

USE OF CONSULTANTS



VALUE FOR MONEY REPORT

FINAL V2.0

(Incorporating Management Responses received subsequent to version 1.0)





DATE	September 2006
AUDIT REF:	V42

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EXECUTIVE SUMMARY & OVERALL AUDIT OPINION

The 2005/2006 Value For Money (VFM) audit of "Use of Consultants" reviewed the adequacy of how well St Helena Government (SHG) manages the risks to ensure consultants are hired with value for money.

St Helena Government hires consultants to either supplement staff expertise or fill a resource gap due to limited time and staffing.

In Value For Money context the "Use of Consultants" is thought of in lines of; are the inputs; economical, the processes; efficient and the outputs produced effective.

Based upon the work undertaken and the findings detailed in the body of this report, our overall audit opinion is shown below. The range of the possible audit opinions is 'Good', 'Adequate' and 'Inadequate'. Definitions of these opinions are provided at Appendix B to the main report.

USE OF CONSULTANTS

ADEQUATE

Management arrangements are generally conducive to achieving Value For Money – but further important enhancements could be made.

The framework established by St Helena Government for their use of Consultants is of a high standard; there is a well worn path of ensuring St Helena Government approves of a project, there are justifications of procuring consultancies and the majority of the departments are involved in ensuring they receive the best candidate for the job. The consultants typically work along side of the departments and therefore provide feedback on how the project is progressing. The majority of the recommendations that are made are of good standards to ensure St Helena Government will improve the Island's economy and outlook.

All recommendations are intended to improve the framework for achieving Value For Money. This is incorporated within Section 4 of this report.

The recommendations include;

- All documentation to justify action taken when procuring consultants should be retained.
- Contract Regulations should make clear their scope is limited to SHG recurrent budget to avoid any misunderstanding that the Technical Co-operation Scheme should adhere to their requirements.
- It should be a requirement of Contract Regulations that any planned recruitment of consultants is discussed and agreed with the Personnel Department
- Milestone and success criteria should specify in detail what the consultant is required to undertake and give the desired format of presenting the final output.
- An agreed implementation plan should be produced as part of, or within a month of, the publication of all final reports to make clear the intended way forward and anticipated timescales.

Management has agreed a total of 4 recommendations (1 of which have been classified as high priority). 1 recommendation was not agreed, 'Contract Regulations should make clear their scope is limited to SHG recurrent budget...' as Management felt 2.1 (c) of the Contract Regulations covers the issue of Contract Regulation compliance.

Whilst implementation of recommendations is the responsibility of management, progress on recommendations made will be monitored and reported on by the Audit Service on an annual basis.

1. INTRODUCTION

1.1 The "Use of Consultants" audit review formed part of the 'Value For Money' work programme agreed with Executive Council in 2005 and now serves to inform the public, St Helena Government Management and the Public Accounts Committee.



1.2 Consultants are used mostly on short term, well defined contracts related to a specific and predetermined project activity and are identified by resource constraints such as time, staffing and expertise.

1.3 The frequent recent use of consultants within St Helena Government can be attributed to a drive to help reverse the decline of the Island's economy and population. The public sector is currently experiencing shortage in staffing and expertise in specific areas.

1.4 The importance of how St Helena Government uses consultants in the 'Value For Money' context is identified directly in line with the three 'E's' of Value For Money; economy, efficiency and effectiveness; ie:

- Was the best candidate chosen?
- Did they work diligently to the terms of reference? and
- Was the output from the consultant delivered?

1.5 Copies of this report have been provided to the Chief Secretary, Financial Secretary and Chief Personnel Officer. They will also be made available to the general public through their availability to visitors to

our offices, the public library and through publication on our web-site at www.audit.gov.sh. Executive summaries will be provided to the Audit Committee and the Public Accounts Committee.

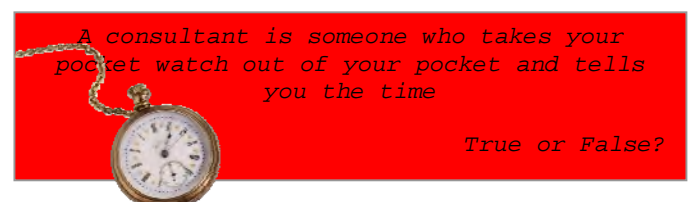
2. RESOURCING & SCOPE

2.1 The agreed audit purpose was to provide an opinion on how well SHG manages the risks to ensure value for money in the use of consultants.

2.2 This was done by first gathering an overall picture of the frequent use and opinions of the departments in the use of consultants in the last three years and for the years ahead and secondly to select a sample of consultants' works for further review against the areas of recruitment, consultancy lifespan and final output.

2.3 The review was led by Auditor Helena Bennett with assistance from Andy Bonner, Chief Auditor and Acting VFM Audit Manager, Assistant Auditor Sheridan Richards and support from Bronwen Yon, Internal Audit Manager.

2.4 The considerable level of assistance given to the Audit Service by all staff and third parties involved during the course of the audit is acknowledged with appreciation. A listing of those involved is included at Appendix C to this report.



SUMMARY OF FINDINGS IN KEY REVIEW AREAS

Existence & Adequacy of...	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8
Use of Consultants – “Inputs”								
Justification of Need	x	✓	✓	✓	✓	✓	✓	✓
Terms of Reference	✓	✓	✓	✓	x	✓	x	x
Approval Process	DFID	✓	✓	DFID	x	✓	N/A	✓
Contract Regulations Compliance	x	N/A	x	x	x	N/A	x	N/A
Identification & selection processes	DFID	DFID	✓	DFID	x	✓	x	✓
Signed Contract	DFID	DFID	DFID	DFID	✓	DFID	DFID	✓
Payment Terms linked to Deliverables	DFID	DFID	DFID	DFID	✓	DFID	x	✓
Use of Consultants - “Processes”								
Briefing / Induction	✓	✓	✓	✓	✓	✓	✓	✓
Milestones & Success Criteria	✓	✓	✓	✓	x	✓	x	x
Monitoring and Review	✓	✓	✓	✓	✓	✓	✓	✓
Use of Consultants - “Outputs”								
Delivered to Terms of Reference	✓	✓	✓	x	✓	✓	✓	✓
Client Satisfaction (1 = Very Poor >> 5 = Excellent)	4	5	5	2	4	4	4	5
Recommendation Implementation Plan	x	N/A	x	✓	N/A	N/A	x	x
% Recommendations implemented per plan	N/A	N/A	N/A	100%	N/A	N/A	N/A	N/A
Final Payment in line with expectation	DFID	DFID	DFID	DFID	x	DFID	x	✓

DFID = Evidence not held within SHG and understood to be with DFID

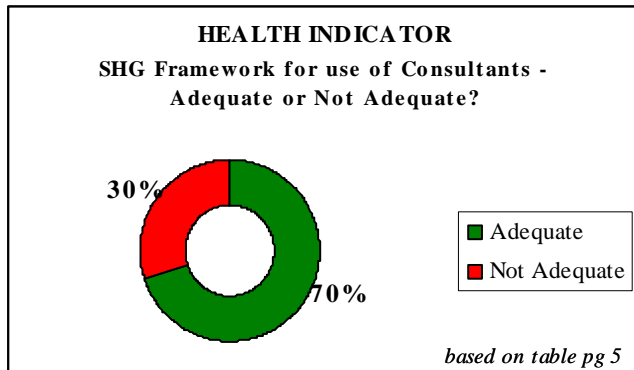
N/A = Not Applicable in context of particular case under review

x = Area either Non-Existent, limited in content, or Audit Trail not maintained

✓ = Area evidenced as in existence and of adequate quality

3. FINDINGS & CONCLUSIONS

3.1 The main findings and conclusions are presented here and are based upon the agreed scope of the audit and the actual work undertaken and evidence gathered, as summarized in the table on page 5.



3.2 Those findings which have resulted in recommendations being made are presented in Section 4 of this report together with management response and action plans.

3.3 The overall audit opinion made is provided in the Executive Summary and in the interest of brevity is not repeated here.

3.4 INPUTS

3.4.1 With regards to the input risks of using consultants, we considered the following:

- Justification of need
 - Terms of Reference
 - Approval process
 - Contract regulations compliance
 - Identification and selection processes
 - Signed contract
 - Payment terms linked to deliverables
- and concluded, in general these areas are in existence and

appropriate. However material exceptions are outlined below.

3.4.2 Standard practice of procuring specialized help is to produce a justification paper and terms of reference (TORs). These are presented to the Chief Secretary and Finance Committee for approval before being advertised. It was found in one particular case a lack of audit trail, where the TORs could not be produced and in another the TORs were not specific to the particular area of need.

(See Recommendation 1)

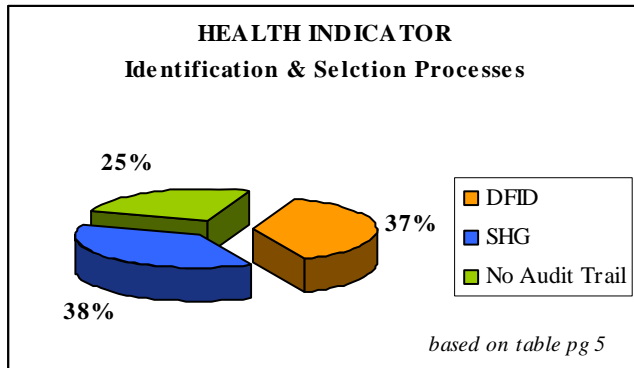
3.4.3 A significant number of consultants are recruited through the DFID funded 'Technical Co-operation' route. Robust procedures, in accordance with the practices outlined above (3.4.2) exist for this scheme. Being funded directly by DFID, the scheme does not, and would not be expected to, follow the exact framework set by SHG Contract Regulations – however this could be seen as placing the Chief Personnel Officer in a vulnerable position – as Contract Regulations state "When a Head of Department wants the Government to enter into a contract...for the purchase of services...The procedure for tendering the contract set out here must be followed". Clarification of the Technical Co-operation scheme's exemption from Contract Regulations is required.

(See Recommendation 2)

3.4.4 Under the current system it is possible that consultants could be procured by Departments through local funding without the involvement of the Personnel Department, whose

experience and input could be beneficial.

(See Recommendation 3)



3.4.5 In identifying and selecting the consultants, a quarter of the sample cases did not have a clear audit trail of ensuring the best consultant was identified and hired.

(See Recommendation 1)

3.5 PROCESSES

3.5.1 For the actual consultancy project of the 8 sample cases, the following was reviewed:

- Briefing/induction
- Milestones and success criteria
- Monitoring and review

It was found that controls over the inherent risks of the consultancy lifespan to be appropriate and in existence. Material exceptions that were found are highlighted below.

3.5.2 At the acceptance stage by the consultancy, the majority are given background information packs and are in correspondence with the key personnel in departments that they were assigned too.

3.5.3 Milestone and success criteria are regarded as a detailed specification of what needs to be investigated by the consultancy and the desired format of output from the

investigation. This criterion ensures there are no allowances to deviate from expected deliverables and are often laid out as a separate document or integrated as part of the TORs. Whilst one sample case could not provide evidence of their criterion, 2 sample cases generalized what was required.

(See recommendation 1 & 4)

3.5.4 Although not all TORs specified monitoring and or review stages through out the course of the consultancy, all projects were monitored by their designated departments.

3.6 OUTPUTS

3.6.1 With regards to ascertaining whether the outputs received from the consultancies were as anticipated, the following areas were considered:

- Delivered to terms of reference
- Client satisfaction
- Recommendation implementation plan
- Percentage of recommendations implemented as per plan
- Final payment in line with expectation

Overall we found these areas to be adequate and in existence. There were a few material exceptions and they are detailed below.

3.6.2 To gauge whether the departments received the desired output that they had stipulated in the TORs, the deliverables were investigated. It was ascertained that all cases but 1 were as preferred.

HEALTH INDICATOR		
Client Satisfaction:		
Average -	4	Mode - 4 Median
		- 4
Key:		
1 - Very Poor	3 - Average	5 - Excellent
<i>based on table pg 5</i>		

3.6.3 For overall client satisfaction for the sample cases it was found to be an average rating of 4. From interviewing the key personnel involved in these cases, nearly all were very pleased with the output received.

3.6.4 When a consultant makes their final report(s) in line with the specified outputs stipulated in the TORs they also will include recommendations of

how the particular areas could be improved.

3.6.5 Only 1 of the sample cases had drawn up an implementation plan that provided a timescale of when each recommendation would be put into operation.

3.6.6 Key personnel within the department and Corporate SHG reviewed these recommendations and timescales for feasibility and the consultant adjusted accordingly. By providing an agreed implementation plan, there is assurance to the consultants and Corporate SHG that the recommendations were accepted and would be implemented
(See Recommendation 5)

Consultants are entities, whether individuals, partnerships or corporations, engaged to provide professional independent and expert advice or services

Definition of a Consultant

4. RECOMMENDATIONS & MANAGEMENT ACTION PLAN

Recommendations in *gray scale* are recommendations disagreed by management's review.

Recommendation 1	Departments should ensure all documentation to justify actions taken when procuring a consultant is retained.		
	<i>(For Audit Findings on which this is based, refer to Main Report , Section 3.4.2, 3.4.4 & 3.5.3)</i>		
Priority: (H/M/L)	MEDIUM	Anticipated Time Frame:	With immediate effect
Management Response	General Comments:		
	<i>Agreed for implementation</i>		
	<i>This item will be considered 'Best Practice' in procuring Consultancy Services</i>		
	Officer responsible for implementation:		
	<i>Chief Personnel Officer</i>		
	Implementation expected complete by: (Month & Year)		
	<i>On-going</i>		

Recommendation 2	Contract Regulations should make clear their scope is limited to SHG recurrent budget to avoid any misunderstanding that the Technical Co-operation Scheme should adhere to their requirements.		
	<i>(For Audit Finding on which this is based, refer to Main Report, Section 3.4.3)</i>		
Priority: (H/M/L)	MEDIUM	Anticipated Time Frame:	3 months (in line with the current revision of Contract Regs)
Management Response	General Comments:		
	<i>Discussed and not agreed for implementation.</i>		
	<i>The contract regulations are not limited to the SHG recurrent budget but also the Development Aid Grant. It was felt that 2.1 (c) (of the contract regulations) covered the issue of contract regulation compliance.</i>		
	Officer responsible for implementation:		
	<i>N/A</i>		
	Implementation expected complete by: (Month & Year)		
	<i>N/A</i>		

Recommendation 3	<p>It should be a requirement of Contract Regulations that any planned recruitment of consultants is discussed and agreed with the Personnel Department</p> <p><i>(For Audit Findings on which this is based, refer to Main Report, Section 3.4.4)</i></p>		
Priority: (H/M/L)	MEDIUM	Anticipated Time Frame:	With immediate effect
Management Response	General Comments:		
	<i>Agreed for implementation – An additional point 20.2 has been included in the contract regulations to read as follows:</i>		
	<i>20.2 All procurement of Consultants funded through the SHG recurrent budget must be carried out in full consultation with the Personnel Department. Accounting Officers must inform the Personnel Department of all other Consultants procured.</i>		
	Officer responsible for implementation:		
	<i>Accountant FP &A</i>		
	Implementation expected complete by: (Month & Year)		
	<i>Completed with the release of the revised contract regulation dated 14/07/06.</i>		

Recommendation 4	<p>Milestone and success criteria for consultants should specify in detail what the consultant is required to undertake and give the desired format of presenting the final output.</p> <p><i>(For Audit Findings on which this is based, refer to Main Report, Section 3.5.3)</i></p>		
Priority: (H/M/L)	MEDIUM	Anticipated Time Frame:	With immediate effect
Management Response	General Comments:		
	<i>Agreed for implementation.</i>		
	<i>This item will be considered 'Best Practice' in procuring Consultancy Services</i>		
	Officer responsible for implementation:		
	<i>Chief Personnel Officer</i>		
	Implementation expected complete by: (Month & Year)		
	<i>On-going</i>		

<p>Recommendation 5</p>	<p>An agreed implementation plan should be produced as part of, the publication of all final reports to make clear the intended way forward and anticipated timescales.</p> <p><i>(For Audit Findings on which this is based, refer to Main Report, Section 3.6.6)</i></p>		
<p>Priority: (H/M/L)</p>	<p>HIGH</p>	<p>Anticipated Time Frame:</p>	<p>With immediate effect</p>
<p>Management Response</p>	<p>General Comments:</p> <p><i>Agreed for implementation.</i></p> <p><i>This item will be considered 'Best Practice' in procuring Consultancy Services</i></p> <p>Officer responsible for implementation:</p> <p><i>Head of Departments</i></p> <p>Implementation expected complete by: (Month & Year)</p> <p><i>On-going</i></p>		

APPENDIX A

INITIAL ASSIGNMENT PLAN

Prepared by: Andy Bonner

ASSIGNMENT:	Use of Consultants
AUDIT DAYS:	50
TIME CODE:	V42

OBJECTIVE

To provide an opinion on how well SHG manages the risks to VFM inherent in the use of consultants.

AUDIT APPROACH

Two distinct fieldwork stages; the first to gather an overall picture of the use and opinion of consultants in recent years / for years ahead – and the second to select a sample of consultant work areas for further review.

Work programmes will be structured to look at the following areas;

- Controls against INPUT risks
 - How the need for a consultant is identified / approved
 - How the skills requirements for the job are set
 - How potential consultants are identified and the chosen one(s) vetted / selected
 - What terms and conditions / contractual obligations are made
- Controls against PROCESS risks
 - How consultants are briefed / inducted following appointment
 - How are objectives defined? (SMART)
 - How work in progress / milestones are being monitored
 - How 'scope creep' is tackled
- Controls against OUTPUT risks
 - What format are the end deliverables / output in
 - Ensuring they relate back to, and fulfil, the original objectives
 - How is SHG dealing with recommendations made (risk outputs are 'lost' due to other priorities / low capability to act)

In general, is there are 'best practice' guidance – or 'centre of excellence' within SHG where advice can be, and is, obtained?

EXTERNAL REPORTING

As representative of 'Corporate SHG', a draft report of the 2005 assignment will be produced and discussed with the Acting Chief Secretary before the final report is produced for Executive Council, FDPG (or equivalent if revisions to role of Public Accounts Committee have taken place) and Legislative Council.

PERSONNEL, ROLES & TIME ALLOCATION

Helena Bennett	Lead Auditor – Assignment Design, Fieldwork, Report Production – engagement and management of additional resource as required.	42 days
Andy Bonner	Initial Assignment Plan, Programme Design and advice, Overall Support and co-ordination, Report & File Review.	8 days
Assistant Auditor	Assistance in fieldwork if required.	To come from Helena's budget if required
Bronwen Yon	Stand-by support during Andy's leave (23 rd Nov > 19 th Jan) in event of minor queries. Major queries can come through e-mail to Andy.	To come from Helena's budget if required
TOTAL DAYS: 50 Days		

APPENDIX B

AUDIT OPINION DEFINITIONS

Every VFM audit concludes with an overall opinion based upon individual opinions that are applied to each of the review areas identified as part of the scope of the audit. The possible range of opinions, together with an explanation of their meanings is as follows:

Value For Money Opinions	
GOOD	Management arrangements are conducive to achieving Value For Money and only minor enhancements, if any, can be identified.
ADEQUATE	Management arrangements are generally conducive to achieving Value For Money – but further important enhancements could be made.
INADEQUATE	Management arrangements are not considered to be adequately conducive to achieving maximum Value For Money.

APPENDIX C

LIST OF PERSONNEL CONTACTED DURING AUDIT

The assistance given to the Audit Service by all those listed below during the course of the audit is acknowledged with appreciation.

NAME	JOB TITLE	SECTION/AREA
Jackie Stevens	Training Officer	Personnel
Douglas Bennett	Assistant Secretary (Human Resources)	Personnel
Barbara George	Chief Personnel Officer	Personnel
Gavin George	Planning Officer	LL&P
Linda Clemett	Financial Secretary	Corporate SHG
Ethel Yon	Acting Chief Secretary	Corporate SHG
Andrea Timm	Agricultural Development Officer	ANRD
Carol Duncan	Assistant Secretary	Education
Pamela Lawrence	Chief Education Officer	Education
Corinda Essex	Chief Development Officer	DEPD
Adrian Green	Government Economist	OCS
Cherie Dillon	Shipping Officer	OCS
Isabel Peters	Environmental Officer	DEPD
Derek Thomas	Chief Of Police	Police
Jackie Robinson	Executive Officer	Police
Maria Yon	Personal Assistant to Chief of Police	Police