

AUDIT COMMITTEE

Date of Meeting	Wednesday, 27 January 2016
Report Subject	Consultants
Cabinet Member	N/A
Report Author	Internal Audit Manager
Type of Report	Advisory

EXECUTIVE SUMMARY

Every major organisation uses some consultants where it could not possibly retain specialist expertise in-house, where it has capacity gaps, where independence may be needed or where it is required, for example by an external grant funding such as through Welsh Government.

When used correctly and in the appropriate circumstances, consultants can provide great benefit to an organisation, achieving results that clients do not have the capacity or capability to do themselves. Consultants can offer expertise, advice and knowledge not otherwise available to the Authority, and can assist therefore in achieving our priorities and service objectives. However, in order to achieve these benefits the use of consultants must be controlled by management.

Getting value for money from the use of consultants is dependent upon defining and justifying the need for consultants, astute procurement and project management of the consultancy project, tight governance and accountability structures, and a thorough assessment of the benefits achieved.

The cost of consultants has been an area of interest to the Audit Committee for some time, and there have been various reports brought to the committee over the years – the last one in 2012. A further review was included in the audit plan for 2014/15. That review has now been completed and the resulting report is attached as Appendix A.

The scope of the review was the controls and processes around the engagement of consultants – it did not look at the need for the consultants or attempt to comment on the value added by the consultants. There was also no benchmarking with other Local Authorities – given the difficulties with definition, such a comparison would be of limited use.

The audit opinion is red, meaning there is limited assurance that risks are being managed in this area. Findings include the following:

- The consultancy spend figure on the general ledger is not considered to be accurate due to a high level of miscoding and misinterpretation of the consultancy definitions. Internal Audit is now working with Finance and Procurement to ensure that the ledger will be accurate in 2016/17.
- After the audit in 2012 an interim procedure was put in place for the appointment of consultants. However this has not been sufficiently effective and will now be replaced by the use of the Purchase to Pay (P2P) system.
- A review of a sample of consultancy engagements showed that they did not all have a supporting business case and the procurement did not always comply with Contract Procedure Rules. Measures are now being put into place to address these issues.

RECOMMENDATIONS

1	To note and accept the report.
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REPORT DETAILS

1.00	EXPLAINING THE CONSULTANCY COSTS REPORT
1.01	The use of consultants was on the audit plan for 2014/15, with the scope agreed as 'to provide assurance on the appointment and monitoring of consultants'. It became apparent when the audit commenced that this needed to be widened and the audit work became more advisory in nature. Whilst this delayed the completion of the audit, it added value to the Authority by facilitating solutions to the issues identified.
1.02	At the time the review started there were four general ledger codes for consultancy, each with its own definition. It became obvious that these definitions were not understood, resulting in a great deal of misinterpretation of what should be classed as consultancy and therefore miscoding within the ledger. Further, there was no monitoring undertaken of the entries to the codes. As part of the review the Internal Audit team researched the definition of consultants including consulting with the National Procurement Service. A proposed new definition was accepted by the Chief Officer Team in October. There will be two categories of consultant:- <ul style="list-style-type: none"> • retained consultant, with a contract in place for the periodic provision of advice, and • project consultant, to work on defined and time limited projects relating to strategy, structure or management.
1.03	This will be backed up by changes to account coding and procurement procedures, and communication of the changes to management. A team, led by Internal Audit with colleagues from finance, procurement and P2P,

	has been set up to ensure that the changes are made before the year end, so that consultancy costs can be analysed correctly during the next financial year.
1.04	After the previous audit in 2012 an interim procedure was set up to control the appointment of consultants, before the full implementation of P2P. A general review of the database showed that it had not been fully used. As P2P has now been rolled out, that system will be used in the future for the appointment of consultants.
1.05	All new consultancy engagements should be supported by a business case. In the past these have been inadequate or not in place. A new template has been produced by Internal Audit, which will be used in the future to ensure the robustness and authorisation of business cases.
1.06	Contract Procedure Rules were not always followed in the engagement, performance monitoring and review of consultants. The new processes should ensure tighter controls are in place. These include more interventionist control such as the authorisation of all business cases – over £25,000 by the Chief Executive, under £25,000 by the Chief Officer, Governance, and the ongoing monitoring of consultancy contracts.

2.00	RESOURCE IMPLICATIONS
2.01	None other than officer time and associated costs to implement the recommendations within the report. In the future, enhanced identification and control over costs for consultants.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Chief Executive, Chief Officer Team, and officers within Finance and Procurement.

4.00	RISK MANAGEMENT
4.01	The recommendations increase the controls and mitigate the risks around the procurement of consultants.

5.00	APPENDICES
5.01	Appendix A – Internal Audit Report Appendix B – Sample of Consultancy Engagements Appendix E – Interim Procedure Appendix F – National Procurement Service Business Case Template Appendix G – National Procurement Service Post Assignment Review Appendix H – Consultancy Business Case

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Appendix C – WG Public Accounts Committee Hearing Report Appendix D – WG Response to Public Accounts Committee Hearing</p> <p>Contact Officer: David Webster, Internal Audit Manager Telephone: 01352 702248 E-mail: david.webster@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>P2P. Purchase to Pay. An electronic system used within the Authority to manage purchasing</p> <p>National Procurement Service The National Procurement Service (NPS) for Wales is hosted by the Welsh Government, established to work on behalf of the wider public sector across Wales. By using combined purchasing power the goal is to ensure significant annual savings within procurement. In this endeavour it is engaging collaboratively with public sector member organisations in seeking to find the best available deals in common and repetitive spend.</p> <p>Contract Procedure Rules A set of rules that must be complied with when purchasing goods and services.</p> <p>Matrix A system for the recruitment of temporary employees / agency staff.</p>