

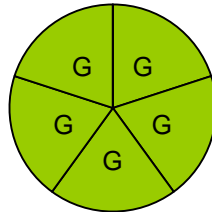
Internal Audit



Property Transactions

August 2016

Report Assessment



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Introduction

NHS bodies are required to conduct property transactions in accordance with guidance in the NHS Scotland Property Transactions Handbook (the Handbook) maintained by the Scottish Government Health and Social Care Directorate (SGHSCD).

The Handbook states that an annual internal audit review of property transactions should be carried out at each NHS body and the results reported to the SGHSCD. The review should include all acquisitions and disposals during the previous financial year, whether by purchase, lease or exchange.

In accordance with section 6.9 of the Handbook, the Board's Internal Auditors are required to categorise the conduct of transactions as follows:

- A - The transaction has been properly conducted;
- B - There are reservations on how the transaction was conducted;
- C - A serious error of judgement has occurred in the handling of the transaction.

Scope

This audit considered whether NHS Lothian has fully complied with the relevant provisions set out within the NHS Scotland Property Transactions Handbook. This audit covered the following property transactions which have taken place during 2015/16:

Disposals

- Land at the former Eastern General Hospital
- Rosslynlee Hospital
- Longstone Clinic
- Polbeth Clinic

Acquisitions

- Marytree Cottage, Old Dalkeith Road
- Land for Firrhill Health Centre

Leases

- Lease to the Royal Bank of Scotland
- Lease of a unit for the Patient Information Centre at the Royal Infirmary of Edinburgh
- Lease of office space at Edinburgh Bioquarter

Acknowledgements

We would like to thank all staff consulted during this review for their assistance and cooperation.

Executive Summary

Conclusion

NHS Lothian has concluded nine property transactions during the financial year 2015/16. We are satisfied that the Board has complied with the procedures as set out in the Handbook and each transaction can be rated as “A – The transaction has been properly conducted”.

Summary of Findings

The table below summarises our assessment of the adequacy and effectiveness of the controls in place to meet each of the objectives agreed for this audit. Definitions of the ratings applied to each action are set out in Appendix 1.

No.	Control Objective	Control objective assessment	Number of actions by action rating			
			Critical	Significant	Important	Minor
1	The relevant mandatory requirements in Section B of the Handbook have been met.	Green				
2	Appropriate and independent legal and property advisers have been appointed.	Green				
3	Legally binding property arrangements have been signed off by the Chief Executive.	Green				
4	Monitoring pro-forma have been completed as transactions progress.	Green				1
5	All relevant certification has been completed by the Chief Executive at the appropriate stage of each transaction.	Green				

Control Objective Ratings

Action Ratings	Definition
Red	Fundamental absence or failure of controls requiring immediate attention (60 points and above)
Amber	Control objective not achieved - controls in place are inadequate or ineffective (21 – 59 points)

Green	Control objective achieved – no major weaknesses in controls but may be scope for improvement (20 points or less)
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Main findings

The audit sampled the following transactions which NHS Lothian concluded during 2015/16:

Property	Transaction type	Internal Audit Opinion
Land at the former Eastern General Hospital	Disposal	A
Polbeth Clinic	Disposal	A
Marytree Cottage, Old Dalkeith Road	Acquisition	A
Land for Firrhill Health Centre	Acquisition	A
Lease of a unit for the Patient Information Centre at the Royal Infirmary of Edinburgh	Acquisition by lease	A

Overall, the property transactions have been conducted using appropriate professional advice and at prices and terms that are in the best interests of the Board. The Property Transaction Handbook's guidance on delegated authority has been followed during the signing of all legal documentation.

Only one minor issue, relating to completion of monitoring pro-formas, was noted during this review, which is set out in the Management Action Plan.

Management Action Plan

Control objective 1: The relevant mandatory requirements in Section B of the Handbook have been met.

We identified no significant issues in relation to this control objective.

NHS Lothian has complied with the mandatory requirements as stated in the Property Transactions Handbook which all holding bodies must adhere to, which includes the effective use of professional advisers.

Control objective 2: Appropriate and independent legal and property advisers have been appointed.

We identified no significant issues in relation to this control objective.

Appropriate professional advice and recommendations have been given for each transaction. Additional independent valuation advice was obtained for the disposal of the land at the Eastern General Hospital due to the high value of the transaction, which had a final sale price of £930,000.

Control objective 3: Legally binding property arrangements have been signed off by the Chief Executive.

We identified no significant issues in relation to this control objective.

The Property Transactions Handbook states that any legal documents which require to be signed at the conclusion of any property transaction must be signed by the Chief Executive, which was the case for all sampled 2015/16 property transactions.

Control objective 4: Monitoring pro-forma have been completed as transactions progress.	
4.1: Monitoring proformas have not been completed in all instances	Minor
<p>Observation and Risk:</p> <p>The Property Transactions Handbook states in Part A at sections 6.7 – 6.11 that holding bodies should complete a monitoring proforma for every transaction. The proforma is designed to be used as an aide-memoire for staff to confirm that key steps within the property transaction process have been completed.</p> <p>However, for the five transactions sampled as part of this audit, two of the proformas had not been fully completed. Specifically, the proforma for the purchase of Marytree Cottage did not include the date certification was completed, the date of the option appraisal, and the date of the offer acceptance. The proforma for the sale of Polbeth Clinic did not state whether the transaction should have been notified to the Accountable Officer, the name of the Senior Officer authorising the transaction, and the date the certification was completed.</p> <p>Where proformas are incomplete there is a risk that key steps within the property transaction process are not completed.</p>	
<p>Recommendation:</p> <p>Monitoring proformas should be fully complete prior to the annual internal audit review.</p>	
<p>Management Response: The missing information should have been added and this was an oversight. Updated monitoring proformas have now been submitted for Marytree Cottage and Polbeth. The gaps identified in the report have been filled and corresponding documentation showing this and the date of the final sign off of the certification by the Chief Executive has been provided.</p> <p>Management Action: Monitoring forms to be checked prior to submission for audit.</p>	
Responsibility: Property Team	Target date: Immediate

Control objective 5: All relevant certification has been completed by the Chief Executive at the appropriate stage of each transaction.

We identified no significant issues in relation to this control objective.

The Property Transactions Handbook requires that Chief Executives be held responsible for the overall management all property transactions. All relevant certificates for each of the transactions were signed by NHS Lothian's Chief Executive during 2015/16.

Appendix 1 - Definition of Ratings

Management Action Ratings

Action Ratings	Definition
Critical	The issue has a material effect upon the wider organisation – 60 points
Significant	The issue is material for the subject under review – 20 points
Important	The issue is relevant for the subject under review – 10 points
Minor	This issue is a housekeeping point for the subject under review – 5 points

Control Objective Ratings

Action Ratings	Definition
Red	Fundamental absence or failure of controls requiring immediate attention (60 points and above)
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Green	Control objective achieved – no major weaknesses in controls but may be scope for improvement (20 points or less)