

Internal Audit



Property Transactions

June 2014

Report Rating	GREEN
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Executive Summary

Report Rating	GREEN
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Overall opinion

During 2013/14, NHS Lothian conducted 6 transactions which required to comply with NHS Scotland's Property Transactions Handbook.

For each transaction, the Property Transactions Handbook defines the possible opinion outcomes as:

- A) the transaction was properly conducted;
- B) reservations exist with how the transaction was conducted; or
- C) a serious error of judgement occurred in the handling of the transaction.

While noting a couple of points for discussion, Internal Audit's opinion for each transaction is:

Property	Transaction type	Value	Opinion
29 Morningside Park, Edinburgh	Disposal	████████	A
35 Morningside Park, Edinburgh	Disposal	████████	A
65 Morningside Drive, Edinburgh	Disposal	████████	A
Land at Eastern General Hospital, Edinburgh	Disposal	████████	A
Land at the Royal Infirmary of Edinburgh	Acquisition	████████	A
Hayweight House, 23 Lauriston Place, Edinburgh	Acquisition by lease	████████ to 31 March 2015; and ████████ per year thereafter	A

The Property Transactions Handbook requires holding bodies to give the Scottish Government Health & Social Care Directorate (SGHSC) advance notice of any planned disposals of property valued in excess of £500,000. The Property Transactions Handbook expects notice to be given around the time properties are valued and before being marketed. While indicative valuations over £500,000 for the Morningside properties were received in May 2013, Land & Property did not write to SGHSC until December 2013.

The land acquired at the Royal Infirmary of Edinburgh was formerly used as a petrol station and remedial environmental works are going to be required. The Property Transactions Handbook requires that any contingent liabilities over £100,000 relating to purchases be reported to SGHSC. Land & Property advises that the land is included within the planning application relating to the new Royal Hospital for Sick Children and Department of Clinical Neuroscience, with costs of remedial works to be met by the preferred bidder. As such, NHS Lothian does not need to report any contingent liabilities relating to the land.

Background, Objective & Scope

Background

In October 2012, SGHSC issued an updated Property Transactions Handbook. The Property Transactions Handbook defines health boards as Holding Bodies, allowing boards to hold NHS Scotland properties on behalf of Scottish ministers.

While the Chief Executive of NHS Scotland is the Accountable Officer for all NHS Scotland properties, day-to-day responsibility for properties in NHS Lothian rests with NHS Lothian's Chief Executive.

Health boards must follow the terms of the Property Transactions Handbook. Compliance is intended to ensure that properties are bought, sold and leased at prices or on other conditions which are the best obtainable for the public interest at that time. The SGHSC monitors compliance through requiring post-transaction monitoring to be included within health boards' annual internal audit plans. The Property Transactions Handbook sets out the various post-transaction monitoring requirements.

Objective

The objective of the audit was to carry out the annual post-transaction monitoring exercise to assess whether NHS Lothian has complied with the Property Transactions Handbook. In forming an opinion on each transaction, Internal Audit was required to consider the possible outcomes as defined in the Property Transactions Handbook:

- A) the transaction was properly conducted;
- B) reservations exist with how the transaction was conducted; or
- C) a serious error of judgement occurred in the handling of the transaction.

Scope

The audit covered the 6 property transactions which completed during 2013/14:

Disposals

- 29 Morningside Park, Edinburgh;
- 35 Morningside Park, Edinburgh;
- 65 Morningside Drive, Edinburgh;
- Eastern General Hospital (residential area);

Acquisitions

- land at the Royal Infirmary of Edinburgh (former ESSO petrol station); and
- lease at Hayweight House, Edinburgh.

Definition of Ratings

Report Ratings

- Red – 40 points or over.
- Amber – 20 to 35 points.
- Green – 15 points or less.

Issue Ratings

- Critical – 40 points – the issue has a material effect upon the wider organisation.
- Significant – 10 points – the issue is material for the subject under review.
- Important – 5 points – the issue is relevant for the subject under review.

Audit Team

██████████, Principal Auditor
██████████, Chief Internal Auditor

Distribution List

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