

Contract Management Internal Audit Report

July 2024

Public Health Wales NHS Trust



Partneriaeth
Cydwasaethau
Gwasanaethau Archwilio a Sicrwydd
Shared Services
Partnership
Audit and Assurance Services



Iechyd Cyhoeddus
Cymru
Public Health
Wales



Contents

Executive Summary	3
1. Introduction	4
2. Detailed Audit Findings	4
Appendix A: Management Action Plan.....	8
Appendix B: Assurance opinion and action plan risk rating	15

Review reference:	PHW-2223-07
Report status:	Final
Fieldwork commencement:	31 January 2024
Fieldwork completion:	29 April 2024
Debrief meeting:	07 May 2024
Draft report issued:	16 May 2024
Management response received:	02 July 2024
Final report issued:	03 July 2024
Auditors:	Paul Dalton, Head of Internal Audit Andrea Calise, Audit Manager Olubanke Ajayi-Olaoye, Principal Auditor
Executive sign-off:	Huw George, Deputy Chief Executive and Director of Operations & Finance
Distribution:	Angela Williams, Deputy Director of Finance Michelle Battlemuch, Assistant Director of Operations Neil Desmond, Acting Head of Estates and Facilities
Committee:	Audit & Corporate Governance Committee



Audit and Assurance Services conform with all Public Sector Internal Audit Standards as validated through the external quality assessment undertaken by the Chartered Institute of Public Finance & Accountancy in April 2023.

Acknowledgement

NHS Wales Audit and Assurance Services would like to acknowledge the time and co-operation given by management and staff during the course of this review.

Disclaimer notice - please note

This audit report has been prepared for internal use only. Audit and Assurance Services reports are prepared, in accordance with the agreed audit brief, and the Audit Charter as approved by the Audit and Corporate Governance Committee.

Audit reports are prepared by the staff of the NHS Wales Audit and Assurance Services, and addressed to Independent Members or officers including those designated as Accountable Officer. They are prepared for the sole use of Public Health Wales NHS Trust no responsibility is taken by the Audit and Assurance Services Internal Auditors to any director or officer in their individual capacity, or to any third party.

Our work does not provide absolute assurance that material errors, loss or fraud do not exist. Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with Public Health Wales NHS Trust. Work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, or all circumstances of fraud or irregularity. Effective and timely implementation of recommendations is important for the development and maintenance of a reliable internal control system.

Executive Summary

Purpose

To consider monitoring, governance and reporting arrangements in relation to the Trust’s contract management arrangements.

Overview

We have issued reasonable assurance on this area. The matters requiring management attention include:

- Need for a central access to contract documents and NWSSP’s contract register.
- NWSSP’s contract management best practice guidance should be disseminated to all contract leads/owners.
- Obtaining and reviewing performance reports and holding periodic meetings with their suppliers
- Establish a reporting and monitoring structure for the contract management process.

Other recommendations / advisory points are within the detail of the report.

Report Opinion

Reasonable



Some matters require management attention in control design or compliance.

Low to moderate impact on residual risk exposure until resolved.

Assurance summary¹

Objectives	Assurance
1 Policies and procedures relating to contract management are in place and up to date	Reasonable
2 A contract register is in place allowing monitoring and oversight of contract	Reasonable
3 Contractual documentation contains suitable information	Reasonable
4 Performance and financial data in relation to contracts is provided in line with agreements	Reasonable
5 Contract management issues and performance are reported through the Trust’s governance structure	Reasonable

¹The objectives and associated assurance ratings are not necessarily given equal weighting when formulating the overall audit opinion.

Key Matters Arising

	Objective	Control Design or Operation	Recommendation Priority	
1	Contract management guidance awareness	1	Operation	Medium
2	Completeness of the contract register	2	Operation	Medium
3	Availability of contractual documentation	2, 3	Operation	Medium
4	Contract performance and financial review	4	Operation	Medium
5	Contract management reporting structure	5	Design & Operation	Medium

1. Introduction

- 1.1 Our review in relation to contract management was completed in line with the 2023/24 Internal Audit Plan for Public Health Wales NHS Trust (the 'Trust').
- 1.2 The purpose of contract management is to ensure that both parties fulfil their contractual obligations for the duration of the contract and that commercial and contract requirements are successfully delivered. Contracts should be managed in line with the Trust's policies and procedures and arrangements should be in place to ensure that contract performance is regularly monitored.
- 1.3 Our test sampling approach focused on the following Directorates/divisions of the Trust. Our work focused on:
 - Facilities and Estates
 - Health Protection and Screening Services
 - Screening division
 - Microbiology division
- 1.4 The Deputy Chief Executive, Executive Director Operations and Finance was the nominated lead for the review.
- 1.5 The potential risks considered for this review were as follows:
 - Value for money not achieved where there is a lack of forward planning.
 - Services are not effectively delivered where contractors fail to fulfil their contractual obligations.
 - Financial pressures arise if service delivery and associated costs are not monitored.
 - Inability to effectively monitor performance and take corrective action if performance data is not provided or is inaccurate.
 - Opportunities for improvement are either not identified or not implemented.

2. Detailed Audit Findings

Objective 1: Policies and procedures relating to contract management are in place and up to date.

- 2.1 We note that the Standing Financial Instructions (SFI), approved by the Board in July 2023, include a brief section on the contract management arrangements in place within the Trust.
- 2.2 The NHS Wales Shared Services Partnership (NWSSP) has an 'All Wales Procure to pay' e-manual for use by NHS organisations, which provides information for organisations when securing goods, services or works. The manual includes specific information in relation to the best practice for contract implementation and contract management along the other key stages of the procure to pay process. Our fieldwork identified that there appeared to be limited awareness of the manual

as staff usually seek advice directly from NWSSP procurement team. **(Matter Arising 1 - Medium Priority)**

Conclusion:

2.3 Staff within the Trust have access to contract management guidance, but there appeared to be limited awareness of this guidance. We have provided **Reasonable Assurance** against this objective.

Objective 2: A contract register is in place allowing monitoring and oversight of contract review/expiry dates, with forward planning to renew contracts prior to expiry.

2.4 NWSSP Procurement provides procurement services for all Wales health organisations. In April 2023 NWSSP took over the process of managing the Trust's contract register for larger contracts. The NWSSP register contains All Wales contracts and contracts that are above the *de minimis* financial limit of £5,000. Directorates within the Trust also hold contracts registers. We found inconsistencies in the information held within the HPSS Directorate contract register and the information held in the contract register held by NWSSP. **(Matter Arising 2 – Medium Priority)**

2.5 The contracts in the directorate's contract register are fed by the activity NWSSP procurement have conducted on behalf of Trust. Where NWSSP was not involved in the procurement process, for example, for contracts below the *de minimis* level, they will be unaware of the contract, and it will not appear on their contract register.

2.6 We note that there has been a recent internal review of procurement within Health Protection and Screening Services (HPSS), which identified two contract management issues, that are being addressed by the Trust. These were:

- The NWSSP Electronic Contract Management System (ECMS) did not have a full register of HPSS contracts above the *de minimis* amount.
- Notifications from NWSSP were not always timely to allow for proactive planning when contracts were coming to an end.

2.7 While the divisions that we tested kept a contract register, we identified some information that needed to be completed. For example, there was no oversight or log of all contracts at the directorate level and no contract cost within the screening contract register. **(Matter Arising 2 – Medium Priority)**

2.8 We note that NWSSP provide copies of the Trust's contract register upon request, however this is not being undertaken on a regular basis. **(Matter Arising 3– Medium Priority)**

Conclusion:

2.9 Contract registers are maintained at the different levels of the organisation, an improved system would see an oversight of contracts at the different tiers of the organisation, and a complete and standardised record across Trust. The list maintained by the NWSSP Procurement Team does not consist of all contracted

services, as it is subject to a *de minimis* financial limit. We have provided **Reasonable Assurance** against this objective.

Objective 3: Contractual documentation contains suitable information on matters such as 'contract owners', performance measures, quality targets, financial requirements, variations and escalation processes.

- 2.10 WSSP manage all procurement activities on behalf of the Trust for contracts above £5,000 and retain any subsequent contractual documentation post-award. Our testing identified that contractual documentation is not always made available to the Trust by NWSSP. **(See Matter Arising 3 – Medium Priority)**
- 2.11 We acknowledge that due to the low value nature of some contracts, performance measures/quality targets may not always be explicitly agreed and stated within the contractual documentation. We selected a sample of five contracts and reviewed the documentation available to ensure that contracts were signed, were up to date, and included suitable information. We were unable to obtain copies of the contractual agreements for 3 of the 5 contracts sampled. For the remaining 2 contracts, whilst contractual agreements were provided, we identified that one was not duly signed. **(Matter Arising 3 – Medium Priority)**

Conclusion:

- 2.12 NWSSP oversees contract and procurement activity on behalf of the Trust for contracts with a value of over £5,000. The Trust is actively involved in the procurement initiation stages and sets out its specification requirements directly to NWSSP who lead the procurement process on the Trust's behalf. Our findings note that post-award of contracts, NWSSP retain contractual documentation and does not always share signed contracts with the Trust in a timely manner. The Trust should have visibility of all contracts for which it has entered into, irrespective of whether the procurement processes have been managed/facilitated by NWSSP. We have provided **Reasonable Assurance** against this objective.

Objective 4: Performance and financial data in relation to contracts is provided in line with agreements and used by contractor owners to monitor the performance of contractors and ensure services being paid for are provided.

- 2.13 Our testing of a sample of five contracts confirmed that the Trust retained visibility of payments made to the contractors. Budget holders (from directorates/divisions within our sampled areas) meet with finance business partner on a monthly basis to monitor contract financial activity/expenditure.
- 2.14 In addition, a monthly finance pack is presented at the divisional & directorate meeting for periodic performance review. This is an exception-based type of reporting and the selected contracts have not had a need to be raised for escalation.
- 2.15 We reviewed the Trust's arrangements in place to monitor contractor performance in relation to our sampled contracts and identified instances where performance did not appear to be monitored. **(Matter Arising 4 – Medium Priority)**

Conclusion:

2.16 The review evidences a reasonable level of monitoring performance and financial data. Proactively, some contracts receive performance reports holding periodic meetings, in addition to the reactive review of the finance pack monthly on an exception basis. We have provided **Reasonable Assurance** against this objective.

Objective 5: Contract management issues and performance are reported through the Trust's governance structure, with senior level engagement where appropriate

2.17 We understand that contract management issues are escalated directly to NWSSP, and where appropriate, the legal team, who provide assistance. There does not appear to be a formalised process in place to report issues through the Trust's governance structure. **(See Matter Arising 1 – Medium Priority and Matter Arising 5 – Medium Priority)**

2.18 NWSSP report on their procurement activity at the Trust's Audit Committee on a quarterly basis. We reviewed the last three procurement reports taken to the Audit Committee but note that there was no contract management information reported.

Conclusion:

2.19 The current protocol for escalating contract management and supplier related issues is directly through NWSSP with limited reporting within the Trust's governance structure. There should be adequate governance arrangements in place to allow the strategic oversight of this process. We have provided **Reasonable Assurance** against this objective.

Appendix A: Management Action Plan

Matter Arising 1: Contract management guidance awareness (Operation)		Impact
<p>There is a NWSSP's All Wales Procure to pay e-manual for use by Health Organisation Colleagues procurement manual. This has key sections relevant to contract management regarding implementation, supplier performance management, extending contracts, varying contracts and checklists. There is also specific information relating to the roles and responsibilities of contract leads and procurement, management of contracts agreement and budget, records and documentations to be maintained, and monitoring of contracts. Our fieldwork identified that there appears to be a limited awareness of the NWSSP procurement manual.</p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> • Confusion on the responsibilities surrounding the management of a contract during its term. • Non standardisation of the contract management process across the Trust. • Disconnect between procurement process and management of contractual arrangements.
Recommendations		Priority
1.1	Management should ensure that contract leads/owners within the Trust are informed of the NWSSP procurement manual.	Medium
Agreed Management Action		Target Date
1.1	The procurement manual is available on the intranet, included in procurement training and therefore should be known to all managers with responsibility for any procurement. The link will be shared again with Business & Planning Leads for circulation to appropriate team members. It will also be re-enforced in Directorate Procurement planning day 27 June 2024.	5th July 2024
		Responsible Officer
		Angela Williams, Deputy Director of Operations and Finance to ensure colleagues informed

Matter Arising 2: Completeness of the Contract Register (Operation)		Impact	
<p>The NWSSP Procurement Team contract register holds the All Wales contract list alongside the Trust’s contracts above the <i>de minimis</i> financial limit of £5,000. At the time of our fieldwork the HPSS directorate was working with NWSSP to ensure that the NWSSP contract register was complete.</p> <p>We note that the Screening and Microbiology divisions hold their own contract registers. However, at a Directorate level, HPSS has an oversight of its contracts above £5,000 as managed by NWSSP, but not of the other smaller contracts. HPSS does not have a readily available listing of all active (irrespective of values) operational contracts.</p> <p>Our review of the Screening, Microbiology and Estates & Facilities contract registers identified that some information was not included:</p> <ul style="list-style-type: none"> • The screening division contracts register did not record the contract cost. • The estates and facilities register did not identify the contract owner, the contract reference number, or the contract end in some cases. 		<p>Potential risk of:</p> <ul style="list-style-type: none"> • More than one contract used for a supplier. • Missed benefits of possible returns to scale 	
Recommendations		Priority	
2.1	Noting that risk exposure is not only driven by contract value, and in encouraging accountability and completeness, the Trust should have oversight/monitoring of contracts below £5,000.	Medium	
2.2	The Trust needs to ensure that where internal contract registers are kept, the information relating to the contracts is updated within the relevant fields.	Medium	
Agreed Management Action		Target Date	Responsible Officer
2.1	Expenditure under £5k with suppliers will be monitored by the procurement team and cumulative spend issues will be highlighted in the procurement highlight report with a view to exploring potential options for future contracts. The Q1 procurement	30 July 2024	Angela Williams, Deputy Director of Operations and Finance, in conjunction with Business and Planning Leads.

	highlight report will be circulated in mid-July and thereafter it will be produced and circulated on a monthly basis and issued to Business and Planning leads for review.		
2.2	Directorate teams to ensure all fields on their internal contract registers are completed. Business & Planning Leads to be asked to ensure that this is actioned appropriately.	5 th July 2024	Angela Williams, Deputy Director of Operations and Finance, conjunction with Business and Planning Leads

Matter Arising 3: Availability of contractual documentation (Operation)	Impact
<p>Currently, the HPSS directorate periodically requests the NWSSP contract register and whilst we note that discussions have taken place between HPSS and NWSSP regarding the possibility of providing a periodic contract register download, this has not progressed.</p> <p>The Procurement Manual (issued by NWSSP) states that the degree to which Shared Services are involved in contract management terms depends upon the type of agreement being managed. For agreements awarded where the Trust are the sole recipient of the goods/services, then the Trust should lead the contract monitoring/management arrangements. Our review identified instances where the contract owners (PHW staff) did not have readily available copies of the signed contracts which they were responsible for monitoring/managing. If contracts owners are not aware of the stipulations and terms of contracts this could lead to ineffective operational monitoring of the specified and contracted Key Performance Indicators (KPI) – see also matter arising 5.</p> <p>Furthermore, we obtained a copy of the Trust’s contract register from NWSSP and selected a sample of five contracts (high – above £25k, medium – up to £25k and low value – below £5k) to test and review the completeness of contractual documentation kept by the Trust. Our findings indicated the following issues:</p> <ul style="list-style-type: none"> • 1/5 of the contracts that we requested in our sample was not provided during our fieldwork. • For 1/4 contracts the current value was not clearly identifiable. • For 1/4 contracts the start date was not completed. • 2/4 documents provided were not contracts (Single quote/tender request form & maintenance contract proposal). One of which was out of date. <p>We note that NWSSP retain contractual documentation on behalf of the Trust however this is not always shared with the Trust.</p>	<p>Potential risk of:</p> <ul style="list-style-type: none"> • Inability to effectively monitor performance and take corrective action if performance data is not provided or is inaccurate. • Opportunities for improvement are either not identified or not implemented.

Recommendations		Priority
3.1	Arrangements should be in place between the Trust and NWSSP to ensure that signed contractual documentation is shared with, and retained by, the Trust and made readily available to contract owners.	Medium
Agreed Management Action	Target Date	Responsible Officer
3.1	Final contract documentation is retained by the Procurement Team, this ensures version control and that all final records are accessible through the team irrespective of any Directorate personnel changes. Arrangements are already in place so on completion of contract ratification report all documents are made available to contract owner therefore they can be saved and stored by the named contract owner at this point. To note the procurement team will ensure that the final contracts (for procurements that require them) are sent, once dual signed, to the project lead. Contracts without a term (i.e. one offs) do not have a written contract and the final documentation could be the Contract Award Recommendation Report.	Immediate as already in place No action required.

Matter Arising 4: Contract performance measures (Operation)		Impact
<p>We reviewed a sample of five contracts to determine whether or not the supplier performance and financial information was being monitored appropriately. Within our sample of contracts, three were classed as high value contracts (above £5,000) with formal performance and financial reporting arrangements agreed. The remaining two contracts were below £5,000 and did not have specifically agreed performance arrangements in place. Our review of the three high value contracts identified the following:</p> <ul style="list-style-type: none"> No supplier performance reporting for 2/3 contracts. No periodic meeting with the supplier to monitor/discuss performance for 1/3 contracts. 		<p>Potential risk of:</p> <ul style="list-style-type: none"> Services are not effectively delivered where contractors fail to fulfil their contractual obligations.
Recommendations		Priority
<p>4.1 Management should ensure they monitor the performance of contractors by obtaining and reviewing performance reports and attend meetings as expected and stated within the contract.</p>	<p>Medium</p>	
Agreed Management Action	Target Date	Responsible Officer
<p>4.1 Directorate management teams to ensure that arrangements are in place for monitoring of contracts. Procurement colleagues will not attend as a rule but can be looped in at any point for support or clarification of contract matters</p>	<p>Immediate</p>	<p>Business and Planning Leads for each Directorate</p>

Matter Arising 5: Contract Management Reporting Structure (Operation)		Impact
Discussions with staff from our sampled directorates found that contract management issues are discussed and escalated directly to NWSSP. In regard to the Trust's governance arrangement or structure for monitoring and reporting relevant matters, there appears to be no processes in place within the Trust to escalate contract management issues such as poor supplier performance, disputes, complaints.		Potential risk of: <ul style="list-style-type: none"> Inability to effectively monitor performance and take corrective action if performance data is not provided
Recommendations		Priority
5.1	Management should ensure a contract management reporting structure is established within the Trust with senior level engagement where appropriate. This should be highlighted within future published guidance document.	Medium
Agreed Management Action		Target Date
5.1	Procurement will include any contract management issues that they are made aware of within their Procurement highlight Report. Q1 report will be made available by mid-July and then produced and circulated monthly thereafter. The highlight report will be produced for the Executive Director of Operations and Finance and made available to Business and Planning Leads.	30 th July 2024
		Responsible Officer
		Angela Williams, Deputy Director of Operations and Finance

Appendix B: Assurance opinion and action plan risk rating

Audit Assurance Ratings

We define the following levels of assurance that governance, risk management and internal control within the area under review are suitable designed and applied effectively:

	Substantial assurance	Few matters require attention and are compliance or advisory in nature. Low impact on residual risk exposure.
	Reasonable assurance	Some matters require management attention in control design or compliance. Low to moderate impact on residual risk exposure until resolved.
	Limited assurance	More significant matters require management attention. Moderate impact on residual risk exposure until resolved.
	Unsatisfactory assurance	Action is required to address the whole control framework in this area. High impact on residual risk exposure until resolved.
	Assurance not applicable	Given to reviews and support provided to management which form part of the internal audit plan, to which the assurance definitions are not appropriate. These reviews are still relevant to the evidence base upon which the overall opinion is formed.

Prioritisation of Recommendations

We categorise our recommendations according to their level of priority as follows:

Priority level	Explanation	Management action
High	Poor system design OR widespread non-compliance. Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
Medium	Minor weakness in system design OR limited non-compliance. Some risk to achievement of a system objective.	Within one month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. Generally issues of good practice for management consideration.	Within three months*

* Unless a more appropriate timescale is identified/agreed at the assignment.



NHS Wales Shared Services Partnership
4-5 Charnwood Court
Heol Billingsley
Parc Nantgarw
Cardiff
CF15 7QZ

Website: [Audit & Assurance Services - NHS Wales Shared Services Partnership](#)