

## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 21st November 2018
<b>Report Subject</b>	Use of Consultants
<b>Portfolio Holder</b>	Cabinet Member for Corporate Management & Assets
<b>Report Author</b>	Chief Executive
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

The Audit Committee Forward Work Programme includes an annual review of compliance with the processes in place to ensure effective management and control of expenditure on consultancy.

This report considers compliance with processes and procedures around consultancy spend, and the accuracy of coding of consultancy spend on the general ledger.

### RECOMMENDATIONS

1	That the Committee be assured that expenditure on consultants is being controlled and the Council is achieving value for money.
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### REPORT DETAILS

<b>1.00</b>	<b>Background</b>
1.01	<p>A report on consultancy costs was presented to the Audit Committee in January 2016. At that time new processes for the authorisation and management of consultancy spend had been introduced. These processes included the completion of business cases for all consultancy engagements.</p> <p>A review of compliance with the new processes and procedures was undertaken in June / July 2016. A report was presented to the Committee meeting in July 2016 which found the new system had been effective in (a) identifying spend on consultants and (b) controlling the authorisation and monitoring of spend.</p>

	A report to Audit Committee in November 2017 confirmed continued compliance with processes and procedures and provided assurance that expenditure on consultants was being controlled.												
1.02	The Council's transformation programmes at corporate and service level are principally designed and implemented within our own resources with consultants engaged sparingly. The Council makes maximum use of its own internal resources, and seeks to develop internal capability, before turning to the engagement of external consultancy for expert advice and support.												
	<b>Controls around Consultancy Spend</b>												
1.03	<p>Prior to appointing a consultant a business case must be prepared assessing the need and specifying the requirements of the engagement.</p> <p>Business cases under £25k must be authorised by a Chief Officer, and proposed spend of £25k and above must also be approved by the Chief Executive. All consultants must be appointed in accordance with the Council's Contract Procedure Rules. Any significant amendments to order values (extensions to contracts, etc.) must be supported by an additional business case.</p> <p>A post assignment review is to be undertaken at the end of each consultancy engagement to show how the project objectives have been met and expected benefits have been achieved, and to identify skills and knowledge for transfer into the Council.</p> <p>The expenditure on the general ledger is reviewed on a quarterly basis to ensure that consultancy costs have been properly coded (see 1.06).</p> <p>A file of all authorised consultancy business cases is maintained to ensure compliance with the agreed processes and Contract Procedure Rules.</p> <p>Internal Audit carry out periodic reviews of consultancy spend to ensure the accuracy of figures on the general ledger and compliance with processes and procedures around consultancy spend.</p>												
	<b>Consultancy Business Cases 2017/18</b>												
1.04	<p><b>Table 1: Consultancy Business Cases approved in 2017/18</b></p> <table border="1"> <thead> <tr> <th>Consultant</th> <th>Local / Regional / National</th> <th>Project</th> <th>Value £</th> </tr> </thead> <tbody> <tr> <td>S P &amp; I Management</td> <td>R</td> <td>Mail Handling Review</td> <td>6,500</td> </tr> <tr> <td>Korn Ferry Hay Group</td> <td>N</td> <td>Senior Management Reward Review</td> <td>32,000</td> </tr> </tbody> </table> <p>Note 1: the above figures represent the total costs incurred and expenditure committed to date for consultancy engagements approved in 2017/18.</p>	Consultant	Local / Regional / National	Project	Value £	S P & I Management	R	Mail Handling Review	6,500	Korn Ferry Hay Group	N	Senior Management Reward Review	32,000
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1.05	<p>The November 2017 report to Audit Committee showed expenditure against consultancy engagements of £81,824 approved in 2016/17. The higher levels of consultancy spend in 2016/17 reflected the need for support with the development of the two alternative delivery models - Aura Leisure &amp; Libraries Ltd and NEWydd Cleaning &amp; Catering Ltd.</p>
	<p><b>Accuracy of Coding of Consultancy Spend</b></p>
1.06	<p>The Finance Team monitor consultancy spend on the general ledger on a quarterly basis to ensure spend has been correctly coded and is supported by an approved business case. Any anomalies are raised and resolved, with miscoded spend transferred to the correct code.</p> <p>In addition, expenditure is monitored by individual budget managers as part of the monthly revenue budget monitoring process - providing additional assurance around the accuracy of coding, and providing an opportunity for miscoding to be identified and corrected.</p> <p>Internal Audit have carried out a review of the quarterly monitoring processes undertaken by the Finance Team during 2017/18 and are satisfied these processes are robust and consultancy spend recorded on the general ledger is accurate.</p>
	<p><b>Compliance with Processes &amp; Procedures</b></p>
1.07	<p>Internal Audit have reviewed the database which holds the approved business cases supporting consultancy spend and are satisfied that appropriately approved business cases are in place for the few consultancy engagements entered into in 2017/18 and, where needed, additional business cases had been submitted for those engagements entered into in the previous financial year which have exceeded the agreed value on the initial case.</p> <p>Internal Audit recognise that the post assignment review sections of the consultancy business cases have not yet been completed for either of the 2017/18 consultancy engagements as these projects are still ongoing. Once these projects come to an end a post assignment review will be undertaken to ensure appropriate consideration of value for money, consultant performance and skills transfer. It was confirmed that the post assignment review sections of consultancy business cases have been completed for all consultancy engagements entered into in 16/17 which have now come to an end.</p>
	<p><b>Consideration of Value for Money</b></p>
1.08	<p>Only one consultancy engagement in 2017/18 is budgeted to exceed £25,000 in value (Korn Ferry Hay Group, Senior Management Reward Review circa £30,000). The work is not yet complete.</p> <p>The consideration of value for money is a judgement made by weighing up whether a competitive price for the work was obtained from the procurement, whether the consultancy project was completed on time and within budget, and whether the Council achieved its organisational objectives by engaging the consultant.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Consultancies are funded through one of several sources and all spend on consultants is subject to Procurement Rules, and Finance Procedure Rules.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Chief Officers, the Corporate Finance Manager and the Internal Audit Manager have been consulted in the preparation of this report.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	The risk of excessive expenditure when employing consultants is being managed through the controls already mentioned in 2.01 and through the exercise of careful business planning.

<b>5.00</b>	<b>APPENDICES</b>
5.01	None

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	Background papers held by the Corporate Finance Manager and the Internal Audit Manager.  <b>Contact Officer:</b> Colin Everett <b>Telephone:</b> 01352 702101 <b>E-mail:</b> <a href="mailto:chief_executive@flintshire.gov.uk">chief_executive@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>Consultancy:</b> The provision of objective advice relating to strategy, structure or management.