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STATSREVISORERNE
RIGSREVISIONEN



Extract from Rigsrevisionen's report on
the regions' use of consultants
submitted to the Public Accounts Committee



1849
147.281
237
1976
114.6
22.480
908

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1. Introduction and conclusion

1.1. PURPOSE AND CONCLUSION

1. This report concerns the regions' use of consultants. Rigsrevisionen initiated the study in October 2016.

2. Procurement of consultants is an area of significant spending. In 2015, the regions spent approximately DKK 1 billion on consultancy services. Consultants are used widely in the regions and their services are particularly useful when specialist skills are required or extra capacity is needed for a shorter period of time. In such cases, building the required capability in-house may be both inexpedient and cost consuming. However, using consultants may also turn out to be expensive, if the decision to do so is ill considered. Value for money in the procurement of consultants can release funds for the core services provided by the regions: health care, regional development, etc. However, achieving value for money from using consultants can be a challenge, because consultants generally do not provide standard services.

3. The purpose of the study is to assess whether the regions are ensuring value for money in the procurement of consultants, i.e. are the regions procuring consultancy services at best value for money, taking price and quality into account. In this study, value for money is achieved, if the regions have followed the rules and procedures described in the EU directives on tendering and the Danish Act on Tendering Procedures, and ensured that procurement has been subject to competition. Achieving value for money also implies that the regions apply a strategic approach to procurement and consider the purpose of procuring consultancy services. The report answers the following questions:

- Are the regions ensuring value for money from the use of consultants?
- Are the regions supporting a strategic approach to the use of consultants?

The study looks at the value-for-money aspect of using consultants in three of Denmark's five regions. This part of the examination is based on a sample of 104 transactions concerning procurement of consultancy services in 2015. All five regions are included in the study of whether the regions support a strategic approach to the use of consultants.

CONSULTANCY SERVICES

External suppliers provide consultancy services for a fee. Their assignments are specified and run for a limited period of time.

The regions mainly use consultants for assignments within IT, management, accounting and auditing.

CONCLUSION

It is Rigsrevisionen's assessment that the regions have not, to the extent required, ensured value for money from the use of consultants, and at the same time, the regions have failed to comply with the legislation and good principles of administration in a considerable number of procurement transactions. This is considered unsatisfactory by Rigsrevisionen.

Value for money

The three examined regions have largely failed to achieve value for money in the procurement of consultancy services, because they have not complied with the legislation and thereby ensured that procurement has taken place through competition. This observation applies to procurement subject to the provisions of the EU directives on tendering and the requirements of the Danish Act on Tendering Procedures that stipulate that procurement of goods and services with a value above DKK 500,000, in 2015, should be advertised. Forty-five per cent of the examined transactions were not carried out in compliance with the legislation. To this should be added that the regions frequently fail to ensure competitive procurement of consultancy services with a value below the threshold determined in the Act on Tendering Procedures. For 61 per cent of the examined transactions it could not be determined whether procurement had been subject to competition. Thus, the regions have not ensured value for money in the procurement.

The study also shows that the regions extensively fail to comply with the principles of good practice for the use of consultants. The regions' prior considerations of the need for and costs of consultancy services are not documented for 52 per cent of the transactions. The regions have not entered a written contract with the consultants in 27 per cent of the examined procurement transactions. Thirty-nine and 41 per cent of the transactions do not include documentation of whether the regions have followed up on budget and deliveries, and in 77 per cent of the transactions, the evaluation of the use of consultants has not been documented. This means that the regions do not document whether the objectives defined for the procurement of consultancy services have been achieved, nor do they fully utilize the opportunity to base future procurement on lessons learned.

Strategy

This part of the study involved all five regions and showed that the regions do not support the decentralised units in applying a strategic approach to the use of consultants. Decisions concerning procurement of consultancy services, and the subsequent process involving finalization of contract and follow-up are largely left to the individual units. Generally, the regions are not considering the purpose of procuring consultancy services from a strategic perspective. Nor has the regional level developed guidelines that would help the decentralised units gain maximum benefit from their use of consultants.

The study also shows that the data used by the regions to calculate expenditure for consultancy services is subject to considerable uncertainty. This weakens the regions' basis for management and makes it difficult for them to achieve an overview of procurement in the decentralised units as well as total procurement. In addition, the centralised procurement units in the regions do not contribute to ensuring compliance with legislation, internal guidelines and framework agreements. Therefore, the regions lack systematic knowledge of the extent to which the use of consultants is in compliance with applicable rules, internal guidelines and framework agreements.

DECENTRALISED UNITS

In the report, administrative units as well as hospitals are referred to as "decentralised units" irrespective of their organisational position.