

NHS Greater Glasgow & Clyde
Internal Audit Report 2007-08
Property Transaction Monitoring

Final Report – No 5.

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Timetable

Action	Date
Fieldwork start	May 2008
Fieldwork complete	October 2008
Draft report to client	October 2008
Response by client	October 2008
Final report	October 2008

1. Background and scope

Introduction

- 1.01 The NHS Greater Glasgow and Clyde review was carried out as part of the 2007/08 Internal Audit plan.
- 1.02 This report has been prepared solely for NHS Greater Glasgow and Clyde (NHSGG&C) in accordance with the terms and conditions set out in our engagement letter. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

Background

- 1.03 The NHS Scotland Property Transactions Handbook ("the Handbook") sets down the regulations in place surrounding the acquisition and disposal of properties by NHS Holding Bodies (this includes Health Boards such as NHSGG&C) in Scotland.

Approach and scope

Approach

- 1.04 Our audit work was designed to obtain assurance that the systems and procedures in operation covered the following areas of control:
- Property transactions have been carried out in accordance with the NHS Circular HDL (2001) 15 and the Handbook issued with this circular;
 - Transactions have been properly conducted;
 - Effectiveness of procedures for obtaining professional advice, maximising the planning potential of the property and offering the property for other public sector use; and
 - Consideration and acceptance of offers for property.
- 1.05 NHSGG&C indicated to us that 14 property transactions were concluded in the year ended 31 March 2008 which require to be reported to the Health Department.

1.06 These transactions are detailed below:

	Location	Nature
1	40 Netherton Oval, Lennoxton	Disposal by Sale
2	Erskineview Clinic, Old Kilpatrick	Disposal by Sale
3	The Cottage Bar, Abercromby Street, Bridgeton, Glasgow	Acquisition by Purchase
4	Ground Floor South, Legal House, Glasgow	Acquisition of 15 year lease
5	423 Shields Road, Glasgow	Acquisition of 1 year lease
6	31 Burleigh Street, Glasgow	Acquisition of 3 year lease
7	Units 8B & 8F Clutha House, Cornwall Street South, Glasgow	Acquisition of 5 year lease
8	Offices 2 & 3 Springfield House, Emmerson Road, Bishopbriggs	Acquisition of 10 year lease
9	4 South Crosshill Road, Bishopbriggs	Acquisition of 5 year lease
10	Units 2A, 3A & 3B Garscadden House, Drumchapel, Glasgow	Acquisition of 5 year lease
11	Caledonia House, Cardonald Business Park, Glasgow	Acquisition of 15 year lease
12	Unit A14 Whitecrook Business Centre, Clydebank	Acquisition of 5 year lease
13	Floor 3 Renfrewshire House, Cotton Street, Paisley	Acquisition of 25 year lease
14	Tara House, 46 Bath Street, Glasgow	Acquisition of 5 year lease with a break after 3 years

1.07 In preparing this inspection report on the transactions undertaken by NHSGG&C in accordance with the Handbook, we are required to categorise individual transactions which have been subject to internal audit review as follows:

- A.** The transaction appears to have 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

- 1.08 Part A, Section 7 of the Handbook details the post-transaction monitoring procedures to be undertaken by Internal Audit. The main requirements are:
- Monitoring should be carried out on the basis of an annual cycle. The monitoring cycle should normally commence no later than May each year when the officers of the Holding Body responsible for property transactions should provide details of property transactions for the previous financial year.
 - From the completed pro-formas, the Internal Auditor should select a sample of cases for detailed inspection, up to 50% of cases or all cases if there are only a few. A report on the monitoring exercise and the inspection will be prepared, with each individual transaction categorised into A, B or C.
 - The inspection of individual transactions should normally be carried out in June of each year, and the report submitted to the NHS Chief Executive by 31 October.
- 1.09 In accordance with this guidance, we selected 8 transactions for detailed monitoring, covering over 50% of the population of transactions in the year.
- 1.10 The individual files for the above transactions were reviewed to confirm whether the required monitoring pro-formas had been completed, and to obtain comfort that the mandatory requirements, as laid down in the Handbook, had been addressed.
- 1.11 Our review was also extended to cover a further three transactions which were concluded in the year ended 31 March 2007. We have attached our assessment of these transactions at Appendix 1.

Staff involved in this review

- 1.12 We would like to thank all NHS Greater Glasgow and Clyde staff involved in this review for the co-operation and assistance.

2. Our assurance statement

Assurance statement

- 2.01 We have examined the pro-forma monitoring returns prepared by NHSGG&C in respect of the eight property transactions detailed below. On the basis of the information provided, we are able to conclude that NHSGG&C appears to have complied with the procedures laid out in the Handbook in respect of these transactions. The transactions therefore fall into **Category A** of the Handbook Classification, i.e. **the transactions appear to have been properly conducted.**

Location	Nature	Categorisation
40 Netherton Oval, Lennoxton	Disposal by Sale	A
Erskineview Clinic, Old Kilpatrick	Disposal by Sale	A
The Cottage Bar, Abercromby Street, Bridgeton, Glasgow	Acquisition by Purchase	A
Ground Floor South, Legal House, Glasgow	Acquisition of 15 year lease	A
Offices 2 & 3 Springfield House, Emmerson Road, Bishopbriggs	Acquisition of 10 year lease	A
Caledonia House, Cardonald Business Park, Glasgow	Acquisition of 15 year lease	A
Floor 3 Renfrewshire House, Cotton Street, Paisley	Acquisition of 25 year lease	A
Tara House, 46 Bath Street, Glasgow	Acquisition of 5 year lease with a break after 3 years	A

3. Recommendations

Finding	Specific Risk	Risk rating	Recommendations	Management response
Completion of Monitoring Proforma and Annexes				
3.01 At the time of our audit several of the Monitoring Proformas and related Annexes were incomplete. In particular, the required sign offs were not obtained on time for several of the transactions audited. However, we acknowledge that all proformas were subsequently completed by management before submission to SGHD.	NHS GG&C may fail to comply with the requirements of the NHS Property Transactions manual.	● Medium	All sections of the proforma and associated annexes should be fully completed prior to audit and all authorising signatures should be obtained on a timely basis at the conclusion of the transaction.	Responsible Officer: Property Manager Implementation Date: Immediate

Finding	Specific Risk	Risk rating	Recommendations	Management response
Availability of Supporting Documentation				
3.02 At the time of audit, a number of required items of documentation could not be located by management on a timely basis. We acknowledge that much of the unavailable documentation dated back some considerable years and management were able to provide sufficient information to allow us to complete our work.	NHSGG&C may be unable to evidence compliance with the NHS Property Transactions Manual and may fail to meet the submission deadlines.	● Medium	We recommend that the Board consider producing a checklist based on the NHS Property Transactions Manual with all of the requirements for each class of transaction. It may be considered useful to maintain this checklist at the front of the transaction file with the required documentation cross-referenced for ease of access.	Responsible Officer: Property Manager Implementation Date: Immediate

Appendix 1 – Further Transactions for Year ended 31 March 2007

Assurance statement

- 2.01 We have examined the pro-forma monitoring returns prepared by NHS NHSGG&C in respect of the further three property transactions concluded within the year ended 31 March 2007 detailed below.
- 2.02 The initial process for the disposal of the Lennox Castle site dates to pre-1997 and as a result we were unable to review the original option appraisals and supporting evidence for the sale decision. However, due to the nature of the transaction and since it commenced prior to the introduction of the NHS Property Transactions Manual, this has not had an impact on the classification of these transactions for the purposes of this exercise. Management were able to provide adequate alternative information to allow us to conclude that the sale of this site was carried out properly in accordance with the spirit of the Manual.
- 2.03 On the basis of the information provided, we are able to conclude that NHSGG&C appears to have complied with the procedures laid out in the Handbook in respect of these transactions.
- 2.04 The transactions therefore fall into **Category A** of the Handbook Classification, i.e. **the transactions appear to have been properly conducted.**

Location	Nature	Categorisation
Woodilee Hospital, Lenzie	Disposal by Sale	A
19.45 hectares of land at former Lennox Castle Hospital	Disposal by Sale	A
Phase 1A 4.5 hectares of land at former Lennox Castle Hospital	Disposal by Sale	A

Appendix 2 - Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of the property transactions process, subject to the following limitations.

Internal control

Internal control, no matter how well designed and operated, can provide only *reasonable* and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

The assessment of effectiveness of controls relating to the property transactions process is that at May 2008. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We shall endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

In the event that, pursuant to a request which NHS Greater Glasgow and Clyde has received under the Freedom of Information Act 2000 or the Freedom of Information (Scotland) Act 2002, it is required to disclose any information contained in this report, it will notify PricewaterhouseCoopers (PwC) promptly and consult with PwC prior to disclosing such report. NHS Greater Glasgow and Clyde agrees to pay due regard to any representations which PwC may make in connection with such disclosure and NHS Greater Glasgow and Clyde shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, NHS Greater Glasgow and Clyde discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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