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RIGSREVISIONEN

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Extract from Rigsrevisionen's report
submitted to the Public Accounts Committee

The government's use of in-house competencies and external consultants

1. Introduction and conclusion

1.1. Purpose and conclusion

1. This report concerns the Danish government's use of in-house competencies and external consultants. The study was initiated in February 2022 at the request of the Danish Public Accounts Committee.

2. As it appears from the request by the Public Accounts Committee, several former reports published by Rigsrevisionen indicate that the ministries do not have the necessary legal and IT expertise in-house to perform their tasks. The Public Accounts Committee has previously criticized the ministries' procurement of external consultants for being only occasionally based on strategic and documented assessments of which type of tasks are best undertaken by external consultants.

3. At times the ministries need specialist knowledge or extra hands to perform their tasks and therefore choose to hire external consultants to undertake specific tasks. According to the information provided by the Ministry of Finance, the government spent approx. DKK 5.5 billion on external consultants in 2021.

With the adoption of the Finance Act for 2002, it was decided that the government should gradually reduce the use of external consultants and thus achieve total annual savings of approx. DKK 1.1 billion by 2024. The Ministry of Finance has drawn up a set of guidelines on the government's use of external consultants that support achievement of the agreed savings. The guidelines recommend that the ministries should adopt a strategic approach to procuring external consultants. The ministries are not required to follow the guidelines, but they set a direction for the ministries' efforts to reduce the use of external consultants.

However, the ministries are obliged to perform their tasks effectively and efficiently and should be able to document their assessments to the extent necessary. The ministries should take a strategic position on whether some tasks are better performed by the staff of the ministry while other tasks should be undertaken by external consultants. Moreover, each time the ministries procure external consultancy services, they should explain the necessity of doing so.

External consultant

An external consultant is a person with special expertise hired by an organisation to undertake a specific task.

4. The purpose of the study is to assess whether the ministries have a strategic approach to using external consultants.

Except for the Ministry of Ecclesiastical Affairs and the Prime Minister's Office, all the Danish ministries are included in the study (18 in total). The report also looks at 30 purchases of external consultants made by five selected ministries. These include the three most cost-intensive purchases of IT consultancy and legal services worth approx. DKK 420 million made by the five ministries in the period examined. In the report, we highlight examples of the ministries' use of consultants.

The study was carried out before the government reshuffle on 15 December 2022.



Main conclusion

The majority of the ministries have a strategic approach to using external consultants. In the cases examined, the five selected ministries had all stated their reasons for using external consultants. However, Rigsrevisionen does not consider it entirely satisfactory that the five ministries were unable to provide documentation for the reasons stated in all the examined cases. The consequence of the inadequate documentation is that later on the ministries will be unable to ascertain whether the purchases made were effective and efficient.

The majority of the ministries have a strategic approach to using external consultants

The study shows that 15 out of 18 ministries can document that they have taken a position on the extent to which some tasks can be undertaken by staff of the ministry. Additionally, 16 of the 18 ministries can document that they have taken a position on whether certain types of tasks require the assistance of external consultants. Yet, the ministries have only occasionally taken a strategic approach to using external consultants based on a complete overview of their portfolio of tasks.

Several ministries have informed Rigsrevisionen that the need to use external consultants is considered case-by-case. However, Rigsrevisionen finds that procurement of external consultants based on long-term priorities rather than on case-by-case assessments would strengthen the strategic value of the ministries' efforts.

The study also shows that 14 out of the 18 ministries have guidelines that support consideration of the use of external consultants in each individual purchase, whereas four ministries either do not have any guidelines or have guidelines that only cover some aspects of or some of the parties involved in the procurement process.

The five selected ministries have stated the reasons for using external consultants in the purchases examined, but are not able to provide documentation for the reasons stated for all the purchases

The study found that the five selected ministries had assessed the purpose of the purchase in most of the 30 examined cases but that the ministries were only able to document that they had considered whether the staff of the ministry could undertake the task in 17 of the 30 cases. The examined purchases are either not in conflict with or subject to the ministries' strategic considerations concerning the use of external consultants.

Rigsrevisionen does not consider it entirely satisfactory that the ministries have only documented their reasons for using external consultants in about half of the examined purchases. Rigsrevisionen has in previous reports also concluded that the authorities were not able to provide documentation for their considerations concerning the appropriateness of using external consultants.

Furthermore, Rigsrevisionen finds it unsatisfactory that the Ministry of Taxation cannot provide documentation for its authorisation of 2 purchases of legal assistance worth DKK 60 million and approx. DKK 17 million, respectively. The Ministry of Taxation has informed Rigsrevisionen that the ministry's process of procurement was not followed but that the ministry received the procured services.