

# Contract Management

## Advisory Report

2024/25

Hywel Dda University Health Board

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### Review Reference

HDU-2425-06

### Fieldwork

March 2025 – May 2025

### Executive Sign Off

3 June 2025

### Audit Committee

June 2025

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# Executive Summary

## Purpose

The review assessed whether appropriate contract management arrangements were in place within Hywel Dda University Health Board (HDUHB). This review has been undertaken further to the advisory review of Contract and Procurement at Betsi Cadwaladr University Health Board (BCUHB), completed at the request of Welsh Government in 2023/24, which identified several areas of concern and non-compliance with the organisations Standing Financial Instructions. Through inclusion within NHS Wales Organisations 2024/25 Internal Audit plans, this review has compared and contrasted the appropriateness of contract management arrangements across eight more organisations, with common issues and challenges noted.

An assurance rating has not been applied to this review, recognising the consistency of approach with the BCUHB review, and that actions raised will need to be taken forward in partnership with other NHS Wales organisations, including NWSSP Procurement Services. These actions, alongside those specific to the organisation, are aimed at improving and/or enhancing expected controls in contract management arrangements.

## Overview

In the absence of a HDUHB contracts register, sample testing was based on Electronic Contract Management (ECM) module of the Bravo e-tendering system. Contract selection was undertaken to ensure consistency with similar reviews undertaken at a number of NHS Wales organisations. All Wales Contracts were excluded from our sample; in addition to Capital and Estates contracts noting separate Capital Systems reviews have been undertaken by our Specialist Services Unit (SSU) at a number of NHS organisations as part of the 2024/25 Internal Audit Plan – the coverage of which has also included contract management.

The following actions have been identified for management attention across all reviews completed:

- The need for consistent contract management procedures to support the requirements of the Standing Financial Instructions;
- Comprehensive contract registers were not in place;
- A mechanism to determine the capacity and support needed to meet existing and future contract monitoring requirements, with appropriate training provision;
- Responsibility for contract management should be formally assigned and accepted;
- Variations in the formality of contract management, performance reporting, and documentation, which indicates a level of inherent risk which could be addressed by increasing the robustness of the control environment; and
- The minimum internal reporting, accountability and escalation requirements should be considered and defined at the outset of contracts.

The Health Board should ensure appropriate arrangements are in place to engage with wider NHS Wales organisations in developing a coordinated agreed action plan via the Directors of Finance forum (or other appropriate forum) to address the common themes and issues identified within this and corresponding reports.

## Scope & Actions Summary

### Objectives

### Related Actions

1	There is a clear framework of policies, procedures and processes for contract management, with roles and responsibilities clearly defined.	1
2	Contract registers are used as the basis for effective contract management and procurement planning.	2
3	Contract managers have access to relevant training and development.	3, 4
4	Service levels/deliverables are specified in the contract, with standard terms and conditions applied, and are linked to service needs and monitored by the assigned contract manager/end user.	5
5	Contract performance and risk is reported and managed within the organisation's governance structure.	6

### Management Actions

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### Themes



### Risk Types

- Public Perception & Reputational Risk
- Financial Loss
- Quality or Safety Issues
- Legal & Regulatory Non-Compliance

# Findings & Agreed Actions

## **Objective 1: There is a clear framework of policies, procedures and processes for contract management, with roles and responsibilities clearly defined.**

The Health Board's Standing Financial Instructions (SFIs) includes a section on contract management. Section 11.16.1 outlines the relevant budget holder is responsible for overseeing and managing each contract on behalf of the organisation to ensure that implicit obligations are met. This includes:

- *Retaining accurate records;*
- *Monitoring contract performance measures;*
- *Engaging suppliers to ensure performance delivery;*
- *Implementing contractual sanctions in the event of poor performance in conjunction with advice from Procurement Services; and*
- *Permitting stage payments as part of a formally agreed implementation/delivery plan which must be supported by written evidence issued by the budget holder.*

In addition to the above, there is an all-Wales Procurement e-manual, which contains high-level contract management guidance, available via the Oracle system home page. In discussion with staff, this document is not a regular point of reference.

The majority of NHS organisations reviewed did not have local contract management guidance in place. One exception was Aneurin Bevan University Health Board which has a Contract Management Financial Control Procedure (FCP) developed in conjunction with their local NWSSP Procurement team. The FCP outlines roles and responsibilities for contract management, requiring designated contract managers to complete standardised 'Contract Management Plans' for contracts over £100,000 in value.

Wider dissemination of the content from the FCP was discussed at the NWSSP Heads of Procurement meeting in February 2025, and there was support for its further roll out across other NHS Wales organisations. An NWSSP Contract Management Procedure has been developed, based on the FCP, and this was in the process of being shared with NHS Wales organisations at the time of reporting. **[Action 1]**

### **Action 1: Contract Management Procedures**

Local implementation of the NWSSP Contract Management Procedure.

## Objective 2: Contract registers are used as the basis for effective contract management and procurement planning.

A contract register is important, as it provides:

- **Contract Tracking:** to track important dates, such as start and end dates, renewal periods, and milestones associated with each contract.
- **Compliance and Risk Management:** to ensure that the organisation stays compliant with contract terms and legal requirements; and help identify any potential risks by keeping a record of contract clauses, obligations, and renewal terms.
- **Audit Trail:** provided for each contract, including amendments and performance evaluations. This makes it easier to track changes and decisions related to a contract.
- **Centralised Repository:** allowing easier access for teams like legal, procurement, and finance when they need to refer to specific terms, obligations, or other contract details.
- **Improved Communication:** enhances communication across departments, as everyone involved can refer to the register to ensure that they are aware of their obligations and responsibilities under various contracts.
- **Budget and Financial Tracking:** for financial management to track contract values, payment terms; and other financial aspects to ensure proper budgeting and forecasting.

The Social Partnership and Public Procurement (Wales) Act 2023 includes that a contracting authority must create, maintain, and publish a contract register.

A contract register is maintained for Service Level Agreements (SLAs) and Long-Term Agreements (LTAs) within the Healthcare Contracting function. However, there is no organisation-wide contract register in place, instead reliance is placed on information held in the ECM module of the Bravo e-Tendering system. However, our sample testing highlighted that this is not a reliable source with incomplete and/or out of date information. This has been highlighted in previous internal audit reviews of Procurement Services. Whilst it is acknowledged that contract awards are reported by procurement to the Hywel Dda University Health Board and Audit & Risk Assurance Committee meetings, a central contract register would provide oversight of active contracts and assurance that responsible officers have been identified to manage them. **[Action 2]**

### **Action 2: Contracts register**

Establish a formal, comprehensive, organisation-wide contract register to systematically record and manage all contract records and associated information.

### Objective 3: Contract managers have access to relevant training and development.

This audit, and similar reviews at other NHS Wales Organisations, observed that the contract management was undertaken by combination of:

- dedicated contract managers;
- to fulfil an existing element of a job description / role; and
- as an unspecified additional responsibility.

The demands on staff was dependent on the specific performance monitoring requirements of the contract and varied significantly.

For the sampled contracts, there was no evidence of an assessment of the capacity / capability requirements to fulfil the role and / or the identification of any training requirements to address any gaps. Similarly, no specific contract management training had been provided to the individuals responsible for the sampled contracts. **[Actions 3 & 4]**

The Health Board SFIs include within Section 11.16.3 that 'Advice on best practice on Contract Management is available from NWSSP Procurement Services'. As per objective one, staff contacted through fieldwork did not have awareness of the NWSSP Procurement e-manual, which contains contract management guidance.

#### **Action 3: Training Needs Analysis**

A mechanism should be established to ensure senior managers identify any specific training requirements to support operational contract management – reflecting the capacity / capability of individuals and requirements of the specific contracts.

#### **Action 4: Training provision**

The Health Board should engage with other NHS Wales Organisations to develop contract management training, to ensure staff are equipped with the tools and skills to manage the key stages and lifespan of contracts.

## Objective 4: Service levels/deliverables are specified in the contract, with standard terms and conditions applied, and are linked to service needs and monitored by the assigned contract manager/end user.

Hywel Dda University Health Boards Standing Financial Instructions (11.6.1) require that “*The relevant budget holder, shall oversee and manage each contract on behalf of the LHB so as to ensure that these implicit obligations are met.*”

A sample of eight contracts was selected from the contract management module of the Bravo e-tendering system, this was undertaken in conjunction with reviews taking place at other NHS Wales organisations to provide consistency of service/contract type where possible. Common themes across these reviews have been identified which will need a consistent approach to be addressed on an all-Wales basis, in conjunction with NWSSP Procurement Services.

Evidence from contract managers demonstrated ongoing contract management and operational understanding of the requirements of such, where exceptions have been identified below, these were accompanied by mitigations.

Through discussion with contract managers and review of documentation we identified the following:

Designated responsible officer/contract ownership - Whilst the audit was directed to certain individuals for the sampled contracts for the audit, not all individuals had been formally assigned responsibility for contract monitoring - with one having had no prior involvement within the tendering process, which could impact on the understanding of the expectations of the role **[Action 5]**. Three of the eight contract managers were not the individual/contract lead listed within the Bravo e-tendering system report.

The recording of Senior Responsible Officer and budget holder within contract documentation varied in the documentation reviewed and this, alongside the differences in the contract lead recorded within Bravo, indicates a need for the organisation to establish a corporate contract register and ensure this is updated to reflect changes in contract responsibility **[Action 2]**.

Contract documentation On four occasions the contract lead did not hold a copy of the contract, with the contract only available through NWSSP Procurement Services records. Without having sight of the contract, the contract manager may lack awareness of the specific service requirements and obligations and failure to properly manager delivery of the contract. **[Action 5]**

We also identified instances where contract documentation had not been fully signed: **[Action 5]**

- The Insourcing Dermatology Procedures contract has been signed by the supplier but not the Health Board.
- A contract variation for Dental Services had not been signed by the supplier or the Health Board.

Contract deliverables/performance measures - Review of contract documentation established that agreed and defined service deliverables were in place for all eight contracts tested. All eight contract leads were involved in identifying and developing the initial service requirements and/or possessed a copy of the contract, which encompass the necessary service levels, deliverables, and expectations of the suppliers.

The contract and supporting documentation for the eight contracts sampled outlined the specific purpose and service requirements for the area. The documentation clearly defined the service levels, deliverables, outputs, expectations, key performance indicators and contract management arrangements. Specified deliverables demonstrate that they are suitable for addressing and fulfilling the identified service needs. Discussions with contract leads confirmed their satisfaction with the supplier performance, indicating that the supplier is meeting both the service needs and contract specification.

Contract management/monitoring - Contract management and performance monitoring is being undertaken to varying extents for all eight sampled contracts. However, the following issues were identified: **[Action 5]**

- Limited evidence to demonstrate that regular meetings are being held with suppliers (Dental Services, Insourcing Dermatology, Insourcing T&O, Blood Transfusion Services)
- Instances where performance reports and other metrics due from the supplier, as stipulated in the contracts, have not been received by the Health Board (Autism Diagnostic Assessments, Insourcing Dermatology, Insourcing T&O)  
One instance where KPIs have not yet been agreed between the Health Board and supplier, as stipulated in the contract which commenced April 2024.

### **Action 5: Contract Ownership, Documentation and Management**

The Health Board should ensure that contract managers are aware of their responsibilities as required by the SFIs. This should include reiterating the need to retain full and accurate records in support of contract ownership, contract documentation, and monitoring of contract performance.

## **Objective 5: Contract performance and risk is reported and managed within the Health Board's governance structure.**

The SFIs relating to contract management (section 11.6) does not provide information on the expected minimum reporting, accountability and escalation arrangements in relation to contracts.

The audit observed varying approaches to monitoring arrangements, with most individuals with responsibility for contract monitoring outlining that escalation reporting was exception based. There was evidence of formal reporting and governance structures for five contracts however, the reporting routes for escalation were not clearly documented for all contracts within our sample with no criteria to guide circumstances where this should occur. The expected internal monitoring / reporting arrangements should be defined at the outset of the contract – cognisant of the risk, value, complexity and strategic importance of the contract. **[Action 6]**

### **Action 6: Reporting, Escalation and Risk Management Arrangements**

Expected internal monitoring / reporting arrangements should be defined at the outset of the contract – cognisant of the risk, value, complexity and strategic importance of the contract.

Minimum requirements could be defined within the contract management procedure **[Action 1]**, with any divergence subject to appropriate approval.

Discussion with contract managers confirmed that they were aware of operational risks related to non-delivery of contracts, however we did not identify formal risk management practices relating to contract risk.

A Commissioning and Contract Management Group is being established - terms of reference (TOR) were under development at the time of our review. The primary remit for the group will be the oversight and management of commissioning contracts.

The Hywel Dda University Health Board meeting also receives an update on procurement activity at most meetings. This includes the number of in-process and awarded contracts, alongside the number of times SFIs have been waived with explanatory notes to support their use but does not extend to assurance in relation to the ongoing management of contracts. In developing a corporate contract register, there will be the ability to provide regular assurance that contracts are managed appropriately, with exceptions identified and proportionate actions undertaken where required.

# Appendix A: Assurance Opinion & Prioritisation of Findings

## Assurance Opinion

	<b>Substantial</b>	Few matters require attention and are compliance or advisory in nature. <b>Low impact</b> on residual risk exposure.
	<b>Reasonable</b>	Some matters require management attention in control design or compliance. <b>Low to moderate impact</b> on residual risk exposure until resolved.
	<b>Limited</b>	More significant matters require management attention. <b>Moderate impact</b> on residual risk exposure until resolved.
	<b>Unsatisfactory</b>	Action is required to address the whole control framework in this area. <b>High impact</b> on residual risk exposure until resolved.
	<b>Advisory</b>	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
<b>High</b>	Significant risk to achievement of a system objective OR evidence present of material loss, error, or misstatement. Poor system design OR widespread non-compliance.
<b>Medium</b>	Some risk to achievement of a system objective. Minor weakness in system design OR limited non-compliance.

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



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