

Use of Consultants – Follow Up

6 March 2024

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Report by the Comptroller and Auditor General: 6 March 2024

This report has been prepared in accordance with Article 20 of the Comptroller and Auditor General (Jersey) Law 2014

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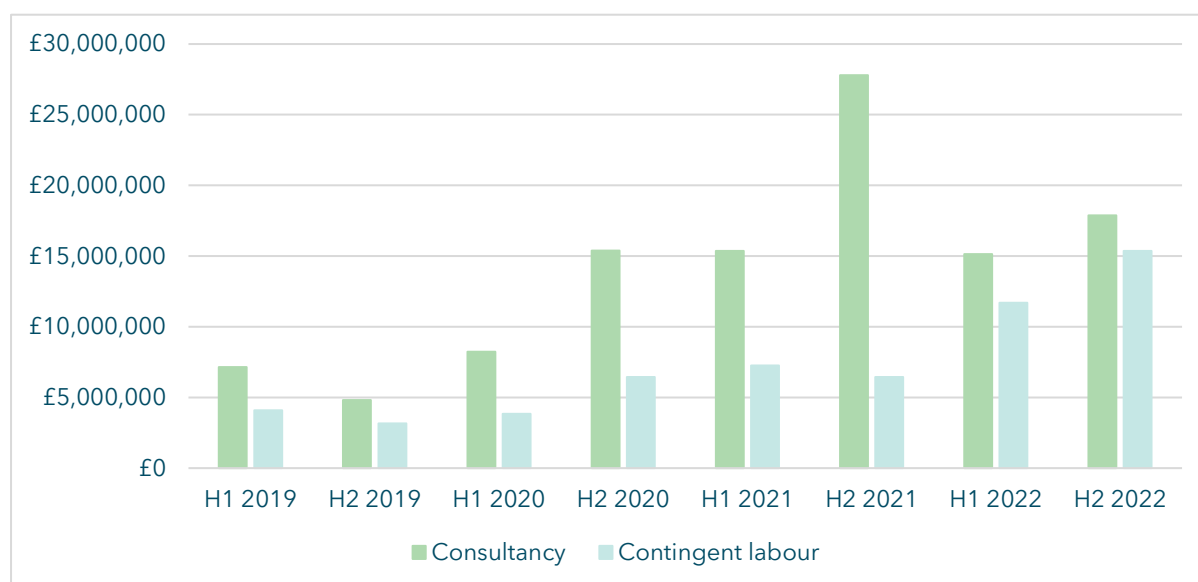
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Summary

Introduction

1. Consultants, when used correctly and in the appropriate circumstances, can provide great benefit to clients - achieving things that clients do not have the capacity or capability to do themselves. On the other hand, when used incorrectly, consultants can drain budgets very quickly, with little or no productive results.
2. In October 2016, the then Comptroller and Auditor General (C&AG) issued a report *Use of Consultants*. The Report considered the use of consultants by the States of Jersey and made 15 recommendations. In the most recent version of the Government of Jersey C&AG Recommendations Tracker, the Government has assessed that all of these recommendations have been implemented.
3. Since 2019, the Government has been reporting to the States Assembly on its use of consultants. Exhibit 1 summarises the expenditure on consultancy and contingent labour as reported to the States Assembly for the period between 1 January 2019 and 31 December 2022 by half year (the last published available data published in February 2024).

Exhibit 1: Expenditure on consultancy and contingent labour

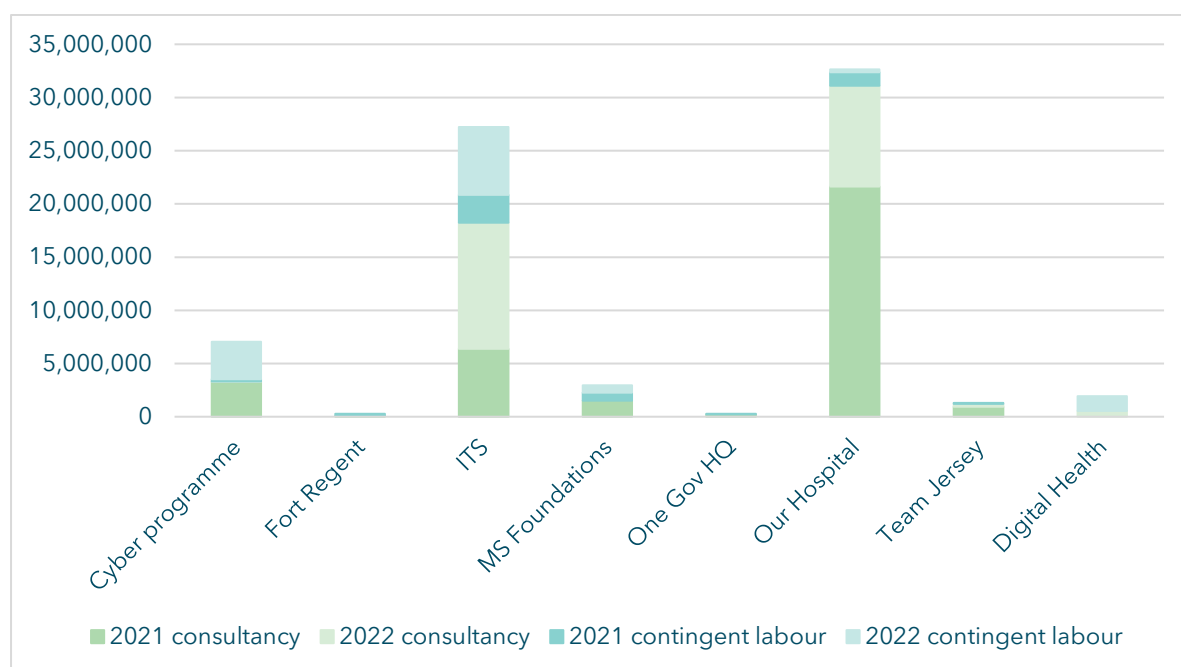


Source: Jersey Audit Office analysis of reports to the States Assembly

4. In the period from 1 January 2019 to 31 December 2022 the Government reported a spend of £111.8 million on consultancy and £58.3 million on contingent labour.

- The use of consultants to support major and strategic projects has an impact on the expenditure on consultants. Data on the use of consultants on major and strategic projects has been reported separately since July 2020. Exhibit 2 shows the expenditure on consultancy to support major and strategic projects from 1 July 2021 to 31 December 2022 (the last published available data).

Exhibit 2: Expenditure on consultancy and contingent labour on major and strategic projects for the two years ended 31 December 2022



Source: Jersey Audit Office analysis of reports to the States Assembly

- For the two years ended 31 December 2022, major and strategic project expenditure accounted for 74% of consultancy expenditure and 43% of contingent labour expenditure reported to the States Assembly.

Key Findings

- One of the important elements to delivering a sustainable workforce for the Island of Jersey, and reducing the reliance on contractors and consultants, is good quality workforce planning. While workforce planning has progressed, it has not yet been completed fully across the whole of Government. There is no overarching workforce plan for the Government of Jersey.
- Through the work undertaken in developing its departmental workforce plans the Government has identified skills gaps in certain key areas. Identifying these gaps is clearly important as it should help to drive future workforce strategies.

9. The States of Jersey have introduced systems and processes to report on consultant and contingent labour spend. Two relevant propositions have been approved by the States Assembly - the first, to require that the States Employment Board (SEB) pre-approve any labour to the value of more than £100,000 annually (P.59/2011), and the second, to mandate a report on consultant spend to the States Assembly every six months (P.59/2019).
10. While the P.59/2011 process has brought in an element of control and governance surrounding the more senior personnel, it is not clear whether this is improving the effectiveness of recruitment and retention of a more stable permanent workforce.
11. The reporting of consultant and contingent labour spend to the States Assembly has fallen behind. In February 2023 the P.59/2019 report for January to June 2022 was published. It was not until February 2024 that the P.59/2019 report for July 2022 to December 2022 was published. This latest report showed a significant increase in consultancy expenditure on non-major projects compared with previous periods.
12. More generally, the monitoring of expenditure on consultants and contingent labour is not undertaken in a consistent manner across Government. I have not seen strong evidence of this expenditure being reported on a regular basis at departmental level and there is no corporate monitoring of the expenditure across Government at a senior level a consistent basis.
13. When the need for additional consultancy and contingent labour is identified I would expect there to be a documented consideration and evaluation of the alternative options for meeting the need. I would also expect the evaluation of alternative options to assess which option delivers best value for money. I found that such assessments were not evidenced and documented well or consistently.
14. To demonstrate value for money I would also expect there to be a re-evaluation of alternative options on a regular basis throughout any assignment. I did not however see evidence of regular reviews and re-evaluation of alternative options on long running projects.
15. Business cases are prepared for all main projects and are fairly consistently set out. However, this is not always the case where short-term contingent labour is utilised to fill posts that are vacant. In many instances the Professional Services Framework contract that has been put in place by the Government is being used to draw-down contingent labour from an approved list of suppliers. There is a risk however that value for money is not being challenged through the discipline of business cases and full consideration of alternative options to meet identified need for resource.

16. From my review of the expenditure on a sample of consultants and contingent labour, it is clear that one of the skills deficit areas that results in the appointment of consultants is programme and project management. There are significant numbers of temporary assignments for these areas of work with some arrangements with individuals and firms being in place since 2019, in various roles for different departments and projects. I identified examples of such arrangements that were not procured through a tender process, but through procurement exemptions. In addition, the rates that are being paid for such roles far exceed the cost of employing substantive project managers. At least one such role I reviewed has cost the Government more than £300,000 annually (including expenses).
17. One of the most important success factors in commissioning consultants is the output and outcomes from the piece of work. Very clear objectives and timescales should be set at the start and should be measured throughout the project, with a final outcome report at the end. While this is evident in some of the large projects and transformation pieces I reviewed, it is much less clear for non-major projects and where contingent labour has been commissioned.
18. When output reports are produced at the end of a project, the recommendations and findings are not always tracked consistently. There is little evidence from the work undertaken for this review of systematic reporting on benefits realisation or timely implementation of recommendations made by consultants. There is a risk that the value from some pieces of work could be lost without a more rigorous approach to management 'post commission'.

Conclusions

19. There will always be certain skills that are not available on Island and skills that are not needed by the States of Jersey on a permanent basis. In addition, for any organisation committed to a number of major and strategic change projects there will be a need to consider the use of consultancy support. The States of Jersey are no exception.
20. However, where consultants are used, there is a need to ensure robust processes are in place to drive value for money. My review has identified that such processes are not in place on a consistent basis across the States of Jersey. As a consequence, value for money from the use of consultants cannot be demonstrated consistently.
21. The States of Jersey should build on earlier progress by implementing the recommendations in this report to secure better value for money from their use of consultants.

Objectives and scope of the review

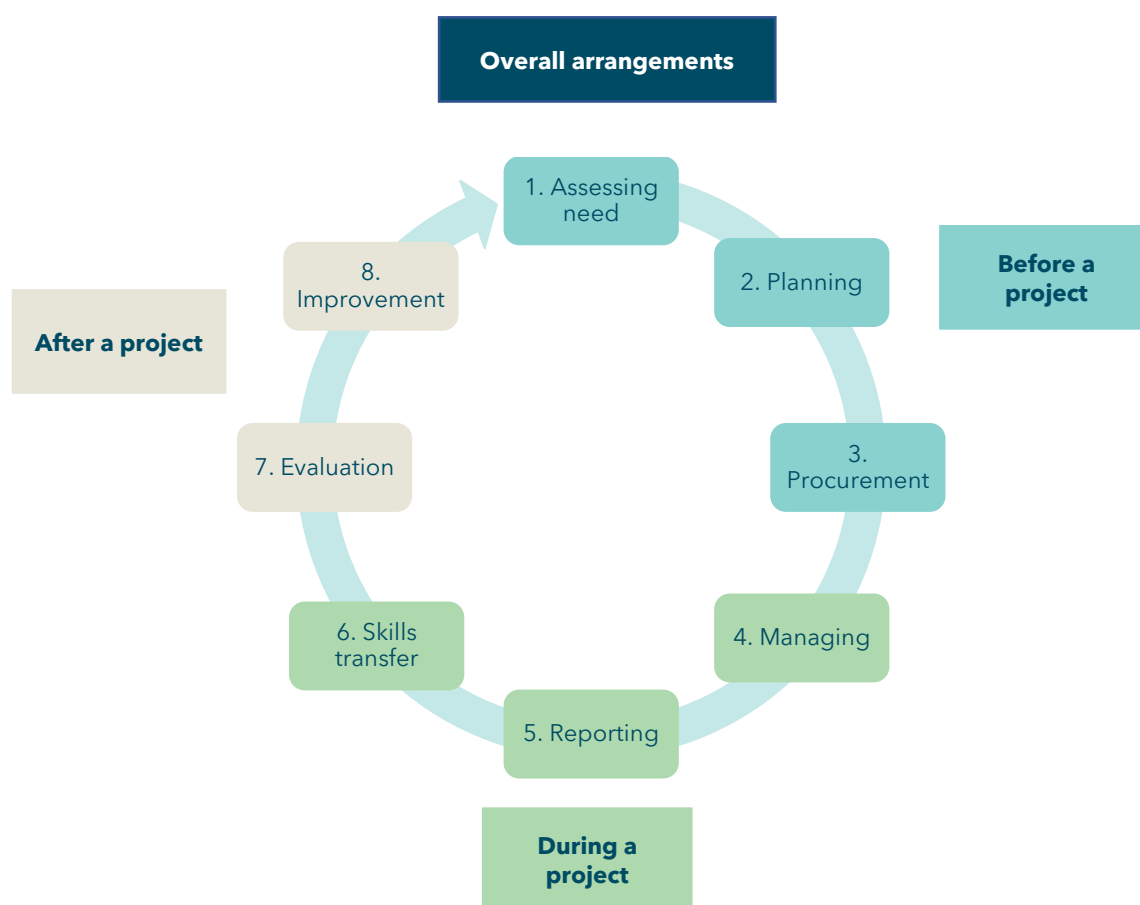
22. The review has considered:

- the progress made in implementing agreed recommendations from the 2016 C&AG Report
- the extent to which the recommendations as implemented have addressed the improvement areas identified in the 2016 Report; and
- the adequacy of plans for the implementation of any outstanding recommendations.

23. In doing so, the review has evaluated:

- the effectiveness of the States' overall arrangements for use of consultants; and
- the effectiveness of the use of consultants for a sample of consultancy projects against the best practice framework identified in the 2016 Report (Exhibit 3).

Exhibit 3: Best Practice Framework for engaging consultants



Source: Jersey Audit Office

24. The follow up review has considered a sample of consultancy assignments including:
- consultant expenditure where there was a defined endpoint to the work and the responsibility for the final outcome of the work rested with the States
 - contingent labour; and
 - Information Technology (IT) consultancy expenditure.
25. It has not extended to:
- outsourcing; and
 - in relation to IT consultants, the implementation of arrangements in practice or the evaluation of whether value for money has been secured.
26. This follow up review has included consultancy assignments associated with major and strategic projects and one off general assignments. Further details are provided in Appendix One.

Detailed findings

Overall arrangements

27. The 2016 C&AG Report made five recommendations in respect of the overall arrangements within the States for the use of consultants. Progress against these recommendations is summarised in Exhibit 4. Some progress has been made in implementing the recommendations made in the 2016 Report although there is still significant work to be done.

Exhibit 4: Progress in overall arrangements recommendations

Recommendation	Current position	Evaluation
<p>R1 Implement a corporate framework for recording current skills within the States' workforce and those skills identified as needed as the organisation changes.</p>	<p>A training needs analysis session has been released to support managers and learning leads in identifying and addressing any skills gaps in their departments. A supporting training needs analysis and skills audit toolkit is under development.</p> <p>Awareness and training sessions have been delivered to all Senior Leadership Teams across the Government. Work is continuing to be supported through the People and Culture plans developed by all departments.</p> <p>The Connected Performance module, part of Connect People, went live in January 2023 with further Connect People modules planned to go live in 2024.</p>	<p>In progress</p> <p>When all modules of Connect People have been implemented and when all departments have agreed workforce plans there needs to be an increased emphasis on using the people data to assess the need for external resources.</p>

Recommendation	Current position	Evaluation
<p>R2 Use the corporate skills framework to drive training, recruitment and skills transfer.</p>	<p>A focussed piece of work has been undertaken to establish how the Government of Jersey can best attract, develop and grow internal talent. This has had a particular focus on areas with known skills gaps. A number of initiatives then followed. Training is being developed to upskill employees - particularly in leadership and digital skills.</p> <p>Work is on-going on identifying future capability needs and a training needs analysis is being undertaken at both an individual and a departmental level. However, this work is at an early stage.</p>	<p>In progress</p> <p>There is little evidence that a corporate skills framework is being used to drive training, recruitment and skills transfer.</p>
<p>R3 Check the availability of skills within the States' workforce before engaging consultants.</p>	<p>There is little documented evidence that the skills are reviewed on a systematic basis before engaging consultants. There is no holistic overview of the skills deficiencies across the Government as a whole.</p> <p>The development of departmental workforce plans is ongoing.</p>	<p>In progress</p> <p>Work needs to be progressed to deliver effective workforce plans.</p>
<p>R4 Adopt, communicate, implement and monitor compliance with a consistent corporate framework for the use of consultants, including a less ambiguous definition.</p>	<p>There is no clear definition of what a consultant is and there continues to be a lack of clarity on what should be coded to which subject heading within financial ledgers.</p> <p>Many officers interviewed as part of my audit were not clear what should be included in the P.59/2019 report to the States Assembly and what was not required to be included.</p> <p>The Public Finances Manual (PFM) requires compliance with the Procurement Best Practice Procedures: User Guide and Toolkit. This Toolkit focusses on procurement rather than specific best practice in the commissioning of consultants.</p>	<p>Not implemented</p> <p>A clear unambiguous definition of what information the Government wants to collect and measure in respect of the use of consultants needs to be developed.</p> <p>The Procurement Best Practice Procedures: User Guide and Toolkit could be enhanced to include a specific guide to best practice in the procurement of consultants.</p>

Recommendation	Current position	Evaluation
<p>R5 Enhance information for departmental monitoring, and introduce corporate monitoring, of the use of consultants.</p>	<p>There is very little evidence of departmental monitoring of the use of consultants. Spend and detail are not monitored consistently across the Government and are not routinely discussed at senior leadership meetings.</p> <p>The total spend on consultants is required to be reported to the SEB and the States Assembly every six months (under P.59/2019).</p> <p>At the time of my report, the latest report presented was to December 2022. The report for the six month period to 31 December 2022 was not presented to the States Assembly until February 2024. The reports for subsequent periods had not been prepared at the time of my fieldwork.</p>	<p>Not implemented</p> <p>It is not clear how the resources deployed on consultants are monitored by each department.</p>

Source: Jersey Audit Office analysis

Workforce planning

28. One of the keys to delivering a sustainable workforce for the Island of Jersey, and reducing the reliance on contractors and consultants, is good quality workforce planning. Such workforce planning would enable departments, and the Government as a whole, to understand the current workforce alongside the skills and workforce required for the future.
29. Strategic workforce planning has progressed to varying degrees within departments with an aim to address workforce gaps and support a sustainable skilled workforce for the future. A training needs analysis session has been released to support managers and learning leads in identifying and addressing any skills gaps in their departments. A supporting training needs analysis and skills audit toolkit is under development. The implementation of Connect People should facilitate better recording of skills and gaps.
30. I have been informed that, as a next phase of strategic workforce planning, departments will be asked to include details of resource numbers and budgets required for the year ahead. There is however as yet no overarching workforce plan for the Government of Jersey.

Skills development

31. A programme of upskilling and developing talent has been introduced by the People and Corporate Services team since the 2016 C&AG Report. This included the Team Jersey programme focussed on senior leadership and senior manager development and creating a positive workplace culture. The consultancy costs associated with the Team Jersey programme was reported as £1.8 million in the P.59/2019 reports.
32. The Team Jersey programme has now been merged into 'Business as Usual' and has been augmented by building a future talent pipeline with the introduction of paid internships, apprenticeships and trainee schemes.
33. The Government has separately invested in its 'Emerging Talent' programme and in developing its management group through:
 - the Espresso Shots programme
 - the World Class Manager programme
 - new Manager Development workshops
 - Chartered Management Institute Level 5 qualifications in leadership and management; and
 - an Internal Business Partnering Skills Programme.
34. There is also a new Connected Performance management process in Connect People, a succession planning toolkit and training that will help managers to identify potential 'Future Talent' and create talent pools more objectively. In July 2023 the then Director of People and Corporate Services presented the 'Talent Charter'. This is one strand of the People Strategy and creates a framework through which the Jersey Public Service intends to seek to attract, develop, engage and retain talent.
35. The Government alongside the Jersey Employer Group have reported similar results in terms of the skills needed for the current and future workforce. These fall into four kinds of skills:
 - digital
 - higher cognitive
 - social and emotional; and
 - adaptability and resilience.

36. There are recognised constraints within the labour market in Jersey and more widely for digital and project and programme management skills. Many of the commissions for the use of consultants are in the digital space and/or for project and programme management.
37. A review of the statutory and mandatory training dashboard however shows that even when training is mandated, limited progress against delivery is evident in some areas – particularly the Children, Young People, Education and Skills Department (CYPES) and the Health and Community Services Department (HCS). At the time of my fieldwork over 35% of employees who are ‘in scope’ had not attempted cyber security training and over 40% of employees who are ‘in scope’ had not completed data protection training. I have commented on the low levels of compliance with mandatory training requirements in my reports on *Handling and Learning from Complaints – Follow Up* (October 2023) and *States Employment Board – Follow Up* (September 2022).

Reporting spend on consultants

38. Systems and processes have been introduced to report on consultant and contingent labour spend. Two relevant propositions have been approved by the States Assembly – the first, to require the SEB to pre-approve any labour to the value of more than £100,000 annually (P.59/2011), and the second, to mandate a report on consultant spend to the States Assembly every six months (P.59/2019).
39. The P.59/2011 process has brought in an element of control and governance surrounding the more senior personnel. However, it is not clear whether this is improving the effectiveness of recruitment and retention of a more stable permanent workforce.
40. In my report *States Employment Board – Follow Up* (September 2022), I noted that none of the P.59/2011 applications to the SEB had been rejected at that time. I recommended that the SEB review the Scheme of Delegation in respect of the P.59 forms. The criteria for bringing a P.59 form to the SEB had not changed for a significant number of years and I considered that a review of the process and criteria would assist in assessing whether it is still fit for purpose and delivering against intended objectives. I have been informed that the SEB agreed on 23 February 2024 to delegate the approval of P.59 forms under £150,000 to the Chief Executive.
41. P.59/2019 introduced a requirement to publish a report of total expenditure on consultants and contingent labour across the Government of Jersey every six months. The reporting of consultant and contingent labour spend to the States Assembly has fallen behind. The most recent report, published in February 2024, was for the period July to December 2022, with the previous report for January to June 2022 published in February 2023. The July 2022 to December 2022 report

shows a significant increase in consultancy expenditure on non-major projects compared with previous periods.

42. I have found that there is confusion as to the definition of a consultant and as to what information should be included in the P.59/2019 report to the States Assembly (as well as what is excluded). The definition of 'professional services' is also lacking in clarity, and it is unclear whether these are included in the P.59/2019 report. In some cases, a firm is the supplier stated, and in other cases the individual within a firm is named. This makes it difficult to track extensions to contracts and to be clear on expenditure attributed to each firm.
43. The coding of expenditure is also inconsistent and results in a very labour-intensive piece of work to compile the P.59/2019 report. The work is estimated to take 600 person hours to pull together and some of that time is as a result of unclear definitions and inconsistent coding. The new Connect Finance system should be able to produce very detailed breakdowns of spend by category, supplier and originator more easily. This should be pursued by Government both for management information to assist decision making and for the P.59/2019 reporting. This however had not been tested at the time of my fieldwork.
44. The monitoring of expenditure on consultants and contingent labour is not undertaken in a consistent manner across Government. I have not seen strong evidence of this expenditure being reported on a regular basis at departmental level, and there is no corporate monitoring of the expenditure across Government at a senior level on a consistent basis. Departmental Finance Business Partners and Human Resources Business Partners do not play a 'gatekeeper' role in challenging the need for and expenditure on consultants and contingent labour.

Recommendations

- R1** Review and update the definitions of contingent labour, consultancy expenditure and professional services so that there is consistency and clarity on process and coding.
- R2** Ensure that departments are provided with regular reports on contingent labour and consultancy expenditure so that such expenditure can be scrutinised and challenged by officers, both at departmental level and at corporate level.
- R3** Review and, where possible, streamline the process for compiling the P.59/2019 reports to the States Assembly. In doing so:
 - consider whether to recommend amendments to the report requirements to the States Assembly to assist in more cost effective production; and
 - ensure that these reports are produced on a more timely basis.

Work planned that should be prioritised

- P1** Accelerate the completion of departmental and corporate workforce development plans to include resource numbers and budgets.
- P2** Accelerate the work being undertaken to compile departmental training plans alongside workforce plans. The training plans should take account of identified skills shortages, particularly in connection with project management and digital.

Area for consideration

- A1** Consider utilising the Connected Performance module for the performance management of long-term interim staff.

Before a project

Assessing need

45. The 2016 C&AG Report made one recommendation in respect of assessing need. Progress against this recommendation is summarised in Exhibit 5.

Exhibit 5: Progress in assessing need recommendation

Recommendation	Current position	Evaluation
<p>R6 Require a documented, structured needs assessment, proportionate to the expenditure involved, prior to the use of consultants:</p> <ul style="list-style-type: none"> linked to organisational resource planning assessing whether benefits justify the costs; and considering the option of employing staff if there is an ongoing need. 	<p>For most of the major projects tested there was a full business case and a good assessment of the need for consultancy and contingent labour resources at the outset of the project. For consultancy spend of more than £75,000 outside of major and strategic projects around 55% of consultancy commissions and around 53% of contingent labour appointments are reported as having a structured needs assessment.</p> <p>However, there is a less consistent approach to assessing need against a skills framework. As a result the consideration of alternative options of meeting the identified needs (through employing consultants, employing contingent labour or direct employment) are not evidenced and documented well or consistently.</p>	<p>Partially implemented</p> <p>The current work being undertaken on strategic workforce plans needs to be accelerated in order for the structured needs assessments to be meaningful.</p>

Source: Jersey Audit Office analysis

46. My analysis of P.59/2019 reports for the period January 2019 to December 2022 identified that for most major and strategic projects a structured needs assessment was documented to support the initial procurement of consultancy support on the project.

47. However for consultancy spend of more than £75,000 outside of major and strategic projects my analysis identified that in any six-month period around 55% of commissions were reported as having a structured needs assessment. In some cases, a business case is produced. For contingent labour spend outside of major and strategic projects around 53% of commissions were reported as having a structured needs assessment.
48. The use of consultants and/or contingent labour will often be more expensive than the direct employment of staff. There will however always be certain skills that are not available on Island and skills that are not needed on a permanent basis. There are recognised constraints in the labour market in Jersey and more widely for digital and project and programme management skills.
49. The Government is currently developing departmental workforce plans. Some skills gaps have already been identified across the Government of Jersey in certain key areas. Identifying these gaps is clearly important as it should help to drive future workforce strategies.
50. When the need for additional consultancy and contingent labour is identified I would expect there to be a documented consideration and evaluation of the alternative options for meeting the need - for example by appointing consultants, by employing contingent labour, by redirecting the workload of existing employees or by the appointment of new employees. I would also expect the evaluation of alternative options to assess which option delivers best value for money. I found that such assessments were not evidenced and documented well or consistently.
51. To demonstrate value for money I would also expect there to be a re-evaluation of alternative options on a regular basis throughout any assignment. As assignments progress the consultancy needs identified may change (for example as skills are transferred to employees). In addition, the costs and benefits of alternative options may change as the consultancy needs identified change. I did not however see evidence of regular reviews and re-evaluation of alternative options on long running projects.
52. From my review of the spend on a sample of consultants and contingent labour, it is clear that one of the skills deficit areas that results in the appointment of consultants is programme and project management. There are significant numbers of temporary assignments for these areas of work with some arrangements with individuals and firms being in place since 2019, in various roles across different departments and projects. I identified examples of such arrangements that were not procured through a tender process, but through procurement exemptions. In addition, the rates that are being paid for such roles far exceed the cost of employing project managers. At least one of the roles I

reviewed is costing the Government more than £300,000 annually (including expenses).

Planning

53. The 2016 C&AG Report made one recommendation in respect of planning. Progress against this recommendation is summarised in Exhibit 6.

Exhibit 6: Progress in planning recommendation

Recommendation	Current position	Evaluation
R7 Ensure, including through effective monitoring, that corporate requirements for business cases are prepared prior to the use of consultants.	For the sample of consultancy assignments tested, evidence suggests that this is complied with for major projects, but not always for contingent labour or continuations.	Partially implemented

Source: Jersey Audit Office analysis

54. Business cases are prepared for all main projects and are fairly consistently set out. However, this is not always the case where short-term contingent labour is utilised to fill posts that are vacant. In many instances the professional services framework contract that has been put in place by the Government is being used to draw-down contingent labour from an approved list of suppliers. There is a risk however that value for money is not being challenged through the discipline of business cases and full consideration of alternative options to meet identified need for resource.

Procurement

55. The 2016 C&AG Report made three recommendations in respect of procurement. Progress against these recommendations is summarised in Exhibit 7.

Exhibit 7: Progress in procurement recommendations

Recommendation	Current position	Evaluation
R8 Align relevant Financial Directions to the new procurement strategy.	The PFM contains explicit links to the Procurement Toolkit. The Procurement Toolkit is not however used consistently.	Implemented Further work is now required to ensure consistent use of the Procurement Toolkit.

Recommendation	Current position	Evaluation
R9 Liaise with departments to identify areas where corporate guidance on matters that are relevant across the States should be prepared and prepare such guidance.	A Project Governance framework has been issued. The PFM Management Group meets regularly, and reviews feedback received on the Manual, progress in developing new sections and amendments to existing material.	Implemented
R10 Develop procurement arrangements for consultants through the increased use of framework contracts and the adoption of rate cards.	Much work has recently been undertaken on framework contracts and rate cards but this needs to be accelerated. There needs to be a more consistent approach to the use of the framework contracts and rate cards that have been established.	Implemented Further work is now required to drive value from the framework contracts and rate cards that have been established.

Source: Jersey Audit Office analysis

56. The PFM refers to a number of risks associated with procurement. The particular risks that need to be considered when procuring consultants are:

- purchases are made which either do not represent good value for money or fail to leverage the States’ or Government of Jersey’s buying power
- the States’ or Government of Jersey’s reputation may be compromised as a result of poor procurement practice and weak governance arrangements
- the competition process and subsequent contract award is not open, fair or transparent or could be at risk of legal challenge
- service and performance targets are not adequately defined
- there is inconsistent application of controls and performance management of suppliers across the States and Government of Jersey
- expenditure is incorrectly recorded; and
- quote and tendering limits are deliberately circumvented.

57. The Government of Jersey’s Procurement Strategy requires that wherever possible goods and services are procured through established corporate contracts. These

corporate contracts are entered into by Government with a supplier and include (among other things) volume discounts, agreed contractual terms, scope and supply arrangements. Corporate contracts include supplier catalogues and framework agreements. The use of corporate contracts and catalogues is mandated in the PFM unless a procurement exemption is authorised. Where there is no corporate contract in place, the sourcing route set out in the Procurement Best Practice and Procedures: User Guide and Toolkit should be followed. Again, an approved exemption is required to award contracts outside of these procedures.

58. A framework agreement allows the Government to pre-agree common terms and conditions (such as price, scope or specification) for a particular Good or Service, and then purchase these when the need arises over the duration of the contract.
59. The Government Commercial Services team is actively seeking out opportunities to set up framework agreements for services in order to maximise value for money, optimise contract terms and improve the quality of services through robust service level agreements and consistent performance measures.
60. There are several framework agreements in place, including in respect of construction services, digital services and professional services. However, the current rates on some of the framework agreements exceed the rates in place on individual contracts entered into by various Government departments. There is also some evidence that different departments are paying different rates for the same services from the same suppliers.
61. There is a risk that departments will not use framework agreements but seek to commission services separately, especially if call off / framework arrangements are not perceived to be value for money.
62. There is also a risk that departments could use the framework agreement to circumvent proper value for money processes and simply draw down the same firm/contractor each time. From my analysis of the P.59/2019 reports and testing the sample of commissions, I have seen examples where the explanation in an exemption is that 'direct award delivers better value for money for the Island' but in some instances I have not seen any evidence that this has been demonstrated in practice.
63. There is also evidence that certain consultancy firms are being used frequently. The use of the same firms on a frequent basis without testing the market can give rise to reduced competition in the market and may result in poorer value for money in the longer term.
64. There is currently no comprehensive contract register for the Government which would provide a reliable analysis of all contracts relating to a particular service or

supplier. It is also not possible to identify if suppliers have contracts in place with a number of departments, or if consistent rates are being charged to each department for similar services. The ability of Government to identify opportunities to rationalise contracts and use framework and call off arrangements is therefore limited.

65. The total value of all procurement breaches and exemptions (across all procurements not just the procurement of consultants) totalled over £881 million in the period from 1 January 2020 to 31 July 2023. The average number of breaches and exemptions each month is around 30 but in the late months of 2022 and early months of 2023 this rose to more than 60 in most months. There are some significant individual sums included in the breaches and exemptions report. I have identified instances where procurement exemptions have been approved for the use of consultants and contingent labour with what I consider to be insufficient evidence to support an exemption.
66. The implementation of the Connect Finance system with effect from 1 January 2023 has identified some instances where goods and services have been procured from suppliers without using correct systems procedures. As a consequence a number of suppliers had to be set up retrospectively on the Connect Finance system in order for payment to be made. In one six week period there were 65 instances of suppliers being set up retrospectively in respect of one Government department. This represents a significant weakness in governance and increases the risk of fraud and poor value for money.
67. The breaches and exemptions report is a standing item on the PFM Management Group for review. However my review of the minutes and agendas of this Group show that this report has not been going to the Group on a consistent or regular basis. The role of Departmental Finance Business Partners in identifying and challenging proposed procurement breaches and exemption requests is not clear. In addition, the breaches and exemptions report is not currently provided to the Government Risk and Audit Committee nor the Non-Ministerial Departments Audit Committee for review.

Recommendations

- R4** Undertake a specific review of the current and planned future use of consultants and contingent labour performing project management roles. Use this review to identify alternative delivery models to drive improved value for money.

R5 Enhance the management information produced, reviewed and challenged in respect of expenditure to include:

- the production and maintenance of contracts registers at department and States-wide levels
- regular review and challenge of proposed procurement breaches and exemptions by Departmental Finance Business Partners
- regular reporting of procurement breaches and exemptions to Senior Leadership Teams, the Government Risk and Audit Committee and the Non-Ministerial Departments Audit Committee; and
- regular reporting of retrospective supplier approvals to Senior Leadership Teams, the Government Risk and Audit Committee and the Non-Ministerial Departments Audit Committee.

Area for consideration

A2 Enhance the Procurement Best Practice and Procedures: User Guide and Toolkit to include:

- guidelines on preparing and maintaining a project file to document all expenditure (including expenditure on consultancy services) for each identified consultancy assignment. Such project files should include needs assessment, project brief including objectives, tendering procedure followed, contract awarded, performance management arrangements, project deliverables, evaluation of the consultancy assignment and reports received from the consultants; and
- guidance on the basic elements that should be included in consultancy contracts such as description of project deliverables, project schedule with key milestones, fees (including definition of reimbursable expenses), how payments will be made, reporting arrangements and arbitration and termination arrangements.

During a project

Managing

68. The 2016 C&AG Report made one recommendation in respect of managing consultant contracts. Progress against this recommendation is summarised in Exhibit 8.

Exhibit 8: Progress in recommendation concerning managing consultants

Recommendation	Current position	Evaluation
R11 Ensure, including through effective monitoring, compliance with existing requirements for managing consultant contracts.	The management of consultant contracts is inconsistent. For some projects reviewed I saw evidence of good, strong project management, meetings, output and deliverables. For others, I saw less rigour.	Not implemented consistently

Source: Jersey Audit Office analysis

69. Officers managing consultancy projects on behalf of the Government have two sets of responsibilities. The first is that of project management. These responsibilities include drawing up terms of reference for the project, meeting with the consultant on a regular basis to resolve any issues related to project tasks and reviewing deliverables such as draft reports as they are received. The second set of responsibilities is for managing the contract. This involves ensuring that the initial agreement is properly approved, that tendering procedures have been followed, that payments under the contract are correct and that proper documentation is maintained in a contract file.
70. Once the additional resources are commissioned through the procurement process, it is vital that the work is delivered in accordance with the objectives set out in the contract in a professional manner, and to time and cost. I observed some very good examples of where projects were managed through the use of sound project management, project boards and regular weekly and/or monthly reports.
71. I also saw examples where consultants had been commissioned initially and a number of extensions to the contract had subsequently taken place without a review and re-assessment of need and without consideration as to whether alternative methods of delivery would drive greater value for money. As a result of poor contract management, some consultants have been with the Government for significant amounts of time, and at a cost far in excess of the recruitment and payment of a member of staff to undertake the work. Some contracts have simply

'rolled forward' with little evidence of challenge and scrutiny and little evidence of value for money being delivered.

72. I have been informed that some of the contractors being used by Government are ex-employees paid at higher rates than when they were employees. Some consultants 'move' to areas of need across different projects rather than the contract being terminated at the end of a project and a new contract procured for the new project as is required by the PFM.
73. For some consultancy projects I examined, the quality of record-keeping was in need of improvement. In some departments, officers took a long time to produce the information I requested and when it was produced it was not always complete. Poor record-keeping is evidence of poor accountability and the absence of contract documents can cause serious problems in the event of a dispute with the contractor.

Reporting

74. The 2016 C&AG Report made one recommendation in respect of reporting. Progress against this recommendation is summarised in Exhibit 9.

Exhibit 9: Progress in recommendation regarding reporting

Recommendation	Current position	Evaluation
R12 Require all consultants to provide a formal output.	Output reports are produced for many of the major projects and transformation work when completed but less often for non-major projects and contingent labour.	Partially implemented More work is required to implement the recommendation on a consistent basis.

Source: Jersey Audit Office analysis

75. An analysis of the P.59/2019 reports for the period July 2019 to December 2022 showed that for consultancy spend greater than £75,000 in any six-month period on non-major projects, only 33% were reported as having a project output report. Many of the major projects do not have a project output report but that may be due to the fact that most of them have been continuing for some time and are not yet complete. Most of the commissions for contingent labour do not have a project output report.
76. Requirement 17 of the Expenditure and Procurement section of the PFM states that *'All reports from consultants and other third parties that are not considered exempt under Freedom of Information legislation must be published on*

www.gov.je as soon as is practical after their receipt'. The P.59/2019 reports from 2019 to 2022 show however that very few reports are published.

77. One of the most important aspects of commissioning consultants is the output and outcomes from the piece of work. Very clear objectives and timescales should be set at the start and should be measured throughout the project, with a final outcome report at the end. While this is evident in some of the large projects and transformation pieces I reviewed, it is much less clear for non-major projects and where contingent labour has been commissioned.
78. When output reports are regularly produced at the end of a project, the recommendations and findings are not always tracked consistently. For example, I found that consultancy work on transformation has not always achieved what it was intended to do and has not been followed through rigorously to drive and implement the benefits identified from the work undertaken. I have made recommendations in other reports regarding the need to systematically identify, track and deliver benefits on major and other projects. There is little evidence from the work undertaken in this review of systematic reporting on benefits realisation or timely implementation of recommendations made by consultants. In some of the consultancy assignments I have examined there is a risk that the expected benefits will not be realised and that the expenditure on consultants will not deliver the value expected.
79. In summary, there is a risk that the value from some pieces of work will be lost without a more rigorous approach to delivery 'post commission'. This can be exacerbated where a skills transfer has been a feature of the commission but then, during or after implementation, the trained staff leave.

Skills transfer

80. The 2016 C&AG Report made one recommendation in respect of skills transfer. Progress against this recommendation is summarised in Exhibit 10.

Exhibit 10: Progress in skills transfer recommendation

Recommendation	Current position	Evaluation
R13 Develop and implement a framework for ensuring that skills transfer is considered as an integral part of consultancy contracts.	Skills transfer is built into many of the contracts, but a lack of resources and issues with staff retention are limiting the effectiveness of skills transfer in practice.	Partially implemented There is a need for Government to drive greater value in skills transfer from consultancy assignments.

Source: Jersey Audit Office analysis

81. Every opportunity should be taken to make the transfer of skills a key part of any contract for consultants. However, the transfer of skills relies heavily on keeping a stable workforce and retaining those staff who have been the recipients of new skills.
82. While skills transfer was built into many of the contracts I reviewed, I saw limited evidence of the monitoring of this activity as part of contract management processes.

Recommendations

- R6** Enhance the Procurement Best Practice and Procedures: User Guide and Toolkit to include clarity on the contract management responsibilities of officers in charge of consultancy projects.
- R7** Develop and implement standard approaches to managing and reporting on consultants across the Government, including very clear requirements on the reporting of planned and actual skills transfer where this is a clear part of a commissioned piece of work.
- R8** Undertake a review to ensure that all consultancy reports not considered exempt under Freedom of Information legislation are published on the Government of Jersey website in accordance with the Public Finances Manual.

After a project

Evaluation

83. The 2016 C&AG Report made one recommendation in respect of evaluation. Progress against this recommendation is summarised in Exhibit 11.

Exhibit 11: Progress in evaluation recommendation

Recommendation	Current position	Evaluation
<p>R14 Develop post consultant engagement evaluation processes, including:</p> <ul style="list-style-type: none"> • value assessment • benefit delivery • knowledge transfer • assessment of outcomes and processes • lessons learnt; and • sharing lessons with other departments. 	<p>Some of these elements are in place but not consistently applied. I saw little evidence of lessons learnt documentation and no evidence of sharing lessons across the Government or with other departments.</p>	<p>Not implemented</p> <p>A consistent post consultant engagement evaluation process is not in place.</p>

Source: Jersey Audit Office analysis

84. A formal evaluation should be carried out for all but the very smallest consultancy engagements (where expenditure is less than £25,000). This should include details of whether the work was completed on time and to budget and, if not, why not. It should also state the extent to which project objectives were achieved or implemented and describe any difficulties with in-house project management.
85. An analysis of the P.59/2019 reports for the period January 2019 to December 2022 showed that for consultancy spend greater than £75,000 in any six-month period on non-major projects, only 13% of commissions were reported as having a post consultation analysis. Many of the major projects reviewed as part of my work did not have a post consultation analysis. Most of the commissions for contingent labour do not have a post consultation analysis.

Improvement

86. The 2016 C&AG Report made one recommendation in respect of improvement. Progress against this recommendation is summarised in Exhibit 12.

Exhibit 12: Progress in improvement recommendation

Recommendation	Current position	Evaluation
R15 Develop requirements and guidance for the consideration, implementation and monitoring of agreed consultant recommendations.	No formal monitoring arrangements are in place	Not implemented

Source: Jersey Audit Office analysis

87. One of the key areas of risk is that the States of Jersey do not secure value from the spend on consultancy. In order to ensure that full value results from the work of consultants, rigorous processes for implementation of recommendations and proper evaluation of the benefits and outcomes from consultants' work need to be in place. I found no such arrangements in place in practice.

Recommendations

- R9** Develop and implement a standard, consistent process for the evaluation of consultancy engagements. Ensure the process includes consideration of the following questions:
- Was the project completed on time and to budget? If not, why?
 - Were project objectives achieved?
 - Was the quality of work satisfactory?
 - Will recommendations be implemented?
 - Were problems encountered on the assignment?
 - How did the firm and/or individual consultant perform?
- R10** Develop and implement a formal system of documenting and monitoring consultant recommendations across States of Jersey departments.

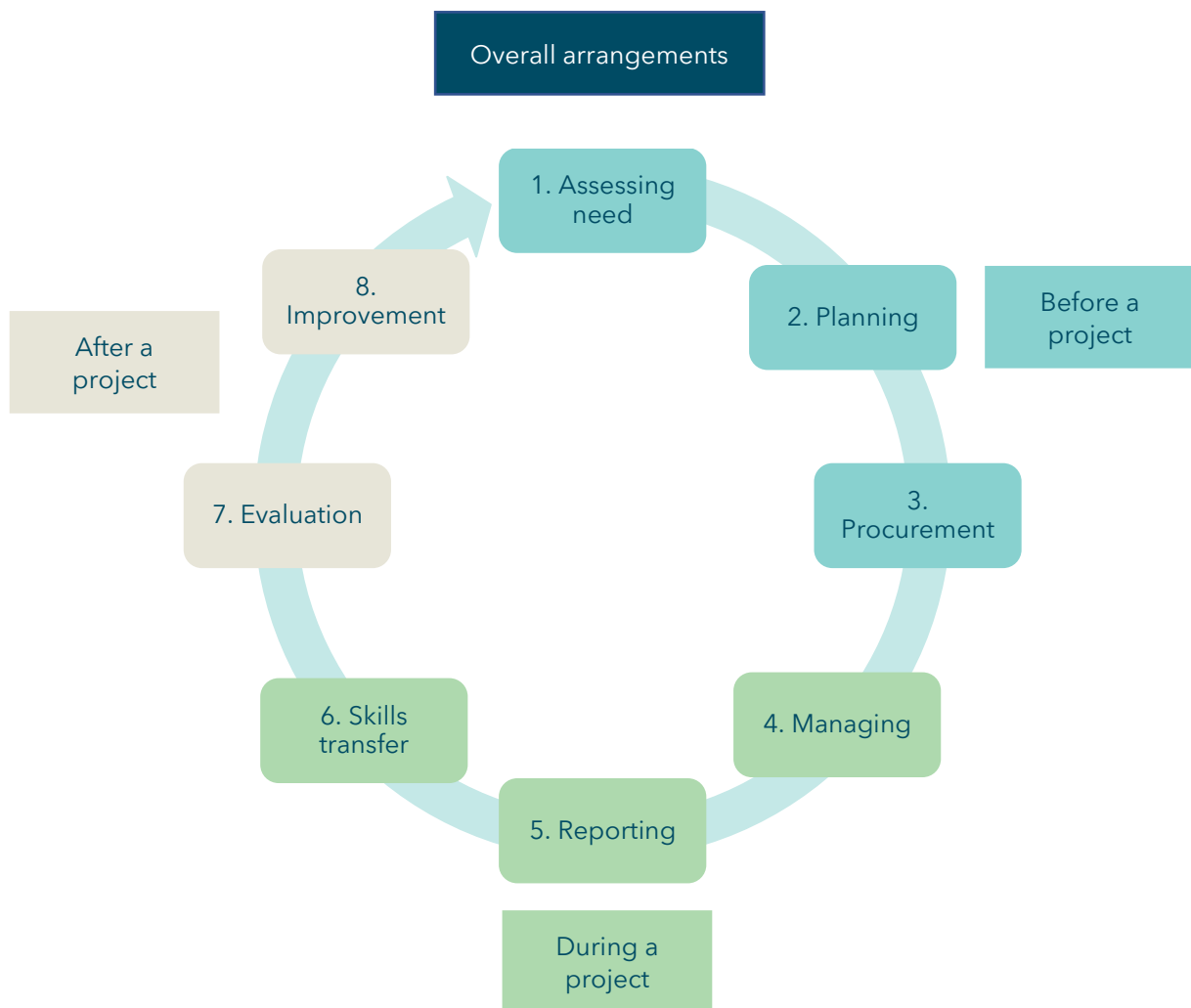
Appendix One

Audit Approach

This audit used a result-oriented and system-oriented approach.

The approach assessed the effectiveness of the use of consultants by the States of Jersey against best practice criteria developed by the Jersey Audit Office outlined in Exhibit 13.

Exhibit 13: Best Practice Framework for Engaging Consultants



Source: Jersey Audit Office

The audit included the following key elements:

- review of key documents relating to the overall management of the use of consultants and key documents relating to 27 individual projects
- interviews with key individuals involved in both the overall management of the use of consultants and the individual projects; and

- review of relevant Internal Audit reports

The documents reviewed included:

- agendas and minutes of the Public Finances Manual Management Group
- business cases and detailed project governance documentation for the 27 named individual projects, including Project Initiation Documents, project meetings, project updates, risk registers and outcomes/lessons learnt reports
- documents supporting procurement processes for commissioning resources for the 27 individual projects tested
- key management information used in monitoring contracts for the 27 projects tested
- management information on the overall use of consultants including reports to the States Assembly and the States Employment Board
- Public Finances Manual and supporting guidance and frameworks
- relevant Internal Audit reports; and
- the reported progress on the recommendations from the 2016 Report on the Use of Consultants

The officers who contributed information through interviews or by correspondence included:

- Associate Director and Head of Organisation Development
- Business Partner Governance and Strategy
- Cabinet Office staff members
- Chief Internal Auditor
- Chief People and Transformation Officer
- Commercial Services officers
- Comptroller of Revenue
- Contract and Supplier Management Specialist
- Director of Improvement and Innovation HCS
- Finance Business Partner, Capital Projects

- Finance Business Partner, Treasury and Exchequer Department
- Group Director – Financial Business Partnering and Analytics
- Group Director Commercial Services (former and current)
- Head of Business Enablement and Customer Support, Modernisation and Digital
- Head of Business Partnering, Treasury and Exchequer
- Head of Commercial Services
- Head of Financial Governance
- Head of Ministerial Office
- Head of Procurement
- Higher Officer, Revenue Jersey
- Officers from the Infrastructure and Environment Department
- Strategic Workforce Planning and Intelligence Officer; and
- Treasurer of the States.

The sample of assignments reviewed comprised:

- the engagement of three consultancy firms on the Our Hospital Project
- the engagement of six consultancy firms on the ITS programme; and
- 18 other consultancy and contingent labour contracts including assignments in respect of:
 - commercial services model
 - revenue system transformation
 - Modernisation and Digital
 - project management
 - transport policy
 - finance transformation
 - zero based budgeting

- digital care strategy
- electronic patient record
- corporate records; and
- regulation group digital assets.

The fieldwork was carried out by affiliates working for the Comptroller and Auditor General between July 2023 and February 2024.

Appendix Two

Summary of Recommendations, Work planned that should be prioritised and Areas for consideration

Recommendations

- R1** Review and update the definitions of contingent labour, consultancy expenditure and professional services so that there is consistency and clarity on process and coding.
- R2** Ensure that departments are provided with regular reports on contingent labour and consultancy expenditure so that such expenditure can be scrutinised and challenged by officers, both at departmental level and at corporate level.
- R3** Review and, where possible, streamline the process for compiling the P.59/2019 reports to the States Assembly. In doing so:
- consider whether to recommend amendments to the report requirements to the States Assembly to assist in more cost effective production; and
 - ensure that these reports are produced on a more timely basis.
- R4** Undertake a specific review of the current and planned future use of consultants and contingent labour performing project management roles. Use this review to identify alternative delivery models to drive improved value for money.
- R5** Enhance the management information produced, reviewed and challenged in respect of expenditure to include:
- the production and maintenance of contracts registers at department and States-wide levels
 - regular review and challenge of proposed procurement breaches and exemptions by Departmental Finance Business Partners
 - regular reporting of procurement breaches and exemptions to Senior Leadership Teams, the Government Risk and Audit Committee and the Non-Ministerial Departments Audit Committee; and
 - regular reporting of retrospective supplier approvals to Senior Leadership Teams, the Government Risk and Audit Committee and the Non-Ministerial Departments Audit Committee.

- R6** Enhance the Procurement Best Practice and Procedures: User Guide and Toolkit to include clarity on the contract management responsibilities of officers in charge of consultancy projects.
- R7** Develop and implement standard approaches to managing and reporting on consultants across the Government, including very clear requirements on the reporting of planned and actual skills transfer where this is a clear part of a commissioned piece of work.
- R8** Undertake a review to ensure that all consultancy reports not considered exempt under Freedom of Information legislation are published on the Government of Jersey website in accordance with the Public Finances Manual.
- R9** Develop and implement a standard, consistent process for the evaluation of consultancy engagements. Ensure the process includes consideration of the following questions:
- Was the project completed on time and to budget? If not, why?
 - Were project objectives achieved?
 - Was the quality of work satisfactory?
 - Will recommendations be implemented?
 - Were problems encountered on the assignment?
 - How did the firm and/or individual consultant perform?
- R10** Develop and implement a formal system of documenting and monitoring consultant recommendations across States of Jersey departments.

Work planned that should be prioritised

- P1** Accelerate the completion of departmental and corporate workforce development plans to include resource numbers and budgets.
- P2** Accelerate the work being undertaken to compile departmental training plans alongside workforce plans. The training plans should take account of identified skills shortages, particularly in connection with project management and digital.

Areas for consideration

- A1** Consider utilising the Connected Performance module for the performance management of long-term interim staff.
- A2** Enhance the Procurement Best Practice and Procedures: User Guide and Toolkit to include:
- guidelines on preparing and maintaining a project file to document all expenditure (including expenditure on consultancy services) for each identified consultancy assignment. Such project files should include needs assessment, project brief including objectives, tendering procedure followed, contract awarded, performance management arrangements, project deliverables, evaluation of the consultancy assignment and reports received from the consultants; and
 - guidance on the basic elements that should be included in consultancy contracts such as description of project deliverables, project schedule with key milestones, fees (including definition of reimbursable expenses), how payments will be made, reporting arrangements and arbitration and termination arrangements.



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