



Appendix two – Audit Office response

This report makes key findings in three areas relating to Property NSW's management of commercial office property: the identification and management of commercial office property, the management of the Government Property Register, and the transparency of processes to reach decisions regarding leasing. We note that Property NSW has accepted, partially accepted or accepted in principle the recommendations made in respect to the findings in these areas.

However, Property NSW's response at Appendix 1 does not accurately convey the content and analysis in this report. We provide clarification on some key points below.

The scope of this audit

Property NSW has questioned the scope of this audit, and whether some activities we examined are within its scope.

The scope of this audit is set out in full on page 33 of this report, and includes the Government Property Register and whether Property NSW is effective in its management of NSW owned and leased commercial office property. The scope includes agency portfolio reviews as these should help identify commercial office properties that need to be vested to Property NSW, as required by the Premier's Memorandum M2012-20 (pp. 1, 2, 3, 7, 8).

This audit report does not suggest that Property NSW's obligations to manage commercial property includes special purpose properties such as schools, hospitals or roads. This report states that the focus of the audit was on commercial office property (p.1).

Property portfolio reviews

Property NSW has questioned this report's findings regarding the number and depth of its reviews of agency property portfolios.

Premier's Memorandum M2012-20 requires Property NSW to conduct 'regular and ongoing' reviews of agency real property portfolios. This report finds that activity relating to this requirement was limited between 2013 and 2017 (pp. 3, 7).

Property NSW's response states this report does not mention that other portfolio reviews have been conducted since 2017. It does, at page three. At page eight the report also provides a detailed overview of how this process will be implemented going forward.

The Government Property Register

Property NSW's response notes that the *Property NSW Act 2006* provides that Property NSW must maintain a register of government property and that the Government Property Register (GPR) is accurate with respect of the NSW register of land titles. These facts are acknowledged on page ten of this report.

This report also refers to the Property Asset Utilisation Taskforce's findings regarding the need for a central register of property. It notes that the Taskforce report envisaged this register as a 'single source of truth.' It does not state that this is currently government policy.

That said, as noted in this report, the GPR is out of date and inaccurate in several respects (p11).

Vesting of property to Property NSW

This report comments on the vesting of commercial office property to Property NSW because this is an important step in ensuring effective oversight and management of these properties. This report acknowledges that Property NSW knows how many properties were vested between 2012 and 2016 (p.8), but finds that Property NSW will not know how many properties remain outstanding until it has completed its reviews of all NSW Government property portfolios (pp. 2, 3, 8).

The tables provided on page three of Property NSW's response were not previously provided in response to our requests for information on how much commercial office property is yet to be vested to Property NSW. We note the source of information in these tables is the GPR. This report has concluded that the GPR is inaccurate and out of date in several respects (p11).

This report also concludes that commercial office property utilisation is trending down (p 2).

The Decade of Decentralisation policy

This report agrees that the Decade of Decentralisation is a NSW Government policy (pp. 3, 15).

This report also notes that Property NSW has arranged 144 agency moves to 26 different locations under the Decade of Decentralisation policy (p.15).

Transparency in decision-making

Property NSW's response states that 'lease decisions are not make (sic) unilaterally by PNSW.' This audit report does not suggest that decisions are made in this manner. It does state that 'the lease decision is made in consultation with agencies and the lease must be signed by both the client agency and Property NSW' (pp. 4, 15).

This report acknowledges that Property NSW records the outcome of decision-making processes. However, it also points out that Property NSW does not detail how and why decisions were made to its stakeholders. As a result, we conclude that there is limited transparency about decision-making processes for stakeholders (pp. 2, 4, 14, 15).

Acknowledgement of Property NSW's role in leading government reform

Property NSW's response states that this report fails to acknowledge 'government reform led by Property NSW'. Not all reforms listed by Property NSW as having been overlooked are directly relevant to the scope of this report.

That said, Property NSW's progress in implementing the Property Asset Utilisation Taskforce report findings, the 'PAUT II' policy and reporting on some KPIs are covered in some detail in this report.

Assessment of Property NSW's performance against objective KPIs

The audit report lists all the areas that Property NSW will be accountable for achieving under the Memorandum (p.1).

- The audit report details key performance indicators that Property NSW reports at the time of writing that are relevant to the scope of this audit (p.16). These include:
- asset recycling. The audit report notes that:
 - asset sales between 2012 and 2018 generated \$10 billion (p.1)
 - Property NSW has been responsible for selling approximately \$2 billion of these assets (p.1).
- utilisation. The audit report notes that:
 - asset utilisation has improved by approximately 14 per cent since 2012 (pp. 2, 8)
 - asset utilisation is now 14.3 m²/FTE (pp. 3, 8)
 - the current target for asset utilisation for new leases is 10m²/FTE (pp. 2, 8).
- CBD office space reduction. The audit report notes that:
 - 14 moves have been made to Parramatta, involving 1,200 individuals and reducing the floor space occupied by 18,861m² (p.15).