

AUDIT GLASGOW

Loch Lomond & The Trossachs National Park Authority

Use of Consultants

Final Report

August 2024



FS 57095



1 Introduction

- 1.1 As part of the agreed 2023/24 Internal Audit plan, we have carried out a review on the Use of Consultants within Loch Lomond & The Trossachs National Park Authority (the Park Authority).
- 1.2 Consultants can provide specialist guidance and skills in particular areas and are often engaged to assist with a specific project or issue. However, the cost of consultancy services can be high and needs to be closely assessed for best value. Their use therefore should be carefully considered and subject to specific monitoring. There are also tax implications which must be considered. During the period ended 31 March 2024 the Park Authority incurred total expenditure of £634k on external consultants.
- 1.3 The Scottish Government published Consultancy Procedures in March 2017 which, whilst not mandatory for non-departmental public bodies to adopt, should be considered as good practice in the public sector. The procedures state that to ensure value for money, consultants should be used sparingly, appropriately, and effectively. The guidance suggests that the following conditions should be met:
- The work cannot be carried out internally (i.e., the organisation does not have the required expertise or knowledge),
 - Management is determined to take action to bring about change and demonstrate commitment to act upon the outputs,
 - The consultant can bring relevant knowledge and has proven experience which will add value to the organisation's objectives, and
 - The number of consultants does not exceed in-house capacity to manage them effectively.
- 1.4 The purpose of the audit was to ensure there are sufficient and appropriate controls in place covering the use of consultants including:
- A walkthrough of the process and review of documented guidance, policies and procedures,
 - Ensuring staff are suitably trained and/or supported in the process,
 - Reviewing a sample of consultancy engagements to determine compliance with agreed procedures (including procurement, extending engagement periods and IR35: Off-payroll workers),
 - Roles and responsibilities and contract management arrangements,
 - Arrangements in place for payment of consultancy fees,
 - Ensuring consultancy expenditure is appropriately recorded in the ledger,
 - Reviewing arrangements in place to ensure consultancy engagements are delivering best value and decisions are made as a result of the engagement, and
 - Reviewing management information, reporting and scrutiny.

2 Audit Opinion

- 2.1 Based on the work carried out a **limited** level of assurance can be placed upon the control environment. The audit has identified some scope for improvement in the existing arrangements and **four recommendations** which management should address.

3 Main Findings

- 3.1 We found that suitable arrangements are in place for authorising and processing consultancy payments. Through review of the payments made to a sample of 13 consultants, all 13 had been authorised appropriately and did not exceed the initial agreed amount.
- 3.2 There is no formal procedural framework to assist staff that need to use consultancy services. The Park Authority does not currently adopt the Scottish Government consultancy good practice guidance, and there are no specific internal procedures or training to govern the process of engaging a consultant, covering areas such as the required conditions, justifications and procurement processes. The Park Authority procurement procedures and guidance also do not include sufficient detail in relation to the use of consultants.
- 3.3 We selected a sample of 13 consultancy engagements for review and applied the criteria set out by the Scottish Government in its good practice guidance. We noted that for 11 of these engagements, no evidence confirming that the justification for engaging a consultant had been documented or approved.
- 3.4 There are no formal arrangements in place to ensure that the formal Check Employment Status for Tax (CEST) assessments, which is on the HMRC website, is completed for all consultants to enable the tax status to be determined. We also noted that none of the managers responsible for the consultant engagements sampled were aware of the CEST tool.
- 3.5 For the sample of consultants reviewed, monitoring arrangements were in place to ensure best value continued to be achieved throughout the engagement. However, we noted that guidance which sets out the expected format and nature of contract management activities is not currently in place.
- 3.6 Consultancy expenditure is included in the monthly management accounting reports which are issued to Operational Managers and the Executive Team. However, information on costs associated with the use of consultants is not separately highlighted and reported to the Executive Team.

3.7 An action plan is provided at section four outlining our observations, risks and recommendations. We have made four recommendations for improvement. The priority of each recommendation is:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	2
Medium	Less critically important controls absent, not being operated as designed or could be improved.	2
Low	Lower level controls absent, not being operated as designed or could be improved.	0
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	0

3.8 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.

3.9 We would like to thank officers involved in this audit for their cooperation and assistance.

3.10 It is recommended that the Chief Internal Auditor submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

3.11 It is recommended that the Chief Internal Auditor submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

3 Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Documented procedures are in place which govern the use of consultants and these are reflective of good practice.				
1	<p>The Park Authority does not have a robust control framework in place covering the use of consultants:</p> <ul style="list-style-type: none"> There are no internal documented policies or procedures and no specific guidance on the financial processes which should be followed if a consultant requires to be paid via payroll, The Park Authority has not adopted the Scottish Government's good practice guidance on the use of consultants, and No training is currently available for managers who engage consultants. <p>In the absence of formal procedures, we applied the criteria set out by the Scottish Government to a sample of 13 consultancy engagements and found that for 11 cases there was no evidence confirming that the justification for engaging a consultant had been documented or approved.</p> <p>If adequate documented procedures are not in place and/or all relevant documentation relating to a consultancy engagement is not retained, there is an increased risk that incorrect or inefficient processes are</p>	<p>Management should adopt the Scottish Government good practice guidance on the Use of Consultants. Thereafter a formal internal procedure document should be developed which includes:</p> <ul style="list-style-type: none"> The circumstances in which it would be appropriate to engage a consultant, The conditions which should be met before a consultant is appointed, The requirement to justify the engagement of a consultant to demonstrate value-for-money compared to in house delivery and to ensure that this is documented, The requirement to apply the Scottish Government's "Three-Part-Test" to any consultancy engagement to determine if it in fact relates to another professional service, The applicable procurement and financial processes to be followed, and The arrangements for ensuring that all relevant documentation, relating to consultancy engagements, is retained for future reference. 	High	<p>Response: Accepted</p> <p>Management will amend existing financial guidance to incorporate the Scottish Government good practice guidance on the Use of Consultants as relevant and proportionate and make resources available to staff as appropriate.</p> <p>Officer Responsible for Implementation:</p> <p>Finance Manager</p> <p>Timescales for Implementation:</p> <p>31 March 2025</p>

followed or there is a lack of justification to appoint the consultant, resulting in potential financial loss and/or reputational damage.

Once drafted and agreed, the procedure should be made available to all staff and consideration given to putting in place appropriate training arrangements to provide further guidance where required for relevant staff.

Key Control: Checks on employment status for tax are undertaken for all applicable consultancy engagements.

2 Public authorities are responsible for assessing whether the Off-Payroll Working Rules (IR35) apply to contracts agreed with workers who provide services through an intermediary. These rules determine whether a worker should be paid gross of tax and National Insurance Contributions (NIC), or whether these should be deducted at source.

Currently there is no requirement within the Park Authority to complete the CEST tool for all consultancy engagements and we found that this had not been completed for any of the 15 consultants sampled. The CEST tool provides an assessment of an individual consultancy engagement, which determines if the individual should be treated as employed for tax purposes, self-employed, or in scope for IR35 for that engagement. HMRC stand by the decisions from the CEST tool if the questions have been answered accurately.

Additionally, there is no requirement within the Park Authority to periodically review an engagement to see if it now falls in scope for

Management should:

- In conjunction with recommendation 1, prepare and issue IR35 guidance to all relevant staff. This should clearly highlight the need to conduct a formal CEST assessment where a proposed contract is to be delivered by an individual/sole-trader, partnership or personal service company.
- Introduce a central register to document each CEST assessment undertaken, the outcome, and a date for formal review. Arrangements should also be made to hold electronic copies of all CEST assessments in a central location (these requirements should be included in the documented guidance).
- Determine if there are any current engagements in the Park Authority that have not been assessed using the CEST tool and ensure that the assessments are completed as soon as possible.

High

Response: Accepted

- IR35 guidance will be included in the amended documentation. As of 1 August CEST assessments are being completed for all consultancy engagements. CEST assessments will be the responsibility of engagement managers but will be required to be submitted to the Finance Operations team alongside the Purchase Order to ensure central oversight.
- An exercise to review all existing engagements in the current financial year will be undertaken.

Officer Responsible for Implementation:

Finance Manager

Timescales for Implementation:

the IR35 rules (this can happen if there are changes to the engagement, or it is extended, as this itself can be indicative of IR35 rules being applicable).

If the employment status of a consultant is not adequately determined, there is an increased risk of non-compliance with tax legislation. Consequently, the Park Authority may become liable for the individual's tax and NIC that should have been deducted at source, as well as penalties for non-compliance with HMRC rules.

- a) 31 March 2025
- b) 30 November 2024

Key Control: Appropriate contract management arrangements are in place.

- 3** For the sample of 13 consultancy engagements reviewed, we noted that Operational Managers had adopted appropriate monitoring arrangements for the engagements they are responsible for. However, there is currently no guidance in place which sets out the expected format and nature of contract management activities in relation to consultancy engagements to ensure that a consistent approach is maintained across the organisation.

Without documented procedures or guidance confirming expected contract management arrangements for consultancy engagements there is an increased risk that incorrect or inconsistent practices may be adopted.

Management should put in place guidance to set out the expected format and nature of contract management activities for consultancy engagements, including a requirement for a formal contract management framework and regular assessments of a consultant's performance against this framework, such as key deliverables, outputs or performance indicators.

Thereafter the procedure should be made available to all staff with responsibility for contract management.

Medium

Response: Accepted

Guidance for the contract management of consultancy engagements will be created and shared with all staff overseeing consultants.

Officer Responsible for Implementation:

Finance Manager

Timescales for Implementation:

30 June 2025

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Consultancy expenditure is accurately recorded in the ledger and subject to effective scrutiny.				
4	<p>Specific accounting codes are included within the financial ledger which allows spend, including costs associated with consultancy engagements, to be separately recorded. Periodic financial monitoring reports are issued to Operational Managers and the Executive Team. These reports provide detailed information on spend in relation to individual projects which may also include consultancy costs. However, the reports do not specifically highlight or focus on costs associated with the use of consultants. Therefore, periodic reporting which specifically highlights overall expenditure incurred in relation to the use of consultants across the Park Authority is not currently produced or reported to the Executive Team to ensure appropriate scrutiny and oversight.</p> <p>Current arrangements increase the risk that effective financial monitoring and scrutiny of expenditure relating to use of consultants does not take place.</p>	<p>Management should report the costs associated with the use of consultants to the Executive Team on a periodic basis to ensure appropriate scrutiny and oversight.</p>	Medium	<p>Response: Accepted</p> <p>Management will report costs associated with use of consultants to the Executive team on a semi-annual basis as part of the budget and reforecasting process.</p> <p>Officer Responsible for Implementation:</p> <p>Finance Manager</p> <p>Timescales for Implementation:</p> <p>30 June 2025</p>