



Extract from the report to the
Public Accounts Committee on
central government's use of
consulting services

June
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1. Introduction and conclusion

1.1. Purpose and main conclusion

1. This report is about the Danish central government's use of consultants. Rigsrevisionen launched the study in the autumn 2013 at the request of the Public Accounts Committee.

2. The Public Accounts Committee asked Rigsrevisionen to examine the extent and nature of the central government's use of private consultants.

The purpose of the examination is to clarify the central government's use of consultants on the basis of cases selected from various ministry departments. The Public Accounts Committee was particularly interested in having clarified what tasks the consultants are commissioned to perform on behalf of the central government.

The nine specific questions asked by the Public Accounts Committee appear from appendix 1 to the report. Rigsrevisionen has merged the nine questions into two:

- Are government bodies procuring and using consultants appropriately?
- Is the data held by the Ministry of Finance and other relevant ministries on central government's use of consultants reliable and how has spending on consultants developed in the years 2008 to 2013?

Memorandum on the organisation of a major study
On the basis of the Public Accounts Committee's request, Rigsrevisionen prepared a memorandum on the organisation of a major study of the government's use of consultants. The Public Accounts Committee endorsed the memorandum at their meeting in November 2013.

MAIN CONCLUSION

Rigsrevisionen has examined the central government's use of consultants on two earlier occasions. This third examination shows that the use of consultants is still only to a limited extent based on strategies and analyses of whether specific tasks are more appropriately performed by internal resources or consultants. This is considered unsatisfactory by Rigsrevisionen. Enabling the departments to manage their use of consultants more strategically will – in the opinion of Rigsrevisionen – require access to more detailed management information on spending on consultants at both government department level and institutional level. In particular the top spenders among the government bodies should have a better overview of their use of consultants, including information on expenditure and contracts and type of tasks solved by the consultants.

Rigsrevisionen also finds that the Ministry of Finance, in its capacity as central government procurement coordinator, should insist on a more strategic approach to procurement of consulting services and generally provide relevant guidance to the ministries in order to establish a basis for effective procurement of consulting services.

Rigsrevisionen's review of 105 consulting contracts in 10 government bodies shows that the services provided by the consultants range from advisory services and development services to solving operational tasks. Generally, consultants are hired to perform tasks when the government bodies lack the required in-house skills – and these skills are expected to be needed for only a short-term period – or when an independent approach is required. However, the review also showed that some government bodies use consultants despite the fact that they – in the opinion of Rigsrevisionen – should be able to perform the tasks with internal resources.

The assessments and decisions that lead to procurement of consulting services were only on in a few cases documented by the government bodies. In its two previous examinations of the issue, Rigsrevisionen also concluded that the government bodies in question had not adequately documented the considerations that preceded their decision to use consultants. Rigsrevisionen still considers it unsatisfactory when the government bodies do not document significant decisions and measures concerning procurement of consulting services.

Half of the government bodies in the study have guidelines that support well-considered and appropriate procurement of consulting services. Procurement is mainly decentralised and handled by the professional units of the various government bodies. It is therefore not necessarily handled by staff with specific competencies within procurement. Rigsrevisionen therefore finds it important that the government bodies have guidelines that support procurement of consulting services and ensure consistency of practice within the government bodies.

Invitations to tender had not been issued for two out of 49 procurement transactions involving consulting services with a contract value above the European Union's tender threshold of approximately DKK 1 million. Generally, however, Rigsrevisionen finds that the government bodies are focused on their obligation to issue tender invitations when contracts have a value above the European Union threshold. Rigsrevisionen also established that four out of 10 transactions with a contract value exceeding DKK 500,000 had not been advertised as prescribed by the Danish Tender Act. Last, Rigsrevisionen finds that procurement of consulting services with a value below DKK 500,000 should, to a larger extent, include market scans based on criteria of materiality determined by the government bodies since this would allow the government bodies to focus more on the economic aspects of the procurement transactions. This approach has only to a limited extent been applied in the cases reviewed by Rigsrevisionen.

The information on the central government's use of consultants provided by the Ministry of Finance is based on data derived from two categories of procurement in the Agency for the Modernisation of Public Administration's procurement database. In 2013, spending on consultants in these two categories totalled DKK 3.6 billion, which was approximately DKK 0.9 billion less than in 2008. However, the statement produced on the basis of the two categories does not, in the opinion of Rigsrevisionen, provide a reliable and complete statement of the central government's use of consultants; the statement is uncertain because it is not clearly defined how consulting services should be registered and because registrations in the two categories are flawed. Furthermore, central government spending on consultants is also registered in other categories and some spending is exempted from registration in the database like, for instance, spending by the foreign service of the Ministry of Foreign Affairs, government-financed independent institutions and other grant-financed areas that are not subject to the Danish Central Procurement Programme. It follows that the central government's total spending on consultants is significantly higher than the DKK 3.6 billion registered in the above-mentioned two procurement categories, which provide the basis for the statement elaborated by the Ministry of Finance. It is, however, not possible to determine neither total central government spending on consultants nor the type of consulting services provided on the basis of the data currently available. On this basis, it is Rigsrevisionen's assessment that the data reported to the procurement database does not suffice to provide a satisfactory level of knowledge of the central government's annual procurement of consulting services.

Recommendation

Rigsrevisionen finds that the Ministry of Finance has a responsibility to ensure that more relevant management information is generated across the central government and that the central government's use of consultants is more strategically embedded. Rigsrevisionen therefore recommends that

- the Ministry of Finance and the relevant ministries should consider how management information on spending on consulting services that is more reliable and relevant than the information currently available through the procurement reporting can be obtained in an administratively simple manner.