



Haringey Council

Agenda item:

[No.]

Corporate Committee

On 21 July 2011

Report Title: Internal Audit – Use of Consultants follow up

Report authorised by: Director of Corporate Resources *J. Parker 13/7/11.*

Report of and Contact Officer: Anne Woods, Head of Audit and Risk Management  
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Wards(s) affected: All

Report for: Information

**1. Purpose of the report**

1.1 The purpose of this report is to update members on the follow up review of the Use of Consultants audit, previously reported to Audit Committee on 19 April 2011.

**2. State link(s) with Council Plan Priorities and actions and/or other Strategies:**

2.1 Audit and Risk Management contribute to the Council priority to deliver excellent, customer focused, cost effective services by reviewing key services and making recommendations for improvement where appropriate. Follow up work is undertaken to ensure that managers implement agreed recommendations and improvements.

**3. Recommendations**

3.1 That the Corporate Committee notes this report.

**4. Reason for recommendation(s)**

4.1 The Corporate Committee is responsible for monitoring the completion of internal audit work completed and the implementation of agreed recommendations as part of its Terms of Reference. In order to facilitate this, reports are provided for review and consideration. The Audit Committee at their meeting on 19 April 2011 requested a follow up report on the implementation of the audit recommendations be brought to the Corporate Committee in the 2011/12 municipal year.

## **5. Other options considered**

5.1 Not applicable

## **6. Summary**

6.1 The follow up audit on the Use of Consultants has been completed. The findings are attached which show good progress has been made and the original recommendations made in the original report have been implemented.

6.2 In response to the Audit Committee's recommendation, work is currently ongoing to ensure that managers provide all outstanding documentation as soon as possible and also to improve systems for the future use and engagement of consultants.

## **7. Head of Legal Services Comments**

7.1. The Acting Head of Legal Services has been consulted in the preparation of this report, and advises that there are no direct legal implications arising out of the report.

## **8. Chief Financial Officer Comments**

8.1 The follow up work on the use of consultants has been undertaken as part of the annual audit plan and the Chief Financial Officer confirms that there are no direct financial implications associated with it as set out in section 12.0.

8.2 However, the Chief Financial Officer is concerned that, although the recommendations from the initial report have been implemented, a number of consultants are still engaged in the council for whom some key documentation is missing. Failure to comply increases both financial and reputational risk to the authority.

## **9. Head of Procurement Comments**

9.1 Not applicable

## **10. Equalities and Community Cohesion Comments**

10.1 This report deals with how risks to service delivery are managed across all areas of the Council, which have an impact on various parts of the community. Improvements in managing risks and controls will therefore improve services the Council provides to all sections of the community.

## **11. Consultation**

11.1 No external consultation was required or undertaken in the production of this

report. The follow up work referred to in this report has been agreed by the respective heads of service.

## **12. Service Financial Comments**

12.1. There are no direct financial implications arising from this report. The work completed by Deloitte and Touche to undertake the annual audit plan, including follow up work, is part of the five year contract which was awarded following a competitive tendering exercise in compliance with EU regulations from 1 April 2007. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget.

## **13. Use of appendices**

13.1 Appendix A – follow up audit report

## **14. Local Government (Access to Information) Act 1985**

14.1 For access to the background papers or any further information please contact Anne Woods on 0208 489 5973.

## **15. Background**

15.1 Deloitte and Touche completed the audit on the Council's Use of Consultants as part of the agreed 2010/11 annual audit plan. The findings, reported to the Audit Committee on 19 April 2011, highlighted a number of areas of non compliance with the agreed Council policy and procedures in relation to the appointment and recruitment of consultants.

15.2 At the time of the original audit, it was identified that 54 Consultants were engaged across the Council, reduced from a total of 82 in June 2010. A sample of ten consultants was reviewed as part of the audit and the following findings reported:

- No evidence that the Consultant E-form had been used in all cases;
- A business case was in place in only five cases;
- The Consultant Induction Checklist had not been completed in all cases;
- Evidence of professional indemnity insurance cover was only available in six cases; and
- There was evidence of a contract being in place in only five cases.

15.3 Members expressed concern at the findings and requested all managers be informed that no further consultants should be appointed unless Council procedures had been followed. Members further requested that a report should be presented to the Corporate Committee on progress against the agreed recommendations.

## 16. Follow up work

16.1 The follow up audit on the Use of Consultants has been completed and the results of the follow up audit are contained at Appendix A. The original recommendations have been implemented.

16.2 In response to the Audit Committee's recommendation, as at 1 July 2011, 12 consultants from the original list were currently engaged across the Council. It was identified that evidence of documentation was not held on the Council's contract management system (CMS) as follows:

- All required documentation was missing for two consultants (Place and Sustainability). Management have advised that the required documentation is being put in place for one consultant and one consultant has been given notice and the service will be sourced via an approved agency by 15 July 2011;
- One consultant had evidence of a business case, but no other documentation (CYPS - BSD), although this consultant had been issued with notice to end their contract and their last day of service will be 19 July 2011;
- One consultant had a business case in place, and the contract was with Legal Services for signature, but had no evidence of insurance cover in place (Place and Sustainability). Management have advised that evidence of this will be obtained;
- One consultant had a business case and insurance cover in place, but no contract (Place and Sustainability). Management have advised that a contract is being put in place; and
- In addition, one consultant had evidence of insurance cover in place, but this had expired in March 2010. Management have advised that a current insurance certificate has been requested.

16.3 Although it is the hiring manager's responsibility to ensure that Council procedures are followed and all required documentation is in place, work has been ongoing during the first quarter 2011/12 by both the Head of HR and the Head of Procurement to obtain outstanding documentation from managers. The Head of Procurement has blocked payments from 1 July 2011 for consultants which do not comply with Council policy and advised the hiring manager of this action.

16.4 A further two consultants are currently employed. A review of the information held on CMS showed that evidence of some documentation was not held as follows:

- One consultant had no evidence of contracts or insurance cover in place (Place and Sustainability). Management have advised that the required documentation is being put in place.

Detailed Progress Report - Outstanding Recommendations 2010/11

Ref	Recommendation	Priority	Original Deadline	Management Response	Progress/Status
<b>USE OF CONSULTANTS</b>					
1	<p>A formal reminder should be sent to all managers who are involved in the recruitment of consultants, reinforcing the requirement to comply with all aspects of the Council's Policy for Use of Consultants.</p> <p>The reminder should make it clear that all requests should be supported by documents required under the Council's Policy for Use of Consultants, which should include, as a minimum:</p> <ul style="list-style-type: none"> <li>• A Consultant E-form completed by the relevant budget holder;</li> <li>• A Consultant Business Case Form approved by the relevant Assistant Director;</li> <li>• A report authorised at the appropriate level;</li> <li>• A completed Consultant Induction Checklist;</li> <li>• Documentary evidence of adequate professional indemnity cover from the Consultant;</li> <li>• A signed contract between the</li> </ul>	1	June 2011	Agreed	<p><b>Implemented</b></p> <p>The Head of HR Shared Services confirmed that a formal reminder has not yet been issued as she is working with a group to review the process for the recruitment of consultants and therefore she is waiting for the new process being developed before issuing any instructions.</p> <p>The S.151 Officer issued an instruction to all Directors on 20 April 2011 requiring all Council policies in respect of the Use of Consultants to be adhered to. In addition, that all existing consultants should have relevant documentation put in place as soon as possible. This requirement was endorsed by the Chief Executive.</p> <p>The P2P Performance Manager in Corporate Procurement has implemented a new process under which no request to load a consultant or self employed individual on SAP will be processed until it is checked that all the required documentation is in place. The P2P Manager has confirmed that this provisional arrangement is in place, although only one request has been made since the internal audit report was issued.</p> <p>In addition, the London Boroughs Recruitment Consortium Partnership, led by Merton Council, is developing a framework of four agencies from</p>

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	<p>Council and the Consultant; and</p> <ul style="list-style-type: none"> <li>Approved waivers, where applicable. All documents should be retained on file for audit purposes.</li> </ul> <p><i>Responsibility: HR Strategy/ Policy Consultant (Employment Strategy)</i></p>				<p>which consultants can be selected. The Head of HR Shared Services is preparing a report to consider the line of approach for using the framework, which is to be presented to the Asst Chief Executive.</p>
2	<p>The Policy for Use of Consultants/Self Employed Workers should be updated on Harinet and evidenced as such.</p> <p>A process should also be implemented for the document to be reviewed at least annually and updated, where necessary, to reflect relevant changes in local, statutory and EU requirements and thresholds.</p> <p>It is further recommended that, in light of the current expenditure restrictions across the Council, management should consider reviewing the Policy for Use of Consultants and Self-employed Workers to ensure that it is appropriate and is consistent with the Council's requirements.</p> <p><i>Responsibility: HR Strategy/ Policy Consultant (Employment Strategy)</i></p>	2	April 2011	<p>Noted</p> <p>Agreed</p>	<p><b>Implemented</b></p> <p>The page on HARINET for 'e-form - Notification of hired consultant/self employed worker' was viewed. The Consultants Policy linked to this page was obtained and it was found that the footer details on the document showed the source to be the Organisational Development shared drive and the date of the policy as 1 December 2010.</p> <p>Discussions with the Head of HR Shared Services confirmed that the Consultants Policy is currently under review as part of the formal review process referred to in 1 above.</p>

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3	<p>Officers within the Corporate Procurement Team with responsibility for setting up consultants on SAP should be formally reminded of their responsibility to ensure that all requests are supported by all relevant documents required under the Council's Policy for Use of Consultants (referred to in Recommendation 2 above).</p> <p>Consideration should be given to developing a checklist covering all key documents required under the Council policy, for completion by the officer setting up the consultant on SAP, to confirm that all required documentation is in place. Any instances of non-compliance should be referred back to the relevant manager.</p> <p><i>Responsibility: P2P Performance Manager</i></p>	1	31/03/2011	<p>Officers responsible for creating SAP vendors have already been informed of the need to obtain key documents beforehand and a procedure / checklist will be produced and implemented.</p>	<p><b>Implemented</b></p> <p>As stated in 1 above, an interim measure has been implemented by the P2P Performance Manager, under which no requests for setting up a consultant will be processed on SAP until all relevant documentation have been sighted. A checklist has been developed, a copy of which was obtained by Internal Audit, to be used when setting up new consultants on SAP, which requires confirmation that all relevant documentation have been obtained, including business case, copy of contract, copy of relevant insurance cover, CRB check (where relevant) and confirmation HR have been notified through the E-Form on Harinet.</p> <p>The Head of HR Shared Services issued a reminder to the Service Manager reinforcing the requirement to complete the E-Form and submit relevant documentation.</p>
4	<p>A reminder should be sent to all relevant managers, reminding them of their responsibility to ensure that:</p> <ul style="list-style-type: none"> <li>• The requirements of the Council's Contract Standing Orders are complied with at all times with regard to the expenditure level; and</li> <li>• Corrective actions are taken to address poor performance, in line with the Council's Policy for Use of Consultants.</li> </ul>	1	31/03/2011	<p>Agreed</p>	<p><b>Implemented</b></p> <p>The Head of Procurement confirmed that the Use of Consultants process has been reviewed jointly by HR and Corporate Procurement and that both teams will be putting in place improvements. For instance, HR will establish a new framework access agreement (please refer to 1 above) through which consultants will be commissioned and management information provided. Corporate Procurement will block payments to consultants where the necessary business case, approved by a Director, is not</p>

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	<i>Responsibility: Head of Procurement</i>				<p>obtained.</p> <p>The Head of Procurement has issued a reminder to managers have regarding their responsibility to ensure timely monitoring of progress against the agreed assignment and that time and cost must be managed effectively.</p>