

## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 22 November 2017
<b>Report Subject</b>	Use of Consultants
<b>Cabinet Member</b>	Leader of the Council
<b>Report Author</b>	Chief Executive
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

Corporate Resources Overview & Scrutiny Committee received a report in July 2016 which demonstrated how value for money was being obtained from the small number of consultants being engaged at a value of £25,000 or more.

The Audit Committee Forward Work Programme includes an annual review of compliance with the new processes in place to ensure effective management of consultancy spend.

This report considers compliance with processes and procedures around consultancy spend, and the accuracy of coding of consultancy spend on the general ledger, as passed issues reported to Committee. It also provides an evaluation of the work, value and impact obtained from the small number of consultants being engaged at a value of £25,000 or more in 2016/17.

### RECOMMENDATIONS

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

## **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, based on the completion of business cases for all consultancy engagements.</p> <p>A review of compliance with the new processes and procedures was undertaken in mid-2016. A report was presented to the Committee in July 2016 which demonstrated the new system had been effective in identifying spend on consultants and ensuring the authorisation and monitoring of spend.</p>
1.02	<p>The Council's transformation programmes at corporate and service level are principally designed and implemented within our own resources with consultants engaged sparingly.</p>
<b>1.03</b>	<b>Controls around Consultancy Spend</b>
1.04	<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, 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 must 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 learning for adoption within the Council.</p> <p>The spend on the general ledger is reviewed on a quarterly basis to ensure consultancy costs have been appropriately coded (see 5.01).</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>1.05</b>	<b>Consultancy Business Cases 2016/17</b>															
1.06	<p><b>Table 1: Consultancy Business Cases approved in 2016/17</b></p> <table border="1"> <thead> <tr> <th><b>Consultant</b></th> <th><b>Project</b></th> <th><b>Value £</b></th> </tr> </thead> <tbody> <tr> <td>Deloitte</td> <td>Review of Fees &amp; Charges</td> <td>£40,744.00</td> </tr> <tr> <td>Integra</td> <td>Masterpiece Migration / ADM</td> <td>£21,250.00</td> </tr> <tr> <td>Yewbarrow Ltd</td> <td>P2P ADM/ Orgs</td> <td>£19,800.00</td> </tr> <tr> <td><b>Total</b></td> <td></td> <td><b>£81,824.00</b></td> </tr> </tbody> </table> <p>Footnote 1: the above figures represent the total costs incurred and expenditure committed to date for consultancy engagements approved in 2016/17.</p>	<b>Consultant</b>	<b>Project</b>	<b>Value £</b>	Deloitte	Review of Fees & Charges	£40,744.00	Integra	Masterpiece Migration / ADM	£21,250.00	Yewbarrow Ltd	P2P ADM/ Orgs	£19,800.00	<b>Total</b>		<b>£81,824.00</b>
<b>Consultant</b>	<b>Project</b>	<b>Value £</b>														
Deloitte	Review of Fees & Charges	£40,744.00														
Integra	Masterpiece Migration / ADM	£21,250.00														
Yewbarrow Ltd	P2P ADM/ Orgs	£19,800.00														
<b>Total</b>		<b>£81,824.00</b>														
1.07	<p>The July 2016 report to the Corporate Resources Overview &amp; Scrutiny Committee showed spend against consultancy engagements approved in 2015/16 of £484,522.</p> <p>The higher levels of consultancy spend in 2015/16 reflected the external support required to assist the Council through a period of major and intensive organisational change. A number of the Council's transformation programmes have now come to an end with a lower level of demand for consultants in 2016/17 as a result.</p>															
<b>1.08</b>	<b>'Live' consultancy engagements 2017/18</b>															
1.09	There is currently one 'live' piece of new consultancy work within the People and Resources portfolio area (Service Manager Reward Review) at an estimated cost of £30 - £35k, the business being for the review and maintenance of the pay and grading structure with external and independent advice.															
<b>1.10</b>	<b>Accuracy of Coding of Consultancy Spend</b>															
1.11	<p>The Finance Team monitor consultancy spend on the general ledger on a quarterly basis to ensure spend has been appropriately coded and is supported by an approved Business Case. All anomalies are raised and resolved with the service, with miscoded spend transferred to the appropriate general ledger code as required.</p> <p>In addition, expenditure is monitored by both individual budget managers as part of the monthly revenue budget monitoring process, providing additional assurance around the accuracy of coding and 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 Finance during 2016/17 and are satisfied these processes are robust and consultancy spend recorded on the general ledger is accurate.</p>															

<b>1.12</b>	<b>Compliance with Processes &amp; Procedures</b>												
1.13	<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 2016/17 and, where needed additional business cases had been submitted for those engagements which have exceeded the agreed value on the initial case.</p> <p>Internal Audit also confirm that the post assignment review sections of consultancy business cases have been completed for all 2016/17 consultancy engagements which have come to an end ensuring appropriate consideration of value for money, consultant performance and skills transfer at the end of the engagement.</p>												
<b>1.14</b>	<b>Consideration of Value for Money</b>												
1.15	<p>Only one consultancy engagement in 2016/17 exceeded £25,000 in value. The consideration of whether value for money has been achieved 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> <p>The following table provides a value for money judgement for the one engagement which exceeds £25,000.</p> <table border="1" data-bbox="300 1115 1353 2094"> <thead> <tr> <th colspan="3" data-bbox="300 1115 1353 1155"><b>Value for Money</b></th> </tr> <tr> <th data-bbox="300 1155 651 1294"><b>Consultancy /Purpose</b></th> <th data-bbox="651 1155 1002 1294"><b>Procurement Process</b></th> <th data-bbox="1002 1155 1353 1294"><b>Achievement of Objectives</b></th> </tr> <tr> <td data-bbox="300 1294 651 2094"></td> <th data-bbox="651 1294 1002 1335"><b>Time &amp; Budget</b></th> <td data-bbox="1002 1294 1353 2094"></td> </tr> </thead> <tbody> <tr> <td data-bbox="300 1335 651 2094"> <p><b>Deloitte</b></p> <p>To provide specialist advice, support and independent challenge to review of the current methodology, fee rates for various services and the Councils income generation strategy.</p> </td> <td data-bbox="651 1335 1002 2094"> <p>Procured through a competitively tendered process using the Bloom framework contract (previously known as NEPRO).</p> <p>The consultant was procured to provide specialist advice, support and independent challenge to the Councils income generation and fees including ensuring full cost recovery.</p> <p>They conducted a review of the current methodology, fee rates for various services and the Councils income generation strategy and</p> </td> <td data-bbox="1002 1335 1353 2094"> <p>The intention of the commission was to review existing income generation and compare with other areas to maximise potential. This was achieved.</p> <p>The report identified potential shorter term income opportunities between £543k – £957k and longer term opportunities of £2,957k – £3,820k of income.</p> <p>An Income Generation Policy is now in place and a suite of fees and charges analysers are available to allow the council to benchmark performance against</p> </td> </tr> </tbody> </table>	<b>Value for Money</b>			<b>Consultancy /Purpose</b>	<b>Procurement Process</b>	<b>Achievement of Objectives</b>		<b>Time &amp; Budget</b>		<p><b>Deloitte</b></p> <p>To provide specialist advice, support and independent challenge to review of the current methodology, fee rates for various services and the Councils income generation strategy.</p>	<p>Procured through a competitively tendered process using the Bloom framework contract (previously known as NEPRO).</p> <p>The consultant was procured to provide specialist advice, support and independent challenge to the Councils income generation and fees including ensuring full cost recovery.</p> <p>They conducted a review of the current methodology, fee rates for various services and the Councils income generation strategy and</p>	<p>The intention of the commission was to review existing income generation and compare with other areas to maximise potential. This was achieved.</p> <p>The report identified potential shorter term income opportunities between £543k – £957k and longer term opportunities of £2,957k – £3,820k of income.</p> <p>An Income Generation Policy is now in place and a suite of fees and charges analysers are available to allow the council to benchmark performance against</p>
<b>Value for Money</b>													
<b>Consultancy /Purpose</b>	<b>Procurement Process</b>	<b>Achievement of Objectives</b>											
	<b>Time &amp; Budget</b>												
<p><b>Deloitte</b></p> <p>To provide specialist advice, support and independent challenge to review of the current methodology, fee rates for various services and the Councils income generation strategy.</p>	<p>Procured through a competitively tendered process using the Bloom framework contract (previously known as NEPRO).</p> <p>The consultant was procured to provide specialist advice, support and independent challenge to the Councils income generation and fees including ensuring full cost recovery.</p> <p>They conducted a review of the current methodology, fee rates for various services and the Councils income generation strategy and</p>	<p>The intention of the commission was to review existing income generation and compare with other areas to maximise potential. This was achieved.</p> <p>The report identified potential shorter term income opportunities between £543k – £957k and longer term opportunities of £2,957k – £3,820k of income.</p> <p>An Income Generation Policy is now in place and a suite of fees and charges analysers are available to allow the council to benchmark performance against</p>											

		<p>resulted in a report identifying areas where we can recover cost and maximise income generating opportunities.</p> <p>Contract was completed on time and within the agreed cost of £40,744.</p>	<p>other areas or identify areas for further development.</p> <p>All objectives were met and added value achieved through access to analysers for benchmarking. This work is contributing to the achievement of the efficiency programme and MTFS.</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	All 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	<p>Background papers held by the Corporate Finance Manager and the Internal Audit Manager.</p> <p><b>Contact Officer: Joanne Pierce</b>  <b>Telephone: 01352 702106</b>  <b>E-mail: <a href="mailto:joanne.pierce@flintshire.gov.uk">joanne.pierce@flintshire.gov.uk</a></b></p>

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