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Shared Services
Partnership
Audit and Assurance Services



Bwrdd Iechyd Prifysgol
Hywel Dda
Hywel Dda University
Health Board

**Service Modernisation Project
at
Bronglais General Hospital -
Front of House Scheme**

Final Account

2020/21

**NHS Wales Shared Services Partnership
Audit and Assurance Services**

ACKNOWLEDGEMENT

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

Please note:

This advisory review has been prepared for internal use only. Audit & Assurance Services reports are prepared, in accordance with the Service Strategy and Terms of Reference, approved by the Audit Committee.

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1. Introduction and Background

A review was undertaken to determine the adequacy of the information provided in support the level of Stage 4 (construction) costs included at the Service Modernisation Project at Bronglais General Hospital (Front of House scheme) final account.

The contract was a New Engineering Contract (NEC) Option C (Target Cost with pain / gain). This form of contract charges defined costs (i.e. actual costs incurred, as defined to be eligible under the contract) up to the agreed (Target) price, with a share of any savings in the event of under-spend.

Additional works added to the contract across its duration are added as Compensation Events, which are contractually agreed uplifts to the contract price. They may also extend the agreed completion date.

The contract was signed on 8th October 2012 in the sum of £19,878,822.28, plus BCIS inflation (Building Cost Information Services).

2. Approach/Methodology

The audit was undertaken to determine the accuracy of the final account calculations and the adequacy of information supporting the final account in the sum claimed.

The audit sought to obtain assurance in the following areas:

- 1) Correct calculation of the final sum due including gain share.
- 2) An appropriately completed contract signed by the parties;
- 3) Authorised Compensation Events;
- 4) Appropriate support for costs claimed; and
- 5) Evidence of completion dates, and (if appropriate) the application of delay damages.

The key risk examined by this audit was therefore the potential of over-payment.

3. Findings

3.1.1 Overall Calculation

The final account claimed was summarised as:

		(£)	
Target Price - Stage 4		19,878,822.28	
Agreed Compensation Events		8,204,398.31	
Total of the Prices		28,083,220.59	(A)
LOR Allowed Defined Cost at Completion (including agreed compensation events)	23,720,153.30		
Plus Fee (7.85%)	<u>1,862,032.03</u>		
Price for Work Done to Date at Completion		<u>25,582,185.33</u>	
Maximum Contractors Share payable (=50%*5%*A)		<u>702,080.51</u>	
Total Paid to the Contractor at Completion		<u>26,284,265.84</u>	

This was verified as correctly calculated.

3.1.2 Agreement

As noted, an NEC Option C contract of appropriate core content (in relation to time and cost specification) was signed by the Supply Chain Partner (SCP). This was dated 8th October 2012 and in the sum of £19,878,822.28, plus BCIS (Building Cost Information Services) inflation at 100%.

3.1.3 Supporting Information

A total of £15,101,837 of sub-contract accounts were tested, equating to 63% of the defined cost claimed of £23,720,153.

These sums were appropriately supported by sub-contractor claims. Additionally, 100% of the defined costs claimed were evidenced as paid at the SCP ledger.

The above included amounts for compensation events, which were found to be appropriately authorised, substantiated and did not duplicate risk items allowed for within the original contract.

These included:

Refurbishment to Theatres	£ 5,323,210
Gwenllian & Surgical block roofs	£ 394,768
Asbestos	£ 348,867
Refurbishment of Outpatients	£ 325,355
Inflation	£ 302,615
Other	<u>£ 1,509,583</u>
Total	<u>£ 8,204,398</u>

3.1.4 Programme/ Delay Damages

A practical completion certificate was issued on 5th July 2019. Evidence was provided in relation to sectional completions and compensation events providing extensions of time. Accordingly, whilst delay damages were specified at the contract, these were not required at this project.

3.1.5 Gain Calculation

The contractor share of gain for the under-spend against the target cost was applied in accordance with the framework/ contract and capped at 5% of the Target Cost.

The calculation of contractor gain of £702,081 as outlined at 3.1.1 is assessed as satisfactory and in accordance with the contract/national framework conditions.

4. Overall Conclusion

As requested, we have completed our audit of the final account for the above capital contract.

The total amount certified on the final account and reviewed by us was £26,284,265.84 (Exc. V.A.T).

We are content that, based on our sample, the cost adviser has obtained sufficient supporting evidence and provided challenge to support the assessment of the final account sum.