

Operation of the Land Registry

The Audit Commission ("Audit") conducted a review to examine the operation of the Land Registry ("LR").

2. LR aims to provide an efficient and effective land registration system to facilitate the orderly conduct of land transactions. It maintains over three million land registers involving registered particulars of about 23.7 million land documents. In addition to ensuring secure and customer friendly land registration and information services, LR's missions also include advocating reform of Hong Kong's land registration system through introduction of title registration. The Land Titles Ordinance (Cap. 585) ("LTO") was enacted in July 2004 and aims to provide for a new land title registration system ("LTRS") which provides greater certainty to property titles and simplifies conveyancing. However, up to September 2017, LTO had not yet come into force and LTRS had not been implemented.

3. The Committee noted the following findings from the Director of Audit's Report:

- since June 2007, LR had been conducting a tidying up exercise for the Integrated Registration Information System to fill up information (e.g. names of owners of historical transactions) that was not shown in some land registers.¹ Due to high staff turnover and some vacant contract staff posts not filled, there would likely be a slippage in completing the exercise which was originally targeted for completion by the end of 2018;
- from 2012-2013 to 2016-2017, the total number of typographical errors and discrepancies corrected in the land registers each year ranged from 5 737 to 7 564;
- during 2012-2013 to 2016-2017, the three New Territories Search Offices in Tsuen Wan, Tai Po and Yuen Long providing counter search and copying, and owners' corporation services had incurred operating

¹ According to LR, certain information was not shown in some land registers due to reasons including information that might not have been recorded on the manual land registers before the computerization exercise or not input into the computerized land registers during the computerization exercise in view of cost-effectiveness.

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losses ranging from \$0.9 million to \$2 million each year and had low patronage;²

- during the scrutiny of the Land Titles Bill, the Government proposed that LTO would commence two years after its enactment in July 2004, and undertook to conduct a review of LTO during the two-year period between its enactment and commencement ("post-enactment review"). However, up to September 2017, LTO had not been implemented. LR's post-enactment review identified 18 significant matters³ where amendments to LTO were essential before the legislation could be brought into operation. LR might have under-estimated the complexity of the issues and the work involved in implementing LTO and LTRS. Moreover, LR had not set a target LTRS implementation date and devised an action plan with timetable for implementing LTRS as general consensus among stakeholders had not been reached;
- the enactment of LTO had incurred about \$24 million per year on average in staff costs on matters concerning the review of LTO, preparation of the Land Titles (Amendment) Bill, engagement of stakeholders on the proposed legislative amendments and implementation of LTRS;
- since 1993, LR conducted five fee reviews of all fee items at a time interval of three to seven years between each review (i.e. in 1998, 2005, 2008, 2011 and 2016). In the 2016 fee review, LR found that the overall cost recovery of non-statutory fees was only 67% and revised the non-statutory fees in April 2017. The overall fee increase was 75%, with certain fee items increased significantly by 100% to 200%;

² From 2012-2013 to 2016-2017, the daily average number of visitors requesting search and copying services was below 55 for New Territories Search Offices in Tsuen Wan and Tai Po and below 100 for New Territories Search Office in Yuen Long, and the daily average number of visitors requesting owners' corporation services at each New Territories Search Office was not more than five.

³ These issues were: (1) concept of registration of instruments; (2) instruments not effectual until registered; (3) date of registration; (4) overriding interests; (5) severance of joint tenancy; (6) consequential amendments in other legislation; (7) court orders; (8) transmission; (9) cautions; (10) caveats; (11) definitions in LTO; (12) liability of government; (13) filing of standard terms documents; (14) restriction order; (15) rectification by the Land Registrar; (16) indemnity provisions; (17) exclusion; and (18) practical implications.

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- from 2010-2011 to 2016-2017, the number of land documents delivered for registration had dropped significantly by 45% from 859 840 to 468 630, the related revenue had also dropped significantly by 47% from \$319 million to \$169 million. Audit noted that there was a significant under-recovery of costs of \$80 million in 2015-2016. According to LR, the revenue from registration of document services was very much susceptible to the volatility of the property market conditions; and
- Audit examination of LR's compilation of actual performance information against the 30 performance targets for 2016-2017 revealed that LR relied on a manual system for compiling the actual performance information.

4. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding the implementation of LTO, LTRS and the tidying up exercise; time interval for further fee reviews; as well as measures to track and monitor the errors in the land registers, to improve the performance of New Territories Search Offices and the accuracy of LR's actual performance information, to cut down the expenditure incurred from the enactment of LTO and to address the impact of the property market conditions on the registration of document services. The consolidated replies from **Secretary for Development** and **Land Registrar** are in *Appendix 31*.

5. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by Audit.