Capital Equipping

Final Internal Audit Report

2026/27

Hywel Dda University Health Board

Limited Assurance

Contents

Review Reference	HDU-2627-20
Fieldwork	June – July 2026
Executive Sign Off	5 August 2026
Audit Committee	August 2026
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Executive Summary

Purpose

To review and provide assurance on the adequacy and effectiveness of the governance arrangements and internal controls in place for the procurement of equipment for capital schemes.

Overview

The Capital Equipping Team is responsible for coordinating equipment requirements across capital schemes. This includes supporting the development of room sheets, business cases and working in partnership with finance and NWSSP Procurement Services ('Procurement') to ensure that equipment is acquired in line with legislative and internal governance requirements.

Weaknesses were identified in the governance and procurement arrangements for capital equipping. There is currently no consistently applied or agreed process to determine when capital equipping procurement activity should be routed through or supported by NWSSP Procurement Services. As a result, NWSSP Procurement Services has been involved in some but not all schemes and purchases which has led to instances where the appropriate procurement route has not been followed based on aggregate spend; non-completion of declarations of interests; and non-compliance with internal reporting requirements. The absence of formal operating procedures reduces clarity over the capital equipping process and circumstances in which NWSSP Procurement Services should be engaged.

We have concluded **Limited** assurance on this area. Full details of matters arising are detailed within the Key Findings table on page 3.

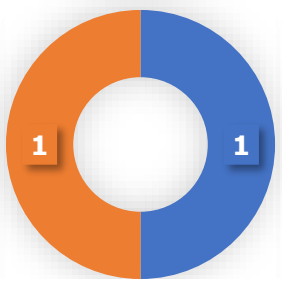
Scope & Assurance Summary

Objectives (The objectives and associated assurance ratings are not necessarily given equal weighting when formulating the overall audit opinion.)		Related Findings	Assurance
1	Contracts for goods and services are subject to competitive procurement and supported with sufficient evidence to demonstrate compliance with the requirements of relevant policies and procedures, Procurement Act 2023, Standing Orders and Standing Financial Instructions.	1, 2	**Limited**

Management Actions

2	-
High Priority	Medium Priority

Themes



Risk Types

Financial Loss

Legal & Regulatory Non-Compliance

Public Perception & Reputational Risk

Findings & Agreed Action Plan

Objective 1: Contracts for goods and services are subject to competitive procurement and supported with sufficient evidence to demonstrate compliance with the requirements of relevant policies and procedures, Procurement Act 2023, Standing Orders and Standing Financial Instructions.	**Limited**

The Capital Equipping Team is responsible for ensuring that capital projects and service developments are appropriately equipped by planning, coordinating, procuring and monitoring the required equipment. The team works closely with service leads, clinical specialists and other stakeholders to identify equipment needs, develop and manage equipment schedules, obtain quotations, and oversee the procurement of medical and non-medical equipment to support the successful delivery of capital schemes.

The Health Board 2025/26 received a capital allocation of £42.436m in 2025/26. During the period April 2025 to June 2026, ten capital equipping schemes were active with a cumulative value of just over £3 million. For a sample of four schemes with a total value of £2.55m, the supporting paperwork was verified to Welsh Government funding approval letters with no issues identified. One scheme had exceeded the approved budget by 4% (£7k) due to ongoing equipment storage costs associated with project delays outside of the control of the Capital Equipping Team. The overspend is due to be discussed at the next project meeting in July 2026.

There is no agreed process on when to engage NWSSP Procurement Services on equipping schemes and purchases. Our review identified a mixture of procurement routes, including blanket call-offs, framework purchases and quotations, with NWSSP Procurement Services involved in some but not all cases. Testing identified instances where the correct procurement route had not been applied as it was determined based on the value of a single purchase rather than the total anticipated value of expenditure per supplier per scheme. In some cases, these exceeded the threshold for competitive procurement and required reporting to the Non-Pay Group for approval, which was not done as they did not go through NWSSP Procurement Services. This inconsistent approach limits NWSSP Procurement Services' oversight of procurement activity and their ability to appropriately advise and ensure that procurement requirements are met and that value for money is achieved, particularly when considering aggregate spend. **[Finding 1]**

There are no formal operating procedures for the capital equipping process. We were advised that the team utilises the 'Capital Team Manual' - an informal guidance document - which requires the establishment of Capital Equipping Forums, submission of monthly highlight reports to the Project Design Lead, and evidence of key stakeholder approval to proceed with purchases. Our testing identified that this is not consistently complied with. **[Finding 2]**

NWSSP Procurement Services is responsible for ensuring compliance with declaration of interest (DOI) requirements for procurements within its remit. Our testing identified that DOIs had not been completed by the Capital Equipping Team and relevant stakeholders for procurements where NWSSP Procurement Services had not been engaged, increasing the risk that potential conflicts of interest are not appropriately identified and managed. **[Finding 1 & 2]**

Key Findings		Risk & Impact	Agreed Management Action
1	**Appropriateness of Procurement Route** The Capital Equipping Team are not consistently engaging with NWSSP Procurement Services for all equipping schemes and purchases to ensure that procurement routes are compliant and offer value for money. Testing identified four instances where, based on aggregate spend with the supplier, sufficient quotations had not been obtained in accordance with thresholds set out within Standing Financial Instructions; and a further two cases which should have been procured via competitive process or framework. All procurements exceeding £25k require scrutiny and approval by the Health Board's Non-Pay Group – these are routinely reported by the NWSSP Deputy Head of Procurement. The two instances above have not been reported as they were completed by the Capital Equipping Team without engaging NWSSP Procurement Services. Declarations of interest had also not been completed where NWSSP Procurement Services had not been engaged.	Inconsistent engagement with NWSSP Procurement Services in procurement exercises potentially resulting in inappropriate procurement routes, non-compliant procurement activity and value for money not achieved.	**Agreed Action:** A workshop with NWSSP Procurement Services has been arranged for 14 September 2026 to review the capital equipping process. The agreed process will be reflected in the new formal operating procedures (see finding 2). NWSSP Procurement Services advise will be sought for all capital equipping procurement activity to ensure that procurement is compliant and value for money is achieved. **Expected Evidence of Implementation:** Capital equipping process document.
		High Priority	**Officer:** Eldeg Rosser, Head of Capital Planning **Target Implementation Date:** 30 October 2026
	Theme: Finance Management & Control	Control Operation	
2	**Operating Procedures** In the absence of formal operating procedures for the capital equipping process the team utilise the Capital Team Manual - an informal guidance document – although the requirements of this are not consistently complied with. The manual requires the establishment of Capital Equipping Forums and submission of monthly highlight reports to the Project Design Lead, and evidence of key stakeholder approval to proceed with purchases. Evidence of forums was available for only two of ten schemes reviewed, and we were advised that monthly highlight reports are not produced for any schemes. However, all schemes demonstrated ongoing engagement with stakeholders, and we were advised that the Capital Equipping Team feed into wider capital project group meetings.	Inconsistent procurement activity potentially resulting in inappropriate procurement routes, non-compliant procurement activity and value for money not achieved.	**Agreed Action:** Capital equipping processes and requirements will be determined, with appropriate input from NWSSP Procurement Services and documented in formal operating procedures. A workshop with NWSSP Procurement Services has been arranged for 14 September 2026 to review the capital equipping process.

	The manual also requires a signed approval sheet, or documented approval evidenced through signatures on quotations, to confirm authorisation to proceed with purchases by key stakeholders. No evidence was available for 11 of the 20 sampled purchases and there is lack of clarity regarding the circumstances where approval is required. The Health Board's *Standards of Behaviour Policy* assumes that procurement activity is undertaken through NWSSP Procurement Services and places responsibility on NWSSP for ensuring DOIs are completed. However, testing identified that not all procurement activity was routed through NWSSP Procurement Services, resulting in the DOI process not being applied.		
			Expected Evidence of Implementation: Capital equipping process document.
		High Priority	**Officer:** Eldeg Rosser, Head of Capital Planning **Target Implementation Date:** 30 October 2026
	Theme: Policies & Procedures	Control Design	

Appendix A

Assurance Opinion

 **Substantial**	Few matters require attention and are compliance or advisory in nature. **Low impact** on residual risk exposure.
 **Reasonable**	Some matters require management attention in control design or compliance. **Low to moderate impact** on residual risk exposure until resolved.
 **Limited**	More significant matters require management attention. **Moderate impact** on residual risk exposure until resolved.
 **Unsatisfactory**	Action is required to address the whole control framework in this area. **High impact** on residual risk exposure until resolved.
 **Advisory**	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 Findings

Priority	Explanation
High	Significant risk to achievement of a system objective OR evidence present of material loss, error, or misstatement. Poor system design OR widespread non-compliance.
Medium	Some risk to achievement of a system objective. Minor weakness in system design OR limited non-compliance.

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The report is based on the review work undertaken and is not necessarily a complete statement of all weaknesses that exist or potential improvements. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, no complete guarantee or warranty can be given with regard to the advice and information contained.

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Public Sector Internal Audit Standards

Audit work undertaken by NHS Wales Audit and Assurance Services conforms with the Institute of Internal Auditors (IIA's) professional standards and to the Global Internal Audit Standards in the UK Public sector through the external quality assessment undertaken by the Chartered Institute of Public Finance & Accountancy in April 2023.

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