

Contract Management

Final Advisory Report

2024/25

Cardiff and Vale University Health Board

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Review Reference

CVU-2425-09

Fieldwork

February 2025 – May 2025

Executive Sign Off

June 2025

Audit Committee

September 2025

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Executive Summary

Purpose

The review assessed whether appropriate contract management arrangements were in place within Cardiff and Vale University Health Board (the “Health Board”). This review was 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 organisation’s 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 NHS Wales Shared Service Partnership (NWSSP) Procurement Services. These actions, alongside those specific to the Health Board, are aimed at improving and/or enhancing expected controls in contract management arrangements.

Overview

For the purposes of this audit, sample testing was based on the Electronic Contract Management module of the Bravo e-tendering system held by NWSSP in line with the other Health Boards. 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 that 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 opportunities 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 this could be through engagement with NWSSP Procurement Services to adopt their Contract Management Procedure;
- The introduction of a mechanism to determine the capacity and support needed to meet existing and future contract monitoring requirements, with appropriate training provision;
- The need to retain full and accurate records to support contract ownership, contract documentation, and monitoring of contract performance.
- The need to remove variations in the formality of contract management, performance reporting, and documentation, which indicates a level of inherent risk, and 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 and NWSSP Procurement Services 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.

Full details of matters arising are detailed within the Findings & Agreed Actions.

Scope & Actions Summary

Objectives

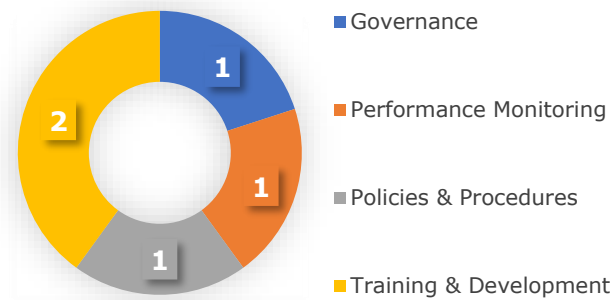
Related Actions

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.	
3	Contract managers have access to relevant training and development.	2, 3
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.	4
5	Contract performance and risk is reported and managed within the Health Board's governance structure.	5

Management Actions

5

Themes



Risk Types

Public Perception & Reputational Risk
 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 Heath Board's Standing Financial Instructions (SFIs) includes a section on contract management. Section 11.16.1 outlines that the relevant budget holder is responsible for overseeing and managing each contract on behalf of the Health Board 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 on NWSSP's website. In discussion with the contract leads of the contracts reviewed within the Health Board, this document is not a regular point of reference.

Review of other NHS organisations indicated that the majority did not have local contract management guidance in place, an exception was noted for Aneurin Bevan University Health Board (ABUHB), where in conjunction with local NWSSP Procurement, there has been the development of a Contract Management Financial Control Procedure (FCP). The ABUHB 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.

The above could inform the basis for a Health Board wide guidance document, with consideration of enhancements identified from good practice elsewhere through supportive template documentation, expected monitoring (especially where the contract is informal in nature), expected reporting and escalation arrangements, and integration with the Health Board's risk management framework to provide robustness for wider use across the organisation. (**Opportunity 1**).

Opportunity 1: Contract Management Procedures

Recognising that some established good practice is now available from within the wider NHS, the Health Board may wish to engage with NWSSP Procurement services in relation to implementation of the NWSSP Contract Management Procedure.

Management Response

The NWSSP Contract Management Procedure has been introduced to all NHS Wales organisations through their respective NWSSP Procurement Services lead contacts and through the natural embedding of the procedure and process within day-to-day procurement and contract management activity. The known workplan of procurement projects will be segmented to identify those contracts that will require future contract management activity to be incorporated in forthcoming tenders/further competitions using KPIs and regular review meetings between the Service and the Contractor with Procurement Services involvement as required. The existing range of contracts in place within NWSSP will be reviewed in conjunction with Service leads to identify those that require and facilitate contract management activity (through the specification and terms and conditions of the identified contracts). A current and future plan of contract management activity will then be initiated with agreement between the Service, the Contractor(s) and Procurement Services. The approach will need to be mindful of resources and proportionate to the scope, scale and nature of each contract under review.

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 to 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.

NWSSP maintain a contract register on behalf of the Health Board which is accessible to the Health Board. Within our sampled contracts (see objective 4), there was a list of contract records maintained for the third sector commissioning contracts for the Mental Health Clinical Board. In addition, the Children and Young People and Family Health Services maintain a contract register.

Management Response

The Health Board have access to the Contracts Register which is managed and controlled by NWSSP on behalf of Health Board.

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

This review and similar reviews at other NHS Wales Organisations, observed that contract management was undertaken by a 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 were 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 (**Opportunity 2**). Similarly, no specific contract monitoring training had been provided to the individuals responsible for the sampled contracts.

The Health Board's 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, the contracts leads contacted through fieldwork did not have awareness of the NWSSP Procurement e-Manual, which contains contract management guidance (**Opportunity 3**).

Opportunity 2: 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 the requirements of the specific contracts.

Management Response

The requirement for training and support in relation to contract management will be dependent on the required contract management activity being identified and embedded within the procurement process at an early stage so that the responsibilities of each party (Service and Contractor) can be clearly defined and agreed with the need for e.g. contract review meetings, reporting and KPI performance management. Following award of contract, it should then be a matter of all parties applying the terms of each contract. The nominated "contract manager" or "responsible officer" from the Service and the Contractor will be identified prior to award and through their involvement in the procurement process itself, each should be fully aware of their respective roles and responsibilities from the commencement date of the contract. The requirement for further training and support is therefore minimised if not eliminated entirely. In recognition of the time and cost associated with contract management activity, it is recommended that a proportionate approach is taken by the Service.

Opportunity 3: 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.

Management Response

Further to the response to Action 3 above, it is expected that training and awareness should be incorporated within the procurement process that establishes the contract. The terms, conditions and associated performance measures relating to the contract will be agreed in advance with the Service and embedded within the resultant contract. It is therefore important that the Service "contract manager" or "responsible officer" is involved in the procurement process from the outset to fully understand, scope and agree to their roles and responsibilities post-award. As a result, the requirement for separate, post award training will be minimised. This will ensure that the principles of contract management can be embedded within organisations without the requirement for significant additional training resource to be secured by Procurement Services.

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.

Standing Financial Instructions (11.6.1) require that “*The relevant budget holder, shall oversee and manage each contract on behalf of the Health Board 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, and 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’s Procurement Services.

Evidence from Health Board’s contract managers demonstrated ongoing contract management and operational understanding of the requirements of such, where exceptions have been identified 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 review was directed to certain individuals for the sampled contracts, not all individuals had been formally assigned responsibility for contract monitoring. One of the sampled contracts leads (Welfare benefits and debt advice service) was performing a dedicated contract management role.

In addition, there was no allocated contract manager or staff centrally managing or monitoring the translation service contract which is a service that is available for use by all the seven Clinical Boards within the Health Board (**Opportunity 4**).

Contract documentation - Final signed contracts were not available for the sample contracts, although one (maintenance of tandem mass spectrometer) had a service maintenance contract but it did not require a signature. All the contracts had a signed acceptance letter or extension letter alongside the NHS standard terms and conditions for the provision of services. There were three specifications provided for Community Development Manager and Community Health Connectors, Early support mental hub and Welfare benefits and debt advice service.

Contract deliverables/performance measures - On the review of contract documentation, we were unable to establish that agreed and defined service deliverables were in place for three of the contracts, which included the translation service, GDS Practice - North West Cardiff and transport for dental service. Contracts and specifications included detailed criteria for services or goods to be provided alongside associated key performance indicators. (**Opportunity 4**).

Contract management/monitoring - The formality of monitoring arrangements within our sample reflected the differences in their value and business criticality, and this varied with weekly, monthly, and annual arrangements noted. We found that monitoring reporting was broadly in line with that specified within contractual documentation, with the exception noted for the translation service as a result of no known contract manager or lead for the translation service being in place. Also, there were no periodic meetings held with the service provider for the maintenance of tandem mass spectrometer contract. In addition, we were not provided with sufficient documentation and clarification to evidence the stated processes being undertaken by the contract manager in the performance management and monitoring of mobile Lithotripsy services contract (**Opportunity 4**).

We saw evidence of adequate monitoring taking place as the Health Board was able to recoup £98,000 from Community Development Manager and Community Health Connectors.

Opportunity 4: Contract Ownership, Documentation and Management

Noting that some contract managers are aware of their responsibilities as required by the SFIs, the need to retain full and accurate records in support of contract ownership, contract documentation, and monitoring of contract performance should be reiterated.

Management Response

Refer to response to Opportunity 3 and 4. The embedding of requirements as part of the procurement process establishing the contract, with the involvement of the Service "contract manager" will be key to meeting this objective.

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) do not provide information on the expected minimum reporting, accountability and escalation arrangements in relation to contracts.

Our review observed varying approaches to monitoring arrangements, with individuals with responsibility for contract monitoring outlining that escalation reporting was exception based. Varying reporting routes for escalation were provided for seven of the contracts within our sample should a contract require escalation. (**Opportunity 5**).

Opportunity 5: 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 (**Opportunity 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, they were also able to demonstrate with examples, risk registers where contract's risk can be recorded and monitored. We identified in one sample that the formal risk management practices relating to contract risk were being updated as required.

The Health Board's Audit and Assurance Committee receives an update on procurement activity. 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. This overview does not extend to the ongoing management of contracts, nor any retrospective file notes where contract extensions have taken place without procurement support, which is a feature of reporting seen at other NHS organisations.

Management Response

A proportionate approach is once again recommended in respect of this action. Where a contract is deemed to be of significant scope, scale and criticality to warrant ongoing contract and performance management throughout its term, it is essential that the reporting, escalation and risk management arrangements are highlighted by the Service to Procurement Services at the outset of the procurement process. These requirements can then be defined and embedded within the contract specification so that post award, each party is aware of its obligations in this regard. Further discussion and agreement will be required within NWSSP and the Health Boards Audit Committee to confirm if and how contract management assurances are to be provided in a proportionate and meaningful manner.

Appendix A: Assurance Opinion & Prioritisation of Findings

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.

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



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