



WALES **AUDIT** OFFICE

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Procurement Review: Tender 0212

Welsh Ambulance Services NHS Trust

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Status of report

The team who delivered the work comprised Virginia Stevens, Victoria de Zouche and Samantha Taylor from KPMG.

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Summary report

1. Following press coverage and requests raised by the management team at the Welsh Ambulance Service NHS Trust (WAST), I instigated a review of the procurement of 42 ambulance conversions which began in August 2010, via tender 0212, which would discharge my statutory duties as Auditor General. The specific procurement under review is termed 'Procurement 0212'.
2. This review was to be largely carried out on my behalf by my contractor, KPMG LLP, fulfilling my statutory duties under the Public Audit (Wales) Act 2004 and my obligations under the Code of Audit Practice.
3. This scope of work was prepared to cover the four key matters:
 - review and appraise the procurement process for tender 0212;
 - identify all factors leading to the delay in accepting the vehicles into service and whether all responsibilities were appropriately discharged;
 - recommend the actions that WAST should consider to ensure sound governance of future fleet procurement; and
 - highlight any other areas of management concern that are raised during the investigation.
4. The work took the form of:
 - interviews with key staff ([Appendix 1](#)); and
 - a desktop review of relevant documentation ([Appendix 2](#)).
5. An Interim Consultant employed by WAST to oversee the procurement process could not be interviewed due to ill health; this means we have been unable to corroborate some of the information provided to us.
6. While WAST had previous procurement issues in 2005, which were reported in the press and later resulted in the PricewaterhouseCoopers (PWC) 2006 report on emergency ambulance procurement arrangements, there had been some evidence that issues had been addressed.
7. A Wales Audit Office national report on vehicle fleet management in 2008 cited WAST's procurement of Mercedes ambulances as an example of good practice.
8. However, in June 2011, detailed reports were made in the media that issues had arisen with regard to safety concerns of a fleet of new ambulances that had been procured under tender 0212.
9. The outcome of this procurement exercise resulted in the purchase of 42 ambulance conversions at a cost of £3.072 million (budgeted cost for this procurement was £3.255 million).
10. Of the 42 conversions procured, 21 of the vehicles were taken into service immediately; the other 21 required modifications, which resulted in a four-month delay in taking the vehicles into service.
11. The 21 vehicles taken into service immediately had been supplied by one supplier, Wilker, and some modifications had been made to the vehicles pre-delivery, which cost WAST £26,000.

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12. The modifications necessary to the Wietmarscher vehicles post-delivery cost WAST approximately £20,000 to remedy.
 13. The total cost for the modifications of £46,000 is relatively immaterial when considered in terms of the total cost of £3.072 million for the conversions.
 14. There was no impact on services to the public because older vehicles were kept in service until the new vehicles were accepted.
 15. There were various issues with this procurement process and best practice was not followed at several key points. The main issues arising were:

Due process was not followed

There were several points in the procurement where process was not followed and the actions taken were not in accordance with the organisation's documented procedures and controls.

Significant turnover at board level throughout the procurement process

Lack of continuity at board level for fleet and general high turnover across board level of the organisation has resulted in an environment where the responsibility for decision making has not been clear and senior management has not always seen it as their responsibility to challenge the process followed.

Formal project management processes were not adopted

Previous reports have highlighted the need for fleet procurement to be managed using formal project management processes. Given the high-risk nature of this procurement, in terms of its value and complexity, there should have been a requirement for the exercise to be project managed.

Risk management was weak in some areas

There were several opportunities during the process where, given the circumstances, the risk surrounding the project and certain key staff absences should have been considered and further efforts made to mitigate the risk.

Detailed report

Introduction

16. To maintain the service and operation of its emergency ambulances, WAST replaces ambulances on a periodic basis. The replacement programme is determined by several factors including the age and mileage of the vehicles and the resources available to replace them.
17. Procurement of emergency ambulances has taken place on an annual basis since 2006 with the exception of 2008.
18. The previous successful procurements for WAST (since the PWC 2006 report) were handled by the National Fleet Manager. The National Fleet Manager, however, was off on long-term sick leave from April 2010 and did not return to work until April 2011.
19. The previous procurements while deemed successful, in that they produced vehicles the staff were very pleased to accept, also resulted in various modifications being made at a cost to WAST. The procurement in 2009-10 resulted in an unanticipated bill of circa £154,000 for modifications agreed by staff, which had not been authorised by, or indeed notified to, Finance.
20. It is our understanding, based on the interviews held, that an Interim Director of Operations had responsibility for fleet until March 2010. Between March 2010 and September 2010, responsibility for fleet sat with the Information and Technology Director. In September 2010, the Deputy Chief Executive assumed responsibility for fleet. The ICT Director has been on leave since June 2011.
21. The Business Support Partnership (BSP) hosted by the Betsi Cadwaladr University Health Board, provided procurement services to WAST.
22. In July 2010, the Procurement Manager at the BSP responsible for WAST fleet procurement, instigated the tender process. The specification used for the tender was identical to that used for the 2009-10 procurement. The tender reference number was 0212.
23. The tender was advertised in August 2010 and three relevant suppliers were identified under the PASA framework. One declined to bid on the basis that they could not make the 31 March delivery deadline; the other two companies submitted bids.
24. In September 2010, WAST employed an Interim Consultant to cover the Fleet Manager's absence. Under the Interim Consultant's terms of reference, one of his responsibilities was to 'activate the legacy procurement process'. The Interim Consultant effectively delegated this responsibility to one of three Regional Fleet Managers.
25. The tender bids were received in October, and at this point it became evident to the Procurement Manager, the Regional Fleet Manager and the Interim Consultant that the bidding companies were not quoting on a like-for-like basis, due to the limitations of the specification.
26. A meeting was then held with both companies to clarify the details of the specification in an attempt to ensure the companies were quoting for an identical vehicle.

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27. Subsequent to this meeting, the suppliers provided final bids and the bids were scored.
 28. As a result of the scoring, the contract was awarded to Wilker and a regret letter was issued to the unsuccessful company, Wietmarscher, including details of the scoring result.
 29. This decision was immediately challenged by Wietmarscher on the basis that the score applied for credit worthiness was incorrect. At this point, the BSP took legal advice and it was conceded that Wietmarscher did have grounds for recourse and various options were considered in terms of how to proceed.
 30. After consideration, and following legal advice, the executive team decided to follow BSP advice and through the BSP, WAST would seek to negotiate with both companies to split the contract equally between them. This decision was accepted by both companies.
 31. The Regional Fleet Manager led the procurement process from this point. Monthly meetings were held with Finance, and weekly meetings with the Interim Consultant, to report on progress and issues.
 32. The Regional Fleet Manager made site visits to both manufacturing companies to review progress on the builds.
 33. At the site visits, the Regional Fleet Manager signed off the vehicle drawings and various design issues as being acceptable to WAST.
 34. No issues were escalated in terms of quality or concerns over the vehicle specification either by the Regional Fleet Manager or the Interim Consultant.
 35. The vehicles were delivered in March 2011 and accepted on behalf of WAST by the Regional Fleet Manager.
 36. A subsequent meeting was held with the staff side representatives on 19 April to view the vehicles. At this meeting, 56 issues were highlighted by the staff side representatives on the Wietmarscher vehicles which culminated in them refusing to accept the vehicles into service.
 37. The 21 Wilker vehicles were accepted into service immediately. Modifications necessary on the Wilker vehicles had been made prior to delivery.
 38. Management and staff worked together to rationalise the initial list of modifications to the Wietmarscher vehicles. A final list of 21 modifications was compiled and Wietmarscher agreed to remedy seven of these. The cost to WAST for all the modifications was approximately £950 per vehicle – £20,000 in total.
 39. There were also some internal costs to WAST in terms of several modifications which were done 'in-house'. WAST is unable to quantify the cost associated with these modifications. We are advised by management that as the modifications were done using WAST staff, the additional costs incurred would only relate to parts supplied for these vehicles.
 40. Modifications have been carried out and all the ambulances are now in service. The final vehicle was accepted on 10 August 2011.

Due process was not followed

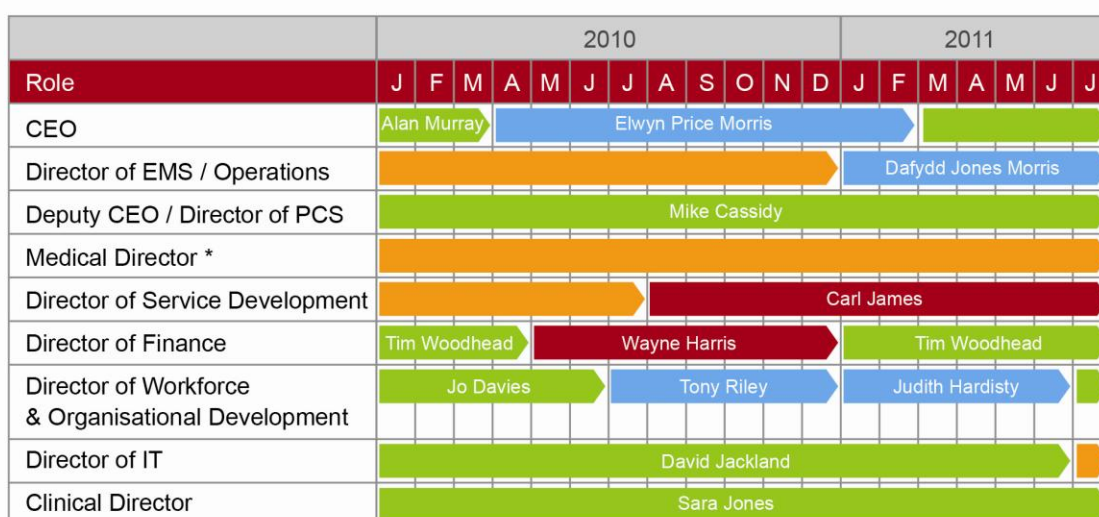
41. In July 2010, the Procurement Manager at the BSP responsible for WAST fleet procurement, instigated the tender process by issuing a 'Quotation/Tender Request Form' for the ambulance conversions. Our understanding of the purpose of the 'Quotation/Tender Request Form' is to ensure that there are funds available before starting a procurement process, and it will not therefore contain the formal specifications.
42. The Procurement Manager forwarded this request to WAST. This request was authorised solely by the Corporate Accountant and the tender process subsequently commenced.
43. According to the wording on the 'Quotation/Tender Request Form' the form states that it should be 'completed in full in order to satisfy WAST's Standing Orders' and should have been signed off by the Designated Budgetholder, who in this case would have been the National Fleet Manager. Management is of the opinion that the narrative relating to compliance with WAST's Standing Orders had been added to the form by the BSP to ensure that competitive quotations/tenders are obtained and are of the view that all the relevant Standing Orders and Standard Financial Instructions have been complied with, in this case. We have not been able to ascertain why the procurement commenced when the form was not signed by the National Fleet Manager who was the Designated Budgetholder.
44. The tender request form should have been initiated by WAST not the BSP. As the form was only signed by the Corporate Accountant, this suggests that operational managers were not involved in the procurement at this stage. If operational managers had initiated the procurement, as would normally be the case, then the fact that the specification was not sufficient may have been identified at this stage.
45. The tender process commenced when the BSP received the 'request for a new tender form'. We have found no evidence of any further document which authorises the specification for the tender given to the Procurement Manager or of any challenge at this point with regard to the specification being used for tender process. Management is of the view that this was due to the success of the previous tender exercises.
46. We were advised by the BSP Procurement Manager that the 'request for a new tender' had been issued because there was a concern that if the tender process was not started at this point, the procurement would not be completed by the financial year end and hence there was a risk that no budget would be available to purchase the vehicles in the 2010-11 financial year.
47. Throughout the compilation of this report, the necessity to procure by year end (31/03/2011) has been cited regularly as a contributory factor which added significant pressure to make decisions quickly. Failure to operate fit-for-purpose vehicles would pose a significant operational risk to WAST.

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48. The specification used for the tender was identical to that used for the 2009-10 procurement (tender 0176), despite it being understood by the BSP Procurement Manager that various modifications had been made during the 2009-10 build which were not reflected on this original specification ie, it was clear that the specification alone would not be sufficient to produce vehicles identical to the last procurement. This information was not escalated to the executive team.
 49. This specification is a descriptive document not a full technical specification eg, while it details the need for a door, the width and height of the door, is not specified and could not be relied upon to produce identical vehicles. Consequently, it is highly unlikely that two separate suppliers could produce the same vehicle from such a document. Management advise that the specification has subsequently been updated to ensure that it takes into account any modifications from the 2009-10 procurement and is now of a technical nature.
 50. According to the terms of reference of the Vehicle Clinical Equipment Working Group (VCEWG) 'it will produce version-controlled specifications for all vehicles'. According to WAST's Fleet and Transport Strategy 'all equipment and vehicles will be designed, procured in consultation with the VCEWG'.
 51. The VCEWG was not consulted with regard to the specification document being used for this tender.
 52. Following a request from the VCEWG, the Deputy Chief Executive convened a meeting of the group in January 2011. During this meeting, the group queried whether an up-to-date specification had been used and was advised by the BSP Procurement Manager and the Regional Fleet Manager that it had.
 53. From the interviews we have conducted, it is unclear why the VCEWG was not invited to participate in this procurement process until it expressed concerns in January 2011.
 54. Due to the National Fleet Manager's absence, there was a period of 15 months when the VCEWG did not convene at all.
 55. The VCEWG was invited to attend site visits subsequent to the January meeting but the group declined on the basis it was advised by the Regional Fleet Manager that no modifications could be made to the vehicles at this point in the process. It is worth noting that staff side input had led to changes in previous years.
 56. The relationship between operational management and the VCEWG had all but broken down by the time the vehicles were delivered and this difficult working relationship was not conducive to resolving the issues that arose.
 57. The terms of reference of the Capital Planning Group state that its responsibilities include making 'recommendations to the Executive Management Group regarding the allocation of Capital Resources' and 'to monitor the expenditure against those resources throughout the year and highlight any variance from plan'.

58. The Capital Planning Group did not convene for 10 months between March 2010 and January 2011.
59. The Regional Fleet Manager was effectively assigned with sole responsibility for delivering a significant procurement budget, over £7 million in total. There was no segregation of duties either at the site visits (where the vehicle designs were signed off) or when delivery of the finished vehicles took place on-site at WAST.
60. The format of the reporting for this procurement was not formalised and it did not consider qualitative issues.
61. Certain key issues ie, the modifications that were made to the specification that were accepted on behalf of WAST, were not reported or escalated to the executive.

Significant turnover at board level

62. For the duration of the period relating to this procurement, and indeed preceding it, there has been a considerable degree of turnover of staff at board level of the organisation. As can be seen from the illustration below, the majority of board-level positions were either vacant, filled by an interim or secondee, or by an individual who had been in post for less than six months.



- ▶ Permanent
- ▶ Vacant
- ▶ Secondment
- ▶ Interim/ in post less than 6 months

* position to be filled September 2011

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63. At the time of writing the report, we are advised by management that all positions have now been permanently filled, with the exception of the Director of Service Development, where the postholder has been in post for over 12 months.
64. Responsibility for fleet has sat with several individuals over a relatively short period of time, and throughout our review, we have been given conflicting dates as to whom had responsibility at what time. Given that fleet is a key function of WAST, it should be clearly understood and communicated who has accountability for this function at all times. Management has subsequently agreed a list of responsibilities for all executive board members which was agreed by the Board on 29 September.
65. This lack of continuity results in the knowledge and experience across the organisation being impaired and this directly impacts on the:
- understanding of governance structures (including roles and responsibilities);
 - effectiveness of controls and procedures;
 - communications;
 - ability to apply 'lessons learned'; and
 - creating a cohesive working environment.
66. Throughout this review there has been evidence of a divide between staff and management, and individuals have cited 'very difficult' working conditions as a result of lack of senior management continuity and long-term sickness levels.
67. We are advised that there has been full engagement with the VCEWG during the 2011-12 procurement process and it has been actively involved in agreeing the specifications.

Formal project management processes were not adopted

68. Previous reports on procurement at WAST have highlighted the need for fleet procurement to be managed using formal project processes, including:
- PWC 2006 report on emergency ambulance procurement arrangements
 - PWC 2004 follow-up report on ACiW 2002 procurement report
 - 2001 Audit Letter
69. Concerns were raised at a Risk Management and Modernisation Committee meeting in May 2010 around fleet procurement on account of the National Fleet Manager's absence, and a proposal was made at this time by one of the non-executive directors that all fleet procurement should be managed using formal project management processes.

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70. Lack of resource in the Project Management Department and the view of the executives that fleet procurement was essentially considered to be 'business as usual' meant that this proposal was not carried out.
 71. The organisation has not clarified any criteria setting out when a project would qualify to be managed under formal project management processes.

Risk management was weak in some areas

72. There were several factors that flagged this procurement as potentially high-risk, including:
 - National Fleet Manager's absence;
 - an Interim Consultant in post;
 - the contract value;
 - previous procurement issues;
 - lack of continuity at board level for fleet management;
 - a split contract following a challenge from one of the suppliers; and
 - a new supplier.
73. We have not seen any evidence that WAST had reviewed the non-financial risk management aspects of this procurement.
74. No risk log was prepared or maintained despite the high-risk nature of the procurement.
75. This procurement did not feature on the Corporate Risk Register until June 2011.
76. The risk surrounding the National Fleet Manager's absence was voiced by the non-executives in the May 2010 Risk Committee and was addressed by the appointment of an Interim Consultant; however, there was a six to seven month gap where the position was not covered.
77. In the absence of a senior member of staff, there should be sufficient documentation available for any interim appointed, to be able to deliver on their responsibilities.
78. The Regional Fleet Manager, to whom responsibility was delegated for this procurement, while he had been appointed on the basis that he had some previous procurement experience, was not provided with any guidance or training with regard to the process or any formal objectives other than to complete the procurement by the financial year end without incurring significant additional costs.
79. There was a lack of communication with regard to the division of responsibilities between WAST and the BSP. As a result, there was no clarity over whose role it was to involve other stakeholders such as the VCEWG and the Capital Planning Group.

Recommendations

R1	The roles and responsibilities of the BSP with respect to procurement should be clearly communicated at senior manager levels.
R2	Responsibility at board level for all functions should be clearly communicated to all relevant parties.
R3	A board member should be assigned with responsibility for fleet. We understand that a non-executive board member has been appointed to the project group which is managing the procurement of replacement vehicles in 2011-12.
R4	Accountability for key functions should be widely communicated and wholly transparent.
R5	We understand that the Corporate Risk Register is regularly presented to the Audit Committee and Board for consideration and challenge. While it is important that this happens, risk management should be embedded throughout the organisation's culture, and non-executive board members should routinely challenge executive management to demonstrate how risks are being mitigated and see evidence of this mitigation.
R6	The risk management aspects of major projects should be considered at inception. A risk log should be produced and regularly reviewed and maintained.
R7	The current funding system withstanding, WAST should review its fleet procurement process with a view to structuring a longer-term arrangement, such as a five-year contract with a drawdown facility. WAST should consider whether there are economies of scale to be achieved by collaborative procurement with other English/Scottish trusts.
R8	A defined process should be developed to qualify which projects should be managed using formal project management processes. All major fleet procurement exercises should have a project plan which documents all the processes and assigns roles and responsibilities to specific individuals. This should be monitored and reviewed by all relevant stakeholders such as the Capital Planning Group, the VCEWG and the board member responsible for fleet.
R9	As a minimum a project of this nature, in terms of risk and value, should have: <ul style="list-style-type: none">• a project team with clear documented roles and responsibilities;• a board member assigned with ultimate responsibility;• a timetable and agreed monitoring points;• risk and issue logs; and• procedural checklists.
R10	We understand from management that all these controls are in place for the current annual replacement programme.

Appendix 1

List of documents reviewed

WAST Internal Report on Procurement – 22/06/2011

Tender Specification 0212

Contract Award Recommendation report – 09/11/2010

Standing Orders and Standing Financial Instructions WAST – December 2010

WAST Fleet Strategy 2008

Vehicle Clinical Equipment Working Group Terms of Reference

Various meeting minutes

PWC 2006 report on Emergency Vehicle Procurement Arrangements

NHS Partners report 2006

Appendix 2

Interview schedule

Name	Role	Date
Tim Woodhead	Finance Director	12/07/2011
Bob Spiers	Regional Fleet Manager	18/07/2011
Jackie Palmer	BSP Procurement Manager	25/07/2011
Tony Cowley	National Fleet Manager	12/07/2011
Rob Raistrack	Interim Consultant (Fleet)	*
David Cooper	VCEWG Member	23/08/2011
Mike Cassidy	Deputy Chief Executive	26/07/2011
Graham Plumridge	VCEWG Member	19/07/2011
Richard Lee	Regional Director	19/07/2011
Terry Eckley	Risk Manager	12/07/2011
Dawn Sharp	Corporate Secretary	12/07/2011
Dafydd Jones Morris	Regional Director/Interim Director of EMS	27/07/2011
John Jones	Corporate Accountant	12/07/2011
Phil James	Audit Committee Chair	18/07/2011

**Not interviewed due to ill health.*

Appendix 3

Terms of reference conclusions

Objective 1: Review and appraise the procurement process undertaken by WAST and the BSP for the emergency ambulances delivered in April 2011.

There were issues with process undertaken by WAST for this procurement:

- the tender process was not initiated by WAST but by the BSP;
- there was no segregation of duties at several key points in the process eg, initiating the tender process, approval of vehicle designs during the manufacture process and accepting the final vehicles on behalf of WAST;
- working groups whose terms of reference state that they have responsibilities with regard to fleet procurement ie, the VCEWG and the Capital Planning Group had limited or no involvement with this process; and
- issues surrounding the inadequacies of the specification used were not escalated to the executive team.

Objective 2: Identify all factors leading to the delay in accepting the vehicles into service and whether all responsibilities were appropriately discharged.

The delay in accepting the vehicles into service arose due to issues highlighted with the vehicle design by staff side representatives after delivery of the vehicles had been accepted. This situation arose as a result of a number of factors:

- a specification being used to start the tender process which was inadequate;
- no escalation of the design issues (ie, which arose because the suppliers were not working to a technical specification) which were apparent at an early stage in the process;
- no staff side representation when the vehicles were accepted by WAST; and
- no involvement of the VCEWG in the design approval process.

Objective 3: Recommend the actions WAST should consider to ensure sound governance of future fleet procurement.

As set out in the recommendation section of the main report.

Objective 4: Highlight any other areas of management concern that are raised during the investigation.

As set out in the recommendation section of the main report.



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