

Southern Health Board

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

This report has been prepared pursuant to Section 6 (4) of the Comptroller and Auditor General (Amendment) Act, 1993.

Public Procurement rules and the engagement of Management Consultants

Public bodies are required in the conduct of their business to observe guidelines and regulations on public procurement. These guidelines and regulations are aimed at ensuring fairness and transparency in the award of public contracts and at achieving value for money.

The Public Procurement Guidelines issued by the Department of Finance apply to all Government Departments, Local and Regional Authorities and other bodies dependent on State funding. These Guidelines require, as a basic principle, that a procedure based on competitive tendering be used in procuring goods and services. The guidelines permit either open or restricted tendering with a requirement that in the case of restricted tendering the number of firms from which tenders must be sought should not be less than five.

The Health Service Procurement Policy was published by the Department of Health and Children in the year 2000. This policy was established by the Healthcare Materials Management Board on behalf of the Health Boards, Voluntary Hospitals and the Department of Health. The Policy requires that in the case of high value purchases or contracts estimated to be in excess of €25,394, formal tendering must be used. Formal tendering must also be used for purchases with estimated values exceeding set EU thresholds. The services/supplies threshold is €200,000. Both the Health Services Procurement Policy and the EU regulations require that a minimum of three tenders be sought.

The Health Service Procurement Policy identifies a number of exceptional circumstances in which tendering is not required, viz.

- Urgency
- Proprietary Materials
- Additional Deliveries
- Bargain Purchases
- Confidential Contracts
- Statutory Type Purchases.

Before a public body invokes any of these exceptions, the Chief Executive Officer or his nominee must certify that the particular circumstances apply. However, the policy makes it clear that the use of exceptional circumstances does not permit a departure from EU procurement regulations.

Audit Concern

In the course of the audit of the 2002 accounts of the Southern Health Board, I noted that fees totalling €290,821 had been paid to a consultancy firm in 2001 and further fees amounting to €712,351 were paid to the same firm in 2002.

During those two years the work undertaken by the firm for the Board and the fees paid per project were as follows:

Project Title	2001 €	2002 €
Development of New Senior Management Structure	100,139	0
Assistance with the Selection process and Interview Boards for Posts of Care Group co-ordinators and Development Managers	14,577	0
Review of National Health Strategy and Assistance in formulating the Corporate Development Plan 2002 – 2005	23,420	166,121
Support for the Executive Management Board, Tralee General Hospital	16,340	0
Public Private Partnership Project	55,692	47,449
Preparation of Acute Hospitals Strategy Cork	<u>80,653</u>	<u>498,781</u>
Total	<u>290,821</u>	<u>712,351</u>

The fees in relation to the Acute Hospitals Strategy Cork project were paid by the Southern Health Board on behalf of the Acute Hospitals Planning Forum. The Forum's expenses were met by the Board and are charged to the Board's annual allocation.

I noted that in no case had the firm been appointed to provide services on foot of a tendering procedure. Neither was there any evidence of formal consideration by Senior Management of whether to engage consultants or use the Board's own expertise for any of the projects or any formal evaluation of the capabilities of the firm in relation to the proposed projects.

In the circumstances, I sought information from the Chief Executive Officer (CEO) on

- the departure from public procurement guidelines and the breach of EU procurement regulations
- the basis on which it was decided to employ consultants in respect of issues where the Board itself might be expected to have the appropriate resources and expertise to deal with the matter without external assistance.

Chief Executive Officer's Response

The CEO informed me that the firm in question had first been retained by the Board in 1997 to assist it in the development of its change programme *New Direction* and to assist in the establishment of an Executive Management Board and associated structures for the Cork University Hospital Group. The subsequent work undertaken in 2001/2002 was linked to the earlier projects. Payments in respect of Southern Health Board projects in 2001/ 2002 amounted to €423,738 (€210,168 – 2001; €213,570 – 2002). Payments made on behalf of the Acute Hospitals Forum amounted to €579,434 (€80,653 – 2001; €498,781- 2002).

In relation to each of the consultancy assignments directly provided to the Board he stated

a) Senior Management Structure

The work had commenced in 1998 and was completed in 2001.

b) Attendance at Interview Boards

The expenditure related to reimbursement of travel and accommodation expenses etc for consultants who sat on interview boards for the selection of persons for key posts in 2001.

c) Assistance in the Preparation of the Corporate Development Plan 2002 – 2005.

The Board had produced a Corporate Development Plan with the firm's assistance in 1999/2000. However, the publication of the Health Strategy *Quality and Fairness* in 2001 meant that revisions had to be made to the original document.

d) Public Private Partnership Project

In late 2001 the Board decided to explore options around public private partnerships as a method of delivering infrastructural requirements. The Board did not have any expertise in this area and retained the firm to assist in the preparation of a preliminary business case. The payment made covered the years 2001 and 2002.

- e) Assistance in the establishment of Executive Management Board in Tralee General Hospital

This work was a follow on from that carried out in 1998/2000 in relation to the Executive Management Board at Cork University Hospital.

In relation to the other consultancy assignment he stated that the Acute Hospitals Forum was established to formulate a strategy for the development of acute hospital services in Cork City. The forum was established following the recommendation of a top level Steering Group appointed by the Minister for Health and Children. The Group was chaired by a professor from UCC and included representatives from the Southern Health Board, the Mercy Hospital, the South Victoria Hospital and Department of Health and Children. Due to the very sensitive nature of the work of the forum it was deemed advisable to retain independent external support, that had deep working knowledge of the local acute hospital issues in Cork City.

The CEO stated that the forum was of the view that the use of the firm for this piece of work was fitting considering their previous experience in this area.

He summarised the main reasons for awarding contracts to the firm without following a tender procedure as -

- The Board's previous positive experience of the firm
- The firm's radical and proven approach to strategy development and implementation
- The firm's experience and knowledge of the workings of the Board
- The firm's track record in adding value and ensuring skills transfer to the Board's staff.



John Purcell
Comptroller and Auditor General

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