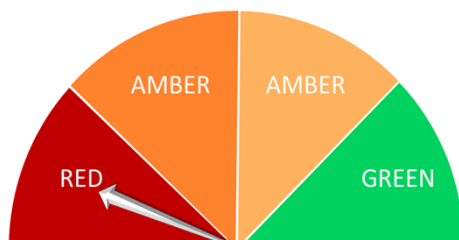


Flintshire Internal Audit

Audit Report

Title: Consultancy Costs
Portfolio: Corporate
Issued Dated: January 2016
Report No: 06-14/15
Report Status: FINAL

Audit Opinion



Internal Audit engagements are conducted in conformance with the Public Sector Internal Audit Standards.

1. Executive Summary:

Introduction and Scope:

The purpose of this review is to give assurance that appropriate specification, procurement and contract management processes are in place around the appointment of consultants to ensure appropriate use, quality and value for money for each appointment.

The scope of the review includes:

- Assessment of compliance with existing controls and best practice around the appointment and management of consultants.
- Consideration of the extent to which consultancy costs are being contained at a time of unprecedented cuts to funding.
- Review of the appropriateness of the current definitions of consultancy costs being used to classify consultancy spend on the general ledger.

Consultancy spend on the general ledger in 2014/15 totalled **£2,830,954** (2013/14: £2,131,082).

The consultancy spend figure on the general ledger is not considered to be accurate due to the level of miscoding to the general ledger, exacerbated by misinterpretation of the consultancy definitions supporting the general ledger consultancy codes. A significant amount of work would be required to clean up the general ledger to obtain an accurate figure for consultancy costs in 2014/15 – this work has not been carried out as part of this audit.

Data released in response to an FOI request in February 2015 showed Consultancy costs from 1st April 2014 to 17th March 2015 totalled £414,426 – this figure was not taken from the general ledger but was instead based on a request to Finance Officers for details of consultancy spend within their services. Finance are aware that the reported figure of £414,426 for 2014/15 (£893,604 for 2013/14) is understated as it was not possible to analyse all costs in the available timescale.

A sample of ten consultancy engagements were selected for detailed testing

Audit Opinion:

In each report we provide management with an overall assurance opinion on how effectively risks are being managed within the area reviewed. See page 19 of this report for details of our assurance levels:

Assurance:	Explanation
Red – Limited	<p>Urgent system revision required (one or more of the following)</p> <ul style="list-style-type: none"> ▪ Key controls are absent or rarely applied ▪ Evidence of (or the potential for) significant financial / other losses ▪ Key management information does not exist ▪ System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources. <p>Impact: a lack of adequate or effective controls leading to a high probability of loss, fraud, impropriety, waste, damage to reputation and / or failure to deliver organisational objectives.</p>

The table below highlights the number and priority of agreed actions to be implemented.

Priority	High	Medium	Low	Total
No.	1	11	2	14

as part of this audit as detailed at Appendix B.

An audit of Use of Consultants was carried out in January 2011 which resulted in the then Corporate Management Team agreeing an interim procedure for the appointment of consultants which required all engagements (excluding those through Matrix) to be recorded on the Consultancy Procurement Planning Database, and approved by the Head of Service or Director. The Interim procedure applied to all new engagements post 18th June 2012. The audit also recommended strengthening of the Contract Procedure Rules around the engagement of consultants. An audit of this interim procedure was carried out in June 2013.

Some of the issues identified in the previous two audit reports have not been addressed, specifically;

- There are still instances of non-compliance with the Contract Procedure Rules;
- Business Cases are not always in place to support Consultancy engagements;
- There is still no evidence of skills transfer at the end of consultancy engagements.

2. Summary Findings:

Areas Managed Well	Areas for Further Improvement
<ul style="list-style-type: none"> ▪ There is evidence that the higher profile, large spend consultancy contracts have been well managed. ▪ All consultancy spend is appropriately authorised through the P2P system. ▪ The Consultancy Procurement Planning database includes Business Case templates to support consultancy engagements. ▪ Business Cases are in place to support some of the consultancy appointments reviewed. ▪ The Contract Procedure Rules have been complied with for some of the consultancy appointments reviewed. ▪ Chief Officers are confident that the sample of consultancy engagements reviewed provide value for money. 	<ul style="list-style-type: none"> ▪ It is not clear where overall responsibility lies for the control and management of consultancy spend. ▪ Contract Procedure Rules have not been complied with for 6 of the 10 consultancy engagements reviewed as part of the audit. ▪ One individual consultant has been awarded work totalling £160k over the last three financial years (covering 9 separate projects) for ‘project management’. We need to consider whether it would be more cost effective to directly employ a part time Project Manager to carry out this work. ▪ The employment status of long term consultants needs to be considered to ensure they do not meet the HMR&C definition of ‘disguised employees’. ▪ Consultancy costs on the general ledger do not include those consultancy costs which have gone through Matrix (e.g. consultancy costs associated with the SHARP project). ▪ There is currently no requirement for consultancy costs through Matrix to be supported by a business case. ▪ The extent of miscoding to the general ledger suggests that there may be confusion and inconsistency around the identification and coding of consultancy spend. ▪ There are no business cases in place to support 2 of the sample of 10 consultancy engagements reviewed as part of this audit, 2 of the remaining 8 engagements were supported by ‘informal’ business cases (verbal / email agreement). ▪ A number of business cases on the Consultancy Procurement Planning Database are brief, with limited reference to ‘skills and knowledge transfer’, and limited reference to the ‘specific expertise and skills required’ and the ‘budget / procurement route’. ▪ No evidence of formal monthly contract reviews for strategic, high value, high profile engagements (all contract monitoring has been informal).

3. Action Plan:

Priority	Description
High	Action is imperative to ensure that the objectives of the area under review are met.
Medium	Requires action to avoid exposure to significant risks in achieving the objectives of the area.
Low	Action encouraged to enhance control or improve operational efficiency.

No.	Findings and Implications	Agreed Action	Who	When
1	<p>It is not clear where overall responsibility lies for the control and management of consultancy spend.</p> <p>There is no officer or service area responsible for ensuring compliance with the procedures put in place in 2012 to ensure consultancy spend is robustly managed.</p>	<p>For the immediate future the Chief Executive will be responsible for driving tighter controls around consultancy spend.</p> <p>Spend of £25k and over will be authorised by the Chief Executive, spend under £25k will be authorised by the Chief Officer, Governance.</p> <p>A communication will be put together for the Chief Officer Team detailing the new controls and processes to be put in place around consultancy spend.</p>	Colin Everett	1 st January 2016
2	<p>There are four general ledger codes on Masterpiece against which consultancy costs are coded;</p> <ul style="list-style-type: none"> 423A: Retained consultants, e.g. advisor's to the pension fund. 423B: Retained for special projects, longer term. 423C: Consultants for specific purposes, e.g. consultants appointed to look at the voids process in Housing; Consultants appointed to advice on new technology. 423D: Consultants employed for specialist services such as training, e.g. social services trainers. <p>Consultancy spend on 'Matrix' is coded to detailed code 0968 (Agency Costs) and not to the consultancy ledger</p>	<p>The scope for system development within Matrix will be explored, with the aim of ensuring all non-agency staff costs are appropriately identified and coded.</p>	Arwel Staples	1 st February 2016

No.	Findings and Implications	Agreed Action	Who	When
	<p>codes. As such consultancy costs on the general ledger are understated.</p> <p>A review of a sample of 2014/15 Matrix invoices identified two consultancy appointments which are not reflected in the consultancy cost codes on the general ledger (both appointments are coded to Agency costs);</p> <ul style="list-style-type: none"> • Procurement Manager, SHARP project - Total spend April 2014 to Feb 2015 £118,715. • Project Manager, ICT – Total spend April 2014 to Feb 2015 £50,119. <p>It is probable that there is further consultancy spend through Matrix not picked up in the sample of invoices reviewed as part of this audit.</p>			
3	<p>Review of general ledger transactions between April 2014 and March 2015 show that ledger code 423D is the most widely used consultancy code, there are however a number of payments coded to 423D which are not true consultancy costs, (423D includes IT support; provision of occupational health services; traffic surveys; fork lift truck training; debt collection fees, etc.).</p> <p>The extent of miscoding to the ledger and the number of transactions going through each of the consultancy ledger codes suggests that there is confusion and inconsistency around the identification and coding of consultancy spend, and a more concise definition of consultancy spend may be required.</p> <p>In February 2013 Wales Audit Office (WAO) carried out a review into the use of consultants across the Welsh Public Sector (“The Procurement and Management of Consultancy Services”), and recommended that public bodies should agree and adopt a common definition of consultancy services, and align their categorisation and coding of consultancy services in their financial systems</p>	<p>The new consultancy definition will need to be mapped against the Procurement Classification (PC) codes to enable category management / appropriate authorisation hierarchies to be set up within the P2P system.</p> <p>Some system development may be required to enable the 2 stage category management processes to be implemented.</p>	Arwel Staples / Consultancy Project Group	29 th February 2016

No.	Findings and Implications	Agreed Action	Who	When
	<p>and procurement databases.</p> <p>The WAO review was followed by a Welsh Government Public Accounts Committee (PAC) hearing in September 2013 (Appendix C), which included a recommendation that “The Welsh Government works in collaboration with other public sector bodies to develop a common understanding and definition of consultancy services”.</p> <p>The Welsh Government response to the PAC recommendations states that 'a common understanding and definition of consultancy services will be developed by the Head of Category for Professional Services, National Procurement Service (NPS) and agreed with stakeholders from across the public sector by March 2014' (Appendix D).</p> <p>As part of this audit we met with the Head of Category for Professional Services NPS, to discuss the work carried out in response to the PAC recommendations, and to consider their definitions of consultancy spend.</p> <p>The definitions provided by the NPS were discussed with the Chief Executive, who did not consider they were appropriate for use within the Authority, and as such a definition was proposed by Internal Audit which is a hybrid of the NPS definitions and the FCC definitions. This definition has now been agreed with the Chief Officer Team (COT);</p> <p>“The provision of objective advice relating to strategy, structure or management. Consultancy is likely to include the identification of options with recommendations, and may also include assistance with the implementation of solutions;</p> <ul style="list-style-type: none"> Retained Consultant: Contract in place for the periodic provision of objective advice (e.g. advisors to the Pension Fund). 			

No.	Findings and Implications	Agreed Action	Who	When								
	<ul style="list-style-type: none"> Project Consultant: Work on defined and time limited strategic projects relating to strategy, structure or management (e.g. Consultants appointed to provide advice around Single Status or consultants appointed to look at processes)". <p>Using these definitions the bulk of FCCs 'consultancy' spend on our general ledger would actually be reclassified as payments for professional services allowing us clear sight of where our actual consultancy spend is incurred.</p>											
4	<p>It is difficult to reach an opinion on the extent to which consultancy costs are being contained due to the amount of miscoding to the general ledger, the lack of a concise definition of consultancy spend, and the difficulties in identifying and excluding consultancy costs which are fully or partially funded.</p> <p>As raw figures from the general ledger would not provide meaningful trend data, figures were obtained from the ledger of spend coded to consultancy codes 423A, 423B, 423C & 423D where the suppliers had been classified under Procurement Classification (PC) codes 12100 (Business & Management Consultants) and 61860 (Project Management Services).</p> <p>These figures have been used to provide indicative trend data only. It is recognised that there are other consultancy costs on the general ledger which would not fall within PC codes 12100 and 61860 (e.g. Treasury Management, Fleet Management, Planning Consultants, etc.).</p> <table border="1" data-bbox="286 1366 1034 1441"> <thead> <tr> <th data-bbox="286 1366 510 1412">Financial Year</th> <th data-bbox="510 1366 698 1441">12100 (Business &</th> <th data-bbox="698 1366 887 1441">61860 (Project</th> <th data-bbox="887 1366 1034 1441"></th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Financial Year	12100 (Business &	61860 (Project						<p>A joint communication will be issued to Finance Managers / Finance Officers and Budget Holders re the new consultancy definition and the new processes to be implemented around consultancy spend.</p> <p>Once the new consultancy definition has been introduced Finance will be responsible for monitoring posting to the general ledger code for accuracy, and liaising with budget holders to address miscoding.</p> <p>There will be no retrospective clean-up of the 15/16 ledger, with a report going to Audit Committee (Jan 2016) explaining that the 15/16 figures are 'unreliable' and explaining the new processes to be implemented to address the audit findings.</p>	Sara Dulson / Consultancy Project Group	29 th February 2016
Financial Year	12100 (Business &	61860 (Project										

No.	Findings and Implications			Agreed Action	Who	When	
		Management Consultants)	Management Services)	Total			
	12/13	£297,392	£9,272	£306,664			
	13/14	£455,985	-	£455,985			
	14/15	£332,232	£101,218	£433,450			
5	<p>Based on spend under PC codes 12100 and 61860 only, the data shows an increase in consultancy spend since 2012/13, with a peak in 2013/14, however without detailed information re the extent of 'funded' costs it is not possible to reach a conclusion as to the effectiveness of the processes in place for containing consultancy spend.</p> <p>It is clear however that at a time of unprecedented cuts to funding there should be robust challenge of all consultancy engagements, with robust business cases in place, exit strategies to ensure the appropriate transfer of skills at the end of engagements and clear evidence that the market has been tested and value for money has been achieved in the procurement process.</p> <p>Robust data should be in place around consultancy costs to enable trends in spend to be identified and appropriately managed. This has been raised as an issue in the previous two audit reports.</p> <p>In June 2012 an interim procedure was introduced which required the appointment of all consultants (excluding those appointed through Matrix) to be recorded on the Consultancy Procurement Planning Database.</p> <p>The interim procedure (which is documented within the Consultancy Procurement Planning Database) is copied</p>			<p>Going forward the Consultancy Procurement Planning Database will no longer be used.</p> <p>Order originators will be required to attach a completed Business Case template to all P2P orders raised against suppliers with a consultancy procurement classification</p>	Kevin Patterson / Arwel Staples / Consultancy Project Group	29 th February 2016	

No.	Findings and Implications	Agreed Action	Who	When
	<p>at Appendix E.</p> <p>The database was set up to capture Business Cases to support the proposed appointment of consultants, together with the then Head of Service / Director approval of the appointment.</p> <p>General review of the database confirmed;</p> <ul style="list-style-type: none"> • The database stands alone, processes are not work flowed from the database to P2P or the general ledger, likewise there is no interface between the database and our other financial / procurement systems; • As the database is completed before the consultant is engaged, the database does not hold the name of the consultant or the actual value of the contract, as such it can be difficult to reconcile spend on the ledger to approved engagements on the database. • Whilst some of the engagement requests on the database are supported by detailed business cases (attachments to the database), others only contain a few lines of narrative outlining the work to be undertaken. • Generally the business cases are not robust. Whilst there is a requirement to include information regarding 'specific expertise & skills required, estimated length of engagement; outcomes & outputs expected; skills & knowledge transfer; budget & procurement route' in many cases this information is missing. • In a number of cases the 'Commissioning Officer' and the 'Head of Service' are the same person, as such the Head of Service is both submitting and approving Business Cases. • Only one new engagement was added to the 	<p>(PC) code.</p> <p>The Chief Officer / category manager responsible for authorising consultancy spend will be responsible for ensuring an authorised Business Case is in place.</p>		

No.	Findings and Implications	Agreed Action	Who	When
	<p>database in 2014/15.</p> <p>Based on the issues identified, the Consultancy Procurement Planning Database is not currently adding value to the consultancy appointment process.</p> <p>The database was initially set up as an interim measure awaiting the full implementation of P2P. Now that the P2P system has been fully rolled out (excluding schools and costing systems) there may be scope to implement additional controls around consultancy spend within the system.</p>			
6	<p>As stated in para 2, Consultants have been engaged through the Matrix Agency system as follows;</p> <ul style="list-style-type: none"> • Procurement Manager, SHARP project - Total spend April 2014 to Feb 2015 £118,715. • Project Manager, ICT – Total spend April 2014 to Feb 2015 £50,119. <p>There is no requirement for consultancy appointments through Matrix to be supported by an approved Business Case.</p> <p>This inconsistency in the application of controls may result in appointments being made which have not been approved by the relevant Chief Officer.</p>	<p>The communication to Chief Officers referred to in paragraph 1 will reiterate the requirement for Business Cases (or evidence of an equivalent level of consideration of the value of an engagement) to be in place to support all consultancy engagements, including those sourced through Matrix.</p>	Colin Everett	1 st January 2016
7	<p>A sample of consultancy engagements since 2012 was chosen to ensure each engagement could be supported by an approved business case.</p> <p>The sample covered five different consultants; one of the consultants had been awarded six separate pieces of work since 2012 and as such each piece of work was reviewed to ensure due process had been followed and there was an approved business case in place.</p> <p>It was confirmed that Business Cases were in place for</p>	<p>The new processes introduced as a result of this audit should ensure formal business cases (or evidence of an equivalent level of consideration of the value of an engagement) are in place to support all consultancy engagements.</p>	n/a	n/a

No.	Findings and Implications	Agreed Action	Who	When
	<p>five of the sample of ten engagements, three further engagements within the sample did not require a Business Case as in two instances the consultant was appointed pre June 2012, and the third instance the appointment was made through Matrix.</p> <p>Of the five Business Cases in place two were fully approved on the Consultancy Procurement Planning Database, one was on the database but had not been fully approved, and two were supported by 'informal business cases', i.e. verbal / email discussion / approval of engagement.</p> <p>Two engagements in the sample were not supported by Business Cases.</p> <p>The Chief Executive considers that business cases are the 'lynchpin' which ensures the appropriate management of consultancy spend, and as such there should be business cases of some type in place for all consultancy spend, and these business cases should be appropriately authorised.</p>			
8	<p>The three business cases on the Consultancy Procurement Planning Database referred to in point 7 were reviewed, with a view to assessing robustness.</p> <p>In each case the content within the business case was brief, and the template had not been fully completed (no references have been made to 'skills and knowledge transfer', and there is limited reference to the 'specific expertise and skills required' and the 'budget / procurement route).</p> <p>As part of their tool box for the management of consultancy spend the National Procurement Service have developed a Business Case template (Appendix F) which seeks to bring together all the information required to effectively authorise and manage an engagement in</p>	<p>The Business Case template proposed by Internal Audit will be used going forward (recognising that the document may need to be amended to ensure it remains fit for purpose).</p>	Colin Everett	1 st January 2016

No.	Findings and Implications	Agreed Action	Who	When
	<p>one document. In addition to the information captured in our existing business case template, the NPS template also captures 'measures of success' (identified at the planning stage), 'resource requirements', 'key benefits to be delivered', 'exit strategy', risks associated with the engagement and key measures for effective contract management.</p> <p>The NPS Business Case template was discussed with the Chief Executive who considered it was not appropriate for use within the Authority, as such a template was drafted by Internal Audit which is a hybrid of the NPS template and the Business Case Template on the Consultancy Procurement Planning Database (Appendix H).</p>			
9	<p>The sample of ten consultancy engagements (used for detailed testing) were reviewed to ensure each engagement complied with the Authority's Contract Procedure Rules.</p> <p>The Contract Procedure Rules had not been complied with for six of the engagements in the sample (6 engagements relating to the same firm of consultants).</p> <p>In each case the Service Manager / Chief Officer stated that the Contract Procedure Rules had not been applied as the consultant had extensive experience within the Authority, was charging a competitive day rate, and came with recommendations from other Chief Officers. No exemptions from tendering were claimed.</p> <p>The Contract Procedure Rules state that value for money should be demonstrated for all contracts less than £10,000. For contracts between £10,001 and £25,000 a minimum of three tenders must be invited, and for contracts between £25,001 and the OJEU limit a minimum of four tenders should be invited which must be sourced through public advertisement via the National</p>	<p>The new processes introduced as a result of this audit should ensure tighter controls around consultancy spend.</p> <p>The proposed procurement route for each consultancy engagement will be identified in the Business Case which will be authorised by the Chief Officer, Governance (or by the Chief Executive if the estimated cost of the engagement exceeds £25k).</p> <p>Chief Officers will be reminded that there must be transparency around the appointment of all consultants.</p>	Colin Everett	1 st January 2016

No.	Findings and Implications	Agreed Action	Who	When
	Procurement Website.			
10	<p>In addition to the issue around failure to comply with the Contract Procedure Rules (point 9) there is also the risk that if contracts are repeatedly awarded to the same consultant, and the contracts constitute a large part of the consultants' workload over a sustained period of time, HM Revenue & Customs may question the consultants' employment status.</p> <p>HM Revenue & Customs may view a consultant as a "disguised employee" being paid through a Ltd Co to avoid the payment of income tax.</p>	See Agreed Action at point 9.	n/a	n/a
11	<p>Review of the general ledger and the P2P system confirmed that one consultancy firm had been awarded consultancy work totalling circa £160k over the three financial years from 2012/13 to 2014/15 for project management work across a number of different projects.</p> <p>We need to consider whether efficiency savings could be achieved through the direct employment of a part or full time Project Manager in place of the consultant.</p>	<p>Chief Officers will be asked to identify all significant consultancy appointments within their service areas and review the progress of each project against the scope of the work agreed at the start of each project.</p> <p>Reviews need to take place around value, timescales, cost, etc.</p> <p>Going forward the completion of Business Plans will ensure alternatives to the appointment of a consultant are adequately considered. These are reported through Programme Boards.</p>	Colin Everett	1 st January 2016
12	<p>Paragraph 38 of the Contract Procedure Rules states that "all contracts which are strategically critical and / or high risk and / or high value and / or high profile as determined by the relevant Head of Service within their own service area, are to be subject to a minimum monthly formal contract review with the contractor."</p> <p>Of the sample of ten consultancy engagements selected for detailed testing, there are possibly two which would fall within paragraph 30 of the CPR's in that they could</p>	<p>Contract monitoring requirements will need to be identified in the Business Case completed prior to the engagement of the consultant.</p> <p>Contract monitoring will also be picked up as part of the 'post assignment review' which will be work flowed through the Proactis contract management module.</p>	Colin Everett	1 st January 2016

No.	Findings and Implications	Agreed Action	Who	When
	<p>be defined as ‘strategically critical’ or ‘high profile’ as follows;</p> <ul style="list-style-type: none"> • Senior Management Restructure; • Single Status Project Management. <p>There is no evidence of ‘formal’ monthly contract reviews for either of these engagements, all contract monitoring has been informal (discussions re fee billing, work requirements, quality of output, scope delivery, monitoring of spend and informal monitoring of progress as part of the invoice approval process, etc.).</p> <p>As part of their tool box for the management of consultancy spend the National Procurement Service (NPS) have developed a Post Assignment Review template (Appendix G) which provides a minimum set of considerations for gathering “lessons learned” from each consultancy engagement. The template is considered to be an important part of the due diligence and is designed to be completed with a view to the original Business Case.</p>			
13	<p>Paragraph 39 of the Contract Procedure Rules states that “all contractors shall be subject to regular contract performance reviews, through feedback received from external and internal stakeholders. If practical, a performance review shall be undertaken at the end of each completed contract / job”.</p> <p>Discussions with commissioning managers confirmed that informal contract reviews are being carried out (ongoing discussions re progress, timetabling, quality of delivery, etc.) but these are not formally documented. For some projects regular updates have also been provided to the Chief Executive and Members.</p> <p>Performance reviews have not been carried out at the end of consultancy engagements to identify areas in</p>	See Agreed Action at point 12.	n/a	n/a

No.	Findings and Implications	Agreed Action	Who	When
	<p>which the engagement has been successful and areas in which it was less successful. This type of review may be useful in informing future procurement exercises, and future contract monitoring.</p>			
14	<p>Category management has been introduced within the P2P system to control some costs. Each supplier on P2P has been allocated a procurement classification (PC code) and all proposed spend within certain PC codes must be pre-authorised by the designated category manager.</p> <p>There is no category management in place around spend on Business and Management Consultants (PC code 12100). A category manager was in place between January 2014 and October 2014 but the post was not reallocated on the retirement of the post holder.</p> <p>If robust business cases are in place to support consultancy engagements there is limited value added by requiring the pre authorisation of all consultancy spend, however if consultants continue to be engaged without business cases category management would provide an additional layer of control to ensure senior management are aware of spend.</p>	<p>Going forward all consultancy purchase orders entered onto the P2P system will be authorised by the Chief Officer, Governance (as category manager).</p> <p>Orders will only be authorised if supported by a robust Business Case.</p> <p>All orders in excess of £25k will be authorised by the Chief Executive.</p>	Colin Everett	1 st January 2016

4. Additional Audit Comments:

The purpose of this section is to inform Managers of those areas where:

- A finding has been discussed but which has not been included within the overall audit opinion.
- Value for money has been considered and areas of opportunity for further improvement have been identified.

No.	VFM Findings / Suggestions	Management Comment
Value for Money:		
1	<p>On the adoption of the new definition of consultancy spend we need to be mindful that robust controls remain in place around the engagement of ‘Specialist Contractors’ and other professional services to ensure this spend is appropriately managed.</p>	<p>It is recognised that professional fees, etc. will increase as a result of the implementation of the new consultancy cost definition.</p>
2	<p>Any amended definition of consultancy costs and changes to the General Ledger coding structure needs to allow for the clear identification of those consultancy costs which are fully or partially funded from outside the Authority (e.g. costs funded through external grants, costs met through regional partnerships, contributions from other Local Authorities, etc.). This would allow us to clearly identify our consultancy spend as a Local Authority, and going forward allow us to identify trends in spend and manage them appropriately.</p> <p>The existing general ledger coding structure does not allow for the easy identification of funded costs (this could be determined from a review of the cost centre codes for each transaction on the ledger, but would be a time consuming task).</p>	<p>This is something which is being looked at by Corporate Finance but is actually quite problematic.</p> <p>A ‘Practitioners Group’ is in the process of being put together to look at the use of separate codes within the ledger for accounting for grants, and the outcomes of this group will also apply to funded consultancy costs.</p>

Suggestion:

3 The Contract Procedure Rules state that ‘the engagement of consultants must be approved in the first instance by relevant Head of Service / Director and such approval shall be recorded on the Corporate Register of Consultants that may be in place centrally’.

The Contract Procedure Rules should be updated to reflect any decisions made around continuing use of the Consultancy Procurement Planning Database.

Accepted.

5. Distribution List:

Name	Title
Colin Everett	Chief Executive (Accountability Officer)
Helen Stappleton	Chief Officer (People & Resources)
Gareth Owens	Chief Officer (Governance)
Ian Budd	Chief Officer (Education & Youth)
Neil Ayling	Chief Officer (Social Services)
Claire Budden	Chief Officer (Community & Enterprise)
Steve Jones	Chief Officer (Streetscene & Transportation)
Andy Farrow	Chief Officer (Planning & Environment)
Neal Cockerton	Chief Officer (Organisational Change)
Ian Bancroft	Chief Officer (Organisational Change)
Arwel Staples	Strategic Procurement Manager
Kevin Patterson	Project Manager P2P
Gary Ferguson	Corporate Finance Manager
Sara Dulson	Finance Manager
Andy Argyle	Senior Procurement Officer
Lisa Price	Procurement Officer
Suzanne Rogers	Accountant

Audit Opinion:

The audit opinion is the level of assurance that Internal Audit can give to management and all other stakeholders on the adequacy and effectiveness of controls within the area audited. It is assessed following the completion of the audit and is based on the findings from the audit. Progress on the implementation of agreed actions will be monitored. Findings from **Some** or **Limited** assurance audits will be reported to the Audit Committee.

Assurance	Explanation
Green - Substantial	<p>Strong controls in place (all or most of the following)</p> <ul style="list-style-type: none"> ▪ Key controls exist and are applied consistently and effectively ▪ Objectives achieved in a pragmatic and cost effective manner ▪ Compliance with relevant regulations and procedures ▪ Assets safeguarded ▪ Information reliable <p>Impact: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.</p>
Amber Green – Reasonable	<p>Key Controls in place but some fine tuning required (one or more of the following)</p> <ul style="list-style-type: none"> ▪ Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact ▪ Some refinement or addition of controls would enhance the control environment ▪ Key objectives could be better achieved with some relatively minor adjustments <p>Impact: key controls generally operating effectively but there remains a potential risk of loss, fraud, impropriety or damage to reputation and / or failure to deliver organisational objectives.</p>
Amber Red – Some	<p>Significant improvement in control environment required (one or more of the following)</p> <ul style="list-style-type: none"> ▪ Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively ▪ Evidence of (or the potential for) financial / other loss ▪ Key management information exists but is unreliable ▪ System / process objectives are not being met, or are being met at an unnecessary cost or use of resources. <p>Impact: key controls are generally inadequate or ineffective and there is an increased probability of loss, fraud, impropriety, waste, damage to reputation and / or failure to deliver organisational objectives.</p>
Red – Limited	<p>Urgent system revision required (one or more of the following)</p> <ul style="list-style-type: none"> ▪ Key controls are absent or rarely applied ▪ Evidence of (or the potential for) significant financial / other losses ▪ Key management information does not exist ▪ System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources. <p>Impact: a lack of adequate or effective controls leading to a high probability of loss, fraud, impropriety, waste, damage to reputation and / or failure to deliver organisational objectives.</p>