

Worcestershire County Council: Use of External Consultants

Risk and Assurance Services

“Providing assurance on the management of risks”

Report status	Final
Report date	30th November 2015
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Introduction

As part of the 2015/16 Internal Audit plan an audit of the use of external consultants was included, with the points of focus being:

- The County Council's Policy on the use of consultants;
- The approach to procuring consultancy services and the subsequent management and monitoring of arrangements put into place; and
- The extent to which the control weaknesses and non-compliance issues identified by the previous Internal Audit review have been addressed.

The Council's definition of a consultant is as follows:

"A consultant is a person (not an employee) agency or firm engaged for a limited period of time on a fee basis to carry out a specific task or tasks. A consultant provides subject matter expertise and/or experience to the Council either because it does not possess the skills or resources in-house or which requires an independent evaluation/assessment to be made.

This excludes, for example:

- (a) agency staff sourced through the Council's Corporate Contract.
- (b) routine services e.g. maintenance, cleaning and security.
- (c) professional services e.g. Architects, structural engineers, forensic archaeologists, specialist social care support, training etc."

The Council receives a considerable number of Freedom of Information requests from the press, public and Members relating to the use of consultants and the Council now

publishes information as a routine alongside the list of expenditure on the Council's website as part of the transparency agenda.

A number of non-compliance issues were highlighted in the previous Internal Audit review undertaken in 2013/14 and the Internal Audit Report was the subject of significant local media interest and discussions amongst Full Council.

Areas of Best Practice

- The County Council has very good, clear, documented and detailed processes within the Procurement Code specifically designed for the procurement of consultants. These include a form (C1A) which is designed to document appropriate details, including the rationale for engaging consultants and that appropriate approval is given. There is a requirement to complete this form for every consultancy engagement.
- Since the last Internal Audit review was conducted, the processes that need to be followed when engaging external consultants have been extensively publicised to managers, via news bulletins on the Intranet, emails from the Chief Executive, reminders at WLT meetings and a step by step guide is also provided on the procurement pages of the intranet.
- In the case of some of the consultancy contracts examined robust procurement processes had been followed and there were sound monitoring processes in place as regards the delivery of the consultancy work.
- The County Council continues to publish details of consultancy contracts on an annual basis as part of the transparency agenda. In addition, reports are taken to

the Senior Leadership Team on a six-monthly basis showing details of what consultants have been engaged.

Key Findings

Since the last Internal Audit review, the Council has made some revisions to the Procurement Code and the visibility and profile of guidance has been improved resulting in a strong control framework. However, there continues to be non-compliance with the processes laid down in the Procurement Code as regards the procurement of consultants, and management have indicated that this is not acceptable. The procedural framework is set by the Procurement Team but responsibility for following these procedures is the responsibility of managers throughout the organisation.

It should be noted that the samples reviewed as part of this audit relate to consultants appointed since the previous audit review was completed. However, this includes arrangements that were put into place prior to the last audit, but have been renewed on an annual basis.

Our key concerns are as follows:

- There remains some ambiguity over the Council's definition of consultancy and hence a lack of consistency in interpretation.
- C1A forms were completed in only four cases from our sample of fifteen and in those cases the form was completed retrospectively. The C1A is designed to document the rationale for engaging a consultant and to obtain the necessary authorisation.

- Cases were found where there was no record of consultancy engagements being approved at the required level.
- Instances were identified where competitive procurement processes had not been followed, contravening the Council's Contract Standing Orders and the Procurement Code and making it difficult to ascertain whether value for money had been obtained.
- Checks are not always conducted to ensure that appropriate insurance arrangements are in place.
- Checks are not always conducted to confirm the employment status of individual consultants before making payments, leaving the Council vulnerable to fines/penalties being imposed by HM Revenue & Customs.
- Consultancy engagements are not always specified in terms of clear, quantifiable and measurable outputs, as required by the Procurement Code.
- Instances were noted where written contracts were not in place for consultancy assignments.

Assurance Opinion and Conclusion

Control Framework	Weak				Limited
	Adequate			Moderate	
	Good		Substantial		●
	Strong	Full			
		Strong	Good	Adequate	Weak
Operation of controls					
Professional judgement is exercised by the Auditor when determining the opinion rating.					

Overall, the opinion is that controls provide **Limited Assurance** that risks are being managed. The control framework is good but the operation of controls is weak.

Appendix A – Findings & Action Plan

Explanation of Priority ratings:

Priority	Explanation
 Red	<p>Fundamental:</p> <p>Action that is considered imperative to ensure that the organisation is not exposed to high risks. Major adverse impact on achievement of organisation's objectives if not adequately addressed.</p>
 Amber	<p>Significant:</p> <p>Action that is considered necessary to avoid exposing the organisation to significant risks.</p>
 Green	<p>Merits Attention:</p> <p>Action that is considered desirable and should result in enhanced control or better value for money. Minimal adverse impact on achievement of the organisation's objectives if not adequately addressed.</p>
<p>These definitions are illustrative only and professional judgement is exercised when determining the priority rating of recommendations</p>	

	Risks and Implications	Finding	Recommended Action	Priority	Management Action
Compliance with the Procurement Code					
01	<p>Risks: Agreed processes may not be followed.</p> <p>Implications: Inappropriate appointments may be made.</p> <p>Value for money may not be obtained.</p> <p>Reputational damage.</p>	<p>From the audit review conducted, it is apparent that there continues to be a high level of non-compliance with the processes laid down in the Procurement Code. Examples of these instances are detailed within this Report. It is recognised that these processes have been highlighted in communications on the Intranet and in direct communications to staff from senior management, including the Chief Executive.</p>	<p>Management should consider other methods of communicating and enforcing the processes that need to be followed when engaging consultants to all staff. For example, consideration should be given to introducing some mandatory training and also including appropriate information as part of the induction process.</p>	 Red	<p>Action: The definition of Consultants will be updated as this seems to be the main contributing factor to non compliance. The Procurement Code is being revised and updated, alongside all of the Council's commissioning, procurement and contracting processes as part of the Council's new operating model. A communication and training plan for staff across the organisation will be put in place as part of this exercise.</p> <p>It is recognised within this report that the control framework is strong and compliance will now be forced through linking the ability to pay to completion of the appropriate forms.</p> <p>Responsibility: David Griffiths (Procurement Manager)</p> <p>Target Date: 31/12/15</p>
02	<p>Risks: Consultants may be engaged without appropriate authorisation.</p>	<p>The Procurement Code states that a "form C1A must be completed for each assignment and a copy passed to the Commercial Team." This form is intended to document</p>	<p>No consultancy contract should be agreed until a C1A form has been completed and approved at the appropriate level, as per the process described in the</p>		<p>Action: A process review is being undertaken with directorate Service Heads (Wider Leadership Team) and Finance. This has identified the</p>

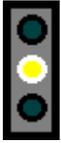
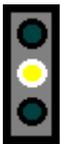
	Risks and Implications	Finding	Recommended Action	Priority	Management Action
	<p>A lack of protection afforded to staff engaging consultants.</p> <p>The rationale for engaging consultants is unclear.</p> <p>Financial commitments are not held in the budgetary records.</p> <p>Implications: A consultant may be engaged when it is inappropriate to do so.</p> <p>Staff engaging consultants could be placed in a vulnerable position.</p> <p>It is unclear why a consultant has been engaged and whether it was necessary to do so.</p> <p>Budgetary control is reduced.</p>	<p>why it was necessary to engage an external consultant as well as the cost of the assignment and to ensure that the consultancy engagement has been approved at the appropriate level.</p> <p>However, from a sample of fifteen consultancy assignments, in no cases had a C1A form been completed and approved in advance. In four cases, a C1A form had been completed, but not until after the consultancy work had already begun, or completed.</p> <p>Moreover, in eleven of the fifteen examined, the purchase order was raised following receipt of the consultants' invoice, so there was no documented record of approval in advance, either on a C1A form or an official purchase order.</p>	<p>Procurement Code.</p> <p>It is recognised that the Commercial Team has highlighted the need to follow this process on the staff intranet, however, further guidance should be directly communicated to ensure that managers are aware of the process that needs to be followed when engaging consultants.</p>	<p>Red</p>	<p>need for a process to be put in place which ensures that a C1A form is completed and signed appropriately (including Cabinet Member sign off where appropriate) with final sign off by the Commercial Team in advance of a Purchase Order being raised and invoice being paid i.e. no C1A, no Purchase Order, no payment. This will be implemented once the necessary finance systems and checks have been put in place.</p> <p>In the meantime, the Commercial Team is ensuring that any outstanding C1A forms are completed appropriately, and the appropriate forms have now been completed for all consultants within this sample.</p> <p>Responsibility: Jo Charles (Head of Commercial), Nick Hughes (Finance Manager) plus budget holders</p> <p>Target Date: 31/12/15</p>

	Risks and Implications	Finding	Recommended Action	Priority	Management Action
03	<p>Risks: Consultants may be engaged without appropriate authorisation.</p> <p>A lack of protection afforded to staff engaging consultants.</p> <p>The rationale for engaging consultants is unclear.</p> <p>Implications: A consultant may be engaged when it is inappropriate to do so.</p> <p>Staff engaging consultants could be placed in a vulnerable position.</p> <p>It is unclear why a consultant has been engaged and whether it was necessary to do so.</p>	<p>In one case within the sample where a C1A form had been completed the C1A form was approved in May 2015, however the work started in January 2015.</p> <p>In another case the form was completed in January 2013 but the work had started in 2010. Although renewed on an annual basis up until the present time further C1A forms have not been completed. It was also noted that the C1A completed was for £12,850, but the total spend as at 10th June 2015 was £157,740 and the work is ongoing. In the two other instances where a C1A form was completed, it was completed after the consultancy assignments had finished.</p>	<p>The C1A should also include details of the total cost of the engagement and this should not be exceeded. If further work is required, a new C1A form must be completed and approved.</p>	 Red	<p>Action: As above – processes to be tightened to ensure compliance: no C1A means no Purchase Order means no payment.</p> <p>Responsibility: Jo Charles & Nick Hughes plus budget holders</p> <p>Target Date: 31/12/15</p>
04	<p>Risks: Consultants may be engaged without appropriate authorisation.</p> <p>A lack of protection afforded to staff engaging consultants.</p>	<p>The Procurement Code requires the relevant Cabinet Member to be notified of consultancy contracts with a value of between £10,000 and £50,000 and if the contract is £50,000 or above, Cabinet Member approval is required.</p> <p>The initial value of one of the contracts reviewed was £36,810</p>	<p>Where the relevant Cabinet Member has to be notified, this should be done in writing and a record of the notification should be retained.</p>	 Red	<p>Action: As above – appropriate sign off of C1A will be required before payment can be made.</p> <p>Responsibility: Jo Charles & Nick Hughes plus budget holders</p>

	Risks and Implications	Finding	Recommended Action	Priority	Management Action
	<p>The rationale for engaging consultants is unclear.</p> <p>Implications: A consultant may be engaged when it is inappropriate to do so.</p> <p>Staff engaging consultants could be placed in a vulnerable position.</p> <p>It is unclear why a consultant has been engaged and whether it was necessary to do so.</p>	<p>and was for the period 01 April 2014 to 31 March 2015. However, this has since been extended, so the overall value will be greater than this. In this case the officer making the appointment stated that the Cabinet Member has not been notified. Other instances were noted where the relevant Cabinet Member had not been notified as well as instances where it is understood the cabinet member had been notified, but there was no record of this.</p> <p>Another consultancy engagement has been ongoing since 2010 and renewed on an annual basis and the spend to date is £157,740. However there is no record of this being approved by the Cabinet Member or the Head of Service and Director, and all three levels of approval are required for a contract of this value.</p>			<p>Target Date: 31/12/15</p>
05	<p>Risks: The Council could be placed in a vulnerable position should the procurement process be challenged.</p> <p>Implications: A challenge may not be able to be defended.</p>	<p>Two of the consultants in the sample reviewed were engaged after the work was advertised on the e-tendering portal. In each case, it is understood that tenders were initially evaluated and interviews with candidates subsequently took place. However, these records have not been retained and there is consequently no audit trail in place to support the process followed.</p> <p>In the case of another engagement,</p>	<p>Tender evaluation records should be retained for the period outlined in the County Council's Disposal Schedule.</p>	 Amber	<p>Action: Interim measures will be put in place to ensure compliance, pending implementation of an e-sourcing system which will enable the electronic storage of records for the appropriate timescales.</p> <p>Responsibility: David Griffiths (Procurement Manager) & all budget holders</p>

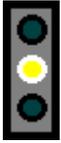
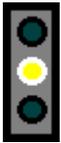
	Risks and Implications	Finding	Recommended Action	Priority	Management Action
		the contract was worth up to £100,000 and although it is understood that a robust and detailed procurement process was undertaken, the tender evaluation records have not been retained.			Target Date: 31/12/15
06	<p>Risk: The Council is unable to demonstrate that value for money has been obtained.</p> <p>Non-compliance with Contract Standing Orders and the Procurement Code.</p> <p>Implication: The contract may not provide value for money.</p> <p>Staff engaging consultants could be placed in a vulnerable position.</p> <p>The overall value of the work was unknown and the Council was not aware of the value of the financial commitment it was entering into.</p>	<p>Annex P of the Procurement Code, states "the selection process should include structured, and stretching interviews with the shortlisted consultants."</p> <p>A consultant was engaged to undertake an investigation into a grievance complaint. It was noted that no competitive procurement process was undertaken to appoint this consultant.</p> <p>Moreover, the payments were made based on an hourly rate plus travelling expenses rather than a pre-agreed fee to undertake the work.</p>	<p>A competitive procurement process should be undertaken in accordance with the County Council's procedures.</p> <p>In addition, wherever possible, a price should be agreed for consultancy engagements so that the County Council is aware of its financial commitment.</p>	 Amber	<p>Action: The C1A form already includes the need to document that a competitive procurement process has taken place. As above, processes will be tightened to ensure compliance: no C1A means no Purchase Order means no payment.</p> <p>Responsibility: David Griffiths & all budget holders</p> <p>Target Date: Immediately</p>

	Risks and Implications	Finding	Recommended Action	Priority	Management Action
07	<p>Risk: The Council is unable to demonstrate that value for money has been obtained.</p> <p>Non-compliance with Contract Standing Orders and the Procurement Code.</p> <p>The Council could be placed in a vulnerable position should any allegation be made over these arrangements.</p> <p>Implication: The contract may not provide value for money.</p> <p>Staff engaging consultants could be placed in a vulnerable position.</p> <p>The overall value of the work was unknown and the Council was not aware of the value of the financial commitment it was entering into.</p>	<p>A consultant was engaged in 2009 to undertake work on Supporting People. In 2010, this consultant was then engaged to undertake additional work on housing and supported living, and this remains ongoing. To date, the Council's spend with this consultant is £183,339, with £157,740 relating to the second piece of work.</p> <p>The following points were noted:</p> <ul style="list-style-type: none"> No competitive procurement process was undertaken as it is understood from the Lead Commissioner that the second piece of work was aligned to the first and the Procurement Manager agreed that it was acceptable to award the contract on this basis. However, there is no record of this agreement; The value of the contract would require the approval of the Cabinet Member, Director and Head of Service, but there is no record of this; and The second piece of work is approaching the level of the European Union Threshold (currently £172,514 for goods and services). 	<p>Where contracts are at the relevant European Union Thresholds, these must be advertised in the Official Journal of the European Union.</p> <p>The Council should consider ending this arrangement and undertaking an appropriate competitive procurement process, should such services continue to be required.</p>	 <p>Red</p>	<p>Action: Tender processes need to be followed by all budget holders as per the Council's Procurement Code. In addition, the reorganisation of the Commercial Team from 1st October 2015 (as part of the Council's new operating model) will provide additional commercial support to service managers and budget holders to ensure that appropriate methodologies are used to ensure value for money in all tendering exercises and contract awards. The Procurement Manager will increase monitoring of compliance to ensure that processes are followed.</p> <p>An appropriate procurement process is being undertaken in relation to the specific example identified.</p> <p>Responsibility: David Griffiths & all budget holders</p> <p>Target Date: Immediately</p>

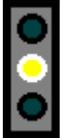
	Risks and Implications	Finding	Recommended Action	Priority	Management Action
08	<p>Risk: The Council is unable to demonstrate that value for money has been obtained.</p> <p>Non-compliance with Contract Standing Orders and the Procurement Code.</p> <p>The overall value of the work was unknown and the Council was not aware of the value of the financial commitment it was entering into.</p> <p>Implication: The contract may not provide value for money.</p> <p>Staff engaging consultants could be placed in a vulnerable position.</p> <p>The work could cost more than anticipated, meaning either the consultancy assignment may not be fully delivered or the budget may be overspent.</p>	<p>A consultant tendered for an estate strategy contract which they did not win. Subsequently the Council wanted to engage a consultant for a separate piece of work. The consultant who had unsuccessfully tendered for the estate strategy work was awarded the subsequent contract worth £20,712 based on the previous tender process rather than retendering the separate contract.</p>	<p>A separate tendering process should be undertaken for each contract awarded. Where appropriate, related pieces of work should be packaged and tendered together.</p>	 Amber	<p>Action: Tender processes need to be followed by all budget holders as per the Council's Procurement Code. In addition, the reorganisation of the Commercial Team from 1st October 2015 (as part of the Council's new operating model) will provide additional commercial support to service managers and budget holders to ensure that appropriate methodologies are used to ensure value for money in all tendering exercises and contract awards. The Procurement Manager will increase monitoring of compliance to ensure that processes are followed.</p> <p>Responsibility: David Griffiths & all budget holders</p> <p>Target Date: Immediately</p>
09	<p>Risk: Contracts could be awarded incorrectly.</p>	<p>The tender evaluation records for one of the contracts reviewed shows that scores were applied incorrectly and not in accordance with the evaluation model. The</p>	<p>An appropriate scoring methodology should be established and applied for the award of all contracts. The scoring methodology should</p>		<p>Action: Tender processes need to be followed by all budget holders as per the Council's Procurement Code.</p>

PROTECT - INTERNAL

	Risks and Implications	Finding	Recommended Action	Priority	Management Action
	<p>Implication: The Council could be placed in a vulnerable position should the process be challenged.</p>	<p>tenders were evaluated at 70% on quality and 30% on cost, however, the scores were miscalculated as the scores on cost were multiplied by 30, meaning the top 4 tenders scored between 137% and 140%. We were informed by the Contract Officer concerned that this would not have affected the award of the contract.</p>	<p>ensure that there is a clear rationale for scores awarded and the process is able to be justified in the event of a challenge. There should also be appropriate review arrangements regarding tender evaluation results.</p>	<p>Amber</p>	<p>In addition, the reorganisation of the Commercial Team from 1st October 2015 (as part of the Council's new operating model) will provide additional commercial support to service managers and budget holders to ensure that appropriate methodologies are used to ensure value for money in all tendering exercises and contract awards.</p> <p>Responsibility: Jo Charles, Commercial Team and budget holders</p> <p>Target Date: Immediately</p>
10	<p>Risk: Adequate insurance may not be in place.</p> <p>Implication: A lack of protection afforded to the Council.</p>	<p>Consultants are not covered by existing Council insurance arrangements and, as such, the Council needs to conduct checks to ensure that consultants hold adequate cover themselves.</p> <p>Checks are not always conducted to confirm that consultants hold appropriate insurance cover. From a sample of 15 contracts awarded, in 7 cases appropriate checks had not been conducted.</p>	<p>Appropriate Public Liability and/or Professional Indemnity should be verified before a consultant is engaged.</p> <p>The level and type of cover may vary depending on the nature of the services being provided, and therefore advice should be sought from the Insurance Officer.</p> <p>Where insurance policies expire part way through a consultancy contract, checks should be conducted to ensure that insurance policies are renewed.</p>	 <p>Amber</p>	<p>Action: Appropriate insurance needs to be evidenced as part of the C1A process; new procedures will be implemented to ensure no payment can be made without completion of the C1A and related documentation (see above).</p> <p>Responsibility: Jo Charles & Nick Hughes plus budget holders</p> <p>Target Date: 31/12/15</p>

	Risks and Implications	Finding	Recommended Action	Priority	Management Action
11	<p>Risk: Adequate insurance may not be in place.</p> <p>Confusion as to what level of cover is required.</p> <p>Implication: A lack of protection afforded to the Council.</p>	<p>For a consultancy contract awarded, the consultancy agreement states that the limit of professional indemnity required is not less than £1 million, however the consultant engaged is only covered to a limit of £100,000.</p>	<p>Once the appropriate level of insurance cover has been determined, this should be reflected as a requirement in the consultancy agreement and checks should be conducted to verify the required level of cover is held. Consultants that do not hold sufficient cover should not be appointed.</p>	 Amber	<p>Action: As above</p> <p>Responsibility: Jo Charles & Nick Hughes plus budget holders</p> <p>Target Date: 31/12/15</p>
12	<p>Risk: Consultants engaged may be deemed as employees by HM Revenue & Customs for tax and National Insurance purposes.</p> <p>Implication: Penalties could be imposed against the Council by HM Revenue & Customs.</p>	<p>From the sample of consultancy engagements examined, in each of the cases where an individual was engaged, no checks were conducted regarding their employment status. It was noted that in some cases, the individuals were paid by the hour as well as expenses and had access to WCC systems, including a WCC email account which are indicators of being an employee as per the WCC guidance.</p> <p>HMRC has clear guidance on this issue and has fined the County Council in the past for failing to meet standards in this area. In one case in the sample, an employee left the Council and following an attempt to recruit to the post, the individual was approached and invited to return as an external consultant to deliver the same</p>	<p>As stated in the Procurement Code, whenever a manager engages a consultant, they should determine whether the individual is self-employed or whether they are an employee/office holder based on the guidance made available. If there is any doubt with regard to the employment status of an individual, advice should be sought from the Human Resources Department.</p>	 Amber	<p>Action: The employment checklist will be incorporated into the C1A process (see above). The process will be further strengthened as payments will not be made if no C1A form has been completed.</p> <p>Responsibility: David Griffiths</p> <p>Target Date: 30/11/15</p>

	Risks and Implications	Finding	Recommended Action	Priority	Management Action
		services delivered as an employee, albeit on a more flexible basis.			
There are adequate monitoring arrangements in respect of the delivery of assignments.					
13	<p>Risks: Consultancy arrangements may not have been adequately monitored.</p> <p>It is difficult to verify payments against the delivery of consultancy assignments.</p> <p>Implications: The Council's requirements may not be met.</p> <p>Payments could be made inappropriately.</p>	<p>It is apparent from the sample of consultancy engagements examined that work is not always specified in terms of clear, quantifiable and measurable outputs and timescales to facilitate effective monitoring, as per the requirements of the Procurement Code.</p> <p>In particular, instances were noted where it was difficult to gauge what outputs had been delivered or what milestones had been achieved in order to confirm the appropriateness of paying supplier invoices.</p>	Work should be specified in terms of clear, quantifiable and measurable outputs and timescales to facilitate effective monitoring of performance and checking of invoices.	 Amber	<p>Action: It is the responsibility of budget holders to comply with the Council's Procurement Code and Standing Orders. However, the reorganisation of the Commercial Team from 1st October 2015 as part of the new Operating Model will enable the Commercial Team to provide additional support and advice to directorates in terms of ensuring best value for money from contract specifications.</p> <p>Responsibility: Commercial Team and budget holders</p> <p>Target Date: Immediately</p>
14	<p>Risks: The overall value of the work was unknown and the Council was not aware of the value of the financial commitment it was entering into.</p>	With regard to consultants, the Procurement Code states that "Ideally, the quotation or tender should be inclusive of all expenses – however, if this is not feasible, then expenses should be capped – either at a fixed sum, or as a fixed percentage of the total fee, so that	As stated in the Procurement Code, quotations or tenders should be inclusive of all expenses, or expenses should be capped at either a fixed sum or fixed percentage of the total fee.	 Amber	<p>Action: Individual terms for contracts will be finalised on a case by case basis in order to ensure value for money and minimise the risk of further cost exposure to the Council. The reorganisation of the Commercial Team from 1st</p>

	Risks and Implications	Finding	Recommended Action	Priority	Management Action
	<p>Implications: The work could cost more than anticipated, meaning either the consultancy assignment may not be fully delivered or the budget may be overspent.</p>	<p>the council is fully aware of the extent of its financial commitment." However, from the sample of fifteen consultancy engagements examined, in six cases, payments were made for travelling costs in addition to the consultancy fees. These include payments to an ex-employee who was engaged as a consultant and was paid for significant mileage and time of journeys to Worcestershire.</p>			<p>October 2015 will enable the team to provide advice and support to directorates as appropriate.</p> <p>Responsibility: Commercial Team and budget holders</p> <p>Target Date: Immediately</p>
15	<p>Risks: Information held by the Procurement team is incomplete.</p> <p>Implications: The overall use of consultants can't be monitored effectively.</p>	<p>Under the requirements of the Procurement Code, completed C1A forms should be sent to the Procurement Team for monitoring purposes. However, this is not always happening.</p> <p>It was also noted that no reconciliations take place between completed C1A forms and consultancy payments on SAP. These would highlight any instances where consultants have been engaged but a C1A form is not held by the Procurement Team as well as any instances where the total spend documented on a C1A form has been exceeded according to actual payments made on SAP.</p>	<p>Reconciliations between C1A forms and actual payments to consultants should periodically be undertaken.</p>	 Amber	<p>Action: Reconciliations are being carried out as part of the Procurement Management function within the Commercial Team and will be reported on a monthly basis.</p> <p>Responsibility: David Griffiths</p> <p>Target Date: Immediately</p>
16	<p>Risks: Not all appropriate information may be published.</p>	<p>A six-monthly spend report is produced and presented to the Senior Leadership Team. In addition, an annual report is produced and published on the</p>	<p>The Council's definition of consultancy should be reviewed and consistently applied.</p>		<p>Action: The interpretation of the definition of Consultants is the main contributing factor to non-compliance. A number of the expenditure items sampled</p>

PROTECT - INTERNAL

	Risks and Implications	Finding	Recommended Action	Priority	Management Action
	<p>Ambiguity over what should be included.</p> <p>Implications: Published information may be incomplete.</p> <p>Reputational damage to the Council.</p>	<p>Council's external website.</p> <p>In order to determine the final published list, work is undertaken in Accountancy with directorates to ensure that the published list excludes payments not meeting the Council's definition of consultants. It is apparent that there is some ambiguity regarding how some work is categorised and, in particular, some of the payments for "professional services" which are not classed as consultants under the Council's definition. The following points were noted from the sample and the 2014/15 SLT report:</p> <ul style="list-style-type: none"> • One engagement was coded as a consultant and included on the draft 2014/15 SLT report as a consultant, but was subsequently removed; • In three cases, the engagements had been included in the SLT report in previous years, but were removed from the latest 2014/15 report even though the services and definitions have not changed; • Some consultancy transactions included in the original audit sample as consultants were subsequently reclassified; and • A significant amount of work takes place in order to produce 		<p>Red</p>	<p>have subsequently been agreed as non-consultancy by the Senior Leadership Team. In order to ensure clarity moving forwards, the Commercial Team will lead a review of the definition of consultancy expenditure with a working group of Service Heads/Wider Leadership Team representatives. The Commercial Team and Procurement Manager will then communicate the agreed definition of consultancy expenditure to the organisation and monitor compliance, including ensuring correct coding of expenditure & appropriate monitoring by finance.</p> <p>Responsibility: Commercial Team and Nick Hughes plus budget holders</p> <p>Target Date: 31/12/15</p>

	Risks and Implications	Finding	Recommended Action	Priority	Management Action
		a final list of payments classed as consultancy under the Council's definitions.			
Contracts are in place and agreed by all parties.					
17	<p>Risks: The respective roles and responsibilities of each party may be unclear.</p> <p>The requirements of the consultancy assignment may be unclear.</p> <p>Implication: Disputes over the arrangement may prove difficult to resolve.</p>	<p>Within the sample of consultancy engagements examined, cases were noted where written contracts had not been drawn up detailing what was required and the responsibilities of the respective parties.</p>	<p>Contracts should be in place for all consultancy arrangements outlining the responsibilities of the respective parties.</p>	 <p>Amber</p>	<p>Tender and contracting processes to be followed as per the Council's Procurement Code and Standing Orders. In addition, the reorganisation of the Commercial Team from 1st October 2015 (as part of the Council's new operating model) will provide additional commercial support to service managers and budget holders to ensure that appropriate methodologies are used to ensure value for money in all tendering exercises and contract awards.</p> <p>Responsibility: Jo Charles, Commercial Team and budget holders</p> <p>Target Date: Immediately</p>
18	<p>Risk: The extension may not have been authorised.</p> <p>Implication: The extension may not be</p>	<p>One of the contracts reviewed was initially awarded for 6 months and after the initial 6 months was extended for a further 3 years and 6 months. Whilst a contract variation document was seen for this extension it was not signed. In</p>	<p>Contract variations, including extensions, should be authorised by an approved officer and this authorisation should be documented and retained. In addition, wherever possible contract specifications</p>	 <p>Amber</p>	<p>Action: As above</p> <p>Responsibility: Jo Charles, Commercial Team and budget holders</p>

	Risks and Implications	Finding	Recommended Action	Priority	Management Action
	appropriate.	seven cases from the sample of fifteen examined, expenditure had exceeded that agreed when the contract was originally awarded.	should include the full extent of the work so that the procurement process can incorporate the full requirements of the Council.		Target Date: Immediately
There are adequate controls in place regarding making payments to external consultants.					
19	<p>Risks: Commitments are not raised in the budgetary records.</p> <p>Consultancy engagements may not have been approved.</p> <p>Implications: Budgetary control is reduced.</p> <p>Consultancy engagements may not be appropriate</p>	From the sample of fifteen consultancy engagements examined, in eleven cases the corresponding purchase order was raised following receipt of the supplier invoice. Moreover, cases were noted where consultancy engagements resulted in a number of invoices being received and a purchase order was routinely raised upon the receipt of each invoice.	In all cases, once a consultancy contract has been awarded, an official purchase order should be raised for the overall value of the contract and approved by an authorised officer. Where appropriate, a framework order should be raised and approved.	 Amber	<p>Action: A process review is being undertaken with directorate Service Heads (Wider Leadership Team) and Finance. This has identified the need for a process to be put in place which ensures that a C1A form is completed and signed appropriately (including Cabinet Member sign off where appropriate) with final sign off by the Commercial Team in advance of a Purchase Order being raised and invoice being paid i.e. no C1A, no Purchase Order, no payment. This will be implemented once the necessary finance systems and checks have been put in place.</p> <p>In the meantime, the Commercial Team is ensuring that any outstanding C1A forms are completed appropriately.</p>

PROTECT - INTERNAL

	Risks and Implications	Finding	Recommended Action	Priority	Management Action
					<p>Responsibility: Jo Charles & Nick Hughes plus budget holders</p> <p>Target Date: 31/12/15</p>
<p>There are clear and appropriate methods for recording the use consultants, including expenditure payments.</p>					
20	<p>Risks: Payments to consultants may be coded incorrectly.</p> <p>Implications: Monitoring reports may be inaccurate or incomplete.</p>	<p>On SAP, three general ledger codes are used to record expenditure relating to the use of external consultants.</p> <ul style="list-style-type: none"> • 42206 Consultants fees AMP; • 50030 Consultants fees; and • 50076 Consultants service fees. <p>From discussions with the Project Accountant it is apparent that only general ledger code 50030 should be used.</p>	<p>The general ledger codes used should be reviewed to ensure that consultancy expenditure is consistently coded to and reported under the appropriate code(s).</p>	 <p>Green</p>	<p>Action: Finance to review general ledger codes for consultancy expenditure.</p> <p>Responsibility: Nick Hughes</p> <p>Target Date: 31/12/15</p>

Appendix B – Summary of detailed findings

1. The table below shows the results of audit tests on a sample of consultants that were agreed by the Senior Leadership Team as being consultants under the Council's definition:

Ref		Number compliant from sample
1	Procurement process in accordance with WCC's Procedures and records retained to support this	2/11
2	Insurance arrangements checked in advance	5/11
3	Insurance arrangements checked after start of consultancy engagement	1/6
4	Adequate checks made regarding employment status	0/5
5	C1A form completed	4/11
6	C1A form completed prior to the engagement of consultant	0/4
7	Record of relevant Cabinet Member notified	1/5
8	Record of relevant Cabinet Member approval given	0/2
9	The rationale for engaging the consultant was documented in advance in writing	3/11
10	The work is specified in terms of clear, quantifiable and measurable outputs and timescales to facilitate effective monitoring.	6/11
11	Prices are inclusive of all expenses.	7/11
12	Commitment raised in the financial records in advance and approved	4/11
13	Written contract in place	7/11
14	There are clear milestones in place that must be achieved to trigger payments	7/11
15	Included in SLT Report of 23/06/2015	10/11

Notes:

- Insurance:** Where this was checked in advance, it was unnecessary to check after the start of the consultancy engagement
- Employment Status:** This was only relevant where an individual was engaged as opposed to a limited company
- C1A form completed prior to engagement:** This is only relevant where one has been completed
- Cabinet Member approval/notification:** Approval is only required where the contract is over £50,000 in value. Where the contract value is between £10,000 and £50,000, there is a requirement to notify the relevant Cabinet Member.

2. The table below shows those consultants originally coded in the financial ledger as being consultants and therefore agreed as part of the audit sample and testing completed. However, because of issues with the definition their status subsequently needed to be changed.

Ref		Number compliant from sample
1	Procurement process in accordance with WCC's Procedures and records retained to support this	2/4
2	Insurance arrangements checked in advance	2/4
3	Insurance arrangements checked after start of consultancy engagement	0/2
4	Adequate checks made regarding employment status	1/3
5	C1A form completed	0/4
6	C1A form completed prior to the engagement of consultant	N/A
7	Record of relevant Cabinet Member notified	0/2
8	Record of relevant Cabinet Member approval given	0/1
9	The rationale for engaging the consultant was documented in advance in writing	2/4
10	The work is specified in terms of clear, quantifiable and measurable outputs and timescales to facilitate effective monitoring.	3/4
11	Prices are inclusive of all expenses.	2/4
12	Commitment raised in the financial records in advance and approved	0/4
13	Written contract in place	3/4
14	There are clear milestones in place that must be achieved to trigger payments	3/4
15	Included in SLT Report of 23/06/2015	1/4

Notes:

1. **Insurance:** Where this was checked in advance, it was unnecessary to check after the start of the consultancy engagement
2. **Employment Status:** This was only relevant where an individual was engaged as opposed to a limited company
3. **C1A form completed prior to engagement:** This is only relevant where one has been completed
4. **Cabinet Member approval/notification:** Approval is only required where the contract is over £50,000 in value. Where the contract value is between £10,000 and £50,000, there is a requirement to notify the relevant Cabinet Member.