

Chapter 45

Consultancy and External Support

Consultancy and External Support

45.1 Apart from legal fees, the HSE incurred €22 million on consultancy and external support services in 2009. A sample of these services was reviewed in the course of the audit. The sample chosen accounted for expenditure of just over €1 million in the period 2006-2010.

45.2 The assignments fell into the categories set out in Figure 182. Over half of the expenditure was incurred on Clinical Casemix and ICT Technical Support. A more detailed breakdown of services provided under each consultancy is outlined in Annex A.

Figure 182 Expenditure by Category of Consultancy 2006 – 2010

Consultancy type ^a	Number examined	Value 2006-2010 €m
Advisory services	5	2.65
ICT technical support	1	8.85
ICT external services	4	8.78
Service evaluation ^b	10	4.74
Clinical Casemix	3	13.45
Administration and training	2	0.92
Media	2	1.81
Total	27	41.20

Notes: a These classifications are based on the main focus of the projects involved.

b Six of these ten consultancies were evaluations of clinical functions.

45.3 Of the 27 assignments, 12 were once-off projects, 12 are continuing and three were long standing operations recently ceased.

Chapter Focus

The chapter examines the sample of consultancy and external support services in the following respects

- how the service was acquired
- how delivery was monitored
- how costs were controlled
- whether the delivery of the assignment was as expected.

The term consultancy is used throughout the rest of the chapter to describe the range of consultancies, external service providers and analogous contracts that were the subject of this review.

The focus of the chapter is on the processes employed by the HSE in administering the consultancies. It does not comment on the processes employed by the service providers, who have a legitimate right to do business with the HSE in good faith on the terms it presents.

Acquisition of Service

45.4 Cost-effective procurement of consultancy services in accordance with public service norms involves three main elements

- formulating a business case to set out the business need, rationale and expected benefits of the proposed consultancy
- open tendering to ensure even-handedness and the best spread of proposals
- a contract that specifies the consultancy activities, outputs and timescales.

45.5 Annex A indicates the extent to which individual consultancy procurements met these requirements.

Business Cases

45.6 Overall, the completion of formal business cases did not occur in any of the consultancies. However, two of the consultancies were subject to a process of approval by the Centre for Management and Organisational Development (CMOD)³⁶⁵. The consultancy projects had a variety of origins and purposes including

- follow on work from previous reports or policy decisions (eight consultancies)
- outsourcing of services (eight consultancies)
- independent reviews of delivery of clinical and administration systems (eight consultancies)
- continuation of consultancies ongoing since the early 2000s (two consultancies)
- acquisition of specialised expertise related to a health information database originated in 1989 (one consultancy)

Tendering and Contracting

45.7 Contracts exceeding €25,000 in value, and up to the EU advertising thresholds of €125,000³⁶⁶ should normally be advertised as part of a formal tendering process. However, the public body may invite tenders directly where there is a limited number of suppliers or service providers. Where direct invitations are issued, firms from which tenders are sought should be a good representative sample of all potential bidders in the market concerned. At least three firms should normally be invited to submit tenders.

45.8 The HSE have national financial regulations and national procurement regulations in place that set down guidance in this area and outline the process and procedures to be followed, in order to ensure compliance with statutory requirements and government guidelines.

45.9 The cumulative expenditure on foot of sampled projects not tendered in the period 2006 – 2010 was almost €3 million. 17 projects involved expenditure over the current lowest threshold for tendering (€25,000)³⁶⁷.

³⁶⁵ This is the ICT control unit of the Department of Public Expenditure and Reform.

³⁶⁶ Thresholds are revised every two years. This is the threshold in place until December 2011.

³⁶⁷ Tendering is not required for urgent requirements under section 4.13 of Guidelines for Engagement of Consultancies in the Civil Service 1999 and in Section 6.13 of Public Procurement Guidelines – Competitive Process 2004.

45.10 The results of a review of the method of acquisition of consultancy support for the cases examined is summarised in Figure 183. Overall, ten of the 27 had been tendered and ten had current written contracts or a service level agreement (SLA).

Figure 183 Procurement and Contracting

Consultancy type	Number examined	Tendering		Contract/SLA ^a	
		Yes	No	Yes	No
Advisory services	5	2	3	1	4
ICT technical support	1	1	—	1	—
ICT external services	4	1	3	2	2
Service evaluation	10	4	6	4	6
Clinical Casemix	3	—	3	—	3
Administration and training	2	—	2	—	2
Media	2	2	—	2	—
Total	27	10	17	10	17

Note: a SLA denotes the existence of a current Service Level Agreement.

45.11 Overall, 17 of the 27 consultancies were not the subject of open tendering. In general, where consultancies were not tendered, no contract or SLA existed either. Only one of the cases not the subject of tendering had a current SLA in place. The reasons given by the HSE for non competitive procurement were

- In the case of the development of Casemix, two consultancies had been entered into where the advice sought was specialised.
- A consultant who provided assistance with clinical governance had previously worked with the HSE in relation to the development of a Quality and Risk Framework and its implementation strategy.
- A UK consultancy firm was appointed as a result of a failed competition to source a provider for a service improvement programme at a hospital.
- A firm that previously provided legal advice was again engaged to assist with the hospital co-location programme.
- A consultancy firm that provided assistance with an initial stage of the project, was retained for the follow-on implementation work that spread over four years with a value of €2.7 million to 2010.
- A firm was commissioned that had tendered for professional services under a framework agreement and was therefore, a party that could take part in a subsequent mini-competition however, it was appointed without a mini-competition being held.
- In four cases, consultancy firms that had a track record of providing the service and were already providing similar services on site were retained.
- The HSE stated that there was an issue of public safety in three cases which needed to be addressed urgently and that a public tender competition would have delayed the processes.
- In two cases, no evidence was available to the audit team that quotes had been obtained from any firm other than the appointed consultants.
- In the final case, the consultancy firm had provided the service since the early 1990s and its staff had built up an expertise over the years.

45.12 A particularly material level of expenditure has been incurred on collecting demographic, clinical and administrative data (€3.3 million) and on developing a performance management system for the HSE (€2.7 million). While there was an initial tender under a framework agreement for advisory services that related to the latter project, the audit found no evidence of tendering in either case for the main body work done.

45.13 In the former case, the consultancy was a legacy arrangement inherited by the HSE from the Department of Health and Children (the Department) on the transfer of functions to the HSE in 2007. The consultancy firm had provided the service since the early 1990s and its staff had built up an expertise over the years. Tendering had not taken place for the previous agreements with the Department, primarily because there were no other agencies offering such services. However, there is no SLA in place to ensure that the services required are clearly identified and the terms of engagement defined.

45.14 In the case of the legal consultancy related to hospital co-location where the expenditure for 2006 to 2010 was €1.9 million, the audit noted no evidence of any formal tender competition to provide the service. While a ‘terms of engagement’ document was forwarded to the HSE, no reporting or monitoring mechanism was specified in that document. The project involved is effectively ended but the HSE are retaining the services of the consultant in the event of possible legal challenges³⁶⁸.

Conclusion – Acquisition Process

The HSE needs to review the rules and guidance around the procurement of consultancy. In particular, a business case that identifies the rationale for the consultancy, the activities to be carried out and the outputs to be delivered should be specified. Open procurement should be used with the most economically advantageous offer being chosen.

The lack of contracts militates against getting a defined and measured service or output. It is also necessary to have some form of commitment control so that the financial exposure of the HSE is predetermined to the extent possible.

Overall, it is apparent that most consultancies where tendering and contracting were done were acquired through the new Procurement Directorate³⁶⁹. Greater use of this central service could improve the level of compliance with good practice.

There needs to be greater usage of this central service to improve the level of compliance with good practice.

³⁶⁸ The Accounting Officer has stated that €1.4 million was received through a non-refundable deposit from the preferred bidders upon their signing of the project agreement.

³⁶⁹ See Chapter 42.

Monitoring of Consultancies

45.15 The consultancies were reviewed to examine the extent of monitoring by the HSE in the course of the project. While it is normal practice that monitoring arrangements are formally built into contracts, it is recognised that other mechanisms may be in place to ensure standards are being met, such as close involvement of HSE officials with the consultancy. This has been considered and available documentation has been factored into the assessment.

45.16 The factors used in the course of this assessment included whether written contract details were available, whether regular meetings were held between the consultant and the HSE and whether there was compliance with the process outlined at the start of project. The results are outlined in Figure 184. The basis of the rating is set out in Annex B to this chapter. Overall, the review found that monitoring arrangements was good in six cases but were limited in ten cases.

Figure 184 Review of Monitoring Arrangements

Consultancy type	Number examined	Inadequate	Limited	Adequate	Good
Advisory services	5	—	3	2	—
ICT technical support	1	—	—	—	1
ICT external services	4	—	—	3	1
Service evaluation	10	—	3	4	3
Clinical Casemix	3	—	2	1	—
Administration and training	2	—	2	—	—
Media	2	—	—	1	1
Total	27	—	10	11	6

Rating Key: 1 Inadequate – Did not meet any of the criteria
 2 Limited – Only partially met the criteria or significant limitations existed
 3 Adequate – Addresses most aspects of the criteria with some limitations
 4 Good – Fully or substantially meets the criteria

Conclusion – Monitoring

There was limited monitoring in a substantial number of projects. There is scope to increase the intensity of monitoring and evidence its conduct. It would be desirable to establish a monitoring framework at the outset in a contract or SLA.

Financial Control

45.17 The achievement of a cost effective outturn on consultancy work depends on having

- pre-agreed rates set out in a contract or correspondence and
- a process for establishing the planned volume of work and authorising any variation.

Adherence to Agreed Rates

45.18 The rates paid to consultants were reviewed to ensure that the amounts charged in the financial statements were in line with agreed terms. The audit found that

- in seven projects where formal contracts existed, payment rates were in line with the agreement
- the rates set in three projects were established in a SLA
- in the case of seven further projects the rates were those in a proposal for a previous project (one case) or based on correspondence (six cases)
- in the case of three consultancies the rates were informally agreed and were evidenced in emails in two of those cases
- in two cases, the rates were formally negotiated annually by local HSE officials
- in one case the charge was based on cost recovery as agreed in an initial phase of the project
- inadequate details were available on how the amount was decided in the case of four consultancies³⁷⁰.

45.19 Matters noted in connection with the financial terms of engagement included

- In one case where tendering occurred and an SLA was drawn up, the rate that was used in the tendering documentation was not the rate used in the SLA. The additional cost effect is €159,000 over the period reviewed³⁷¹.
- In two cases, overcharging had occurred. The first of these led to an overcharge of €9,385 which the HSE is pursuing following an audit query and arrangements are being made to have this refunded to the HSE. The second had been picked up in October 2010. It involved an overcharge of €71,000. The company involved and the HSE came to a compromise and agreed a credit for €50,000. To date, the HSE has only used up €13,000 of the agreed credit.

³⁷⁰ In one of these cases, there was a rate provided in a related advisory contract for one specified person for a short engagement period. However, the invoices reviewed are for at least 18 other consultants at different charge out rates.

³⁷¹ The additional cost appears to relate to the exclusion from the tender of the cost of employing a replacement GP while the tenderer carried out the assignment.

Contract Cost Control

45.20 Effective cost control depends not just on specifying a rate of payment but also a measure of planned volume or duration or preferably a fixed price. The audit found that

- a maximum price cap was specified in two cases and it was adhered to
- in nine cases, there was a contract or other agreement in place, and the amount paid matched the contract details
- in five cases, there was a contract or other agreement in place, but payments were made for extra work in those cases such as extra engagement with stakeholders or because the scope had been extended during the contract. The amounts involved totalled €13,000. However, in two of those cases the cost rose due to a doubling on the number of consultancy days.
- there was no volume based specification of output in four contracts where a daily rate applied
- in two cases, the rates were negotiated annually by local HSE officials, taking into account service volume levels
- in a further case an estimate was agreed but there was an overrun of €30,000 on the project
- in four cases, there was no effective cost control mechanism as there was no contract that specified either the rates or the volume of work.

45.21 There appeared to be scope drift resulting in substantial extra cost in four cases

- A performance management system project involved expenditure of over €2.7 million between 2007 and 2010. The advisory project that the consultants were engaged for, was expected to involve six to twelve days of work at a daily charge out rate of €2,030. In the original SLA for advisory services, the timeframe was specified as meaning *‘six working meetings, held monthly, with the possibility of up to an additional further six working group meetings and additional days on request by the Assistant National Director of Decision Support’*. The scope of the work did not include implementation of the performance management system. The audit found no evidence of the HSE undertaking any formal tender process for the extra implementation work. As there was no contract or SLA, no defined specification or monitoring arrangements were established.
- In Cork University Hospital in the period 2006 – 2010, €1 million was spent on hardware support. It appears that because the contractor had an on-site presence, the firm’s role was expanded. While in this case, an SLA was signed, the agreement has no provisions covering governance, service provider performance monitoring and measurement. The SLA only outlined items such as the service fees, limitations of liability, insurance details and termination details.
- In the HSE North West Region over the period 2006 – 2010, almost €2 million was spent between ICT Helpdesk and hardware maintenance support. It appears that because the contractor had an earlier contract for supply of related ICT products and an ongoing supply relationship with the service, the firm’s role was expanded for the ICT Helpdesk and hardware maintenance support arrangements.

- In the case of a consultancy where the spend for 2006 to 2010 was €13.3 million, the consultancy was in place for a number of years with a SLA prior to 2007 when the service transferred from the Department to the HSE. However, a number of new developments have taken place since 2007. The principal ones involved the creation of a portal that has been developed and supported by the consultants, that is used to collect and report on HIPE³⁷² data and additional areas of monitoring including consultants' contract monitoring and a new costing file for outpatient specialities introduced since 2007.

Conclusion – Financial Controls

Contracts or SLAs were in place in ten of the 27 procurements. In these cases adherence to agreed rates could be verified.

The control of consultancy outlay depends upon the specification of both the rate and expected duration of the project or the conclusion of a fixed price contract. In 16 cases, this was not done.

Overall, from an administrative viewpoint, formal contracts or SLAs should be in place in all consultancy assignments in order to provide a clear budget for the project and to facilitate payment checking.

Delivery to Agreed Timescales

45.22 The consultancies fell into two broad categories

- those that demanded a specific report
- those that were activity based.

45.23 It was found that the activity had been performed or the output which was paid for was delivered in all cases. However, due to the lack of contracts or SLAs it is not possible to independently confirm whether the output that was delivered was the planned output in 15 cases. In the other two cases without a contract or SLA, there was a performance management system in place that provided evidence that the service output was delivered by the contractor.

45.24 Nine cases involved the delivery of a report. Of these, four reports were delivered on time, in four cases delays ranged from six months to over a year and in the remaining case there is a continuous reporting function.

45.25 The remaining 18 did not involve delivering a report. In 11 of those cases, it was found that, in general, the output that was paid for was delivered on time or within the time periods established. It was not possible to conclude in the remaining seven cases where there were no documented terms.

³⁷² HIPE is the Hospital In-Patient Enquiry Scheme.

Conclusion – Delivery to Agreed Timescale

It was found that the activity had been performed or the output that was paid for was delivered in all cases. However, it was not possible to establish whether the output delivered was that planned in 15 cases. In four cases, there were delays in providing reports required as part of contract output.

Documented timeframes should be established at the outset in all consultancies in order to ensure delivery to agreed timescales.

45.26 Department of Public Expenditure and Reform circular 40/2002 requires the HSE to complete a report in respect of contracts above €25,000 that have been awarded without a competitive process. Four consultancy assignments referred to in this chapter should have been reported on the 2010 return but were not. In 2009, 12 of the consultancies should have been reported in the 40/2002 return for that year but were not. Chapter 42 outlines the general arrangements for the management of procurement in the HSE.

Conclusion

Excluding legal fees, the HSE incurred €22 million on consultancy in 2009. A review of 27 consultancies found that

- business cases identifying the rationale for the consultancies, the activities to be carried out and outputs to be delivered were not in place
- only ten of the consultancies were tendered openly
- ten of the consultancies had contracts or SLAs in place
- in many of the projects, there were limited details in respect of pricing and expected project durations
- there was limited monitoring in a substantial number of consultancies.

It was found that the activity had been performed or the output that was paid for was delivered in all cases. However, it was not possible to establish whether the output delivered was that planned in 15 cases. In four cases, there were delays in providing reports required as part of contract output.

The lack of contracts or agreements with financial and delivery terms makes it difficult to validate the rates paid and whether the services are delivered to a specified standard and timescale.

Overall, the HSE's procurement and management of consultancies needs to have more of a performance focus. This should include justification of each proposed consultancy in terms of its expected business impacts, and clear specification in advance of the key contract terms i.e. the main project outputs, the service standards to be met, and the cost and delivery timeframe.

Annex A Consultancy Types and Descriptions

Category	Company	Description	Cumulative cost 2006-2010 €000	Acquisition process ^a		
				BC	T	C
Advisory services	Stuart Emslie	The assignment was to provide advice and documentation on a range of governance, risk management and patient safety matters for the newly created National Quality and Clinical Care Directorate. The consultant had previously provided advice on the development of a Quality and Risk Framework, design of the Quality and Clinical Care Directorate and worked on investigations.	149	●	●	●
	Simpler Consulting Ltd	The firm was to provide a service improvement programme and worked with hospital management and clinical teams on key opportunities to improve outpatient department service efficiency and effectiveness.	73	●	●	●
	A & L Goodbody	The firm provided technical and legal advice for the hospital co-location programme	1,911	●	●	●
	Joseph Clarke	The consultant was required to provide advisory services in relation to GPs and the development of primary care teams.	455	●	○	○
	Michael Torpey	The assignment was to provide advisory services in relation to finance controls within the HSE.	58	●	○	●
ICT technical support	IBM Ireland Ltd	Technical support of core business critical applications.	8,851	○	○	○
ICT external services	IBM Ireland Ltd	The consultancy firm was engaged to provide hosting of equipment, operating systems management and support, hardware maintenance, network communications support and management, security services, disaster recovery provision and service delivery management.	5,822	○	○	○
	Westbourne Systems	The firm provided hardware maintenance support in Cork University Hospital.	999	●	●	○
	Compupac Software Ltd	The firm provided an ICT Helpdesk facility for the HSE North West Region.	1,076	●	●	●
	Compupac Software Ltd	The firm provided hardware maintenance support for the HSE North West Region.	883	●	●	●

Category	Company	Description	Cumulative cost 2006-2010	Acquisition process ^a		
				BC	T	C
Service evaluation	PA Consulting Group	The consultancy firm was engaged to develop a performance management system for integrated information collection and analysis throughout the HSE.	2,732	●	●	●
	Pricewaterhouse Coopers	The assignment was to provide assistance to the HSE in developing a corporate risk register and standard national protocols for the management and reporting of serious clinical matters.	148	●	●	●
	Pricewaterhouse Coopers	The assignment was to review the logistics and inventory management systems in the HSE, to recommend how a new logistics and inventory service should be delivered and to provide an implementation plan.	435	●	○	○
	Mazars	The consultancy firm was engaged to carry out ICT audits, to test ICT controls and provide assurance on the HSE's ICT systems and procedures.	303	●	○	○
	Capita Business Services Ltd	The consultancy firm was engaged to review a radiology department in one hospital.	146	●	●	●
	Prospectus	The firm was engaged to review national adult critical care services.	542	●	○	○
	Windle & Associates	The consultancy firm was engaged to review the Hospital in the Home Initiative from a clinical and economic perspective.	35	●	●	●
	Teamwork Management Services Ltd	The assignment was to review anaesthetic services in a hospital group.	129	●	●	●
	Teamwork Management Services Ltd	The assignment was engaged to review radiology services in a hospital group.	127	●	●	●
	Healthcare Informed	The consultancy firm was engaged to review the existing clinical governance framework in a specific area on foot of an internal review and to develop a document control (policies, procedures and guidelines) management system.	148	●	○	○

Category	Company	Description	Cumulative cost 2006-2010 €000	Acquisition process ^a		
				BC	T	C
Clinical Casemix	The Economic and Social Research Institute	The Institute was engaged to collect demographic, clinical and administrative data on discharges and deaths in respect to inpatient and day case treatments and outpatient information from national acute public hospitals.	13,275	●	●	●
	Luke Van Doorn	The consultant was to provide advice and documentation on the current outpatient system and procedures in operation. The consultant was to devise a new coding structure to integrate the outpatient system into Casemix.	132	●	●	●
	GBG Associates Ltd	The firm was required to develop efficiency based key performance indicators, from the Casemix data in order to identify areas where hospitals could improve their performance.	42	●	●	●
Administration and training	Broadmeadow Consulting	The assignment was to compile and complete costing returns for three hospitals.	70	●	●	●
	Beecher Koenig Associates Ltd	The consultancy firm supplied tutors and a coordinator for courses that were run by the National Ambulance Service College.	848	●	●	●
Media consultancy	Anderson Editorial	The consultancy firm was engaged to advise on stakeholder communication and media management at a senior level both internally and externally.	1,179	●	○	○
	Ogilvy & Mather Ltd	The firm was engaged to provide an advertising campaign.	630	●	○	○
Total			41,198			

Source: Health Service Executive

Note: a The acquisition elements are BC (Business case completed or CMOD review), T (Tendering for work completed) and C (Contract or SLA available).

Key: ● Denotes the absence of this condition.

○ Denotes its presence.

Annex B Rating Scheme for Monitoring

Each of the consultancies was assigned marks for the following

- whether written contract details were available
- whether meetings were held frequently
- whether there was compliance with the written contract details and whether the performance indicators were achieved.

The marks awarded to each criterion were based on the relative performance. The maximum overall mark being 12 and the minimum mark being three. The rating process was as follows

- If a consultancy achieved three marks, it was deemed that it did not meet any of the criteria
- If a consultancy achieved four to six marks, it was deemed it only partially met the criteria or significant limitations existed
- If the consultancy achieved seven to nine marks, it addressed most aspects of the criteria with some limitations
- If the consultancy achieved ten marks or over, it fully or substantially met the criteria.

Thereafter, the monitoring controls were assessed as follows

Rating	Standard
Inadequate	The number who achieved three marks
Limited	The number who achieved four to six marks
Adequate	The number who achieved seven to nine marks
Good	The number who achieved ten marks or more
