

UHW Lift Modernisation

Final Internal Audit Report

2024/25

Cardiff & Vale University Health Board



Reasonable Assurance

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Review Reference

CVU-SSU-2425-35

Fieldwork

October-November 2024

Executive Sign Off

13th May 2025

Audit & Assurance Committee

May 2025

Executive Lead

Catherine Phillips, Executive Director of Finance

Audit Team

Huw Richards, Deputy Director (SSu)

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Executive Summary

Purpose

This audit was commissioned in accordance with the agreed Integrated Audit Plan included within the approved Business Justification Case (BJC) for the University Hospital Wales (UHW) Modernisation of Passenger Lifts programme. This was the first audit undertaken in accordance with the agreed audit plan and reviewed the delivery and management arrangements to progress the programme. The BJC was approved by Welsh Government in November 2023 in the sum of £10.2m capital funding, with enabling works commencing on site in May 2024 and forecast for completion in May 2027.

Overview

We have concluded **Reasonable Assurance** at this review following the assessment of the key delivery objectives and the governance, risk management, and internal control arrangements applied to date.

The relative simplicity of the project is acknowledged, along with the appointment of a specialist contractor who at the time of review was providing adequate information to inform the Health Board. However, this does not negate the need for strong internal controls, particularly in the areas of governance and financial management.

At the time of the current review (at an early stage of works), the project was forecast to be delivered within the agreed time, cost and quality parameters. However, the audit has identified a number of issues which require addressing at this early stage, which if not resolved, may limit the ability to provide positive assurance at future audit reviews of the project.

As identified at the recent Mortuary project audit, the UHB's Capital Projects Manual was out of date and considered not fit for purpose. An updated Manual had been prepared and was undergoing review and approval. We have therefore sought to assess this project against established best practice and typical practice applied to other Health Board projects. Whilst an additional recommendation has not been raised at this report in respect of the Manual, this has informed the overall assurance opinion.

The matters requiring management attention include:

- A review of governance arrangements including divergence from arrangements detailed in the approved BJC;
- Welsh Government approval of the change in the spend profile;
- Improvements in cost monitoring and reporting;
- Confirmation of the risk management mechanisms for the Health Board risk register;
- Retention of the tender assessment at future procurements;
- Appropriate completion of contract documents and retention of an appropriate audit trail of contractual communication.

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

The following opportunities for enhancement have been identified that do not impact the overall opinion and are highlighted for management information:

- It should be ensured that appropriate monitoring systems are in place for insurances for the duration of the works contract.

Further audits will be undertaken of the Modernisation of Passenger Lifts programme at UHW in accordance with the approved business justification case (integrated audit plan).

Scope & Assurance Summary

Objectives	Related Findings	Assurance
1 Project Performance: Consideration of performance against project objectives (e.g. time, cost, benefits, critical success factors etc.).	-	Substantial
2 Governance: Assurance that adequate governance arrangements were in place, including appropriately defined roles and responsibilities, project governance structure, stakeholder engagement, information retention systems, and clearly defined accountability & delegation arrangements. Appropriate approvals have been obtained at key stages.	1-4	Reasonable
3 Financial Assurance: Adequate cost control and reporting systems were operated. Adequate processes and procedures were in place to validate the costs incurred. Assessment of the ongoing arrangements for the review of risk and associated management of contingency funds.	5,6	Reasonable
4 Technical Assurance: Assurance that appropriate procurement processes were applied for the main contractor appointment, equipment specifications etc. That appropriate contractual documents, warranties, guarantees etc., were in place. Effective management of the programme to date, in accordance with the requirements of the contract. Appropriate application of a Project Bank Account.	7-10	Limited
5 Advisers: Appropriate appointment and contractual arrangements were in place. Assurance that delivery was adequately monitored, including fee management, performance management and monitoring and reporting arrangements.	11-13	Reasonable
6 Change Control: Appropriate internal and contractual change control mechanisms were applied at the project.	9,14	Reasonable

Management Actions

0

High Priority

14

Medium Priority

Themes



- Approvals
- Governance
- Risk Management
- Finance Management & Control
- Contractual
- Policies & Procedures
- Strategy
- Reporting

Risk Types

- Financial Loss
- Legal & Regulatory Non-Compliance

UHW Lift Modernisation - At a Glance

The Business Justification Case (BJC) determined that the majority of the lifts located on the UHW site were over forty years old and had not been updated or upgraded since they were first installed. The refurbishment of the lifts aims to reduce the number of breakdowns being encountered, help reduce costs associated with purchasing of obsolete parts and increase the response times which in turn will increase clinical services transfer times moving patients between wards, out-patients departments and theatre blocks. It will also increase the speed at which Facilities and Portering teams are able to respond to calls and will provide a better ride quality and service for staff, patients and visitors.

The Business Justification Case (BJC) was approved by Welsh Government in November 2023, providing £10.2m capital funding to refurbish nineteen of the existing lifts located through the main ward and tower block areas, across a thirty-month programme. Phase 1 commenced in September 2024, with the whole works forecast for completion in May 2027.

The approved cost profile was as follows:

Description	Approved budget at BJC Approval (£m)
Works cost	7.610
Fees	0.445
Non-Works	0.201
Equipment	0.000
Contingency	0.330
VAT	1.628
Total	10.214

Findings & Agreed Action Plan

Objective 1: Project Performance

Substantial

Overview / Summary of Observations

Noting the early stage of the works programme, the project remained forecast for delivery within the original agreed time and cost parameters at the time of review.

The Capital Resource Limit agreed for 2024/25 had been reduced from £4.4m to £2.1m (recognising a delayed start on site) and agreed with Welsh Government by the October 2024 deadline for confirming the annual requirement. This slippage in year meant there was now forecast expenditure through to 2027/28, i.e. outside of the original funding window determined by Welsh Government. Whilst Welsh Government had been informed, the Health Board should confirm this change is formally approved (see *Objective 2: Governance (finding 3)*).

An external Supervisor had been appointed to monitor the quality and progress of works, with the first monthly report raising no significant issues in these areas.

Plans were in place for the 6-monthly capturing of Key Performance Indicators for both the Contractor and Supervisor, aligned to the Local Framework process and provided for within the contracts.

Overview / Summary of Observations

The project structure had been defined within the Project Execution Plan (PEP), with the key roles of Senior Responsible Owner and Project Director appropriately assigned. The roles of Project Manager and Cost Adviser were being delivered in-house (discussed further in *Objective 5: Advisers*). A robust information management system was operating to ensure appropriate control over key project documents.

The Project Board role was assigned to the Acute Infrastructure & Sustainability Capital Programme Board. As also noted at the recent Mortuary project audit, there was limited evidence at the time of the audit of oversight and scrutiny taking place at this forum for the Lift replacement programme. It is recognised however that the project also routinely reported to the Capital Management Group (CMG), ensuring oversight of project delivery was provided by the UHB's key capital decision making forum.

Whilst a Project Team was defined within the approved BJC, in practice this was not initiated. There were also limitations in the information included within project reports. In mitigation, a monthly progress meeting was held between the Health Board, Contractor and Supervisor representatives. The Project Manager also met monthly with the Project Director.

Recognising the delivery programme is extended over four years, slippage in the first year's Capital Resource Limit has meant completion of the project now extends past the approved funding window agreed by Welsh Government. The Health Board should seek updated approval that the new spend profile is accepted by Welsh Government.

Whilst noting the deviation from the project governance arrangements defined and approved within the BJC, we acknowledge this is a relatively low-risk and simple infrastructure project. The governance arrangements as operated at the time of review are therefore deemed to provide reasonable assurance in this area.

Key Findings

Risk & Impact

Agreed Management Action

1

Programme Board

The Acute Infrastructure & Sustainability Capital Programme Board was tasked with oversight and scrutiny as per its terms of reference.

Although the project Highlight Report was shared with the Programme Board (however see *finding 3* re the level of detail included at this report), and there have been no significant issues with time, cost, or quality to date, there was no record of the report being noted or the project discussed within the minutes of 2024 meetings.

This issue was also raised at the 2024/25 UHW Mortuary Refurbishment audit report. Given this recurring issue, it may be necessary to reassess the Programme Board's capacity to oversee multiple projects, instead of individual project boards.

Insufficient oversight and scrutiny of the project.

Governance arrangements are not operated in accordance with approved terms of reference.

Agreed Action:

The Health Board is currently reviewing the demand on the Acute Infrastructure & Sustainability Capital Programme Board with a view to improving the reporting mechanism to ensure that the appropriate oversight and scrutiny can be achieved on all Capital Projects.

Expected Evidence of Implementation:

Amendments to Governance and Scrutiny procedures to be evidenced in future Capital Audits.

		Medium Priority	Officer: Gavin Evans, Head of Capital Planning Date: 31/05/26
	Theme: Governance	Control Design	
2	<p>Project Team</p> <p>Although the approved BJC's Management Case included the requirement for a Health Board Project Team, it was later decided against its implementation.</p> <p>Instead, a Progress meeting with the Health Board, Contractor, and Supervisor oversees construction delivery. This forum is helpful for managing construction but cannot meet the Project Team's responsibilities as outlined within the original terms of reference, due to the presence of external parties.</p> <p>The Health Board should ensure this deviation from the BJC is appropriately reported and approved, and clarify how the Project Team's intended responsibilities will be fulfilled.</p>	<p>Insufficient control of the project.</p> <p>Governance arrangements are not operated in accordance with approved terms of reference.</p>	<p>Agreed Action:</p> <p>Due to the unique nature of the Infrastructure Project it was agreed with the Project Director that a Full Project Team is not required.</p> <p>The Project Manager will continue to submit monthly Highlight reports Directly to the Project Director.</p> <p>Highlight reports are also included with the monthly CMG meeting that is chaired by the Executive Director of Finance.</p> <p>The Health Board are satisfied that this provides sufficient Control for this project.</p> <p>Expected Evidence of Implementation:</p> <p>The Health Board will ensure that all future BJC Management Case documents are clear from the start if a Health Board Project Team will be implemented for an Infrastructure only Project.</p>
		Medium Priority	Officer: Gavin Evans, Head of Capital Planning Date: 31/05/25
	Theme: Governance	Control Design	
3	<p>Reporting</p> <p>Both the project Highlight Reports and submitted Welsh Government Project Progress Reports were incomplete and lacked sufficient detail to appropriately inform relevant parties (including the Project Director and Programme Board). For example, the Highlight Report was not populated in the programme section, and the potential extent of impact of reported delays was not referenced.</p> <p>Noting the inclusion of sectional delay damages within the contract, programme dates and changes to the same should be carefully monitored and reported.</p>	<p>Insufficient understanding of project progress and risks.</p> <p>Inability to apply appropriate scrutiny.</p>	<p>Agreed Action:</p> <p>Head of Capital Planning to review all project Highlight reports and Dashboard progress reports submitted to Welsh Government to ensure all sections are fully updated.</p> <p>Expected Evidence of Implementation:</p> <p>Updated progress reports to be reviewed and updated during the May 2025 reporting period.</p> <p>To be closed off for this project during next Audit.</p>
		Medium Priority	Officer: Gavin Evans, Head of Capital Planning

	Theme: Reporting	Control Operation	Date: 31/05/25
4	<p>Welsh Government approval of slippage in spend profile</p> <p>The Welsh Government funding approval letter stated that "<i>all funding must be claimed by 31 March 2027 otherwise any unclaimed part of the Funding will cease to be available to you.</i>"</p> <p>The spend profile for the project has subsequently changed, with slippage of works into 2027/28. Whilst Welsh Government had been sighted on this change via the bi-monthly Project Progress Report, the Health Board had not obtained formal approval for the change against the original funding conditions.</p>		<p>Agreed Action:</p> <p>Any alterations to agreed funding are recorded on the bi-monthly progress reports, PPR's and CRM's. This is the normal process used by the Health Board to update Welsh Government and capture change on projects.</p> <p>The CRL is then updated by Welsh Government to incorporate the changes within the reports approving this change.</p>
		Medium Priority	Expected Evidence of Implementation:
			Update of the CRL incorporating the change recorded on the bi-monthly progress reports during the May reporting period.
	Theme: Approvals	Control Operation	Officer: Gavin Evans, Head of Capital Planning Date: 31/05/25

Overview / Summary of Observations

An external cost adviser has not been appointed to the project – instead the role was being delivered by the in-house Project Manager (see also *Objective 5: Advisers*).

There was a system for monitoring project costs, but it lacked the necessary clarity and detail to easily reconcile and scrutinise different versions of the available financial records (including the project monitoring spreadsheet, Welsh Government Project Progress Report and internal Highlight reporting).

Cost reporting was delivered via the monthly Highlight Report, which at the time of the review, contained limited financial information. A wider presentation of cost information was included within the bi-monthly Project Progress Report to Welsh Government, which was also shared with the Capital Management Group.

The works contract included a clearly defined payment schedule, with two payments assessed and approved to date (totalling £1,389,501 net of VAT) in accordance with the contract conditions.

Appropriate arrangements were in place to maintain and review the construction risk register, including the costing of risks to enable monitoring against contingency. However, whilst a Health Board risk register had been prepared for the BJC, this had not been revisited and some inaccuracies in detail were noted. We also note that the Health Board do not cost internal risks.

Whilst noting concerns over the adequacy of arrangements for the monitoring and scrutiny of project finances, the financial information has been validated as accurate by Audit for the period reviewed, enabling us to determine Reasonable Assurance in this area at this time. Going forward, cost management systems should be reviewed to provide improved controls as the project progresses.

Key Findings**Risk & Impact****Agreed Management Action****5 Cost Monitoring**

A system for monitoring project costs was in place, but there were areas for improvement:

- Figures were presented both with or without VAT at various documents - uniformity is needed for easy reconciliation.
- The contingency figure used was not the full approved amount from the BJC.
- Non-works costs had not been monitored as no spending occurred, but removal of external adviser fees would free up funding and should be tracked.
- Cash flow was monitored annually, not monthly.

Although the Project Manager could readily explain variances, it was challenging to reconcile financial data across different

Potential risk that figures are reported incorrectly.

Appropriate scrutiny over project costs cannot be easily exercised.

Agreed Action:

Finance section with the Highlight reports are in the process of being updated to take account issues of recording figures with and without VAT to ensure going forward all figure will be reported with VAT included.

Due to the nature of the project being purely an Infrastructure upgrade cash flow is not always monitored monthly as in line with a standard construction project whoever it is monitored in line with project progress against set key stages throughout the project.

Expected Evidence of Implementation:

The Highlight report and cost monitoring spreadsheet for this project has now been amended to ensure case flow reporting is being correctly reported.

documents. An improved audit trail was necessary for accurate and robust cost monitoring/reporting.		
Theme: Finance Management & Control	Control Operation	Officer: Gavin Evans, Head of Capital Planning Date: 31/05/25
<p>6 Risk Management</p> <p>Issues were noted in reviewing the Health Board Risk Register, including:</p> <ul style="list-style-type: none"> • Noting the absence of a Project Team, there was no formal mechanism for routine review of the Risk Register. The version included at the BJC had not been revisited since its submission and some details were therefore no longer relevant. • The Project Director was the named Risk Owner in all cases. Noting some risks have impact on clinical activity, this may not be an appropriate assignment of the identified risks. • R5 "<i>Insolvency of the Contractor</i>" recorded an incorrect mitigation, noting the Contractor is not appointed via a Framework. The Project Manager was unaware of ongoing processes to mitigate against this risk. • R7 "<i>Ineffective Project Management Arrangements</i>" detailed inaccurate mitigations not aligned with actual project practice. <p>It was also noted that risks had not been included within the Welsh Government Project Progress Return (as required by the template).</p>	<p>Risks may not be appropriately identified or monitored, with appropriate mitigations not in place.</p> <p>The UHB may be exposed to unacceptable risk.</p>	<p>Agreed Action:</p> <ul style="list-style-type: none"> • The risk register is monitored and updated by the project manager following the risk review meeting held with the Construction Project team. Significant Risks are also captured and updated on the Highlight reports that are issued to the Director of CEF and reviewed on a monthly basis. Highlight report risks are also included within the CMG meeting that is chaired by the Executive Director of Finance. • Clinical Risks will be identified separately and discussed with Clinical Operations lead to confirm appointment of the appropriate person. • Contractor insolvency is mitigated as far as practical by NWSSP Procurement team carrying out a Dun & Bradstreet report on the SCP. <p>Expected Evidence of Implementation:</p> <ul style="list-style-type: none"> • The NWSSP Procurement team will carry out a Dun & Bradstreet report on the SCP annually throughout the course of the project to ensure the SCP is still financially stable. • Risk Register to be reviewed and updated to take account of accurate mitigation measures during the May reporting period.
Theme: Risk Management	Control Operation	Officer: Gavin Evans, Head of Capital Planning Date: 31/05/25

Overview / Summary of Observations

The tender specification was prepared in conjunction with specialist lift consultants and incorporated open protocol equipment to permit the Health Board maximum flexibility with future maintenance arrangements.

The procurement process was conducted via an open market tender, however only one tender return was received. NWSSP Procurement Services were appropriately involved and confirmed a compliant process was followed. However, whilst we were advised a tender assessment process was applied, including consideration of value for money, no evidence was retained.

An appropriate form of contract, NEC Option A (*Priced Contract with Activity Schedule*), was applied, however the contract documents had not been fully completed, including detail relating to key start and end dates within Contract Data part 1.

The contract included a performance bond, and contractor insurances had been appropriately confirmed by the Health Board. It should be ensured that appropriate monitoring systems are in place for insurances for the duration of the contract.

In addition to the absence of dates within the contract, there was insufficient evidence to demonstrate that the Contractor's first programme had been submitted and accepted in line with contractual timeframes. There had been no changes to the first accepted programme, so this remained current.

Whilst recognising the justification for not implementing a Project Bank Account, the same had not been agreed with Welsh Government.

In concluding at this objective, whilst no individual finding has been assessed as High Priority, an insufficient audit trail in the areas of tender assessment, contract completion and contractual communications has meant that Limited Assurance has been determined.

Key Findings**Risk & Impact****Agreed Management Action****7 Tender Assessment**

Management advised that the tender for the lifts contract was assessed by the in-house Project Manager and the external Supervisor, including consideration of value for money (noting only one tender submission was returned), with the same confirmed in the Procurement Report.

However, no formal record was maintained of the assessment, including how value for the value for money aspect was determined, e.g. in comparison to a pre-tender estimate.

The procurement may be open to challenge.

The appointment may not provide best value for the UHB.

Agreed Action:

The scheme was tendered by NWSSP through a open market tendering process. All financial SFI'S/SFO's and governance procedures were followed.

Value for money was raised as part of the WG BJC Scrutiny and subsequent approval to proceed was given by WG.

Expected Evidence of Implementation:

A meeting will be held with our Procurement Business partner to discuss this scheme and carryout a lessons learnt exercise to ensure this item does not happen for future schemes being tendered.

Medium Priority**Officer:** Gavin Evans, Head of Capital Planning

	Theme: Finance Management & Control	Control Operation	Date: 31/05/25
8	<p>Contract Completion</p> <p>Key information in the works contract (Contract Data Part 1) had not been completed, including detail of the Project Manager and Supervisor, but more notably, key dates such as start/end and sectional completion. It is recognised the Contractor included a completion date at Contract Data Part 2, but sectional completion dates were not incorporated.</p> <p>Management advised that the contract process was supported by external legal advisers, however evidence of the advice received in terms of the above has not been retained.</p> <p>See also <i>finding 10</i> re management of the first programme.</p>	<p>The Health Board has entered into a legally binding contract without agreement of fundamental project delivery aspects such as timeframe/key dates.</p>	<p>Agreed Action:</p> <p>Head of Capital planning to record all future teams meetings with external legal advisors and ensure all NEC Contracts on all future projects are checked to ensure dates are fully completed.</p> <p>Expected Evidence of Implementation:</p> <p>To be discussed with Corporate Governance team for future projects to ensure NEC Contracts being issued for signoff have all dates fully completed.</p>
	Theme: Contractual	Control Operation	Officer: Gavin Evans Date: 31/05/25.
9	<p>First Programme / Contractual Communications</p> <p>The Contractor's first programme was dated four weeks after the contract date, outside the permitted two-week window for submission. The programme also appeared to have been accepted by the Project Manager outside the permitted two-week window, with acceptance four weeks after the programme date.</p> <p>The Project Manager advised these dates may not be the actual dates of submission / acceptance, noting a poor internet connection on site meant documents are often shared in hard copy. A clear audit trail of submission/receipt dates in respect of contractual communications should be maintained, either by date stamping hard copies, or following up by email, to enable sufficient monitoring of compliance with contractual timeframes and the management of any associated implications of non-compliance.</p>	<p>Non-compliance with contractual timeframes may result in financial loss to the Health Board if Contractor submissions become accepted by default.</p>	<p>Agreed Action:</p> <p>Head of Capital Planning / Project Manager to ensure scheme is being managed in line with Contract Management procedures.</p> <p>Expected Evidence of Implementation:</p> <p>This will be monitored and managed by the Project manager and internal reviews will be carried out on a quarterly basis to ensure all procedures are being followed correctly.</p>
	Theme: Contractual	Control Operation	Officer: Gavin Evans, Head of Capital Planning Date: 1/08/25
10	<p>Project Bank Account</p> <p>Welsh Government policy (WPPN 03/21) requires a Project Bank Account to be implemented for construction contracts over £2m</p>	<p>Non-compliance with Welsh Government policy.</p>	<p>Agreed Action:</p> <p>Head of Capital Planning to complete decision report and issue to Welsh Government to ensure agreement.</p>

<p>in value, unless there are “compelling reasons” not to do so. Where compelling reasons are identified, a decision report must be completed and filed with Welsh Government to allow for audit.</p> <p>The BJC confirmed that a Project Bank Account would be utilised, recognising the works contract value exceeded the threshold.</p> <p>On review, management determined, in agreement with the Contractor, that a Project Bank Account would not be beneficial at this project, recognising sub-contracted work was minimal (under 25% of the total contract value).</p> <p>However, the Health Board had not applied Welsh Government’s process for completion of a decision report.</p>		
<p>Theme: Policies & Procedures</p>	<p>Medium Priority</p> <p>Control Operation</p>	<p>Expected Evidence of Implementation:</p> <p>Copy of Welsh Government response to be kept on file and issued to Audit team to close this item at the next audit on this scheme.</p> <p>Officer: Gavin Evans, Head of Capital Planning Date: 30/06/25</p>

Overview / Summary of Observations

Whilst the BJC set out the intended use of external advisers to support the project, only the Supervisor role was procured. Management agreed that the Project Manager and Cost Adviser duties could be delivered in-house. Whilst concurring that the relative simplicity and extended duration of the project lends itself to this approach, we have not evidenced the appropriate consideration and approval of the change in strategy.

Whilst noting the early stage of the works meant the delivery of these duties could not be fully examined, see *finding 5* re accuracy of recorded financial information and *finding 10* re retention of an audit trail to support compliance with contractual timeframes. The Project Manager was aware of the responsibilities of the role under the NEC contract, including the requirement for fairness and impartiality when exercising contractual requirements (in areas such as assessment of the Contractor's programme and compensation events). The Contractor had raised no objection to the appointment.

The Supervisor role was procured via a national framework, with appropriate contract documents in place. Noting the use of a supply-chain management firm rather than a direct appointment, the Procurement Report did not address this unconventional approach or comment on whether other options were feasible.

There were provisions in place to maintain six-monthly Key Performance Indicators for the Supervisor appointment, and whilst the first assessment had not yet been made, no concerns over performance were noted.

Key Findings	Risk & Impact	Agreed Management Action
<p>11 In-house roles</p> <p>The BJC stated that external advisers would be appointed to deliver the Project Management and Cost Adviser roles.</p> <p>Management subsequently determined that this would not be an effective use of funding, noting the relative simplicity of the project, and the length of the programme (which is longer than usual noting the sequencing of lift works). Instead, these roles are being delivered by the Health Board Project Manager.</p> <p>Whilst this was recorded in the March 2024 Project Highlight Report as a "decision required", evidence was not identified that this had been noted or agreed by an appropriate forum or individual.</p> <p>At future projects, changes in delivery strategy following approval of the business case should be formally approved.</p>	<p>Insufficient oversight and approval of key changes to the project approach.</p>	<p>Agreed Action:</p> <p>The change of the Project Manager role to an internal appointment was detailed on the monthly highlight report for the scheme and agreed during the monthly update meeting with the Project Director for the scheme.</p> <hr/> <p>Expected Evidence of Implementation:</p> <p>Head of Capital Planning to ensure any changes on future capital schemes are highlighted separately during the Capital Management Group meetings by the Director of CEF to ensure any changes are minuted and recorded.</p>

		Medium Priority	Officer: Gavin Evans, Head of Capital Planning Date: At future projects.
	Theme: Strategy	Control Design	
12	<p>Supervisor Appointment</p> <p>The Supervisor was appointed via the Vendor Neutral Managed Services Lot on the SEWTAPS Framework. The procurement was supported by NWSSP: Procurement Services, who confirmed compliance with Procurement Regulations, and was appropriately approved within the UHB.</p> <p>The appointment is with a supply-chain management firm, who have in turn sub-contracted the specialist Lift's Supervisor. We understand this approach was taken as the Lift Supervisor did not directly appear on a suitable framework themselves, and continuity was required following the work undertaken on the BJC.</p> <p>It is noted the use of a supply chain management firm incurs a 2% management fee. Whilst the Procurement report confirmed that value for money was assessed, it did not address the unconventional approach taken in utilising an intermediary management firm, outline the associated risks and benefits, or discuss whether alternative procurement routes were feasible (e.g. single tender / competitive tender). The absence of this additional information reduces the ability for fully informed approvals to be granted.</p> <p>The Health Board should additionally confirm that matters including adviser performance and insurances (including Professional Indemnity) have been adequately considered, given the contract is not with the Supervisor firm themselves.</p>	<p>The Health Board does not receive best value for money.</p> <p>The Health Board is not adequately protected through its contractual arrangements.</p> <p>Approvals are not sufficiently informed.</p>	<p>Agreed Action:</p> <p>NWSSP assessed value for money by comparing rates against other specialist suppliers on the framework. A framework management fee is standard and it is normal practice for this to be included as part of the Consultants costs.</p> <p>As a Heath Board we are advised to use frameworks to help reduce costs and time associated with carrying out single / competitive tendering processes.</p> <p>Supervisor performance on the project will be reviewed annually by the Health Board. Insurances are covered under the Framework.</p> <p>The Health Board also has the ability to cancel the award at any time giving thirty days notice.</p>
		Medium Priority	Officer: Gavin Evans, Head of Capital Planning Date: 31/05/25.
	Theme: Contractual	Control Operation	

<p>13 Adviser Insurances</p> <p>The Supervisor contract specified the required insurances. However, the Health Board had not evidenced that these were in place, with reliance placed on the Framework to undertake these checks.</p> <p>The Health Board should liaise with the relevant Framework and obtain assurance that the appointed advisers hold and maintain the required insurance, for the period of the contract and thereafter.</p>		<p>Agreed Action:</p> <p>Head of Capital Planning to ensure the SCP insurances are in place and updated annually.</p>
		<p>Expected Evidence of Implementation:</p> <p>Copy of insurance policy to be kept on file and forwarded to Audit team to close this item.</p>
<p>Theme: Contractual</p>	<p>Medium Priority</p> <p>Control Operation</p>	<p>Officer: Gavin Evans, Head of Capital Planning</p> <p>Date: 31/05/25.</p>

Overview / Summary of Observations

The change control process was defined within the Project Execution Plan and was managed by the Health Board's Project Manager, noting no external Cost Adviser has been appointed. A change control register was in place allowing for the tracking of changes in progress / approved and associated timescales.

There had only been one change instructed at the project at the time of review (PMN02), in the sum of £33,539. The same was appropriately approved in accordance with the Health Board's scheme of delegation, via the Project Information Form (PIF) process.






We could not however evidence the management of the process in line with the defined contractual timeframes. As discussed at *finding 10* in respect of the first programme, an audit trail was not available of the dates of communication with the Contractor in relation to the change. The Project Manager advised that the Contractor's quotation was provided a week after it was requested, however this could not be confirmed. Some typing errors in the dates of issue included at both the PIF and PMN were noted.

The absence of a clear audit trail of contractual communication reduces the ability to scrutinise the management of the project (by e.g. the Project Director) and risks slippage against required timeframes, which may have contractual / financial implications for the Health Board, if these are not appropriately monitored.

Key Findings	Risk & Impact	Agreed Management Action
<p>14 Contractual Communications</p> <p>See also <i>finding 10</i> in respect of Programme communication.</p> <p>When assessing PMN02, whilst the Project Manager advised that the Contractor's quotation was submitted within the required contractual timeframe, no evidence was available to substantiate this (noting communication was provided in hard copy rather than by e.g. email).</p> <p>It was therefore also not possible to confirm that the Project Manager had responded to the quotation within the required contractual timeframe.</p>	<p>Non-compliance with contractual timeframes may result in financial loss to the Health Board if Contractor submissions become accepted by default.</p>	<p>Agreed Action:</p> <p>Project Manager to ensure all correspondence issued by SCP is followed up with an email copy to provide an audit trail.</p> <p>Expected Evidence of Implementation:</p> <p>Emails to be kept on file and to be reviewed during next Audit to close this item.</p>
<p>Theme: Contractual</p>	<p>Medium Priority</p> <p>Control Operation</p>	<p>Officer: Gavin Evans, Head of Capital Planning</p> <p>Date: 31/05/25</p>

Appendix A

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](https://www.nhs.uk/auditandassurance)

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