

Chapter 33

Central Services—Use of Consultants

1.0 MAIN POINTS

This chapter describes our first follow-up of management's actions on the recommendations we made in 2014 related to our audit of the Ministry of Central Services' (Ministry) processes for the use of consultants. By August 31, 2016, the Ministry had implemented three recommendations, but requires more work to fully implement one other recommendation. In addition, one recommendation was no longer relevant.

The Ministry established a policy to guide hiring of consultants. The policy requires a documented business case prior to undertaking any process to contract a consultant. The policy also requires contracts and related documents to outline the Ministry's process for evaluating consultants.

The Ministry did not follow the policy in that its contracts with consultants did not include provisions for monitoring and evaluation of consultants. In addition, it did not formally evaluate consultant services. Lack of such provisions and formal evaluations increases the risk the Ministry may engage consultants with past performance problems.

2.0 INTRODUCTION

The Ministry uses the services of consultants to obtain expertise and human resource capacity for specific periods of time or in relation to specific projects. During the year ended March 31, 2016, the Ministry spent approximately \$11 million (March 31, 2015 - \$15 million) on consultants.

In our *2014 Report – Volume 2*, Chapter 30, we concluded that the Ministry of Central Services' processes for the use of consultants, in effect at that time, were not effective. We made five recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry's management agreed with the criteria in the original audit. We examined policies and procedures that relate to its use of consultants. We examined a sample of consultant contracts and related documents, and interviewed Ministry staff.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at August 31, 2016, and the Ministry's actions up to that date. By August 31, 2016, the Ministry had fully implemented three recommendations, and made



progress towards implementing the other recommendation. We found one recommendation to be no longer relevant.

3.1 Treasury Board Approves Staff Levels

We recommended that the Ministry of Central Services establish a policy that guides when to use an employee as opposed to hiring a consultant. (2014 Report – Volume 2; Public Accounts Committee agreement June 17, 2015)

Status – No Longer Relevant

We determined that the above recommendation was no longer relevant for the following reasons.

Existing budgetary processes provide the Ministry with direction on changes in the number of full-time equivalents (FTEs). The Ministry cannot increase the total number of FTEs without prior Treasury Board approval. The Ministry typically seeks this approval during the Government's annual budget cycle. We found that once the Ministry assesses the use of employees versus the use of consultants, the Ministry will seek Treasury Board approval if it requires additional FTEs.

The above recommendation was redundant in that implementation of our other recommendations results in the Ministry consistently documenting its rationale for use of consultants and evaluating their use.

3.2 Policy to Guide Hiring and Evaluating Consultants Established

We recommended that the Ministry of Central Services identify and document, prior to beginning the process of engaging a consultant, the reasons why a consultant is required. (2014 Report – Volume 2; Public Accounts Committee agreement June 17, 2015)

Status – Implemented

We recommended that the Ministry of Central Services establish a policy that guides when and how to conduct a final evaluation of a consultant's performance. (2014 Report – Volume 2; Public Accounts Committee agreement June 17, 2015)

Status – Implemented

The Ministry developed a Consulting Services Procurement Policy (Policy) that came into effect June 1, 2015.

The Policy guides staff on the Ministry's use of consultants (i.e. external resources). The Policy requires a documented business case prior to undertaking any process to contract a consultant. This is to include: stating reasons for using an external resource and considering client input (e.g., Ministry of Economy); vendor consultation; the nature and clarity of the business problem to be addressed; consultation services to be provided; and resource, time, and budget constraints.

In addition, the Policy requires contracts and related documents to outline the Ministry's process for evaluating consultants.

For the sample of contracts we examined, we found the Ministry assessed the need for use of a consultant consistent with the expectations set out in the Policy, and documented this assessment prior to engaging a consultant. The project sponsor documented the assessment in a business case. The business cases received appropriate approval.

3.3 Consultant Performance Not Formally Evaluated

We recommended that the Ministry of Central Services improve its agreements with consultants to include:

- › Services to be provided, in sufficient detail to permit evaluation of consultant performance
- › Provisions for monitoring and evaluation
- › Dispute resolution (2014 Report – Volume 2; Public Accounts Committee agreement June 17, 2015)

Status – Partially Implemented

The Ministry did not always follow its Consulting Services Procurement Policy in that it did not document its expectations for evaluating consultants in its contracts.

For the sample of contracts we examined, while the contracts and related documents (e.g., callout)¹ sufficiently documented details about expected services, none of them specified how the Ministry would monitor or evaluate consultants. In addition, for all contracts in the sample, the Ministry did not formally evaluate the consultant's performance.

We found that the Ministry includes dispute resolution clauses in its contracts with consultants.

Lack of monitoring and performance requirements in contracts increases the risk of not effectively monitoring and evaluating consultants. Also, not evaluating consultants or documenting the results of evaluations increases the risk that the Ministry may engage consultants with past performance problems; this, in turn, could impact the quality and cost of the future services.

¹ A callout is when the Ministry seeks to contract for services from its list of pre-qualified suppliers.



3.4 Reasons for the Need to Extend Agreements Documented

We recommended that the Ministry of Central Services document, prior to extending an agreement with a consultant, the reasons for the need to extend the agreement. (2014 Report – Volume 2; Public Accounts Committee agreement June 17, 2015)

Status – Implemented

We examined a sample of contracts with extensions. Prior to extending the contracts, the Ministry had documented its rationale for the extension.