The second thing that happened was there were subsequently the Premier's Memorandum 2012/20, which adopted recommendations of the PAUT report. In particular, in that Premier's Memorandum the Premier adopted the incentives. That includes specific provision whereby agencies who put their value of their land in the GPR by 30 June 2014, their values are capped at that value. If they haven't done it by then, they risk losing it.

In addition to that - what the Government did - was part of that package of adoption of the PAUT Report recommendations. It made a number of amendments to the Government Property NSW Act. The two amendments that relate to the Government Property Register are: firstly, agencies are required to provide Government Property NSW with information relating their land holdings. Secondly, Government Property NSW is required to keep a register of that information. It's that package of obligation and incentive, which now exists. The last thing in that context is recently, from memory it was August this year, Government Property NSW issued letters to all agencies asking them to provide us with the latest information on their land holdings and the valuation of those holdings to update the GPR.

CHAIR: We'll close the opening statements, and now commence with questions. Perhaps I might just pick up that last point, the request for information to come in. Is that the same request the acting Auditor-General mentioned in terms of 127 agencies being written to and only 29 of them responding? Or is that a different process?

Mr NEWMAN: This is the first time I have done it. I might ask Des to answer that question first, and then I'll add what we've done differently.

Mr MOONEY: It is the same information. We contacted in 2012 210 NSW agencies asking them for the update.

CHAIR: So, 210?

Mr MOONEY: Yes.

CHAIR: The figure I had, and the Auditor-General mentioned, was 127 agencies been contacted and only 29 responding.

Mr MOONEY: Yes -

CHAIR: What are your equivalent figures?

Mr MOONEY: Well, 120 have land, but we write to other agencies in our sights, who might acquire land during their last year.

CHAIR: So you're targeting those who own property and those who don't?

Mr MOONEY: - who don't, yes.

CHAIR: My understanding is that 29 out of a 127 agencies listed as owning properties responded, the rest did not. Only 32 out of 84 listed as not owning properties in the register, responded. I acknowledge your comments that you think that it will never be finished, and I don't disagree with that comment, but after more than 10 years of the Auditor-General shining a light in this area, and after this Committee, I think it was last year, looked at this from a slightly different angle, my observation is that we are still progressing at a much slower pace than we should be, and that's part of the reason, why we have this, I suppose, focus today. It's obviously part of the reason why Mr Newman's organisation was established, on my reading of it, and I suppose to the extent, Mr Mooney, that you want us to be comforted - I'm not comforted.

Mr MOONEY: Chair, if I may respond to that. Most of those organisations, who didn't respond - we've got all their data already. We've got 273,000 parcels or over 300,000 individual parcels, and 280,000 properties. That is most of the land through all those agencies. The fact that they don't respond on a yearly basis in terms of what they've got is not a reflection of what is in the GPR.

Yes, they should respond. Can I make them respond? No, I can't! But the data, to greatest extent that we can work out, is in there.

CHAIR: So you've mentioned that, perhaps frustratingly, you have no legislative sort of backing to ensure that people respond? Have you asked for any greater backing, and if so, what was the response and from who?

Mr MOONEY: No, what we did is we've decided to go down the line of—since we don't have a legislative sort of backing, and it's just a register that we're running. We went down the line of trying to make it more useful. So what we did, we spatially enabled the register, so it is much more useful for all the agencies. They use it, they can see their data, they can look it on a thing equivalent to Google Maps. They can make changes to it, and so on. We've got a great deal of interaction with the agencies through that rather than a stick, and it wouldn't be appropriate to give LPI a stick, who runs registers in this case, in my view. So we didn't ask for any legislative sort of change. The Legislation and the Reports Act is under the Treasury Act, I understand.

CHAIR: The submission from the department of Finances and Services that we received as the Committee, states that the responsibility for the implementation of the various actions to be taken, as outlined by the Auditor-General and otherwise—that that responsibility lies with Government Property NSW now, but it also says that Land and Property Information continues to manage the operations. The submission from the Audit Office also states that the responsibility for the register is now with Government Property NSW. Can we just get some greater clarity in terms of how the working relationship between the two organisations work and whether that might be the most efficient way to manage and operate the Government Property Register?

Mr MOONEY: May I table another document, chair.

CHAIR: Please.

Mr MOONEY: This one will show the complicated nature of the spatial information and other databases that form the GPR. It's not a matter of saying 'GPR is one thing and move it over here'. There is a lot of difficulty in doing that in the first instance. So we will have to take some time to transition it across. For all intents and purposes now, GP NSW is in charge of it, all we're doing is operating it. We have the people who know how to operate it, we have the know-how, and there is a transition plan to move the management control of that over to GP NSW in the short term, and then to work out how to physically remove it all. But if we are a service provider of spatial information and data matching and that - that's probably how it might be or how it goes, because it's the cheapest and most efficient way of doing it.

CHAIR: Thank you. We will put that document into evidence again a little later. Given that there are plans for Land and Property Information to cease managing the operations, in this sense, to Government property, could you give some indications to the time frames, or what that plan is?

Mr MOONEY: We're hoping that in the next couple of months the management control will go. Whether the actual staffing will be transferred over at that stage or whether we're in some sort of a relationship where they're still being paid by us until it can change through over to the new financial year. Whether the systems, the actual IT systems and the information I have just given you on that diagram can be moved in this short term, is unlikely. That would be a big investment and that might be for no practical purpose. What we need to do is management control and ownership of the staff, and so on. At the very latest that would be July next year. But it could be in the next two months you could take over management or even sooner.

Mr NEWMAN: Chair, I might just add that the proposal we're working on at the moment, is to put in place a service agreement between Government Property NSW and LPI, whereby LPI is responsible for the maintenance of the system and for providing services relating to the maintenance of that system to the GP NSW.

CHAIR: So it sounds that there are some loose plans, but perhaps they haven't been consolidated in a written document. Is that fair?

Mr MOONEY: No, it's not. There is a written plan with the various options that we're working through right now.

Mr NEWMAN: There is a detailed transition plan in place. That detailed transition plan includes the preparation and putting in place of a service agreement. That transition plan includes the transfer of staff, and it includes the agreement as to ongoing service level and conditions that are in place, which are critical to the ongoing management agreement.

CHAIR: Are you have to make that transition plan available to this Committee, on a confidential basis if need be.

Mr MOONEY: Yes.

Mr NEWMAN: Yes.

Mr MOONEY: If I might say, Chair, already the GP NSW sent out those letters that we normally would send out at this time asking for the reconciliation. So that's already been handed over.

CHAIR: Thank you. I noticed Mr Bassett has a question at this stage.

Mr BART BASSETT: Yes, it's an administrative question, I think, based on your previous answers, where you mentioned about the 300,000 approximate properties. The question would be: you said you didn't feel that legislation would be appropriate, and I accept that this is your position. To get updated information from particular Government agencies if they don't give response voluntarily easily, do you provide them with a list? Now, you've got that much property - a list to agencies so they can actually tick off what they believe is accurate or not accurate?

Mr MOONEY: That's what we send out each year. If I can answer the other question, what I was saying: it was not appropriate for legislation, under the Real Property Act, for LPI to be involved. It might be quite appropriate, and it is - in a greater degree, step-in procedures, and so on - in Government Property NSW. But it was not appropriate for LPI NSW to have that legislation. That's what I'm saying.

CHAIR: Why do you draw this distinction?

Mr MOONEY: Because we run registers, we don't manage land. We don't do that, we're the honest broker, who people bring stuff to and that's our expertise is running registers.

CHAIR: So for the independence of Government Property NSW it actually makes it easier to have a stick?

Mr MOONEY: Yes.

Mr NEWMAN: Correct me if I'm wrong, agencies also have the capability to access the system and search the system, so they themselves can identify in the system what the register says that they own?

Mr MOONEY: They can do that in real time any time.

CHAIR: Mr. Newman, what's your view in terms of the need for a stick?

Mr NEWMAN: There are a number of incentives and sticks in place, but not directly in relation to the GPR. It's part of the Government adopting the PAUT recommendations, there are a number of incentives in there, which encourage agencies to identify and realise assets, in particular, and these are also included in the Premier's Memorandum 2012/12. Agencies now, where they identify land, which is surplus, and that land is sold, are entitled to retain the capital of those assets for reinvestment in additional services. Secondly, the other incentive linked with the stick that the Governments put in place, is the fact that if agencies do not put the value of their lands in the register by 30 June 2014, they risk receiving no proceeds.

CHAIR: Yes, which is a pretty good stick in itself.

Mr NEWMAN: Hopefully.

CHAIR: Can I ask, is there a risk, just mindful of what happens particularly around my electorate where there is a lot of crown land, which has been claimed by Aboriginal Land Councils - are we open particularly to claims when we've got crown land and we don't know that we have or that hasn't been properly managed?

Mr MOONEY: Yes, in the unreserved crown land that is identified, it is available to the claim, as I understand it, I'm not an expert in that area. Yes - or anything that is no longer required for Government purposes is claimable.

Mr NEWMAN: Mr Chair, I might add: that risk exists for the Government, I think, regardless of whether the land is registered on the LPI system, and regardless of whether or not the land is registered in the GPR system.

CHAIR: I understand that, but being registered is an indicator that we know that we have the land and indeed know that we are managing it for someone.

Mr NEWMAN: Yes.

CHAIR: Even though it might suggest that being unregistered might suggest that we either don't know that we have it or are not managing it, or it hasn't been allocated to a public purpose. Are they fair observations?

Mr MOONEY: Yes, they are fair observations, but most of the land that we know of, but the unoccupied crown land, is claimable anyway. It's all out there.

CHAIR: Mr Williams.

Mr JOHN WILLIAMS: Just one observation on the lack of cooperation from the agencies and you taking a top-down approach: do you think there is an inherent weakness in agencies' asset registers?

Mr NEWMAN: The only comment I could make is that, firstly, Government Property NSW has not undertaken an audit and does not have the authority to review agency registers. However, the thing that I would bring to the Committee's attention is that the PAUT report, as part of their review of agencies portfolio in agency systems, identified a number of agencies and a number of systems, and critiqued a number of systems. I cannot recollect the findings of that report, however, it is publicly available. I do recollect those findings saying some agencies, particularly larger agencies with significant land holdings - their registry systems were functional and worked. Other agencies, I think, they were not as strong.

Mr JOHN WILLIAMS: Yes, you would've thought that a request from your department, someone within that agency could put their hand on exactly the land that they owned, controlled or whatever. I mean that's just a standard management practice that you'd employ under any well-managed organisation.

Mr MOONEY: May I give an example of where this happened?

Mr JOHN WILLIAMS: Sure.

Mr MOONEY: If you take the example of railways, they know exactly that they own the rail line out West and all of these areas. They may not have that in the system and they may not have the title for it, but they maintain the tracks, they maintain their system, the overhead lines, they maintain all of their assets. But they haven't got it in an easy form to put into a GPR with a description of the land, with a plan of the land, with a title for the land, they tend to do it on the basis of where they want to develop something over a railway line. They will do so for that area, but from the last meeting that I had here, I took on board the concerns that they had and we put 13,000 railway takings, which are

those things that we were talking about here - that is not necessarily reflective of bad asset management practices. I think they're managing their assets okay, but it's a matter of not going to the detail of something that they know absolutely, that that's their land going between Chatswood and Lindfield and Murwillumbah and so on.

Mr JOHN WILLIAMS: The other question is, there are 750,000 square km in the State of NSW or somewhere near, is it ever going to be possible we could put an overlay, say, this is what we can account for, these are the missing links?

Mr MOONEY: Yes, we have a cadastral database that shows every parcel of land in NSW that we know about, and from that we can find holes in that land, where we don't know what that land is. We use that and ask the agencies – but a lot of them don't even know they've got control of that. It's a very big task for these agencies, as you could imagine. They're often on old plans in the basement, they're not being used, they're not using the land, but we're systematically going through the big one and asking them—that's what Forestry, National Parks and other things in Crown Land, reserves— we're asking them to do that all along. We always keep working with GP NSW, because we want this solved as well, but we would never get all the creek beds and all those other bits, that's what I'm saying, but the big bits, yes, we're doing western land's leases and all those sorts of things, systematically trying to clean up all of those areas. So, yes, to a certain extent we can do what you're saying.

CHAIR: I think that the submission from the Department of Finances and Services states that additional resources are currently being employed in the register team until December 2013. I'm just wondering how that is currently affecting the flow of extra entries, how it might affect forward planning for work on the register after December and what the reason for that December 2013 return date is? Whether there is an opportunity to extend the employment of those extra resources beyond December 13, should the need arise, through either organisation.

Mr MOONEY: That is the part of what the transition was in 2013, because our obligation to the GPR then has transferred over. We have employed extra staff and extra expertise on that to try and undertake and enter into the GPR all this other information, conversion of information, and so on, and clean up data. How long that needs to go on is something we need to talk about. And whether it is really going to be a decision for GP NSW to decide how much extra staff they may need or want to continue with that sort of work. We've got over a lot of it, we've put in 13,000 railway takings like the stuff we are doing with forestry land and national parks. Depends how quickly we can clean that up, how much you would need those additional staff or rather than just the operations of the GPR.

CHAIR: We've talked a little bit about the relatively low response rate from agencies, but you explained that it's not as bad as it looks on the basis that you've already got a lot of that information from those agencies. Are there some agencies though that you are concerned about, because you don't have their information and have not responded yet? And if so, could you identify what those agencies are and what action has been taken other than the threat of losing properties? But even that, for agencies that don't know that they own property, for example, is not as real a threat as it might need to be. So what agencies are you concerned about, and what other actions have been taken to potentially improve the response?

Mr MOONEY: With the big agencies, like big land holding agencies like the old RTA whether it's called RMS now and things like railways, hospitals and schools, no, we don't have a great deal of worry. We have got a lot of their information and data. We just don't know about some of the smaller agencies, whether how much of the real data we've got, because we're in contact with those large agencies very regularly. There is not a lot more we can do with those agencies other than identify the bits that need to be changed like the railway takings, and work with them to do that. With National Parks and Forestry, we're working very closely with them as well, and Crown Lands, to do that, but there is none in particular that I would say that are being recalcitrant or that we're particularly worried about.

CHAIR: Can I ask a comment from the acting Auditor-General on that topic or on that aspect? Are you comforted by those sort of responses?

Mr WHITFIELD: Our concern primarily has been with the fact that whilst the information may be in the register, it reconciles back to what the agencies had in their books. When we got to do the audits, we're looking for some external confirmation as to what they say is there, but we're having difficulty on occasions to go in and getting their confirmation, because the reconciliations haven't been done in all cases.

Other instances where we found - in particular one example - was where one of the motorways was built, there was land resumed and then the residual land - there was confusion as whether the RMS owned that land or whether it was another Government body that owned it and we were getting difficulty in determining who's books it should be in. We couldn't go to the central register, because the information wasn't there. So, they're the sorts of difficulties that we're having, that we see that would be overcome if we would have an up-to-date register. I can see that it will never be finished and you won't get everything in there, but it's the main parcels of land that have an economic value to the State that we believe should be in there.

Mr MOONEY: If I may respond, Chair?

CHAIR: Yes.

Mr MOONEY: That example is a perfect example that there is no way that anybody in GP NSW or myself, in the old days when we owned it, can resolve those issues! That has to be resolved by the two agencies, who have to decide who has controlling interest, and tell us. Then we can put it in the GPR. Until that stays, there is no way that we can do it. They have to get together, they have to do it, and there is no ability that we have to sit in judgment on whether it should be in their books or in someone else's books.

CHAIR: Mr Auditor-General, how do you see that that impasses is best addressed?

Mr WHITFIELD: Well, I think as I said earlier, the fact that there is this new memorandum out that there is going to be an issue that if you don't get registered by June 2014, you will suffer penalty by losing that, will be an incentive. I think, what we will be doing is subsequent to that day in the following year, looking to just see what's happened in relation to the register, whether that information has come in or not. And see, whether we still got the same concerns that we currently have.

CHAIR: Mr Mooney, I think attachment B of the Department of Finances and Services submission states, and you've mentioned in your evidence today, that 13,000 land parcels or railway takings or parcels are now stored in the register? How many more parcels remain to be entered into the register? In that respect to know that the completion date for that activity is given as ongoing, and I understand that it will never be completed…

Mr MOONEY: Yes.

CHAIR: Do you have an estimated date for substantial completion or is it now effectively substantially complete in the sense that there is no back-log?

Mr MOONEY: No, there is no back-log by us, but I would have to take that on notice to see if there are other takings in the State that need to be done. And it might not be a priority for the railways. Obviously the railways, it's all around Sydney and built-up areas, where we make sure that we got all those in. How far we've gone into the more remote areas, I'm not sure. So I'll have to take that question on notice.

CHAIR: Thank you and we'll take that one on notice. Mindful of the fact that Government Property NSW will be responsible for maintaining the register, it seems going forward, Mr Newman, what systems are you putting in place to ensure that the register is kept up-to-date and it could in the future?

Mr NEWMAN: I think the key thing that our agency will seek to do to ensure that agencies satisfy their obligation to update the register is twofold. Firstly, notify them of their obligation to include valuation data and the fact that the values will be kept at 30 June 2014, which provides an

incentive and is a stick. Secondly, what we will be seeking to do is to provide agencies with reports of our records of their property holdings on the register. That then gives the agencies the ability to reconcile the data on the GPR with the data in their books, whether they're using their own system or whatever system they're using. Then also give those agencies and the Auditor-General the ability to compare those two sets of records.

CHAIR: Thank you. Attachment B of the Department of Finances and Services submission mentions that the department's commission to report to identify additional data fields to improve assessment of the marketability of Government properties. Has that report now been finalised? And if not, when is it expected that it might be finalised?

Mr MOONEY: I think that was a report by the Office of Finance, was it?

CHAIR: I believe it was in a submission from the Department of Finances and Services.

Mr MOONEY: Yes, that is not an LPI report.

Mr NEWMAN: Mr Chair, perhaps I can respond to that.

CHAIR: Yes.

Mr NEWMAN: Perhaps, what I am happy to provide to this Committee, is that this year, and we sent out letters to agencies requesting them for their land data, we included a new data sheet, which included a number of additional data fields. That request is the output of not only a review the Office of Finance undertook, but also our own review of the system. I think it would be useful for the Committee to have that.

CHAIR: So you would have to provide that. Do you have any comments on the findings of the report otherwise?

Mr NEWMAN: The key things that the report identified and which we sought to have included in the additional data request for agencies were firstly the current market value for the properties and secondly the marketability of those properties.

CHAIR: I note that we'll receive that document on notice.

Mr BART BASSETT: Just a follow-up question.

CHAIR: Yes, sure, Mr. Bassett.

Mr BASSETT: Based on your response, Mr Newman, you said you've sent that data out, is that correct?

Mr NEWMAN: We've sent the request for the data.

Mr BART BASSETT: Yes, just wanted to make sure I got that right. When do they have to respond by? Are you getting any responses at the moment that you are aware of?

Mr NEWMAN: I'll have to take that question on notice. I can't recall.

Mr BART BASSETT: That's fine.

CHAIR: Perhaps the final question, either Mr Mooney or Mr Newman, do you have any comments to make about the 2013 reconciliation process?

Mr MOONEY: Well, the 2013 reconciliation process is the process you just heard that the letters have gone out, and we're not sure what the retrieval date is at this stage.

CHAIR: We're pretty well done, but I want to invite firstly the Acting Auditor-General to make any final observations or comments, if he wishes to?

Mr WHITFIELD: I think we're done. I have nothing further to add.

CHAIR: Mr Mooney?

Mr MOONEY: Just perhaps the recommendation that's been coming up for 10 years about having all land in there, and that it needs to be modified. Now, we've all agreed to around the table - maybe not the Committee, but I heard the Auditor-General say that he realised it will never be finished, so this in going continually keep coming back and haunt my colleague on the right hand side, if that's not somehow modified, that recommendation from 10 years ago.

CHAIR: Understood. I suppose from the Committee's perspective in the broad sense or from my perspective, I accept that it is a never finished project in the sense that if you did get all the land in there you have to keep it up-to-date, and it would have to be modified on a constant basis. However, there is a real sense from the Committee reflecting the comments from the Audit Office that the pace at which the progress was being made was not sufficient, or certainly that the level of comfort was not as high as it might be.

We appreciate that you have done, Mr Mooney, a lot of work to progress the issue. Thank you for the work, and I know it will fall now essentially to Mr Newman's organisation to pick up that mantle, but the fact that Government Property NSW has been established is probably a reflection of the need for a more dedicated focus. I think it has equally been recognised that the whole issue has been pursued for 10 years is much longer a time frame most people, including myself, would be comfortable with for any outstanding issue. I don't know that we're even sure what percentage of land we think we have registered at the moment. Would you hazard a guess?

Mr MOONEY: Registered reserve, no, I wouldn't be able to tell you exactly that in an area sense, but we probably could make some stab out of the residual cadastral database, but I can't tell you off hand.

CHAIR: Do you want to take that one on notice?

Mr MOONEY: I'll take that on notice, but I'm not 100% sure, I can give you -

CHAIR: No, no, I know. I ask that question, if you want to take a stab on an approximate amount, I'm not asking for precision, but it would be nice to have a ball park figure. I don't know, Mr Newman, if you have any sense either?

Mr MOONEY: However, Chair, the value of that land, it might sound like a lot of land, if I do it that way, is probably not very much.

CHAIR: Well, you can estimate that as well, if you wish.

Mr MOONEY: I might leave it at the first part.

Mr JOHN WILLIAMS: Can I just add - ?

CHAIR: Mr Williams, yes.

Mr JOHN WILLIAMS: - just to the acting Auditor-General in regards to these recommendations that have been carried out for 10 years what we're hearing evidence today in regards to moving forward. Now, we're going out of an area that has probably been highlighted, so there's been some response. Would you look at accepting some variation in the work in progress as a part of a whole, so obviously we're working towards a better situation, but ultimately—and I guess 10 years ago when the recommendation first started to be highlighted, the situation was probably a lot worse than it is today—would you accept that? And would you accept that this is a work in progress component to this register been brought to standard that's acceptable?

Mr WHITFIELD: Yes. And when we look at it this year when we do our reporting we will take all that into our consideration in putting together some wording in what we believe should be

reported through to the parliament. We will acknowledge where there has been progress, and if we'd have the view that a particular area hasn't been looked at close enough, we'll make that statement. But I can't say what we're going to be saying until we've actually done the work and looked at it. But certainly, if progress is occurred and from what I've heard there appears to be, we would acknowledge that.

Mr MOONEY: Thanks.

CHAIR: Thank you all for appearing before the Committee today. Committee may wish to send any one of you or all of you some additional questions in writing, the replies to which would also form part of your evidence to be made public? Would you be happy to provide a written reply to any further questions in addition of those items that we have already identified on notice?

Mr MOONEY: Yes, Chair.

Mr WHITFIELD: Yes, Chair.

Mr NEWMAN: Yes.

CHAIR: Thank you all. That completes our hearing for today. Other for me than to thank you very much for assisting the process, and also thank you for the efforts you're making in the broader public interest so that we as a Government and as a State can better manage those resources which are entrusted to us.

Mr MOONEY: Thank you, Chair.

Mr WHITFIELD: Thank you

Mr NEWMAN: Thank you.

(The witnesses withdrew)

(The Committee adjourned at 5.49 p.m.)