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Swansea Bay University
Health Board



Meeting Date	February 2020	Agenda Item	2.4i	
Report Title	Financial Safeguarding – Audit Report update			
Report Author	Des Keighan, Assistant Director of Operations – Estates			
Report Sponsor	Chris White, Chief Operating Officer (COO)			
Presented by	Des Keighan, Assistant Director of Operations – Estates			
Freedom of Information	Open			
Purpose of the Report	This report provides the Audit Committee with an update on progress to address the internal audit report on Financial safeguarding published on the 23 October 2019.			
Key Issues	<p>The audit stated that there was “sound” control frameworks in place, the Department utilised the Health Board’s Standing Orders (SO’s) and Standing Financial Instructions (SFIs). Segregation of duties controls were observed through the management of procurement exercises by NWSSP services, via the use of electronic systems such as Multiquote and Bravo. However there was a need for:-</p> <ul style="list-style-type: none">• Full compliance with standing financial instructions requirements;• Appropriate local procurement controls when employing contractors beyond current quotation thresholds;• The establishment of appropriate maintenance contracts;• Enhancing monitoring and reporting arrangements;• Improved financial/competency vetting controls;• Improved stock control systems operating at Estates Stores			
Specific Action Required (please choose one only)	Information	Discussion	Assurance	Approval
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Recommendations	Members are asked to: <ul style="list-style-type: none">• NOTE the report; and• RECEIVE assurance on the actions taken to address the recommendations and to ensure the learning takes places			

FINANCIAL SAFEGUARDING MANAGEMENT UPDATE

1. INTRODUCTION

This report provides the Audit Committee with an update on progress to address the internal audit report.

2. BACKGROUND

The financial safeguarding audit was commissioned in order to provide a review of the adequacy and operational compliance with the systems and procedures of the Health Board. The audit assessed compliance with relevant legislation and guidance to deter and safeguard against potential fraud within the Swansea Bay University Health Board ('the UHB'). The review included the following:

Quotation / Tender /Local Order processes

- to obtain assurance that an appropriate governance framework was in place in respect of the procurement, tender, contract letting, local order processes (both manual and automated); and
- assurance that compliance was demonstrated against the established internal control framework (and best practice) for the selection and appointment of contractors/suppliers.

Segregation of duties/delegated authority

- assurance that appropriate guidance and procedures exist for the segregation of duties in the management and selection of quotes/tenders/local orders; and compliance is demonstrated in respect of the same.
- all approvals were appropriately sought and decision makers were appropriately authorised and adequately informed.

Verification of contractor/supplier arrangements assurance that:

- verification was undertaken prior to the appointment of contractors/suppliers including financial vetting, positions held by key directors etc.; and
- assurance that information is produced on the award of contracts, fair rotation of contractors, analysis of key suppliers etc. - allowing analysis of tender/quotation returns and to identify any patterns of unusual behaviour.

Stock control

- assurance that appropriate stock control systems were in place [including re-ordering, issue and return] to manage the materials utilised in delivery of Estates work.

Monitoring and reporting

- reporting and accountability lines were well defined, understood and applied.

Verification of works completed

- assurance that works were completed in accordance with the award criteria.

Other

- Consideration of any other issues relevant to the general objectives above, which may arise during the review.

The Audit concluded that there was evidence of “sound” control frameworks in place by the Health Board’s Standing Orders and Standing Financial Instructions. Robust segregation of duties controls were observed through the management of procurement exercises by NWSSP procurement services, via the use of electronic systems such as Multiquote and Bravo.

However it was concluded that there is need for:

- Full compliance with standing financial instructions;
- Appropriate local procurement controls when employing contractors beyond current quotation thresholds;
- The establishment of appropriate maintenance contracts;
- Enhancing monitoring and reporting arrangements;
- In financial competency letting controls;
- Improper stock control systems operating at its states

Whilst recognising that the financial values of Estates procurement reviewed are low compared with capital projects the absence of the above increases the risk of fraudulent activity / poor practice accordingly noting the limited assurance.

1. Compliance with both Local Framework and SFI/SO requirements should be demonstrated at all future procurement exercises. SFIs require formal contracts (as opposed to simple orders) to be utilised for procurements exceeding £25,000. A formal contract was only applied in one instance (of the five relevant exercises examined).

Complete: Since the audit managers have been reminded of the need to ensure that contracts are in place for orders over £25,000 (for services). The department will now work with Capital colleagues to ensure all procurements over £25,000 have contracts in place.

2. Local Framework Procedures and SFI/SOs should be reviewed, and updated where appropriate, to reflect the Estates Department’s requirements.

Discussions will be initiated with the Director of Corporate Governance and the Assistant Director of Strategy – Capital to ensure that all procedural requirements are fit for purpose (e.g. SO/SFI and Local Framework Protocols).

All requests for use of the Capital In House local contractors and consultants framework will be requested from Estates / IT directly to the Assistant Director of Strategy to ensure that contractor / consultant rotation is in place and that contracts are signed by both parties prior to starting any works.

3. Appropriate procurement controls should be implemented for contractors employed below current quotation thresholds.

Working with procurement colleagues we have targeted the biggest area of spend identified within the audit. The Health Board has completed a register of all the refrigeration equipment and work has commenced on developing the specification for the refrigeration contract. The department are working with procurement colleges with a view to going to the market before year end. Once this has been resolved we will then look to develop formal contracts for the other areas of procurement identified.

4. a) An assessment of all current (and required) maintenance contract arrangements should be undertaken and reported to the Capital Monitoring Group/Health and Safety Committee as appropriate; and associated maintenance contracts implemented.

Complete: Details of all existing maintenance contracts has been developed and will be shared at the next Operational Health & Safety Group.

- b) A central record of all such maintenance areas and the associated contractual arrangements (including expiry dates) should be created and maintained by Estates.

Complete: A list of all the current estates contracts and their expiry date is now in place within the department.

5. Orders should not be artificially disaggregated into smaller components to avoid the need for obtaining competitive quotations/tenders (in accordance with SO/SFI requirements). Where exceptional situations arise, Estates should consult with NWSSP Procurement Services to determine an appropriate solution. The advice received should be documented and retained.

Complete: Since the audit managers have been reminded of the need not to disaggregate orders. However, a procedure has been introduced where if an officer or manager has to use companies in an emergency they report this to their Estates Manager and this is then reported to the estates senior team meeting on a monthly basis. It is important to recognise that the three examples of orders that had been disaggregated related to the Ward 12 Fire and a Theatre failure which meant that we needed services restored as a matter of urgency. And lastly a chiller which was required to keep services operational.

6. Utilisation of the Multiquote system should be reviewed against the Standing Orders (including SFIs and Standards of Business Conduct Policy), to ensure the system aligns appropriately with UHB requirements.

- a) Declarations of Interest proformas had not been completed by Estates Officers at any of the procurement exercises, as required by Appendix 7 of the Standards of Business Conduct Policy (see also Capital Systems report 2018/19);

Complete: Since the audit the department have written to all staff involved with the placement and awarding of contracts and they have been asked to complete declarations of interest forms which are now held in the department.

- b) There was no evidence of any contractor competency vetting i.e. industry accreditation checks, insurances, health and safety practices, prior experience, capacity/resources etc.

The department have often worked with the companies who have submitted quotations; where the company is unknown to the Health Board further investigations to be undertaken to ensure that they were capable of undertaking

work. However, the department are looking to utilise a system such as construction line to address this issue. Construction line provides a contractor validation service which includes the checking of insurances, financial vetting as well as health and safety checks. Construction line only applies to high value construction contracts but the department is hopeful to find a similar service for service contracts which could then be utilised.

c) Audit found that three of the five procurement exercises tested, despite a number of contractors being invited, only one quotation was returned. The appropriate authorisation of the decision to accept the reduced competition was not obtained (as required by SFIs (3.5)).

Complete: Procurement will now write to the Health Board to advise them when only one quotation is received for confirmation that they still want to place the order.

7. Procurement documentation should be centrally retained and clearly labelled within electronic files (D).

Complete: Since the audit the department have been being reminded of the importance of this filing and maintaining appropriate records.

8. Financial vetting should be undertaken prior to entering into any contractual arrangement above £25k in value (in accordance with Standing Financial Instructions) at:

- New tenders;
- Contract extensions; and
- Call-offs from frameworks. Estates should liaise with Finance and Capital Planning to establish requirements for financial vetting at the Local Framework (O).

Since the Audit the department have been working with Health Board Finance and Capital Planning, together with NWSSP Procurement Services colleagues to determine an appropriate way forward. The department are looking at a system similar to construction line that could be utilised as part of the Multiquote system to provide this level of assurance

9. Periodic procurement activity reports should be prepared and reported to an appropriate UHB forum/sub-committee.

Complete: These are now being provided to the Estates Board and where single tender actions and single quotation actions have been requested these will be reported.

The department recognise it still has some work to do, however some progress has been made in addressing the issues identified within the Audit Report. It is hoped that through the utilisation of the system such as Construction Line, the department will be able to get the assurances required for orders placed through the Multiquote system. It is also hoped that having a reporting process where single tender and single quotation actions are requested, will ensure these are only utilised when absolutely necessary.

5. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

6. RECOMMENDATION

Members are asked to:

- **NOTE** the report; and
- **RECEIVE** assurance on the actions taken to address the recommendations and to ensure the learning takes places