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Reference: AC/237/caf

Date issued: 15 December 2020

Dear Nick and Dai

Procurement and supply of PPE during the COVID-19 pandemic

I am writing to update you on work Audit Wales is carrying out looking at the procurement and supply of Personal Protective Equipment (PPE) during the COVID-19 pandemic.

There has been a good deal of interest in the issue of PPE since the outset of the pandemic. The Health, Social Care and Sport (HSCS) Committee commented on the supply of PPE in its July 2020 [report](#) on the impact and management of COVID-19 in health and social care. The Public Accounts Committee received evidence about PPE procurement, including domestic supply chains, in September 2020 as part of its inquiry into public procurement.

More recently, interest has been heightened by the publication of two reports by our colleagues in the National Audit Office. The first of these looked at [UK Government procurement](#) during the COVID-19 pandemic, which included a significant focus on procurement of PPE for health and social care in England. There was extensive media coverage of the NAO's findings in relation to a twin-track approach to identifying suppliers, a high-priority lane to assess and process potential PPE leads from government officials, ministers' offices, MPs and members of the House of Lords, senior NHS staff and other health professionals.

The second report looked more broadly at the supply of PPE in England, with extensive coverage of the large increase in the cost of PPE during the pandemic.

About our work

I thought it may be helpful to explain more about our work, which covers the same areas as the NAO: procurement and supply of PPE. We intend to build on the work of the HSCS Committee and to probe in more depth in some specific areas, notably procurement. We expect our work to have a forward-looking focus but based on a robust understanding of the lessons from the early phases of the pandemic.

Our scope takes in the procurement and supply of PPE for all public services. However, in practice, the primary focus will be the NHS and social care. Also, while recognising that there has been local procurement of PPE, this will not be a significant focus of our work. We will focus primarily on the national procurement, led by the Welsh Government and NHS Wales Shared Services Partnership (Shared Services).

We are currently in the fieldwork phase of the study. We have already interviewed several Welsh Government and Shared Services staff. We still have more interviews to carry out over the coming weeks. We have also gathered detailed documentary evidence.

In seeking evidence, we have also written to organisations that supplied evidence related to PPE as part of the HSCS Committee inquiry earlier this year. We have specifically asked for any new evidence or issues that they may wish to share with us.

Our fieldwork so far has focussed on the procurement of PPE. We still have a significant amount of work to do to complete our emerging picture on both procurement and supply. Our intention is to complete our fieldwork and issue our full findings in the spring.

Facts, figures and some emerging findings

In advance of our full report, I thought it would be helpful to share some facts and figures as well as some early emerging findings. I would emphasise that these are early findings and not set in stone. Nonetheless, given the high level of public interest and importance of these issues, I consider that there is merit in setting out the facts around some aspects of what we have found to inform any ongoing scrutiny.

At the start of the pandemic, the Welsh Government had a 'pandemic stockpile' of PPE, developed as part of UK wide arrangements, which it intended to distribute to health and social care bodies. The Welsh Government told us this equipment was crucial during the first wave. However, the stockpile was prepared for an influenza pandemic. Updated guidance on protecting NHS staff from coronavirus required some additional PPE, which was either not in the stockpile at all, or was not held in sufficient quantities to meet the extra demands posed by the

coronavirus. The Welsh Government, like other governments around the world, therefore needed to very quickly procure items such as fluid resistant gowns and respirators. Further, we understand that that some expected deliveries from existing suppliers did not materialise, exacerbating the pressure to quickly acquire more PPE.

The Welsh Government told us that it originally anticipated that there would be a UK-wide approach to PPE procurement. However, it agreed with the UK Government that, given the challenges, the Welsh Government would instead get funding via the Barnett formula and take on responsibility for procuring its own PPE. The Welsh Government told us it had continued to work with the UK Government and other devolved nations on procuring PPE, where opportunities have arisen.

The work to rapidly procure PPE for NHS Wales was led by the NHS Wales Shared Services Partnership and Welsh Government officials. Shared Services has taken on responsibility for providing PPE to services beyond the NHS, notably to social care and independent contractors in primary care.

Spend and distribution of PPE

As set out in our recent [NHS Wales Finances Data Tool](#), at the end of September 2020 the NHS had spent £130 million on PPE for Wales. This includes £17 million in local procurement by health boards and trusts on top of £113 million spent by Shared Services on PPE. The Shared Services total includes £37 million for supply of PPE to social care and primary care services, such as GPs, pharmacists and opticians.

Shared Services expects to spend £239 million on PPE for Wales by the end of March 2021, with social care and primary care accounting for 43% (£104 million) of this expenditure.

In addition to the spend on PPE for Wales, as of the end of September, the Welsh Government had spent £37 million on PPE on behalf of other parts of the UK. It expects to recoup this expenditure. We have not yet examined the financial arrangements in place with the other nations.

The NAO's report on the supply of PPE highlights the significant increases in the cost of PPE at the outset of the pandemic. Shared Services told us that for many items it was a 'seller's market' with governments globally competing for scarce supply. We will be looking in more depth at the relative costs of items before the pandemic and during the pandemic. Where appropriate to do so, we will try to make comparisons with the prices paid by other parts of the UK.

As at 29 November 2020, Shared Services has distributed just under 480 million items of PPE since 9 March 2020¹ with around 240 million of these being issued to the social care sector. The 480 million items include 90.5 million aprons, 120 million masks², 4 million face visors, 255 million gloves and 2 million gowns³.

The Welsh Government and Shared Services intended to build up a 24-week buffer stock of PPE by the end of November 2020. Shared Services told us that at the end of November the PPE buffer stock was largely in place. They were awaiting delivery of FFP3 Respirators made by a particular brand, which have been particularly difficult to source globally, and the receipt of orders that had been placed for gloves. We have visited the warehouse, where a proportion of the buffer stock is held. This visit reinforced to us the scale of the logistical operation. But we have not yet reviewed the modelling used to assess whether the buffer stock is sufficient for 24 weeks and we will do so as part of our fieldwork in the coming weeks.

Contracting approach

Under the Public Contract Regulations 2015 and related guidance⁴ public bodies can enter contracts without competition or advertising so long as there are genuine reasons for extreme urgency. The Welsh Government, via Shared Services, has used these emergency exemptions for its procurement of PPE. Some details of contracts have been placed retrospectively on the Sell2Wales website. As part of our work we will be confirming that the correct contract notification procedures are being followed.

Shared Services has agreed contracts with around 100 different providers. However, many of these are for relatively low values. Around three-quarters of the suppliers have contracts valued at less than £1 million and around half are less than £150,000. Some 94% of the expenditure to the end of September 2020, including the expenditure on behalf of other parts of the UK, was with five suppliers.

While most of the PPE contracts are direct with suppliers, some of the larger contracts involve agents acting as intermediaries with overseas manufacturers. As

¹ Data source – [Stats Wales](#): Weekly number of PPE items issued by date. The reporting of PPE items issued is based on individual units, except for: gloves where a unit is reported based on the unit size of a pack and hand sanitiser where the unit is a bottle regardless of size.

² This figure includes: Type I and Type II mask, Type IIR masks, FFP2 masks, FFP3 masks.

³ This figure includes: Gowns (fluid resistant) and Gowns (other).

⁴ Regulation 32 and Procurement Policy Note 01/20: Responding to COVID-19 – March 2020

part of our fieldwork we are exploring further the use of agents and associated costs.

Although the bulk of PPE came from international suppliers, the Welsh Government and NHS worked with Welsh manufacturers to develop local supply chains. Welsh Government officials told us that this involved collaborative working within the Welsh Government, NHS and Industry Wales through the critical equipment requirements engineering team (CERET). We intend to explore this aspect of the procurement in more detail in the coming weeks.

Checks and approval arrangements

Shared Services and the Welsh Government told us that they have never had an equivalent to the twin-track 'high priority lane' approach to identifying potential suppliers described by the NAO in its report on COVID-19 procurement in England. In Wales, the Life Sciences Hub played a key role as a first point of contact for potential suppliers and manufacturers which, where appropriate, were referred to Shared Services. Shared Services told us that they also identified new suppliers through their existing networks, through suppliers getting in touch themselves and through other referrals. While there were referrals from politicians, Shared Services told us that these were subject to the same process, scrutiny and prioritisation as any other contacts. We are carrying out work to more fully understand how suppliers were identified and how referrals were managed.

The Welsh Government and Shared Services put in place revised governance arrangements around the letting of PPE contracts. All orders over £1 million in value already required the prior approval of the Welsh Government. In addition, a system of due diligence checks, scrutiny arrangements and a hierarchy of approvals were introduced involving the board of Velindre NHS Trust, which hosts Shared Services, and depending on the value and nature of the contract. Shared Services set up a new Finance Governance Group to support rapid decision making. This Group comprised senior managers from the NHS including specialists in areas like audit, fraud prevention, procurement, accountancy, and law.

The Welsh Government and Shared Services told us that the nature of the market during the pandemic meant that in some cases suppliers required an advance payment. To manage the risks, in a small number of instances, Shared Services made these payments through an independent escrow account. Shared Services and Welsh Government told us that this approach meant that the suppliers could see that the funding was in place but could not draw down the money until Shared Services had received the goods and checked that they met the required quality standards. All advance payments had to be approved by the Finance and Governance Group, with the Group referring advance payments more than 25% of a contract's value to Welsh Government for prior approval. We will be exploring in more detail how this system worked in practice as well as the work to check quality, which involved the Surgical Materials Testing Laboratory (SMTL) based in Bridgend.

The NHS Internal Audit service carried out a review of Financial Governance Arrangements during the COVID-19 Pandemic, with a focus on PPE, between March and August 2020. It found that the procedures around background checks, approvals and recording of decisions that the Welsh Government and NHS had put in place were complied with in all cases. It also noted that there were some improvements made to the financial governance arrangements and quality of documentation over the period. As part of our work we plan to test a sample of contracts. In doing so, we intend to place reliance on the work of Internal Audit in verifying compliance, while asking broader questions on value for money.

Next steps

Over the coming weeks, we intend to complete our work on procurement and then start to look in more depth at the issues around maintaining supply to the frontline staff. We will then start to form our conclusions, draft our report and go through our usual process of clearing it for factual accuracy with the Welsh Government and the other named parties.

In the meantime, if there is anything else we can do to help you and your committees on this matter please let me know.

Yours sincerely



ADRIAN CROMPTON
Auditor General for Wales