

HSC	Controls Assurance Standard	Management of Purchasing
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MANAGEMENT OF PURCHASING (INCORPORATING CONTROL OF CONTRACTS AND CONTRACTORS)

STANDARD

There is an environment which ensures, as far as is reasonably practicable, that all purchasing and supply activity is managed to meet the needs of the organisation through the consistent delivery of best value and the appropriate management of risk and complies with relevant statutory requirements.

OVERVIEW

In 2002, the Executive of the N.I Assembly following a review of public procurement policy and purchasing arrangements in Departments approved a revised public procurement policy for the public sector. (The policy can be viewed at <https://www.finance-ni.gov.uk/publications/ni-public-procurement-policy-document>).

The Executive agreed that the new policy should be guided by a clear definition of public procurement and the concept of “best value for money”.

- **Public procurement is defined as “the process of acquisition, usually by means of a contractual arrangement after public competition, of goods, services, works and other supplies by the public service”.** The public procurement process spans the whole life cycle from initial conception and definition of the needs of the public service through to the end of the useful life of an asset or the end of a contract. Both conventionally funded and more innovative types of funded projects (for example PPP/PFI arrangements with the private sector) are included as are the use of the private sector to deliver services previously delivered directly by the public sector (contracting out) and in house consortia bidding in a public procurement process.

The concept of “best value for money” was revised and endorsed by the Executive in March 2011 is now defined as “the most advantageous combination of cost, quality and sustainability to meet customer requirements”. In this context, cost means consideration of the whole life cost; quality means meeting a specification which is fit for purpose and sufficient to meet the customer’s requirements; and sustainability means economic, social and environmental benefits, considered in the business case, in support of the Programme for Government.

- Also, that the policy be promulgated on the basis of twelve guiding principles; transparency, integrity, fair dealing and consistency, purchasing by competition, responsiveness, legality in compliance with statutory requirements, effectiveness in meeting socio-economic objectives, efficiency, informed decision making, integration and accountability.

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Public procurement, within the health side, encompasses the procurement of any works, goods, services and personnel from any external supplier in the market place awarded through single tender action, quotations, tenders or open competition.

This includes, for example, the commissioning of care services from the independent sector.

It does not cover services provided internally within the HSC, for example;

- the supply of services between HSC bodies, commissioning of care services from HSC bodies, supply of administration, finance, personnel, IT support and arrangements with Centres of Procurement Expertise; and
- contracting with FPS contractors, including General Medical Practitioners, Dental and Ophthalmic Practitioners and Community Pharmacists;

Nor expenditure which is regulated by Departmental directive, such as Personal and Social Services Expenditure on boarded out adults, patient travelling expenses, or others, such as business rates and water and sewerage.

Modernising and improving purchasing is at the core of the new policy. For the HSC, the procurement of high quality capital assets and equipment, goods, services and ICT equipment has a key part to play in delivering good health and social care and successful outcomes from treatment while the proper management of purchasing is essential to efficiency and effectiveness of clinical and support services.

Successive investigations into procurement in the NHS have identified that purchasing and supply performance strongly influences the delivery of healthcare and the overall effectiveness of any NHS organisation's activities. Thus for example, the efficacy of patient care is strongly affected by the organisation's capacity to have the right products, of the right quality, in the right place at the right time. Clearly, for the HSC, purchasing is not just about managing non – pay spend but is heavily implicated in the delivery of efficient and effective patient care, the management of patient pathways and the overall performance of HSC organisations.

The policy requires public bodies to use relevant Centres of Procurement Expertise for all routine and specialist procurements above any delegated limits set. (Within the remit of the Department of Health (DoH), Procurement and Logistics Service (PALS) and CPD-Health Projects have been recognised as Centres of Procurement Expertise).

Whether handled by a Centre of Procurement Expertise, other provider or carried out internally, all expenditure on the procurement of should be subject to good procurement practice. In the absence of any clear definition of good

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procurement practice, the Audit Commission's definition provides a useful guide as to what this means in practice (put into a N.I context):

- Purchased from PALS warehouse or PALS local stores;
- Purchased against a national (PaSA, OGC), regional or local (PALS) contract or other government agency or one – off purchase contract;
- Purchased against a current Trust collaborative (or individual Trust) period or one off purchase contract conducted with EC requirements (see PGN 04/12 in HSC(F) 31/2012);
- Purchased following the invitation of competitive tenders or quotations in accordance with guidance (Estates Procurement Manual);
- Purchased from within the HSC where either a competitive tendering process has been undertaken or where some form of policy compliant benchmarking (or best value appraisal) process has been undertaken;
- Purchased in accordance with trust standing orders non – competitively but where it can be demonstrated that the lowest economical cost has been achieved through benchmarking or reference to the appropriate indices.

In addition the public procurement policy requires the Department and its bodies to:

- Develop a procurement strategy, to include key strategic procurement requirements, to deliver better and more efficient procurement; and
- Introduce an appropriate performance management system to provide effective management information on performance indicators.

A strategic procurement action plan for the HSC and the Department's Arm's Length bodies is in issue. This sets out key objectives and targets for continual improvement in the acquisition of goods, services and works. All bodies are expected to implement all aspects of the Strategy.

Regional Procurement Board and Regional Savings planning work will set the efficiency agenda.

These issues are reflected in this standard, which aims to ensure that HSC organisations have the appropriate systems in place throughout the organisation for controlling the risk implications of purchasing activities. These include:

- Establishing and documenting accountability, ensuring appropriate top level commitment;
- Implementing a procurement strategy and work plan;

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- Demonstrating legal compliance;
- Pursuing best practice and demonstrating best value for money;
- Managing effective relationships with key suppliers, customers and other stakeholders;
- Following an appropriate documented procurement process;
- Managing contracts and contractor performance;
- Professional competence;
- Monitoring and review of overall performance management;
- Audit

Assessment Guidance

DoH ALBs vary significantly in size and in the nature of the services they deliver. It follows that that not all controls assurance standards will apply to each organisation. This is implicit in the current Departmental guidance, e.g. *The Reference Table on Applicability and Expected Levels of Compliance* which should be referred to before commencing the self-assessment exercise.

Even where a standard is generally applicable to the work of an organisation it is quite possible that not all of the criteria will be materially applicable. Before self-assessing against a standard, therefore, an organisation should consider the relevance of each criterion to its own business and conduct its assessment accordingly. Thus, where a criterion is clearly relevant to an organisation, the score should be based on the **totality of the action taken to address the requirement**. Where there is little or no relevance, the criterion should be considered “not applicable” and ignored for scoring purposes as explained in the guidance on *Reporting Compliance* issued by the Department.

This approach will ensure that the assessment has no unfairly detrimental effect on the organisation's overall score but reflects a proper evaluation of the key areas of risks identified and the actual levels of controls put in place to manage those risks.

Likewise, the *Examples of Verification* set out in the standard are just that – examples, for guidance only. Once again, it is the nature of each organisation's business that determines the type of evidence needed to prove that appropriate controls are in place. In effect, this may mean that only some of the examples listed are relevant to a particular DoH ALB or, indeed, that

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there are other more relevant examples which can be adduced as evidence of compliance. It is also the case that some evidence can be deployed to demonstrate compliance with more than one criterion or standard.

KEY REFERENCES

Central Procurement Directorate Procurement Policy and Guidance Notes (issued through the Department of Health, Social Services & Public Safety)

NI Public Procurement Policy

<https://www.finance-ni.gov.uk/publications/ni-public-procurement-policy-document>

DoH Position of HSC(F) and PEL guidance circulating or amending existing PGNs at 11 March 2015

<https://www.health-ni.gov.uk/publications/external-financial-guidance-2015>

Subsequent and non PGN, procurement related guidance:

<https://www.health-ni.gov.uk/articles/external-financial-guidance?st=External%20Financial%20Guidance>

Circular HSS (PPM) 7/2004 *Procurement Strategy for Health, Social Services and Public Safety* (this replaces Circular HSS (PPM) 8/2003 *Revised Public Procurement Policy for the Public Sector*, issued in May 2003)

Procurement Guidance Note: 02/15 - Procurement Pipeline (Publication of Information on Infrastructure Projects and Supplies and Services Contracts) <https://www.health-ni.gov.uk/sites/default/files/publications/dhssps/hscf-2015-31.pdf>

Assessing and documenting sustainable development in business cases for procurement projects

<https://www.health-ni.gov.uk/sites/default/files/publications/dhssps/hscf-2015-01.pdf>

Revised Guidance on the Use of Professional Services including Consultants

<https://www.health-ni.gov.uk/sites/default/files/publications/dhssps/hscf-2012-25.docx>

<https://www.health-ni.gov.uk/publications/estates-procurement-manual-version-7-14-june-2016>

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MPMNI

<https://www.finance-ni.gov.uk/articles/managing-public-money-ni-mpmni>

Circular HSS (PDD) 8/94 *Codes of Conduct and Accountability*

Corporate Governance in the HSC: Code of Conduct & Code of Accountability

Circular HSS (PPM) 4/2005 – *AS/NZS 4360:2004 – Risk Management*

<https://www.health-ni.gov.uk/sites/default/files/publications/dhssps/CAS%20-%20Risk%20Management%202014-15.pdf>

Circular HSS (PPM) 8/2002 – *Risk Management in the Health and Personal Social Services*

<https://www.health-ni.gov.uk/articles/risk-register-guidance-0>

Circular HSS (PPM) 10/2002 – *Governance in the HPSS: Clinical and Social Care Governance – Guidance on Implementation.*

<https://www.health-ni.gov.uk/topics/governance-health-and-social-care>

Circular HSS (PPM) 13/2002 – *Governance in the HPSS – Risk Management*

<https://www.health-ni.gov.uk/sites/default/files/publications/dhssps/CAS%20-%20Risk%20Management%202014-15.pdf>

HSS(PPM) 5/2003 – *Risk Management and Controls Assurance*

<https://www.health-ni.gov.uk/topics/governance-health-and-social-care>

Governance Statement

<https://www.health-ni.gov.uk/publications/hsc-manual-accounts-2015-2016>

HSS (PPM) 8/2004 *Governance in the HPSS: Controls Assurance Standards*

<https://www.health-ni.gov.uk/publications/controls-assurance-standards>

Office of Government Commerce, Successful Delivery Toolkit

http://webarchive.nationalarchives.gov.uk/+/www.dh.gov.uk/en/managing_yourorganisation/nhsprocurement/publicprivatepartnership/privatefinance_initiative/investmentguidanceroutemap/dh_4132806

Government Construction Procurement Guidance (all) HM Treasury / Office for Government Commerce, London

<http://webarchive.nationalarchives.gov.uk/20000603233644/http://www.hm-treasury.gov.uk:80/pub/html/docs/cup/procurement/main.html>

Strategic Investment Board: *Standardisation of PFI Contracts, Northern Ireland* http://sibni.org/?attachment_id=379

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Customer Guide issued by Regional Supply Service

CPD-Health Projects: *Land Transactions Handbook*

HM Treasury *Green Book Appraisal and Evaluation in Central Government*

<https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

HM Treasury *Orange Book Management of Risk – Principles and Concepts*

<https://www.gov.uk/government/publications/orange-book>

PEL (06) 11 Procurement Strategy for Capital Projects in the HPSS - *Estates Procurement Manual*

PEL (O2) 08 *Selection of Contractors and Consultants for Construction Activities*

Managing Medicinal Devices – Guidance for Healthcare and Social Services Organisations (April 2014) [https://www.health-](https://www.health-ni.gov.uk/sites/default/files/publications/dhssps/DB-2014-02.pdf)

[ni.gov.uk/sites/default/files/publications/dhssps/DB-2014-02.pdf](https://www.health-ni.gov.uk/sites/default/files/publications/dhssps/DB-2014-02.pdf)

Performance Related Partnering Guidance

Contracts and Commissions for NHS Estates (NI Package)

Agreement for the Appointment of Architects, Planning Supervisors, Surveyors and Engineers for Commissions in the HPSS Estate in NI (1997)

Estates Project Guidance Manual

Concode Part I and II Building and Engineering Contracts; NI Annex to Concode Part I; NI Annex to Concode Part II

Code of Procedure for the NHS

Pharmaceutical Contracting Executive Group (2004) Report: *Ensuring Good Practice in Pharmaceutical Procurement*

Northern Ireland Audit Office (2005) *Modernising Construction Procurement in Northern Ireland* www.niauditoffice.gov.uk/

Audit Commission (1996) *Goods for Your Health – Improving Supplies Management in NHS Trusts* (Stationery Office, London)

Rethinking Construction: The Report of the Construction Task Force

<http://www.constructionexcellence.org.uk/resourcecentre/publications/document.jsp?documentID=113079> National Audit Office “*Modernising Procurement*”

http://www.nao.org.uk/publications/nao_reports/98-99/9899808.pdf

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National Audit Office: *Improving procurement – Progress by the Office of Government Commerce in Improving departments' capability to procure cost – effectively* http://www.nao.org.uk/publications/nao_reports/03-04/0304361-i.pdf

European Union *Treaty of Rome* (and other relevant EU treaties and supporting legislative frameworks)

The Public Contracts Regulations 2015
<http://www.legislation.gov.uk/uksi/2015/102/contents/made>

Chartered Institute of Purchasing and Supply: Code of Ethics
<http://www.cips.org>

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Clear and appropriately detailed specifications are used for all purchases, as defined in a relevant, documented, purchasing procedures manual.

Criterion 6

The purchase of all works, goods and services conforms to an appropriate method of procurement, as defined in a documented purchasing procedures manual.

Criterion 7

All potential suppliers are identified through the use of pre-determined criteria that ensure regularity and propriety.

Criterion 8

The organisation evaluates tenders and awards contracts through the use of pre-determined criteria that ensure the delivery of best value.

Criterion 9

All contracts for goods, works and services are managed and regularly monitored and reviewed.

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Criterion 10

There is access to up to date legislation and guidance relevant to the management of purchasing.

Criterion 11

Information, instruction and training on purchasing are provided to employees commensurate with their roles and responsibilities.

Criterion 12

Key indicators capable of showing improvements in management of purchasing and / or providing early warning of risk are used at all levels of the organisation, incl. the board and the efficacy and usefulness of the indicators is reviewed regularly.

Criterion 13

The system in place for the management of purchasing is monitored and reviewed by management and the board in order to make improvements to the system.

Criterion 14

The board should seek independent assurance that an appropriate and effective system of managing purchasing is in place and the necessary levels of controls and monitoring are being implemented.

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CRITERION 1

Board level responsibility for purchasing is clearly defined and there are clear accountability arrangements throughout the organisation, leading to the board.

INFORMATION

Source

- DoH Strategic Procurement Action Plan for Health, Social Services and Public Safety
- HSS (PPM) 7/2004 Procurement Strategy for Health, Social Services and Public Safety
- CPD-Health Projects : *Capital Investment Manual* <https://www.health-ni.gov.uk/publications/estates-procurement-manual-version-7-14-june-2016>
- Circular HSS (PPM) 10/2002 – Governance in the HPSS: Clinical and Social Care Governance – Guidance on implementation <https://www.health-ni.gov.uk/articles/care-standards>
- Circular HSS (PPM) 3/2002 – Corporate Governance: Statement on Internal Control
- Procurement Guidance Note 01/05 – Procurement, Value for Money and Efficiency Measurement <https://www.finance-ni.gov.uk/publications/pgn-0105-procurement-value-money-and-efficiency-measurement>
- Circular HSS (PPM) 4/2005 – AS/NZS 4360:2004 – Risk Management <https://www.health-ni.gov.uk/topics/governance-health-and-social-care>

Guidance

In procuring public works, supplies or services, Chief Executives are responsible and accountable for achieving best value for money. This reflects Accounting / Accountable Officers general responsibility for the efficient and effective use of all available resources.

To ensure procurement is treated as a strategic issue receiving Board level care and attention, a Director should be identified to take lead responsibility for purchasing strategy and the management of procurement performance through the use of appropriate agreed performance indicators for all procurement activity.

Senior management must establish a clear chain of accountability for the procurement function and ensure staff have adequate skills to ensure effective management at all levels. Those responsible for the management of purchasing must be held to account through an effective system of performance measurement.

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Centres of Procurement Expertise exist to serve and support DoH ALBs in their procurement function. Chief Executives should therefore be aware that the use of Centres of Procurement Expertise, as required by the revised public procurement policy, in no way divides responsibility for procurement, between individual bodies and Centres of Procurement Expertise. Irrespective of whether procurement is handled internally, by a Centre of Procurement Expertise or by another provider it remains the responsibility of the Accountable Officer to ensure that all works, goods and services are correctly specified, properly procured and performance monitored through appropriate benchmarking and key performance indicators.

In support of this a Service Level Agreement or Service & Budget Agreement should be put in place with each Centre of Procurement Expertise utilised, requiring it to provide assurance that systems and processes used in procurement ensure appropriate probity and propriety.

Examples of verification

- Job description of the designated Board member with responsibility for procurement
- Lines of responsibility detailed in local procurement strategy approved by Board, and strategic plan should also incorporate improvement targets and goals for monitoring performance
- Organisation Chart to show delegated lines of accountability for all areas of procurement
- Service Level Agreements / Service and Budget Agreements with Centres of Procurement Expertise (should identify executive officer with responsibility for purchasing)
- Documentary evidence from Audit Committee that purchasing is undertaken only by those officers with delegated responsibility as defined in Standing Orders / Standing Financial Instructions (SOs/SFIs)
- Documentary evidence of monitoring of procurement performance of all delegated lines of accountability for all areas of procurement through a system of performance management
- Supply Board Minutes (to evidence monitoring of procurement performance) (Trusts only)
- HSC board minutes (to evidence board scrutiny, strategic focus and regular monitoring of performance)

Links with other standards

All standards (generic criterion)

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CRITERION 2

There is a board approved procurement strategy in place that is reviewed at least annually.

INFORMATION

Source

- Circular HSS (PPM) 7/ 2004 – Procurement Strategy for Health, Social Services and Public Safety
- HSC Strategic Procurement Action Plan
- 3 year strategic purchasing plan (required under SBA between PALS and Trusts)
- NHS Purchasing and Supply Agency (2001) *NHS procurement performance management framework 2001* NHS Purchasing and Supplies, Reading
- National Audit Office “ Modernising Procurement”
http://www.nao.org.uk/publications/nao_reports/98-99/9899808.pdf

Guidance

All HSC bodies should draw up a written procurement strategy for board approval, covering all areas of expenditure.

Primarily, the strategy should clearly define procurement and supply objectives to achieve corporate aims and objectives as set out in either Health and Wellbeing Investment Plans / Trust Delivery Plans or similar corporate plans. This should directly link procurement into the achievement of the HSC’s overall corporate objectives as set out in Priorities for Action.

The procurement strategy must also set out any action required to comply with the new procurement policy and any promulgation or refinement of that policy by the Department.

The procurement strategy should define:

- the scope of the strategy;
- roles and responsibilities of key staff central to its achievement;
- how the strategy will contribute to the organisation’s achievement of the ALB’s corporate objectives as set out in Priorities for Action;
- as appropriate, how the strategy will contribute to the achievement of other major policies for example, Regional Strategy, Agenda for Change, the Quality and Safety Agenda, environmental policy and unemployment and equality policies;
- any action required to comply with the NI Public Procurement Policy and fully implement the HSC procurement action plan;

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- action to migrate any procurement activity, as appropriate above de-minimis levels not already handled by Centres of Procurement Expertise to them to increase the amount of expenditure handled by procurement professionals;
- targets and plans to improve performance including the scope for standardisation and product and supplier rationalisation, reduction in processing costs and number and value of low value orders through use of IT, e-commerce and procurement cards;
- action to minimise Direct Award Contract/single tender action;
- training and development requirements;
- relevant IT strategies; and
- requirements for information and reporting progress to the Board.

Examples of verification

- Board approved procurement strategy in place (which identifies improvement targets and goals for each area responsible for purchasing and supply);
- SLAs or Service and Budget agreements (should be linked into implementation of the strategy);
- Minutes of Board Meetings (evidence of review of performance against strategy); and
- Evidence of Board review of Annual Reports from Centres Of Procurement Expertise and Supply Board minutes (both where available) to review performance against strategy (Trusts only).

Links with other standards

ICT
Medical Devices
Medicines Management

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CRITERION 3

There is a board – approved Strategic Procurement Plan in place for delivering the Procurement Strategy

INFORMATION

Source

- Circular HSS (PPM) 7/ 2004 – Procurement Strategy for Health, Social Services and Public Safety
- HSC Strategic Procurement Action Plan
- Service Level Agreements / Service and Budget Agreements
- Procurement Guidance Note 01/05 – Procurement, Value for Money and Efficiency Measurement <https://www.finance-ni.gov.uk/publications/pgn-0105-procurement-value-money-and-efficiency-measurement>

Guidance

The purpose of a Strategic Procurement Action Plan is to translate the objectives and targets of a procurement strategy into an operational work programme, which can then form part of the organisation's annual business planning process, targeted and measured as such.

Primarily, the plan should focus on the current financial year to identify actions to be taken in the course of that year to progress the achievement of the procurement strategy and corporate objectives. However the Plan also needs to look further ahead to identify key procurement needs and targets in the medium term (covering the following two financial years) to assist more effective strategic planning. The Plan should encompass all procurement activity.

The Plan will assist the organisation in prioritising activity, and in clearly allocating resources and responsibilities to individuals throughout the organisation for their contribution to the strategy. It should include:

- Clear accountability of individual managers for delivery;
- A programme of purchasing / contracting activity (based upon a supply chain review);
- Innovation in procurement management (such as catalogue management, product innovation, product rationalisation, materials management, logistics/direct supply);
- Use of IT (electronic ordering);
- Resources to be allocated;
- Targets, outcomes and performance measures.

DoH ALBs should have in place a planned replacement programme for equipment to allow them to effectively plan ahead to replace equipment

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as it reaches the end of its useful life. This allows for proactive planning and adequate lead in time before equipment needs to be replaced. Equipment should be placed on a replacement programme at time of purchase.

Scheduled dates for planned replacement of equipment should be identified within annual strategic procurement plans.

Examples of Verification

- Health and Well Being Plans / Trust Delivery Plans / Other Corporate Plans
- Documented purchasing and supply work plan (Trusts only)
- Planned Replacement programmes for equipment
- Board minutes / reports (should record approval of the plan and monitoring of performance across all areas of spend)
- Supply Board minutes (should record monitoring of performance across all areas of spend – Trusts only)

Links with other standards

None

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CRITERION 4

All expenditure on externally sourced works, equipment, goods, supplies and personnel is subject to best procurement practice.

INFORMATION

Source

- HSC Strategic Procurement Action Plan Circular HSS (PPM) 7/2004 *Procurement Strategy for the Health, Social Services and Public Safety*
- NI Public Procurement Policy document <https://www.finance-ni.gov.uk/publications/ni-public-procurement-policy-document> Strategic Investment Board : Standardisation of PFI Contracts, Northern Ireland
- <http://sibni.org/> Customer Guide to the Regional Supplies Service
- CPD-Health Projects *Capital Investment Manual*
- CPD-Health Projects Estates Procurement Manual
- PELs including Concode and Guidance on GC/Works and other forms of Contract
- HPSS ICT Standards and Procedures Manual, Procurement of Information Systems
- HPSS ICT Standards and Procedures Manual, Project Control and Monitoring
- NHS Purchasing and Supply Agency (2001) *NHS procurement performance management framework 2001* NHS Purchasing and Supplies, Reading
- National Audit Office “Modernising Procurement” <https://www.nao.org.uk/report/modernising-procurement/>
- European Union *Treaty of Rome* (and other relevant EU treaties and supporting legislative frameworks)

Guidance

As a minimum, DoH ALBs must carry out purchasing activities in the context of the policy and legal framework that governs public sector procurement.

The prime objective of UK Government procurement is to achieve best value for money having due regard to propriety and regularity. The concept of “best value for money” is defined as the “optimum combination of whole life costs and quality (or fitness for purpose) to meet customer requirements”. This definition includes social, economic and environmental policy objectives within the procurement process. “Whole life cost” includes both quantifiable and non – quantifiable or intangible costs and benefits.

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Procurement processes can only result in best value for money when the following twelve guiding principles governing the administration of public procurement have been satisfied to an acceptable extent: transparency; integrity; competitive supply; effectiveness; efficiency; fair – dealing; responsiveness; informed decision – making; consistency; legality ; integration and accountability.

In procuring works, equipment, goods and services Chief Executives are accountable for achieving best value for money. All should be acquired by competition unless there are compelling reasons to the contrary. Subject to legal obligations, the form of competition should be appropriate to the value and complexity of the procurement transaction. The use of the appropriate terms and conditions of contract will also be a key factor in obtaining value for money throughout the life of the appropriate contractual arrangement.

Opportunities for best- value- for- money, greater efficiency and improved risk management should be realised through all non – pay expenditure being influenced / managed by Centres of Procurement Expertise. HSS (PPM) 7 / 2004 requires all HSC organisations to use Centres of Procurement Expertise for procurement activity above defined de-minimis levels.

All DoH ALBs should carry out their procurement activities above delegated limits by means of a documented Service Level Agreement / Service & Budget Agreement with an approved Centre of Procurement Expertise. The role of specialist purchasers is to work in partnership with budget managers and end users, to ensure that, through the application of professional skills and knowledge, best value for money is obtained from end users purchasing budgets.

In addition, all DoH ALBs need to demonstrate that effective control exists on the widest range of expenditure, including the use of local contracts, multi – Trust contracts, and national or public sector-wide contracting arrangements.

Examples of verification

- Quarterly Board reports of progress against key performance indicators covering all areas of spend
- Tendering documentation (incorporating appropriate terms of tender);
- Audit reports on all areas conducting procurement
- Service & Budget Agreements / Services Level Agreements
- Evidence of analysis of non pay spend to calculate percentage of non pay spend covered by good procurement practice
- Appropriate evidence to support decisions for all purchases
- Contract adjudication meeting minutes / notes
- Customer Guide being disseminated and in use

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- Evidence of authorisation of breach of DoH guidance by Chief Executive or designated officer eg in accordance with current direct award procedures and delegations (see PGN 04/12 issued by HSC(F) circular 31/2012).

Links with other standards

ICT

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CRITERION 5

Clear and appropriately detailed specifications are used for all purchases, as defined in a relevant, documented, purchasing procedures manual.

INFORMATION

Source

- HSC Terms and Conditions of Contract
- Customer Guide to the Regional Supplies Service
- NI Public Procurement Policy document
<https://www.finance-ni.gov.uk/publications/ni-public-procurement-policy-document>
- CPD-Health Projects *Capital Investment Manual*
- CPD-Health Projects *Estates Procurement Manual*
- HM Treasury *The Green Book Appraisal and Evaluation in Central Government*
- National Audit Office “Modernising Procurement”
http://www.nao.org.uk/publications/nao_reports/98-99/9899808.pdf

Guidance

A specification is a “statement of needs to be satisfied by the procurement of external resources”. It defines what the purchaser wishes to buy and, consequently, what the supplier is expected to provide within the policy frameworks of the organisation (including those applicable to health and safety, environmental management and other social objectives). A specification should be sufficiently tight so that the product or service fits the users’ needs but not so explicit that it prevents negotiation and discourages the supplier from using expertise to propose innovative solutions and offer better value- for –money. Wherever possible, specifications should be expressed in terms of performance rather than design requirements. Design is still important, as a safety issue for example, where increasingly design solutions are being used to minimise risk, e.g. oral syringes which cannot accommodate a needle fitting.

Where equipment, products or services are being purchased to carry out some function on existing equipment, cleaning for example, it is important that the equipment concerned is identified to enable suppliers to ensure tenders meet compatibility, performance and maintenance requirements.

A specification should be clear and concise; non – discriminatory; reflect relevant international / European / national standards; and be an accurate statement of users’ needs. Specifications should take account of the full – life operational requirements so that during the tender

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evaluation, full – life costs and not just the costs of acquisition will be compared and adjudicated.

It is vital that suitably qualified persons with the skills and knowledge appropriate to the goods or services being detailed should develop the specifications – all interested parties should be identified and included in consultations on the specification. Extensive consultation with users, including clinical, technical or professional advisors is essential.

Where equipment, goods or services are used across the province, the establishment of a regional user group should be considered to assist in the definition of need, and allow sharing of experience and ideas. To be effective, groups must meet on a regular basis.

Examples of verification

- Evidence of early involvement with a Centre of Procurement Expertise in defining specification requirements;
- Fundamental involvement of specialist groups, e.g. PCEG
- Formal documented clear and descriptive specifications for each contract drawn up by or in conjunction with users;
- Use of typical or template specifications, where available;
- Links to appropriate terms and conditions of contract;
- Evidence of consultation with appropriate user groups, e.g. minutes;
- Users involvement in adjudication groups;
- Minutes of clarification meetings with tenderers;
- Contract Adjudication meeting minutes/notes;
- Evidence from annual service quality/stakeholder satisfaction survey
- Absence of complaints from suppliers or users

Links with other standards

Environmental Management
Health and Safety
ICT
Medicines Management
Medical Devices

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CRITERION 6

The purchase of all works, products and services conforms to an appropriate method of procurement, as defined in a documented purchasing procedures manual.

INFORMATION

Sources

- PGN 04-2012 issued under HSC(F) 31/12.
- NI Public Procurement Policy document
<https://www.finance-ni.gov.uk/publications/ni-public-procurement-policy-document> *Circular HSC(F) 25/12 Revised guidance on the Use of Professional Services including Consultants HSS Board / Trust / Agency Standing Financial Instructions*
- Customer Guide to the Regional Supplies Service
- HPSS ICT Standards and Procedures Manual
- HPSS CE letter on ICT Procurement (2001)
- CPD-Health Projects *Capital Investment Manual*
- CPD-Health Projects : Constructionline
- CPD-Health Projects : CONCODE
- CPD-Health Projects : *Estates Procurement Manual*
- *CPD-Health Projects: Project Managers Guidance*
- Strategic Investment Board : *Standardisation of PFI Contracts, Northern Ireland*
- European Union Treaty of Rome (and other relevant EU Treaties and supporting legislative frameworks)

Guidance

The operating procedures for the procurement will be governed by whether the aggregated value of the procurement exceeds the relevant threshold for:

- EU Tendering;
- Local Tendering (in accordance with HSS (PPM) 3/2004 “*Contract Procedures – Supplies*”); in line with HSC(F) 31/12 which issued PGN 04/12.

Aggregated value can be defined as the total “consideration” excluding VAT, to be payable over the lifetime of the contract. The optimum contract period must therefore be decided by balancing the competitive value of short-term contracts against the stability, continuity and potentially lower yearly costs of longer-term contracts.

Contracts must not be split or sub – divided to avoid application of EU supplies directives, or departmental guidance in line with the Mini – Code.

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[Single tender action/Direct Award Contract must be authorised at Chief Executive level or delegated officer level as defined in Standing Financial Instructions which reflect current DoH guidance on Direct Awards and by the Department as required by HSC(F) circulars].

Buying arrangements should reflect the risk inherent in different types of procurement. DoH ALBs, in consultation with Centres of Procurement Expertise, need to determine which buying arrangements are likely to deliver the best value for money. This will depend on the nature of the goods or services, for example, if they are high value single items a full separate competition will be required to select the best supplier and to comply with European Union procurement law. For low value routine procurement, a framework agreement which has itself been awarded in conformity with European Union Rules and which minimises administrative costs but enables organisations to secure the prices advantages of high volume procurement, may be more appropriate.

Examples of verification

- Governance Statement <https://www.health-ni.gov.uk/publications/hsc-manual-accounts-2015-2016> Assurance letters provided to Accountable Officers regarding quality of systems by Centres of Procurement Expertise
- ISO 9002 accreditation on procurement systems
- Contract documentation (including appropriate terms and conditions of contract)
- Evidence of compliance with Authorised signatory listing
- Purchase orders / invoices
- Evidence of compliance with thresholds in PGN 04/12 issued under HSC(F) 31/12 (Quotation / Tendering documentation)
- Evidence of compliance with guidance in procurement manuals / Service Level Agreements / Service & Budget Agreements
- Evidence of compliance with Purchase Card procedures
- Evidence of compliance with guidance on adjudication of contracts
- Absence of complaints from suppliers in respect of tendering arrangements

Links with other standards

ICT

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CRITERION 7

All potential suppliers are identified through the use of pre-determined criteria that ensure regularity and propriety.

INFORMATION

Sources

- Strategic Investment Board : *Standardisation of PFI Contracts, Northern Ireland*
<http://sibni.org/>
- HPSS ICT Standards and Procedures Manual
- European Union *Treaty of Rome* (and other relevant EU treaties and supporting legislative frameworks)

Guidance

Supplier appraisal starts early in the purchasing cycle, regardless of contract value and should be a continuing activity. It covers:

- Sourcing and researching the market to identify potential suitable suppliers
- Applying legitimate disqualification criteria to initial responses (to the OJEC advertisement where required) to enable progression to;
- A more detailed appraisal that will lead to selection of a shortlist. The purpose of short listing is to ensure that only those assessed to be capable of meeting the requirement incur the costs of drawing up and submitting a tender. Further information required to enable the drawing up of a shortlist is obtained by asking exact questions for example, on capacity, competence, appropriate experience, probity and financial stability.

The pre-selection of potential suppliers will be made based on advice of a suitably qualified person(s) who is competent in the assessment of the submissions against the specification.

Examples of verification

- Business case documentation in line with NIGEAE proposals where it sets out broad requirements
- Formally documented pre-selection or pre qualification criteria
- Documented system for the selection of suppliers (e.g. Construction Line)
- Pre-qualification questionnaire completed and weighted using Procon
- Sample OJEU Contract notice (for restricted contracts)
- Notes of short – listing process (restricted tenders)
- Documentation that the criteria were met in the selection process. This will include evidence from potential suppliers.

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Links with other standards

ICT

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CRITERION 8

The organisation evaluates tenders and awards contracts through the use of pre-determined criteria that ensure the delivery of best value.

INFORMATION

Source

- Central Unit on Procurement (CUP) Guidance (1997) *Supplier Finance Appraisal* HM Treasury / Office for Government Commerce, London
- *NI Public Procurement Policy document*
<https://www.finance-ni.gov.uk/publications/ni-public-procurement-policy-document>
- BSO PaLS guidance
- CPD-Health Projects : CONCODE
- CPD-Health Projects : *Estates Procurement Manual*
- European Union *Treaty of Rome* (and other relevant EU treaties and supporting legislative frameworks)
- EC Consolidated Directives (when issued)

Guidance

The aim of the evaluation process is to select the proposal that represents the Best Value-for-Money by balancing quality, performance, delivery, risk and cost (whole life cost). The criteria used in making this judgement, and their relative importance, should be transparent and agreed before inviting tenders. The award criteria detailed in the current EU directives which a contracting authority may use to determine that an offer is the most economically advantageous include delivery date, running costs, cost effectiveness, quality, anaesthetic and functional characteristics, technical merits, after sales service, technical assistance and price.

It is important that the assessment process is, and is seen to be, systematic, thorough and fair.

The selection and approval of the supplier will be made based on advice of a suitably qualified person(s) who is competent in the assessment of the submissions against the specification.

It is important that DoH ALBs are not over – reliant on information from manufacturers and suppliers in reaching purchasing decisions and evaluation panels have access to independent sources of expertise to enable a comprehensive assessment of fitness for purpose to be made. Independent advice necessary to give purchasers information to balance

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that of suppliers in the procurement process should be identified, possible sources include Regional Users Groups or the Guidelines and Audit Implementation Network (GAIN), for example.

An officer with the appropriate delegated financial authority should approve the contract award.

Selection criteria, assessment records and other notes relevant to the selection of suppliers should be maintained and kept with the relevant contract file for the stipulated period (consistent with the guidance on destruction of records).

Examples of Verification

- Sample tender documents (which contain conditions on evaluation and award criteria)
- Documented advice from appropriate sources of expertise
- Evidence that organisation has nominated experts to do the selection on their behalf (contract adjudication nominees)
- Documentation of the evaluation and decision on award
- Clear identification of the authorised officers accepting or recommending approval of quotations or tenders
- Evidence of authorising of awards
- Supply Board minutes, evidencing review of awards, and any non attendance of trust nominees.

Links with other standards

ICT

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CRITERION 9

All contracts for goods, works and services are managed and regularly monitored and reviewed.

INFORMATION

Source

- PGN 01/12 on Contract Management issued by HSC(F) 10/12
- RSS Good Practice Guide
- CPD-Health Projects : CONCODE
- CPD-Health Projects : *Estates Procurement Manual*

Guidance

Contract management is the process that ensures that all parties to a contract fully understand their respective obligations (as detailed in the specification and terms and conditions of contract) enabling these to be fulfilled as safely, efficiently and effectively as possible to optimise value for money. The process runs from identification of the need to the completion of the contract. This process has two key themes:

- Management of the relationship with the supplier; and
- Identification, allocation and management of the risks associated with the performance of the contract (including those relating to health and safety and environmental impact).

The level of risk associated with an individual contract will depend on the:

- Type and length of contract
- Stability of the service
- Conditions in the supply market
- Risk to the user in terms of cost, quality and the impact of contract failure

Arrangements to review and monitor contracts will be specified within procedures and the contract. The degree to which this will be done will be determined following a contract - by - contract risk assessment on value and criticality.

There should be a formal process of monitoring and reporting to ensure;

- The terms of the contract and specification are met
- Acceptable supplier performance
- Quality is maintained or improved
- Security and minimisation of theft and misappropriation
- Statutory and mandatory requirements are fulfilled
- Technical standards are maintained

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- Risk continues to be allocated to whichever party is best able to manage it or to bear the consequences
- Additional costs are minimised or eliminated
- Specifications are refined
- Alternative sources of supply can be identified.

Additionally for capital contracts the review process can be at agreed times within the project. There will always be a post contract/project review on completion of the contract. For each type of contract, the review should include:

- Status of the contract or agreement
- Checks that the defined business need have been met
- Confirmation that the terms of the contract have been met
- Whether the organisation is adequately resourced to specify and manage contractors and contracts
- Approval of any changes to the contract or agreement
- recommendation for further action to continue, renew or terminate the contract or agreement
- comments of performance to be included in the contractor / supplier register
- reports to the organisation's executive Board for approval

Examples of Verification

- Documented contract review reports and minutes
- Documented contract monitoring and review reports incorporating the above
- Documented remediation programmes and results where a shortfall in performance of the contractor / supplier occurs
- Current contact and supplier database, with evidence of review
- Handling of user / customer complaints

Links with other standards

Environmental Management
Health and Safety
ICT

HSC	Controls Assurance Standard	Management of Purchasing
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CRITERION 10

There is access to up – to – date legislation and guidance relevant to the management of purchasing.

INFORMTION

Source

- Central Procurement Directorate : Procurement Policy Notes; Procurement Guidance Notes; Guidance for Purchasers; Guidance for Suppliers; OGC Extant Guidance; Successful Delivery Toolkit; Gateway Review Process; Achieving Excellence; Tendering Process Overview; SME Guidance; Construction Initiatives
<https://www.finance-ni.gov.uk/topics/procurement>
- DoH Position of HSC(F) and PEL guidance at 11 March 2015
<https://www.health-ni.gov.uk/sites/default/files/publications/dhssps/hscf-2015-15.pdf>
- HSS (PPM) 7/2004 Procurement Strategy for Health, Social Services and Public Safety (this replaces Circular HSS (PPM) 8/2003 Revised Public Procurement Policy for the Public Sector, issued in May 2003)
- Circular HSS (PDD) Procedures for Procurement of Diagnostic Imaging Equipment
- Strategic Investment Board : Standardisation of PFI Contracts, Northern Ireland <http://sibni.org>
- CPD-Health Projects *Capital Investment Manual*
- CPD-Health Projects Estates Procurement Manual
- The Public Contracts Regulations 2015
<http://www.legislation.gov.uk/uksi/2015/102/contents/made>

Guidance

Access to legislation and guidance is essential for DoH ALBs to carry out the statutory duties imposed upon it by law and mandatory duties imposed on it by the Department of Health, Social Services and Public Safety.

Each ALB should ensure that there is appropriate access to legal advice specifically relating to purchasing matters, e.g. contract law, public procurement.

There are many sources of information on legislation and guidance, including books and, through subscriptions to specialist information providers, CD –ROMs containing the full text.

The Review of Public Procurement identified a number of areas on which it was felt that guidance would assist purchasers to achieve best value

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for money. This guidance is available on the Central Procurement Directorate's website at:

<https://www.finance-ni.gov.uk/topics/procurement>

Guidance on PPP/PFI is available on the Strategic Investment Board's website at :

<http://sibni.org/>

Wherever possible, the Department's website on Controls Assurance contains relevant information and guidance:

<https://www.health-ni.gov.uk/publications/controls-assurance-standards>

Examples of verification

- Access to information, e.g. Library, internet, CD - ROMS
- Contract for the provision of legal services to HSS Boards and Trusts
- ISO Accreditation Certificate
- Service & Budget Agreement (lists legislation which PALS will adhere to)
- Evidence of Customer Guide to the Regional Supplies Service dissemination and use
- Evidence of dissemination and use of HSC Circulars

Links with other standards

All standards (generic criterion)

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CRITERION 11

Information, instruction and training on purchasing are provided to employees, commensurate with their roles and responsibilities.

INFORMATION

Guidance

The procurement training needs for any individual will depend on the job responsibilities, skills, knowledge and experience requirements of the particular post and will therefore comprise a mixture of the following:

- Basic procurement training to include specifying requirements, sourcing supply, negotiation skills and contract management
- Personal and general management skills such as the ability to lead and work in mixed teams, managing relationships with suppliers, users and staff, quality management, risk management and a good understanding of the organisation's wider activities; and
- Training in specialist skills such as supplier cost analysis, quality assurance and building incentives into contracts.

It is important that organisations recognise the importance of developing procurement skills in a range of staff and not exclusive to procurement staff in order to enhance the specification processes and also the linkages between product procurement and product application.

There should be access to suitably qualified central expertise, regardless of whether the purchasing and supply service is provided in – house or externally and training should be provided for all those involved in the purchasing and supply process about basic arrangements and procedures; in particular to increase awareness of the full cost of purchasing decisions.

Staff spending the majority of their time on procurement should have, or be working towards attainment of, procurement competencies or an equivalent procurement qualification. Performance indicators should be used as a basis for assessment against competency standards.

Staff involved in procurement must be aware of their responsibility to act and be seen to act with impartiality, independently and with integrity, i.e. in accordance with an appropriate ethical code of conduct.

Clear records of all training should be maintained and a regular review of potential changes carried out. With scarce resources, a prioritisation system for the allocation of training will need to be considered related to the key risks faced by the organisation.

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Examples of verification

- Documented training programme(s)
- CIPS professional training
- 3rd level education with purchasing specialisms
- PALS core competency framework
- Training logs/ records
- Competency assessment against agreed framework
- List of Trust attendants at Customer Guide to the Regional Supplies Service training
- Trust induction procedures include procurement matters.

Links with other standards

Human Resources

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CRITERION 12

Key indicators capable of showing improvements in management of purchasing and/or providing early warning of risk are used at all levels of the organisation, including the board, and the efficacy and usefulness of the indicators is reviewed regularly.

INFORMATION

Source

- DoH Strategic Procurement Action Plan
- CPD-Health Projects: Estates Procurement Manual
- CPD Procurement Guidance Note 02/04 : Evidencing best Value for Money <https://www.finance-ni.gov.uk/publications/pgn-0105-procurement-value-money-and-efficiency-measurement>
- DoH Position of HSC(F) and PEL guidance at 11 March 2015 <https://www.health-ni.gov.uk/sites/default/files/publications/dhssps/hscf-2015-15.pdf>

Guidance

An essential component of effective DoH ALB wide purchasing management is the development and implementation of key risk and performance measures against which the organisation can measure performance at board and other appropriate levels.

Key risk and performance measurements should be in place for all procurement activity whether conducted internally or externally through Centres of Procurement Expertise indicators or other providers.

The use of key risk and performance measures will ensure that:

- The organisation's strategic and annual business plan objectives for purchasing are achieved;
- Improvement in statutory compliance and reduction in risk;
- Efficiency can be monitored so that resources can be allocated appropriately.
- Performance can be compared with that of other DoH ALB organisations so that an environment of continuing improvement can be maintained.
- All non – pay spend is subject to best procurement practice.

The efficacy and usefulness of any indicators deployed should be reviewed regularly.

Examples of verification

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- Quarterly Key Performance Indicators in Service and Budget Agreements
- Evidence of usage of agreed KPIs at all levels throughout the organisation to monitor procurement performance
- Supply Board Minutes (records the monitoring of KPIs, Action Plan and any other areas of concern that are highlighted – Trusts only)
- Trust / PALS Annual Report
- Board Minutes (should record review of annual report)
- Scrutiny / Improvement Groups
- Complaint Records
- Satisfaction Surveys

Links with other standards

All standards (generic criterion)

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CRITERION 13

The system in place for the management of purchasing is monitored and reviewed by management and the board in order to make improvements to the system.

INFORMATION

Source

- HSC Strategic Procurement Action Plan
- National Audit Office “ Modernising Procurement”
http://www.nao.org.uk/publications/nao_reports/98-99/9899808.pdf
- *Introduction of Governance Statement for the issue of 2012/13
Accounting period (HSC(F) 62/12)*

Guidance

It is the responsibility of the Chief Executive and the board to monitor and review all aspects of the system for the management of purchasing:

- Accountability arrangements
- Processes, including risk management arrangements
- Capability
- Outcomes, including value for money measures
- Internal Audit findings

The content of the criteria contained in this standard defines a system that needs to be in place to manage the risks and performance associated with all purchasing activities. The system needs to be evaluated itself for its effectiveness. Individual performance indicators can provide valuable insight into various components of the system, but do not in and of themselves measure the overall effectiveness of the system. However, they should be included as evidence in the evaluation of effectiveness.

Examples of Verification

- Key performance indicators in Service Level Agreements /Service and Budget Agreement
- Minutes of Board Meetings reviewing procurement performance
- Supply Board minutes (records the monitoring of the procurement plan and performance)
- PALS Annual report to Trust Board on performance
- ISO accreditation
- Contract Performance reviews

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- Internal Audit Reports
- Risk Management Committee minutes

Links with other standards

All standards (generic criterion)

HSC	Controls Assurance Standard	Management of Purchasing
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CRITERION 14

The board should seek independent assurance that an appropriate and effective system of managing purchasing is in place and that the necessary level of controls and monitoring are being implemented.

INFORMATION

Source

- *Introduction of Governance Statement for the issue of 2012/13 Accounting period (HSC(F) 62/12)* NHS Internal Audit Manual
- Department of Health (2011) Internal Audit Standards for the National Health Service, Department of Health, London

Guidance

Management should consider the range of independent internal and external assurance available, and avoid both duplication and omission.

The adequacy of the independent assurance will depend upon the scope and depth of the work performed, bearing in mind that it's timeliness and the competency of the staff performing it. The level of reliance that can be placed upon such assurances should consider, among other things, the professional standing of the assurer, their level of independence and whether they could reasonably be expected to provide an objective opinion. It is important that any review that takes place results in a report, recommendations for action where necessary, and the retention of sufficient evidence to enable other potential reviewers to rely upon the work already undertaken. The reports should be made to an appropriate sub-committee of the Board.

Management arrangements will include an internal audit function, as well as other quality control and assurance functions such as clinical audit. The internal audit function is required to give an opinion to the Board on the adequacy and effectiveness of the overall system of internal control. In doing so they will seek to work with and rely on the work of, other review bodies as far as is practical. The DoH ALBs are given external assurance by such bodies as:

- The Northern Ireland Audit Office
- Commission for Health Improvement
- Regulation and Quality Improvement Authority

More specific assurance, for this standard, for this standard may be gained from visits by:

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- Health & Safety Executive for Northern Ireland
- Medicines and Healthcare Products Regulatory Agency [MHRA only will inspect licensed units where they are supplying the HSC or wider. In the case of medicines and related products, this will be done by officers in DoH independently or in conjunction with MHRA Inspectors]
- BSO Internal Audit supported by CPD-Health Projects, or visits by CPD-Health Projects in their own right.

Examples of verification

- Letter of Assurance from Chief Executive of Centres of Procurement Expertise
- ISO audit reports and accreditation certificate for procurement / logistics / contracting etc
- Schedule of planned reviews
- Copy of internal / external audit reports which include procurement activities
- Health Services Audit – VFM audit reports on Trusts and PALS
- Committee minutes
- Notes of Follow – up of actions

Links with other standards

All standards (generic criterion)