

## **Chapter 38**

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**Health Service Executive**

**Property Management**



## HSE Property Management

38.1 At December 2009, the HSE’s land and buildings asset base was valued at €4.3 billion<sup>271</sup>.

38.2 In late 2006, the HSE established an Estates Directorate, which has responsibility for the strategic development and management of its entire estate portfolio including the management of its property transactions and infrastructure. In May 2010, it had a staff of 476 of which 290 were maintenance personnel. In 2009, the cost of running the Estates Directorate was €26.8 million.

38.3 The Corporate Plan of the HSE covering the period 2008 - 2011 includes a commitment to “maximise the value of the HSE properties and facilities, reduce costs by introducing rigorous controls and ensure appropriate infrastructure is in place when required.” A key deliverable identified was the finalisation of a national property database (NPD) already in train since late 2006 when the Estates Directorate had commenced a national database project. The project was delivered using a systems provider who had previously supplied software and support to four former health boards at a cost of €54,000.

38.4 The HSE did not tender for the national extension of this project upon which it has spent €224,000 between 2007 and July 2010. While the HSE did not agree formal deliverables with specified timelines for the project with the systems provider the scope of the work was outlined in a document prepared by the systems provider in December 2008. The milestones and reported deliverables as set out in the document are outlined in Figure 181.

**Figure 181 National Property Database Milestones**

Milestone	Reported Deliverable
December 2007	A listing of HSE properties compiled and presented to the Property Management Committee.
March 2008	IT infrastructure upgraded and implemented to facilitate access to the database.
March 2008	The Dublin region gained access.
May 2008	Commencement of local validation.
October 2008	Web software installed to facilitate access to the database over the web <sup>a</sup> .
December 2008	Cross-check of the property listing completed.

Note:

a Fees were paid in 2009 and 2010 to support this software.

38.5 The HSE Service Plan Deliverables Report for 2008 stated that the national database was completed by December 2008 with the management and administration of the property database being an ongoing process. By March 2010, 3,379 properties had been recorded on the NPD.

38.6 The Accounting Officer informed me that, on the basis that the existing database software and licences were in place, no tendering was required for the national database. He also stated that it was confirmed to the project team by the supplier of the existing software in December 2006 that the software in place (in four of the HSE entities) could be used for the national database covering all ten of the HSE entities. The HSE also stated that from December 2006 to June 2010 costs relating to these licences amounted to €17,470 and these payments would have continued even if a national database project were not instigated.

<sup>271</sup> HSE accounts for 2009 show that land and buildings make up the majority (83 per cent) of assets.

## Chapter Focus

The chapter reports the result of an examination that sought to establish

- the progress that has been achieved in creating a complete and accurate national property database
- how HSE assets are utilised and protected.

## Completeness of Property Database

38.7 In order to test the completeness of the National Property Database (NPD), its content was compared with

- the HSE properties registered by the Property Registration Authority (PRA)
- source records maintained by the HSE
- the registers maintained for accounting purposes.

### *Comparison with PRA records*

38.8 A comparison of data recorded on the PRA's database<sup>272</sup> where title was registered under HSE ownership with data on the NPD indicated that three properties out of 172 were not recorded in the NPD. The results are set out in Figure 182.

**Figure 182 Results of Completeness Testing from PRA Records**

<b>Extent of Recording of Sampled Properties</b>	<b>Number</b>
Recorded on NPD	169
Not Recorded on NPD	3
<b>Total Records Sampled</b>	<b>172</b>

38.9 Since the audit, the HSE has stated that two of these properties have now been listed on the database and the other was inadvertently omitted during the initial data migration stage but will be listed shortly.

<sup>272</sup> The Property Registration Authority (PRA) is responsible for the management and control of the register of land in the State.

### **Comparison with Source Records**

38.10 A review was carried out on the 169 properties that were recorded against source records<sup>273</sup>. Interviews were also conducted with property staff to clarify details where files were inadequate. The results as outlined in Figure 183 were that site details were incomplete in 91 cases and the site classification was incorrect in 32 cases. The results suggest that a comprehensive validation exercise is required to ensure that data is correctly recorded and complete.

**Figure 183 Database Accuracy**

<b>Site Details<sup>a</sup></b>	
Complete	78
Incomplete	91
<b>Total Records Reviewed</b>	<b>169</b>
<b>Site Classification<sup>b</sup></b>	
Correct	137
Incorrect	32
<b>Total Records Reviewed</b>	<b>169</b>

Notes:

- a Site Details: This includes details such as location type, tenure and size.
- b Site Classification: This includes details such as site user and status (in use/vacant).

38.11 The HSE has stated that the audit findings in relation to database accuracy reflect the fact that the data has yet to be validated and that the necessary data will be validated, amended or inputted shortly.

### **Comparison with Accounting Records**

38.12 As part of the creation of the NPD, HSE fixed asset registers were used to populate the database.

38.13 In the course of this examination, a two-way test was carried out from the fixed asset register to the NPD and from the NPD to the fixed asset register. In the first test, the fixed asset registers held by Finance Divisions in four HSE areas were compared with the NPD. The limited sample test found that 10% of sites recorded on the fixed asset registers were not recorded on the NPD. The results are as set out in Figure 184.

<sup>273</sup> Source records in this case were records held in hard copy for the property.

**Figure 184 Results of Review of Fixed Assets Registers with the NPD**

<b>Status of Recording</b>	<b>Number</b>
Recorded on NPD	36
Not Recorded on NPD	4
<b>Total Records Reviewed</b>	<b>40</b>

38.14 Two of the four properties not recorded are the only buildings on these sites. The other two buildings are new community nursing units that have both been finished and capitalised by the Finance Division in 2009. These properties are also in an area where the database was rolled out and in use since March 2008.

38.15 Responding to the audit findings, the Accounting Officer stated that the initial data recorded in the NPD was entered at 'location' level only and these 40 records were recorded at that level and that the individual building level will be addressed in the next stage of the project.

38.16 Currently, as the HSE acquires property, details are submitted to the Finance Division from the local Property Service Division<sup>274</sup>. A sample was taken from the NPD and compared to the fixed assets register currently in use and the results are as outlined in Figure 185. The results show that three sites recorded on the NPD are not recorded on the fixed asset registers at March 2010.

**Figure 185 Results of review of NPD with the Fixed Assets Registers**

<b>Status of Recording</b>	<b>Number</b>
Recorded on Fixed Asset Register	36
Not Recorded on Fixed Asset Register	3
<b>Total Records Reviewed</b>	<b>39</b>

38.17 The three properties not recorded on the fixed asset register were properties that had been in HSE/Health Board ownership for a number of years.

38.18 Although the design of the NPD provided for the recording of the financial records identifiers, entering these reference numbers was not one of the early deliverables of the project. Consequently, it is difficult to compare both sets of data as no direct cross-reference between the fixed asset registers and the NPD is available<sup>275</sup>. If these reference codes had been recorded on the NPD at the time of updating the records in 2008, this would have facilitated the reconciliation of the financial and property records. The HSE has informed me that this task is one of the database refinement deliverables in the current stage of the NPD project.

38.19 The Accounting Officer noted that the recording of fixed asset register classification numbers on the NPD has been identified for discussion at the Property Database Steering Committee<sup>276</sup> and if this were done, it would facilitate both meaningful reporting and easier data cross-referencing between the two asset recording systems. In regard to the disparity between the database and the HSE financial records, the HSE stated that the financial regulations governing the transfer of projects/properties from work in progress to buildings within the fixed asset schedule is

<sup>274</sup> Within the Estates Directorate, there are nine areas and each area has a Property Service Division.

<sup>275</sup> Each asset recorded in the fixed asset registers reviewed has its own unique reference code.

<sup>276</sup> This committee comprise of personnel representing regional and corporate Estates functions.

governed by Finance Directorate protocol considerations and this can result in timing issues around when a property will appear on the NPD and the fixed asset registers.

## Accuracy of Datasets

38.20 As part of the examination, a review was carried out on the accuracy of the information held on the NPD against the source records<sup>277</sup> and the results are outlined in Figure 186.

**Figure 186 Database Accuracy**

Database Accuracy	Total Reviewed	Correct	Incorrect
Status - Vacant, in Use or Let	80	70	10
Tenure - Freehold/Leasehold	80	73	7
Service User Category	80	59	21
Site Name	80	77	3
Floor Area	80	17	63

38.21 The examination found that for the sample of 80 reviewed ten had the incorrect status recorded and over a quarter had the incorrect service listed as occupying the premises. It was also found that the floor area was only available and correct in 17 cases.

38.22 As part of the database, property details such as type of service provided from that building are recorded. However, there are over 100 classifications without any hierarchy system<sup>278</sup>. The classifications currently used are, therefore, ineffective in providing any meaningful reporting information across operational categories.

38.23 The HSE states that errors noted in the audit reflect the stage that the property database has reached and that further work is required which will be addressed in the near future.

38.24 The audit found that data files were being regularly updated on the systems that are used in those areas. However, there was an inadequate review process in place to ensure files are updated correctly and accurately because there was no validation of input accuracy. The HSE states that the validation of input accuracy is being addressed through the review process under way in the current stage of the database project.

<sup>277</sup> Records held in hard copy for each property.

<sup>278</sup> A system based on the main areas of the HSE such as Primary Care\ Mental Health\ Administration and then subdivided into the related areas.

## Use of the NPD for Management Purposes

38.25 In November 2009, the HSE formally issued the database to the 11 Estates Managers and their staff in nine locations. The expectation was that the database would become the primary reference source thereafter. The status of implementation and use in four offices visited as part of this examination varied as follows

- one office that had the software prior to the development of the national database continued to use it throughout its development and is currently using the new system which has been developed on the same software
- another office that had the software prior to the development continued to use it up to January 2009, and then commenced using an alternative system and did not revert back to the NPD after it went live in November 2009
- the other two offices continued to use alternative systems throughout this period of development and did not switch over to the new system in November 2009.

38.26 Overall, only one office of the four visited in the course of this examination utilised the new software. Since then, implementation has been further affected by industrial action in February 2010. The Accounting Officer acknowledges this is correct in the light of the current stage of the NPD project. He stated that one office had continuous access to the server on which the new national database was created while the other three offices did not. The office with access to the software was able to switch immediately to the NPD as soon as the national dataset was created as it is operating in the same region. The other offices (and indeed all the other regional Estates locations) could not.

## Review of Deeds and Leases

38.27 As part of this examination, the sample of records selected at random from the NPD were reviewed to establish whether deeds and leases were available and in order.

38.28 The audit found that the HSE could not provide a file in three cases that were listed as leased property on the database. Deed information was not available in four cases and some legal work<sup>279</sup> is required in ten cases.

38.29 Since 2006, approval and signing of leases were done in line with a centrally promulgated protocol<sup>280</sup> in seven of the 13 cases reviewed. The protocol was not followed in three cases and, in one of these cases, an amount of €126,000 was paid in advance to lease a property over three years.

38.30 In 31 cases where leases commenced prior to 2006, seven had a signed lease agreement on file, nine had an approved but unsigned lease on file and 12 files had no formal lease in place. It was also noted that in four of these 12 cases, a third party providing a service on behalf of the HSE had no agreement with the HSE to regularise its responsibilities for managing the property. The details are summarised in Figure 187.

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<sup>279</sup> The complexity of the work to be done cannot be accurately quantified as issues differ from file to file.

<sup>280</sup> This sets out the specific procedures to be followed when the HSE acquires or disposes of any property.

**Figure 187 Reviews of Deeds and Leases**

Type of Document	Available	Number examined	Totals
<b>Deeds</b>	On Site	16	
	Off Site <sup>a</sup>	6	
	Title rectification required	3	
	Deed of discharge required	3	
	Title of transfer required	4	
	Deed Information	4	<b>36</b>
<b>Leases</b>			
<i>Leases Pre-2006<sup>b</sup></i>	No file available	3	
	Signed lease on file	7	
	Approved but lease not signed on file	9	
	No formal lease	12	<b>31</b>
<i>Leases Post-2006</i>	Approved and signed lease on file	7	
	Approved and no signed lease on file	3	
	No lease in place <sup>c</sup>	3	<b>13</b>
<b>Total Properties</b>			<b>80</b>

## Notes:

- a Off site refers to deeds being reported as held by solicitors.  
 b Different criteria were in place prior to the protocol being implemented in 2006.  
 c Following the audit, details relating to one lease became available.

38.31 Since March 2010, the HSE has established a legal department. One of its functions relates to property. It is expected that this department will improve the handling of title deeds and leasing arrangements within the HSE. It is also planned that all title deeds will be handled at one location in Dublin. No targets or timelines have been established yet to achieve this. It was planned, as part of the development of the NPD that during 2007 the title deeds would be reviewed and corrective action taken if required. This plan did not proceed due to resource issues.

38.32 When the need arises to acquire a property or rent a space to meet an unforeseen emergency situation, a mechanism such as a licence can be used. A licence is generally a short-term contract, usually for a fixed period of time, with the licensee paying a fee. While a lease confers exclusive right of occupation to the entire property on a tenant, this is usually not the case with a licence. Licences are required to be authorised and approved by the National Director of Estates (NDE) and the board when the transaction is over €2 million and only by the NDE when under €2 million.

38.33 Ten licences were reviewed to determine whether the arrangements duly approved were subject to formal agreements. No approval or sign off could be located for two of the licences. While it is necessary to have an emergency procedure available, allowing properties to be acquired or rented to meet unforeseen situations, the appropriate approvals should always be sought. The results of the review are outlined in Figure 188.

**Figure 188 Licence Arrangements**

<b>Details of Licence</b>	<b>Total</b>
Approved and Signed Licence by Service Director only	4
Approved and Signed Licence by Estates Director only	4
No Signed Licence in place	2
<b>Total Licences</b>	<b>10</b>

38.34 For the two licences not signed, the HSE have stated that work is underway to rectify this.

## Utilisation and Protection of Assets

38.35 The property assets used by the HSE are extensive and diverse, ranging from large hospital complexes to small health centres. The audit noted that property surveys are only done when property has a rent review due or the property is being considered for disposal. No structured procedures to conduct periodic surveys are in place.

38.36 As part of the overall Estates Directorate strategy, there is a requirement for each area to develop strategic property plans. At March 2010, no such plans were available for each area. However, draft property plans are currently being developed. These plans, which are intended to cover a three to five year period, will include components such as

- the current and scheduled capital plan
- transactions underway (leasing, freehold disposals and acquisitions)
- primary care rollout implications and
- mental health service proposals.

38.37 According to the HSE, the maintenance departments review building conditions regularly and this information is fed into the Estates Managers. Also there are periodic meetings between Service Divisions and Estates Managers where property requirements are one of the items discussed. However, it was noted that

- in two areas that the maintenance staff report property information in an ad hoc and informal way to the property sections within the Estates areas.
- in one area, the maintenance staff are responsible for checks of each property but the regularity may depend on instances when services such as boiler servicing or the fire alarm maintenance are required.

38.38 In addition to having no strategic property plans in place, limited details are available on the NPD in respect of building condition, maintenance costs, functional suitability and utilisation of the property occupied, owned or leased by the HSE. It is unclear, therefore, how the HSE can make cost-effective decisions and plan strategically in relation to its property portfolio in the absence of comprehensive and centralised data in this regard.

38.39 According to the HSE, the creation of property plans for each of the Regional Estates Areas is a key objective for the effective management of the HSE estate. These plans have been commenced in many of the Regional Estates Areas and they will be developed and refined during 2010. The target is to have the Property Plans in place for the end of 2010 with the combined plans forming a key strategic estates management document. The creation of the plans will also streamline the property transaction approval process and add a further dimension to the planning and decision making tools available to the Directorate.

38.40 An example of the potential exposure of the HSE when informal transactions are effected is provided by the experience in acquiring the Killybegs Resource Centre.

### ***Killybegs Resource Centre***

38.41 In 2002, a need was identified for a resource centre for the Donegal Learning Disability Services in the Killybegs area. In 2006, the then Regional General Manager for Intellectual Disability Services gave a written commitment to take a 6,000 square foot property at a cost of €69,000. In 2009, the portion to be acquired was increased to 9,134 square feet at a cost of €105,000.

38.42 This project was reviewed by Internal Audit in October/November 2009 and it found that while at no stage was there a deliberate intention to avoid due process for this project, a number of control lapses over the previous eight years had been identified. These included

- All acquisitions of this size should be procured according to the HSE or the former Health Board guidelines. No public procurement or advertising exercise was carried out to identify sites.
- There was a lack of communication between the Estates Manager and Property Manager during the process. There was a fragmented reporting arrangement in that the Property Department in the North West reported to the Regional Finance Department in Galway while the Estates Manager reported to the Estates Corporate in Dublin.
- There was a lack of communication between the Regional General Manager and the Property Manager in the earlier period (2002 – 2003).
- It was agreed with the landowner that if planning permission for the resource centre was refused, the HSE was to pay 50% only of the design fees. Planning was refused in 2003 and the HSE paid the full design fees. When subsequently, planning permission was granted, the landowner indicated that a reimbursement for €7,500 would be paid. This is still outstanding.
- Certified requisition forms outlining that accommodation was needed for Donegal Learning Disability Services and the Physical and Sensory Department was received in the Property Division in April 2005. However, the Internal Audit unit was unable to find evidence that these forms had been presented to either the former Health Boards Property Committee or the HSE Property Committee, which would have been the required practice at that time.
- Difficulties were encountered due to encroachment by development on the site onto an adjoining landowners site. There was evidence on file that the Property Manager informed the Regional General Manager in November 2005 of these difficulties and advised him not to continue with the project.
- A written commitment was given by the Regional General Manager to acquire the property subsequent to receiving advice to the contrary from the Property Department in early 2006.
- The HSE Property Committee refused to approve the lease in October 2008 and the Assistant National Director for Estates contacted the NDE with concerns around governance and procurement issues.
- Approval was given by the NDE to take the lease and a second lease in August 2009.

38.43 The leases were signed in October 2009 by the NDE with the main lease for five years and the other lease for ten years.

38.44 In March 2010, the Property Manager received a letter from an owner of property adjoining the resource centre land informing him that an out-of-court settlement (€100,000) had been agreed

with the landlord in May 2009, in relation to encroachment on land that forms part of the car park at the resource centre. The landowner then informed him that the settlement was still outstanding and that he wished to advise the HSE of the circumstances and request it to refrain from occupying the property.

38.45 During the audit in April 2010, it was confirmed that this property is unoccupied.

### **Views of the Accounting Officer**

38.46 The HSE has stated that correspondence was received from a third party in March 2010 which raised concerns in relation to title over part of the property. On receipt of this information Property Management immediately forwarded it to the HSE's solicitor for urgent advice. Following legal advice, Property Management issued instructions that no further payment of rent be processed and that all involvement with this project be put on hold until the HSE's solicitors are satisfied that the out-of-court settlement has been finalised between the landlord and the adjoining owner. The €100,000 out of court amount was settled between the landlord and the adjoining landowner. The money is payable by the landlord and the HSE has no liability in this regard. The HSE has stated that it is awaiting resolution of the matter concerning the out of court settlement between the landlord and the adjoining landowner.

38.47 The HSE stated that it is not satisfied with the initial arrangements entered into in relation to the procurement of this property. Although outside HSE protocol, the process did achieve value-for-money. However, the process followed could not ensure this would be the case on other transactions. All actions taken since this matter came to the attention of HSE Estates have been designed to ensure that the State's interests were protected with regard to safe title through independent legal advice in the drawing up of a lease on the property.

### **Conclusion**

Although the HSE Service Plan Deliverables Report 2008 stated that the national property database had been completed by December 2008 the audit noted deficiencies in the database. In order to get value from its investment the HSE needs, *inter alia*, to

- validate its content
- integrate it into the day-to-day work of staff
- use the information to manage its assets by matching resources to service need
- reconcile the property database with financial records.