



**Internal Audit Report
2015-2016**

Use of Consultants

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October 2015**

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Audit: Use of Consultants
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1 Introduction

- 1.1 The Internal Audit Plan for 2015-16 included a review on the Use of Consultants.
- 1.2 During 2012 and following a Freedom of Information request, an issue was raised regarding the incorrect coding of consultancy and professional services expenditure. This resulted in the Finance section sending a reminder all Assistant Directors, Accountants and Assistant Accountants of the codes to be used and a definition of what constitutes a consultant, this was:

‘Those who have been engaged to provide a service to the Council where the Council then decide what action to take on that advice. The consultation would normally result in the production of a report or project research papers etc.

A consultant advises but is not instrumental in carrying out the work (i.e. They may advise the Council it needs a new museum or swimming pool but they will have no part in the design or construction).’

- 1.3 The aim of this communication was to ensure that all future expenditure for consultancy be correctly identified and coded to 04E06. Previously this expenditure was all coded to 04E05 professional services.

During 2014-15 the council spent £136k on the consultants fees across a number of Services, this was against a budget of £56k, which resulted in a variance of £80k (141%).

2 Scope

- 2.1 The scope of this audit for 2015-16 was to establish the processes in place to ensure that:
- All expenditure coded to Consultancy is relevant
 - Procedures over the selection of Consultants are followed
 - Correct authorisation is obtained prior to engagement of Consultants
 - Advice given by Consultants is reviewed and fit for purpose
 - Decisions are made as a result of the consultants advice

3 Findings

- 3.1 A review of all the transactions coded to consultancy between, 1st April 2015 to the 31st August 2015, highlighted that a large amount of the £56k total spend for this period, related to professional services and not consultancy, this has led to a variance on this code of £21k. All staff responsible for coding expenditure should be mindful of the codes they are using to ensure that only consultancy expenditure is coded to 04E06. Budget managers are asked to review all expenditure under the consultancy code to date, in order to rectify any miscoding's for 2015-16
- 3.2 The outcome of this review triggered further examination of the previous year (2014-15), which also revealed that a majority of the expenditure appeared to have been miscoded to Consultancy (04E06) when it should have been coded to Professional Services (04E05). These miscoding's would certainly explain the variance during 2014-15 of £79.6k (141%), which had not been picked up at the year end because they were outside of the over/under tolerances.
- 3.3 Discussions with the Group Accountant following the results of these reviews, confirmed that expenditure has been miscoded despite the reminder and advice being given in 2012. It was agreed that further guidance/instruction is required to ensure that invoices are correctly coded and the Group Accountant (Revenue) has agreed to action this.
- 3.4 An invoice for £18k relating to consultants fees paid to CBRE Ltd was randomly selected by Internal Audit, so that a walkthrough of the processes in place could be undertaken. These consultants were engaged to complete an initial appraisal for the Enterprise Gateway project. This engagement was subject to a procurement process. Three companies were invited to tender but only one, CBRE Ltd returned their tender documents. Internal Audit found that the 'Tenders Received Form' had not been completed, signed or dated, by either the Estates or the Procurement Officer. Therefore the procurement process was not followed in accordance with the Council's Contract Standing Orders. Further discussions with Procurement Officer would suggest that the tender opening process was followed but the completion of the form overlooked.
- 3.5 Overall, Internal Audit found that all controls reviewed were operating as expected and CBRE Ltd met all the requests and requirements being made by the Council. In addition the Estates service able to demonstrate that the Principal Officer together with the project team, closely monitored and reviewed the appraisal report produced by CBRE Ltd to ensure that it met the brief and this appraisal was subsequently used to make decisions regarding the Enterprise Gateway project.



4 Conclusion

- 4.1 The focus and scope of this audit changed as a result of our initial review of the 2015-16 expenditure. Generally, there was only a very small amount of expenditure which actually related to consultancy, as most related to professional or legal services. Therefore our testing on the processes in place for the use of consultants was limited. From the random sample of payments made, only the one, which was used for the walkthrough, related to consultancy expenditure and this related to 2014-15.
- 4.2 That CBRE Ltd were paid consultants and they delivered their brief in accordance with all requests made of them. However, the procurement process was not strictly adhered to and this led to a breach in the Council's Contract Standing Orders.


5 Recommendations

- 5.1 There is one significant and two important recommendations to be made relating to the Use of Consultants, these are:
- The procurement process regarding the completion of procurement documentation is followed.
 - Budget Managers must be aware of the need to code expenditure correctly, especially when it comes to Consultants and Professional costs.
 - Expenditure is reviewed for 2015-16 and any expenditure incorrectly coded must be corrected.
- 5.2 An Action Table has been produced, see Appendix 1. In order to prioritise actions required, a traffic light indicator has been used to identify issues raised as follows:
- Red – Significant issues to be addressed
- Amber – Important issues to be addressed
- Green – Minor or no issues to be addressed

6 Action Plan – Appendix 1

Paragraph Ref	Recommendation	Officer	Priority	Agreed?	Comments	Implementation Date
3.1	Expenditure relating to Consultancy fees for 2015-16 to date, is reviewed and any miscoding's corrected.	Group Accountant to request this of Budget Managers	 Important	Yes	A request is being made, that as part of the quarter 2 monitoring work, all budget managers should review any expenditure transactions on detail code 04E06 for Consultancy against the definition provided above, and correct any miscoding for 2015-16 only using the recode facility offered within CIVICA Financials.	October 2015
3.3	All staff are reminded of the importance to code invoices correctly, especially those relating to consultants and professional fees	Group Accountant to issue reminder	 Important	Yes	A reminder had been drafted and sent out to remind all relevant staff of the importance to code invoices correctly to consultancy.	October 2015

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3.4	Procurement procedures must be followed in accordance with the Council's Contract Standing orders and all documentation completed accordingly.	Procurement Officer	 Significant	Yes	Although 80% of tenders over £50k are already recorded electronically, going forward all contract opportunities over £50,000, where a formal tender is required (<i>and Procurement are involved/aware</i>) will be handled electronically via the Council's e - tendering platform. This will then render a hard copy Tender Receipt Form redundant. Furthermore, this will also make the tender audit trail much easier to follow/evidence.	January 2016
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