

Chapter 3

Section 3.14

Use of Consultants and Senior Advisors in Government

1.0 Summary

The Ontario Public Service requires external services and advice from time to time when its own staff are unavailable or lack the required skills or expertise. It usually fills these needs by using consultants and advisors. As a general rule:

- *consultants* provide expertise and strategic advice to government for use in decision-making; and
- *advisors* provide high-level advice to the Premier or a minister.

Using consultants can be costly, as they are generally paid more than full-time staff. In 2016, the Treasury Board Secretariat compared the cost of information technology (IT) consultants to similar full-time staff, and determined that an IT consultant costs \$40,000 a year more, or about 30% more, than similar full-time staff, after factoring in employee benefits. A similar comparison by the U.K. National Audit Office in 2016, not specific to IT consultants, found that consultants doing operational work were paid around twice as much annually as similar full-time staff. However, consultants can be cost-effective when they are engaged for short periods, to perform specialized services, or for their expertise, instead of having to hire new permanent full-time staff.

Overall spending on consultants by ministries has dropped more than 15% over the past 10 years,

from \$434 million in the 2008/09 fiscal year to \$360 million in 2017/18, with fluctuations over those 10 years.

About 80% of the 2017/18 spending was for IT consultants, and the rest for consultants in management, communications, policy, technology, and research and development.

The Province does not track its spending on advisory services, but we estimated it at about \$4 million a year.

We audited the procurement of goods and services, including consulting services, in a 2016 report titled “Supply Chain Ontario and Procurement Practices,” and noted an over-reliance by the government on IT consultants. Since the audit, both the Treasury Board Secretariat and Supply Chain Ontario made improvements and hired additional full-time staff with a goal of reducing the reliance on IT consultants. We also noted since the 2016 audit that expenditures for consulting services have decreased by 10%.

Although there has been improvement, there is still an over-reliance on IT consultants. We also noted that ministries at times used consultants for ongoing or operational work that could have been undertaken more cost-effectively by full-time permanent or term employees.

The Ontario Public Service Procurement Directive (Procurement Directive) outlines the requirements for ministries to follow for the procurement and management of consulting services. It

stipulates that consultants are not to be used when internal government resources are available, and that ministries must manage consultants to ensure that deliverables are completed on time and within budget. From our review, we generally found that ministries were procuring and managing consultants in accordance with the procurement directive, with a few exceptions noted.

The following are some of our significant observations:

- **Consultants perform ongoing or operational work that government staff could be doing, and at a higher cost.** Ministries used consultants for regular operational and ongoing work such as project management, instead of for short terms (less than a year or two), specialized services or expertise, for which the costly consultants are best suited. For example, an individual consultant was hired to provide analysis and development for the e-Careers software application. The initial contract from February 2014 to March 2015 was for \$210,000, but was extended three times to March 2018 at a total cost of over \$900,000. Based on the average cost of permanent IT staff, this work could have cost about 40% less if undertaken by permanent full-time staff.
- **Contracts amended for more work without competitive procurement.** Twenty-two percent of the contracts we reviewed that were competitively procured had amendments greater than \$10,000 without an option in the contract to allow for the amendment or where the amended amount exceeded the amount approved for the contract. Most amendments were between \$100,000 and \$500,000, with two as high as \$1.5 million. The additional services included in these amendments were not competitively procured. For example, a consultant was hired through a competitive procurement at a cost of about \$120,000 to review work processes within a division. The contract was later amended to include substantially more work at an additional cost of \$360,000, quadrupling the value of the original contract to \$480,000.
- **Contract deliverables and invoices often lack details to determine if value for money was received.** We found in our review of consulting contracts that most did not have specific costs attached to the various deliverables in the contract. Lack of detail on the expected deliverables can make it difficult to determine if they were received before making payment, and if they provided value for money. We also noted that the majority of invoices submitted for contracts that we reviewed provided little documented detail on the work performed. As a result, the invoices were paid with little detail or evidence about what was received.
- **Post-assignment evaluations of consultants not completed.** Post-assignment evaluations help assess the quality of work and value for money received. They are also useful to assess the suitability of a consultant for future work, and to avoid repeated issues. We found that post-assignment evaluations were not completed for the majority of contracts we reviewed, and there was no evidence that past performance of consultants was considered before contracting them for new work.
- **Management information on the use of consultants not reliable or timely.** The Province may be missing out on potential savings because it lacks the reliable and timely information needed to perform analysis and make strategic decisions on the overall use of consultants. We noted errors in the self-reported information collected by Supply Chain Ontario on consulting contracts entered into by ministries, such as contracts being counted twice and amended contracts being reported as new. In addition, the information was not available on a timely basis, and was not reviewed for strategic analysis purposes.

- **Processes to appoint advisors need strengthening.** We noted that 25% of the advisors we reviewed did not complete a conflict-of-interest disclosure, and some business cases to support the appointment of advisors did not include assurance that the advisor was providing their best comparable rate for their services.

In June 2018, the Ontario government introduced a freeze on discretionary spending, including time-limited services contracts for consultants. Around the same time, the government also froze hiring, except for essential positions in, for example, jails, policing, firefighting and front-line services.

Ministries were also told to increase scrutiny of all expenditures, specifically those that were frozen. They were also advised that they will have to report on the implementation of the expenditure and hiring freezes.

Overall Conclusion

The Province and its ministries generally have processes in place for the use of consulting and advisory services to ensure they are acquired and managed in accordance with the Ontario Public Service Directive and the Agencies and Appointments Procurement Directive. We noted a few exceptions, such as that cost estimates and the need for consulting services were not always supported in business cases for the engagement of consultants.

In addition, we noted that some improvements are needed to ensure consulting and advisory services are used with due regard for economy and delivered efficiently. This is because the Province does not assess the overall cost-effectiveness of its use of consultants, and ministries often rely on costly consultants rather than considering the hiring of full-time or term employees.

This report contains 10 recommendations, with 17 action items, to address our audit findings.

OVERALL RESPONSE

The Treasury Board Secretariat (Secretariat) and the Ministry of Government and Consumer Services (Ministry) would like to thank the Auditor General and her staff for the engagement on consulting and advisory services. We welcome the insights and appreciate the recommendations in the report.

The Secretariat and Ministry are committed to improving our practices and to enhancing transparency and accountability.

Actions will be taken by the Ministry and Secretariat, in collaboration with ministries and provincial agencies, that focus on improving the efficiency, effectiveness, value and oversight of consulting and advisory services. Work is already under way to address the government commitment to centralizing government purchasing. As part of the work, the rules and controls for procurement will be reviewed and modernized. The observations and recommendations in this audit will be instrumental as we consider the actions required to fulfill the government commitment.

We look forward to a continued constructive relationship with the Auditor General and her staff as we move forward with fully implementing the recommendations in this report.

2.0 Background

2.1 General Overview

The Province requires external services and advice from time to time when its own staff are either unavailable or lack the required skills or expertise. It usually meets this need by engaging consultants and appointing advisors.

Ontario ministries spent approximately \$360 million on consulting services in the 2017/18 fiscal year, down from \$434 million in 2008/09,

with some fluctuations over the past 10 years, as shown in **Figure 1**.

The government does not track its expenditures on advisory services, but we estimated the amount to be approximately \$4 million per year, as shown in **Section 2.3**.

2.2 Overview of Consulting Services

About 80% of the consulting services acquired by the government in the past year were for information technology (IT), and the remainder for communications, technical, management, policy, and

research and development. Details on the types of consulting services acquired are shown in **Figure 2**, and the percentage of the total that each represents over the past five years is given in **Figure 3**.

The Ontario Public Service Procurement Directive (Procurement Directive) outlines the requirements that ministries must follow to acquire and manage consulting services. It describes consulting services as the “delivery of expertise and strategic advice that is presented for consideration and decision-making.”

The Procurement Directive stipulates that consultants are not to be used when internal government resources are available, and that ministries

Figure 1: Consulting Expenditures at Ministries, 2008/09–2017/18 (\$ million)

Source of data: Supply Chain Ontario



Figure 2: Types of Consulting Services

Source of data: Ontario Public Service Procurement Directive

Type of Consulting Service	Description
Management	Provides analysis of existing operational problems and develops plans for improvement.
Information Technology	Helps assess different technology strategies and align them with a business or process strategy.
Technical	Provides expertise on actuarial science, appraisals, community planning, health sciences, interior design, real estate and social sciences.
Research and Development	Conducts research to increase knowledge or information on a particular subject.
Policy	Provides services to help develop policy options, analysis and evaluation.
Communications	Provides strategies and/or advice for conveying information through various channels, including the media.

must manage consultants to ensure that deliverables are completed on time and within budget (see **Figure 4**).

Although consulting services can be costly, they can also be cost-effective in certain circumstances—for example, when there is a short-term need, or for specialized services or expertise. In these cases, the

required skills and expertise can be contracted for the required duration.

2.2.1 Roles, Responsibilities and Processes for Acquiring and Managing Consulting Services

In the Ontario government, the process to acquire and manage consulting services is generally undertaken by each program area or branch in a ministry. However, other government areas also play a role. The key parties are:

- **Treasury Board/Management Board of Cabinet**—approves procurements in accordance with the Procurement Directive, such as competitive contracts for \$20 million or more, and non-competitive contracts for \$1 million or more.
- **Treasury Board Secretariat**—maintains and updates the Procurement Directive, and helps ministries obtain IT assistance through its IT Source branch from internal staff or, if none is available, by helping procure consultants through the government-wide

Figure 3: Consulting Expenditures by Type Over Five Years, 2013/14–2017/18

Source of data: Supply Chain Ontario

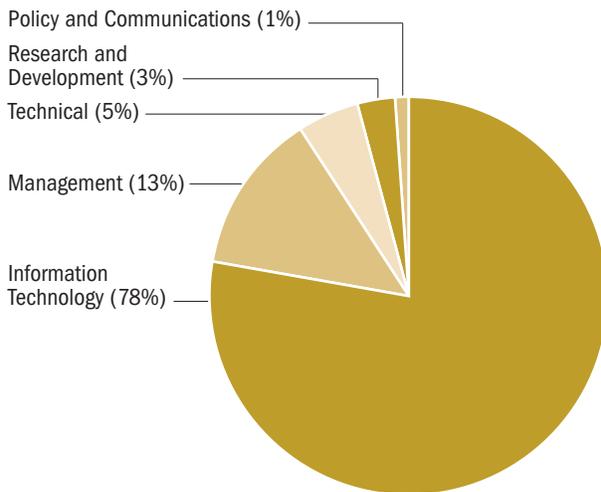


Figure 4: Selected Procurement Directive Requirements

Source of data: Ontario Public Service Procurement Directive

Category	Procurement Directive Requirements
Planning and Justification	<ul style="list-style-type: none"> • External consulting services must not be used when existing internal Ontario Public Service resources are available.
Agreements	<ul style="list-style-type: none"> • The responsibilities of both the ministry and the consultant (i.e., objectives, scope, staff responsibilities) must be formally defined in a signed written agreement before services begin. • Consulting assignments must have start and end dates. • A transfer of knowledge must occur from consultant to staff to avoid a continuous reliance on consultants (when applicable).
Performance and Oversight	<ul style="list-style-type: none"> • Consultants must not perform management responsibilities (i.e., hire and supervise staff and/or other consultants). • Ministries must manage consultants to ensure that deliverables are completed on time and within budget. • Supplier performance must be managed and documented, and any performance issues must be addressed. • All payments must be made according to the terms of the agreement. • Approvals must be obtained for any changes to the dollar-value or terms of the original agreement.
Reporting and Compliance	<ul style="list-style-type: none"> • Ministries must report consulting-services information annually, as requested by the Ministry of Government and Consumer Services.

preferred-supplier program, which includes a list of pre-approved suppliers.

- **Supply Chain Ontario (a division of the Ministry of Government and Consumer Services)**—sets up, manages and renews arrangements with suppliers for the preferred-supplier program, which involves maintaining lists of pre-approved suppliers that ministries can use to hire consultants, provides guidance to ministries on the procurement process, develops guides and tools to aid ministries with effective procurement strategies and compliance with the Procurement Directive, and collects annual self-reported information from ministries on new consulting agreements.

As seen in **Figure 5**, there are several steps in the process of acquiring and managing consulting services. The main ones are planning and justification, procurement and selection, management and performance, receipt of deliverables, post-assignment evaluation and payment.

2.2.2 Expenditures and Suppliers of Consulting Services

Expenditures for consulting services amounted to approximately \$360 million in 2017/18 for ministries of the Ontario government.

Details on these expenditures by ministry for the past five years are shown in **Figure 6**. Information about the top 25 suppliers of consulting services over the last three years is shown in **Appendix 1**.

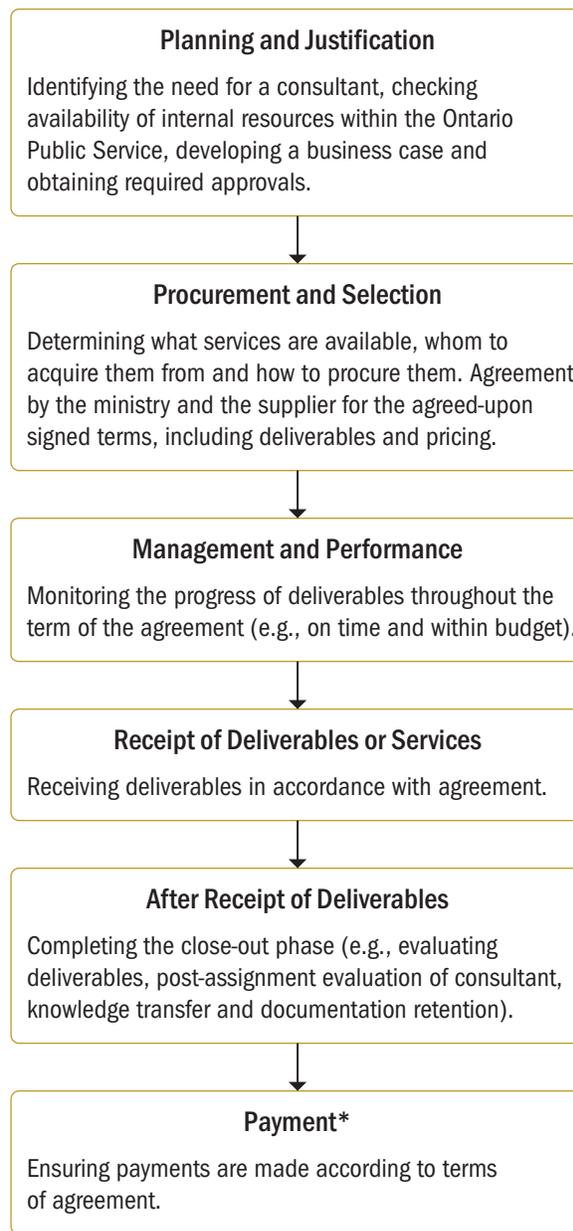
2.2.3 Procurement Methods and Average Contract Amounts

The Procurement Directive outlines the methods that ministries must follow to acquire services. In general, consulting services are to be competitively procured, either by invitation or an open-competitive process. When not competitively procured, a higher level of approval is required.

Our review of Supply Chain Ontario's information from ministries on new consulting contracts entered into over the past three years noted that most were competitively procured, either in the open market, by invitation, or by using the preferred-supplier program. Few were not

Figure 5: Process for Acquiring and Managing Consulting Services

Prepared by the Office of the Auditor General of Ontario based on the Ontario Public Service Procurement Directive



* Payment can occur throughout the duration of the contract.

Figure 6: Consulting Expenditures for Ministries, 2013/14–2017/18 (\$ million)

Source of data: Supply Chain Ontario

Ministry	2013/14	2014/15	2015/16	2016/17	2017/18	5-Year Total
Treasury Board Secretariat*	–	–	208.8	206.4	190.3	605.5
Ministry of Government and Consumer Services*	172.8	208.5	10.2	9.9	10.4	411.8
Ministry of Transportation	35.6	27.8	59.7	40.1	35.6	198.8
Ministry of Health and Long-Term Care	15.0	19.2	37.9	36.9	32.5	141.5
Ministry of Finance	22.4	21.8	25.0	16.9	18.8	104.9
Ministry of Children, Community and Social Services	6.1	8.0	13.8	20.9	20.3	69.1
Ministry of the Attorney General	7.1	6.8	5.5	9.4	4.9	33.7
Cabinet Office	0.1	5.1	3.7	1.2	1.5	11.6
Subtotal of Ministries Audited	259.1	297.2	364.6	341.7	314.3	1,576.9
Other Ministries	60.9	39.8	37.3	35.7	45.7	219.4
Total	320.0	337.0	401.9	377.4	360.0	1,796.3
% of Total Expenditures for Ministries Audited	81	88	91	91	87	88

* IT Source moved to Treasury Board Secretariat from Ministry of Government and Consumer Services in 2015/16.

Figure 7: Method Used to Procure New Consulting Contracts, 2014/15–2016/17 (\$ million)

Source of data: Supply Chain Ontario

Procurement Method	2014/15	2015/16	2016/17	Total	% of Total
Competitive-Preferred-Supplier Program	232.7	269.5	236.0	738.2	75
Competitive-Open Market/By Invitation	75.7	46.6	94.4	216.7	22
Non-competitive	12.8	8.7	11.2	32.7	3
Total	321.2	324.8	341.6	987.6	100

competitively procured. Details about the procurement methods used are shown in **Figure 7**.

We also noted that about 75% of consulting contracts were for less than \$200,000, as shown in **Figure 8**.

2.3 Overview of Advisory Services

Advisory services are provided by individual special advisors and groups of advisors. These advisors have a mandate to provide expert advice or make recommendations on a specific subject to the Premier or a minister, and are appointed for a period of up to three years.

Examples of recent special advisors and groups of advisors are:

- Advisor on Education Policy and Strategy (special advisor);
- Climate Change Action Group (group of advisors); and
- Mental Health and Addictions Leadership Advisory Council (group of advisors).

The Ontario government does not track expenditures for advisory services. Based on available information, we estimated total fees for these services were \$20 million for the five fiscal years between 2012/13 and 2016/17. During this time, the government appointed about 40 special advisors and 30 groups of advisors, all of whom were paid. Additional advisors and groups of advisors were appointed without remuneration, or received only reimbursement for expenses.

Figure 8: New Consulting Contracts by Value, 2015/16–2016/17

Source of data: Supply Chain Ontario

Contract Value (\$)	2015/16			2016/17		
	Total of Contracts (\$ million)	# of Contracts	% of # of Contracts	Total of Contracts (\$ million)	# of Contracts	% of # of Contracts
0–99,999	42.6	827	44	37.7	683	42
100,000–199,999	89.4	598	31	84.5	563	34
200,000–299,999	76.2	323	17	69.4	292	18
300,000–399,999	26.3	77	4	18.2	54	3
400,000–499,999	20.5	46	2	10.7	24	1
500,000 or more	69.8	42	2	121.1	37	2
Total	324.8	1,913	100	341.6	1,653	100

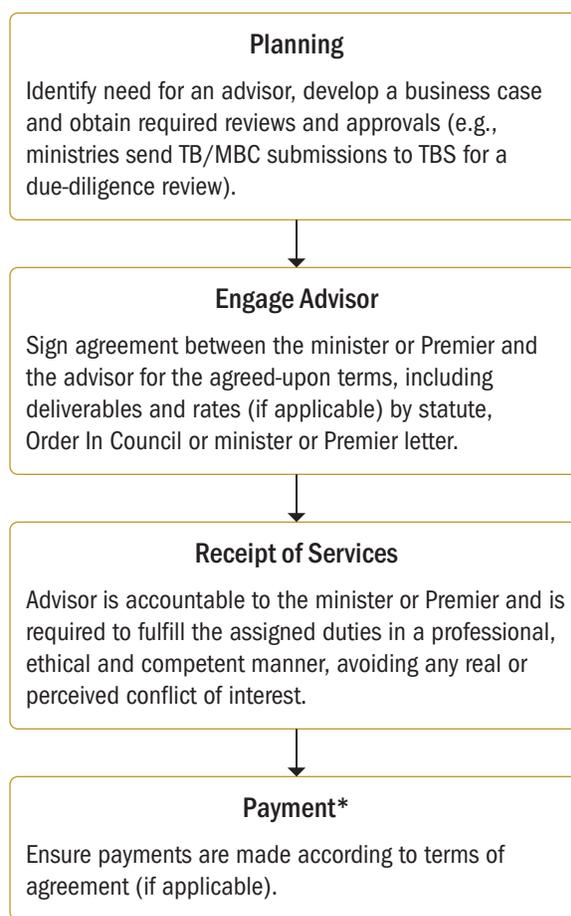
2.3.1 Agencies and Appointments Directive and Other Requirements

The Agencies and Appointments Directive (Appointments Directive) of the Treasury Board Secretariat (Secretariat), which came into effect in 2015 (replacing the Government Appointees Directive), outlines requirements that ministries must follow to acquire advisory services. **Figure 9** outlines the specific steps in the process for acquiring and overseeing these services. Consultation with the Secretariat is mandatory for all appointments of special advisors and groups of advisors, as well as for related remuneration.

One of the key principles of the Appointments Directive is that remuneration for advisors need not necessarily be at market rates. The 2015 Guide to Establishing Short-Term Advisory Bodies and Special Advisor Positions (Guide) says advisors are expected to charge less than their market rate when working for the Province. In fact, it is not necessary for advisors to receive any remuneration, and ministries are told to ask whether advisors will accept the role without compensation. The Guide also indicates that external advisors are to be used only when existing internal government resources are not available.

Figure 9: Process for Acquiring and Overseeing Advisory Services

Prepared by the Office of the Auditor General of Ontario based on the Agencies and Appointments Directive



* Payment can occur throughout the duration of the contract.

2.3.2 Roles and Responsibilities for Advisory Services

The Premier and each minister are responsible for planning and managing their use of advisory services in compliance with the Appointments Directive. However, two other government areas also have a role in this process:

- **Treasury Board/Management Board of Cabinet**—provides approval for the establishment of the position for special advisors and groups of advisors in accordance with the Appointments Directive.
- **Treasury Board Secretariat**—maintains and updates the Appointments Directive, provides guidance and tools to help ministries prepare submissions for advisory services, provides advice about advisory services, and reviews ministries' submissions before they go to the Treasury Board/Management Board of Cabinet.

3.0 Audit Objective and Scope

Our audit objective was to assess whether ministries have effective systems in place for the use of consultants and advisors to ensure efficient service delivery, with due regard for economy and in compliance with policies.

Before starting our work, we identified the audit criteria we would use to address our audit objective (see **Appendix 2**). These criteria were established based on a review of applicable legislation, directives, policies and procedures, internal and external studies, and best practices. Senior management at each ministry we visited reviewed and agreed with the suitability of our objectives and related criteria.

We conducted the audit between January and September 2018, and obtained written representation from management at each ministry that, effective November 9, 2018, it had provided us with all the information it was aware of that could

significantly affect the findings or the conclusion of this report.

We conducted our work primarily at the Treasury Board Secretariat and the Ministry of Government and Consumer Services. We also conducted work at the following ministries:

- Ministry of the Attorney General;
- Ministry of Children, Community and Social Services;
- Ministry of Finance;
- Ministry of Health and Long-Term Care;
- Ministry of Transportation; and
- Cabinet Office.

These eight ministries were the biggest users of consulting services, incurring almost 90% of the total consulting expenditures from 2013/14 to 2017/18, as shown in **Figure 6**.

Our audit focused on the top 25 suppliers of consulting services based on new contracts signed between 2014/15 and 2016/17. As seen in **Appendix 1**, the value of these contracts was \$538 million.

At the eight ministries where we conducted our work, we selected a sample of over 85 contracts totalling \$137 million, or 25% of the value of the contracts that the ministries had entered into with the top 25 suppliers of consulting services. Our sample included many of the large suppliers of consulting services to the Province.

In conducting our audit work, we reviewed applicable legislation, regulations, and ministry policies, and we interviewed staff at the various ministries we visited. For our sample of consulting contracts, we looked at the planning, justification, procurement, management, payments and post-assignment evaluations for the consulting services provided.

With respect to advisory services, our audit focused on the government's appointment of individual special advisors and groups of advisors. We reviewed a sample of the appointments of individual advisors and group members between 2012/13 and 2016/17 for the justification, selection process, remuneration and deliverables received.

We also undertook a survey of 54 provincial agencies and corporations to collect information on expenditures for consulting and professional services—that is, services provided by licensed professionals, such as physicians, engineers, architects, lawyers and accountants, for regular work in their licensed capacity.

In addition, we met with the National Association of Canadian Consulting Businesses and the Association of Professional Canadian Consultants to gain an understanding of their perspectives on providing consulting services to and interacting with the Ontario government.

We also reviewed reports on audits completed by the Ontario Internal Audit Division and legislative audit offices in other provinces, at the federal level and in other countries, along with reports on best practices.

We conducted our work and reported on the results of our examination in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies the Canadian Standards of Quality Control and, as a result, maintains a comprehensive quality-control system that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Canadian Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

4.0 Detailed Audit Observations

4.1 Consultants Have Been Used for Ongoing and Operational Work That Could Likely Be Done for Less by Full-Time or Term Staff

In some areas, ministries use consultants for operational and ongoing work—the kind of work that could be done by full-time or term staff. The use of consultants for this type of work is not in line with the intent of the Procurement Directive, which describes consulting services as the delivery of expertise and strategic advice for consideration and decision-making.

Consultants are generally costlier than full-time staff. A comparison of the cost of information technology (IT) consultants to that of similar full-time staff was done in 2016 by the Treasury Board Secretariat. It determined that IT consultants cost \$40,000 more a year, or about 30% more, than similar full-time staff, after benefits are factored in. A similar comparison in an audit report by the U.K. National Audit Office in 2016 that was not specific to IT consultants found that consultants undertaking operational work were being paid around twice as much annually as similar full-time staff.

We also noted that some ministries do not have central oversight practices in place regarding the use of consulting services, instead leaving it up to each individual branch and program area within the ministry to determine its use of consultants. At the time of our audit, there was also little provincial oversight of the extent of ministries' use of consultants to assess whether such use is cost-effective in comparison to the hiring of full-time or term staff. This information would be useful for provincial strategic and staffing resource decision-making.

4.1.1 Consultants Perform Operational and Ongoing Work at a Higher Cost than Full-Time Staff

Our review of the ministries' use of consultants found that ministries often used consultants for regular operational or ongoing work such as project management.

These consultants generally worked in the same way as employees, with specific hours of work included in their contracts and with their timesheets showing consistent, full-time hours every week. They also often worked onsite at the ministry.

Some of the consulting services contracts were ongoing for two to three years with per diem rates generally ranging from \$1,000 to \$2,000. We also found instances where some consultants were brought back several times in similar roles. For example:

- The Government Services Integration Cluster procured an individual consultant to provide analysis and development for the e-Careers application. The initial contract from February 2014 to March 2015 was for \$210,000. The consultant was then awarded three additional contracts, each similar in length to the initial one, which extended the assignment to March 2018. The total cost of this assignment was over \$900,000. Based on the average cost of IT staff, this work could have cost about 40% less if undertaken by full-time staff.
- The Ministry of Health and Long-Term Care procured a consultant to support health-care providers in the Community Care sectors to complete their quarterly report submissions to the Ministry, as well as to support the development and implementation of operational tools, processes, procedures and sound business practices. This consultant was awarded four contracts that were competitively procured using the preferred-supplier program, totalling \$1 million from October 2013 to December 2017.
- The Treasury Board Secretariat has since 2008 procured a consultant to conduct quality assurance and user acceptance testing at a current rate of \$181,250 per year, with total contracts amounting to almost \$1.7 million to date. No cost-benefit analysis was conducted to compare the cost of a consultant to that of hiring a full-time employee.
- Consultants were non-competitively procured by the Treasury Board Secretariat to provide assurance on the Province's proposed changes to its accounting policy and the fiscal impact. The lead consultant was hired at a per diem rate of \$3,500 and two others were hired at rates of \$2,700 and \$3,100. In total, the three consultants were paid about \$340,000 from March 2015 to December 2016 for sporadic work during that period. The lead individual was then hired permanently in a different capacity, but with some similar functions, at a salary equivalent to a per diem of approximately \$1,200.
- Another consultant was non-competitively procured by Cabinet Office for a project-management role to assist the Premier's Advisory Council on Government Assets in July 2014. The per diem rate in this contract was \$4,000. The contract was extended three times at the same per diem rate, at a total cost of about \$750,000 over 20 months. This contract was one of 10 similar non-competitive contracts totalling almost \$7 million that Cabinet Office entered into with consultants between July 2014 and December 2016 to determine what government assets could be sold. The reason provided for procuring these contracts non-competitively was their confidential and urgent nature, which is an allowable exception in the Procurement Directive. This consultant was also overseeing other consultants, which is not in compliance with the Procurement Directive.

We also noted instances where ministries used consultants extensively, and at significant cost, in

cases where they did not have sufficient staff available to complete long-term initiatives. For example:

- The new Financial Management and Business Modernization Branch, created within the Treasury Board Secretariat in 2013/14 to develop and implement improvements to business practices (such as, planning, budgeting and forecasting) for the Ontario Public Service, had no permanent resources to fulfill its mandate. As a result, it hired consultants and temporary staff. Between 2013/14 and 2018/19, the new office contracted 113 consultants under various contracts and terms for a total of \$11 million. We reviewed the contracts and determined that the average length was nine months at an average monthly cost of \$30,000 for each consultant. In addition, we noted that the per diem paid to the consultants varied from \$1,150 to \$2,800. While the business cases noted that senior manager or director level expertise was required for the assignments we reviewed, the rates paid to the consultants were much higher than what is normally paid for these levels in the Ontario Public Service.
- The Ministry of Health and Long-Term Care has continuously used consultants in various operational roles to support the Community Care Information Management program since it took responsibility for the program in 2011. The program's mandate is to support the community-care sectors by providing support for IT systems that offer secure electronic patient health-assessments and tools for business and financial needs. At the time the Ministry took responsibility for the program, 320 consultants worked in the program on contract. The Ministry has reduced its use of these consultants, down to around 60, partly because some parts of the program were completed, some internal processes were streamlined, and 24 new permanent staff were hired to replace consultants. Since 2011, the Ministry has spent approximately \$58 million on consult-

ing contracts for work related to the program (not including the contracts in place when the Ministry took over the program) using the Province's preferred-supplier program. The contracts we reviewed ranged in length from seven to 22 months, with an average of \$21,000 a month paid to each consultant.

It may at times be beneficial for business and knowledge continuity purposes to continue hiring the same consultant. However, in situations where consultants are used for long-term or ongoing needs, the Procurement Directive requires ministries to substantiate the decision to use external consultants rather than hire new permanent staff. We found no detailed documentation or analysis in this regard for any of these examples.

4.1.2 Over-reliance on IT Consultants Needs to Be Further Addressed

The government's IT-consulting expenditures accounted for about 80% of the total consulting expenditures incurred in the last five years. IT consultants used for task-based purposes, similar to government employees, accounted for about 60% of all new consulting contracts between 2014/15 and 2016/17. As noted in **Section 4.1**, an IT consultant costs \$40,000 or 30% a year more than a permanent IT employee.

In general, a ministry requiring IT assistance notifies the IT Source branch of the Treasury Board Secretariat (Secretariat), which determines if it can provide the needed expertise from internal resources. If it cannot, the Secretariat arranges on behalf of the ministry to engage an external consultant from the preferred-supplier program (described in **Section 2.2.1**).

A review conducted by the Secretariat based on 2013/14 and 2014/15 information provided by ministries found that almost 20% of all IT consultants for those two years performed ongoing, operational-type activities that could have been done by employees. Our 2016 audit report on Supply Chain Ontario and Procurement Practices noted the short-

age of government IT employees that resulted in a dependence on external consultants.

Based on this information, the Secretariat determined that 197 additional full-time staff were needed. It received two approvals, in August 2016 and July 2017, to hire them, something that our 2016 audit report said could save \$10 million a year. As of August 2018, the Secretariat told us that it had hired 129 full-time staff and had approval to proceed with the remaining 68 people.

Although the hiring so far is a positive step, our concern is that since almost 35% of the new jobs have yet to be filled, there is still a significant reliance on external IT consultants for operational work at an additional cost of almost \$3.5 million a year. Also, we noted that the ratio of work performed by external IT consultants to meet ministries' requests for assistance for task-based work is similar now to what it was during our 2016 audit—about 90%, meaning that only 10% of assistance requests from ministries were filled by full-time staff (up slightly from 7% in 2016). The actual number of requests filled by full-time staff went up from 116 to 163 over that period. Given that the Secretariat last reviewed the situation using information from 2013/14 and 2014/15, it should perform a further review or analysis on the operational use of IT consultants to see if additional full-time staff are needed and to identify any other cost-savings opportunities.

We noted another example of over-reliance on IT consultants in a government branch, called the .NET Service Delivery Centre, which is part of the Ministry of Transportation. In 2012, the branch was given responsibility across the entire government for .NET services, which are Microsoft products used to create computer and web applications. Since 2012, the branch has engaged a number of consultants through four contracts with suppliers totalling about \$100 million. The current contract, valued at \$70 million, ends in December 2019. It also used additional consultants from the IT task-based preferred-supplier program, as needed

over the years to further supplement its staff and consultants.

The number of consultants needed for these contracts was not identified as the contracts were not for specific projects; instead, funds were to be used as projects were identified. The business cases to support these contracts stated that the services were needed to meet the fluctuating demand for .NET programs, as there was a need to quickly expand or contract available resource capacity and skills. They also stated that the consultants would be used to supplement services provided by branch staff on development, maintenance, transition and other support services on an as-needed basis.

The branch has grown from 26 full-time staff in 2012 to 59 full-time staff in 2018, plus consultants. At times, the branch employed more consultants than it had staff—up to 90 consultants working in addition to the branch staff.

There was no analysis included or support provided with any of the business cases that compared the cost of consultants to full-time or term staff, and no review has been undertaken to date to determine whether the use of these consultants is cost-effective.

It was difficult for us to determine the cost of the individual consultants because the pricing for the work was based on fixed costs for some types of work and per diem costs for others. We reviewed the per diem costs and compared them to the amounts paid to staff with similar positions in the branch after factoring in benefits, and noted that the per diem rates for the consultants were more than twice as much as equivalent rates for full-time staff.

RECOMMENDATION 1

To promote value for money and compliance with the Ontario Public Service Procurement Directive, we recommend that the Treasury Board Secretariat, in collaboration with the Ministry of Government and Consumer Services, reinforce the requirement of the Directive

on ministries to clearly demonstrate prior to contracting consultants for long-term or ongoing needs that a consulting contracting option is more cost-effective than recruiting permanent full-time or term staff.

RESPONSE FROM SECRETARIAT AND MINISTRY

The Treasury Board Secretariat and the Ministry of Government and Consumer Services will work together to strengthen and reinforce the current direction in the Ontario Public Service Procurement Directive to substantiate and clearly demonstrate the need for a consultant prior to procuring a consultant. Actions will include improved outreach and education.

In addition, enhancements will be made to the multi-year planning process requiring ministries to review potential future consulting services needs and ensure the most effective and efficient resourcing strategy is selected to deliver on objectives and results.

RECOMMENDATION 2

To more cost-effectively meet the operational information technology needs of ministries, we recommend that the Treasury Board Secretariat, in collaboration with the Ministry of Government and Consumer Services, further review its use of IT consultants.

RESPONSE FROM SECRETARIAT AND MINISTRY

The Treasury Board Secretariat and the Ministry of Government and Consumer Services will continue the recruitment of staff to fill converted positions, and further review the use of IT consultants and provide recommendations for further fee-for-service conversions to support operational IT work.

4.1.3 Limited Information and Analysis by Supply Chain Ontario on the Province's Overall Use of Consultants to Identify Cost Savings

Apart from the cost comparison and review of operational work undertaken by IT consultants—conducted by the Secretariat and described in **Sections 4.1** and **4.1.2**—the Secretariat, Supply Chain Ontario and the ministries have not undertaken a further review of the use of consultants on either a ministry-wide or contract-by-contract basis to assess benefits, costs, risks and overall trends (for example, ministries' over-reliance on consultants or gaps in internal staffing). Although, in September 2018, the Secretariat began monitoring the use of IT task-based consultants on a monthly basis across ministries to determine which contracts could be undertaken by full-time staff, if they were available.

Undertaking such assessments would provide the Province with insight for strategic purposes and decision-making to understand why consultants are being used and where cost savings could be found.

Based on information provided by Supply Chain Ontario, which collects annual self-reported data from ministries on new consulting contracts and obtains information on expenditures, and from our review of consulting contracts, we identified areas where Supply Chain Ontario might want to investigate further. For example:

- Ten suppliers accounted for almost 40% of all new contracts entered into between 2014/15 and 2016/17 (at the time of our audit, Supply Chain Ontario had not gathered information from ministries on contracts entered into in 2017/18). More than 300 suppliers received the remaining contracts during that time. As such, it appears that ministries tend to rely on a small number of suppliers for a significant portion of their consulting-services needs.
- Certain ministries were consistently the biggest users of consultants year after year (see **Figure 6**). These ministries cited insufficient staff as one of the main reasons for engaging

consultants. About 20% of the contracts we reviewed between 2014/15 and 2016/17 at these ministries were for ongoing project-management services whose terms ranged from six months to three years. Per diems for these positions generally ranged from \$1,000 to \$1,500, which equated to contract amounts ranging from \$179,000 to \$769,000.

In addition to our observations on the use of consultants not always being cost-effective based on the contracts we reviewed, there may be opportunities for the Province to identify cost savings by reviewing ministries' overall use of consultants for further work that could be done by full-time staff.

Although Supply Chain Ontario collects information on the ministries' use of consultants as required by the Procurement Directive, the Directive does not define what information is to be collected, how the information is to be used, or who it must be reported to. Instead, this is left to Supply Chain Ontario to decide.

Supply Chain Ontario told us that it uses the information to look for trends to determine what additional training and tools it needs to develop for ministries on their use of consultants—not to determine if consultants are used cost-effectively. For example, Supply Chain Ontario identified that there was an increase in non-competitive procurements and then held a training session on this subject for ministries.

Available Management Information Not Accurate or Timely

Supply Chain Ontario does not perform reviews or validation checks on the self-reported information it receives from ministries regarding their use of consultants that it includes in its annual report. When we reviewed this information, we found errors, such as new contracts being double-counted in multiple fiscal years and amended contracts being reported as new contracts.

After we informed Supply Chain Ontario of the errors we noted, it reviewed the information

provided by ministries for the 2015/16 and 2016/17 fiscal years, and made corrections in contract values originally self-reported by ministries totalling \$57 million and \$95 million, respectively, to the value of new contracts reported. We also noted similar errors totalling \$24 million in 2014/15 relating to new contracts, but Supply Chain Ontario did not revisit the data for that year.

We also found that annual reports are not prepared on a timely basis to facilitate overall decision-making. As mentioned above, the Procurement Directive requires the Ministry of Government and Consumer Services (of which Supply Chain Ontario is a part) to complete an annual report on the ministries' use of consulting services. However, it does not specify what information is to be included in the report or whom it should be shared with. Nonetheless, when we requested this information in February 2018, the annual reports for 2015/16 and 2016/17 had not yet been prepared.

Furthermore, information on ministries' use of consultants is not publicly available. There was a plan to include information such as the types of consulting services and new contract information under the Open Government Initiative, which makes some government information available to the public. However, a decision was made in July 2017 to specifically exclude information on the government's use of consultants from this initiative.

IT System That Could Track Consulting Contracts Not Being Fully Used

The Province does not use a standardized approach to track consulting contracts and associated expenditures (which could help prevent overspending by establishing limits on spending) or to collect information relating to the use of consultants.

The Integrated Financial Information System (IFIS), an IT system used by the Province to record ministries' financial transactions and provide data for reporting and analytical purposes, has capabilities for tracking and managing basic contract information.

However, we noted that the system is not used consistently across the ministries or program areas for this purpose, making it difficult to obtain detailed information on the expenditures for each consulting contract. For instance, IFIS can track payments related to applicable contracts by matching the payment to the original purchase order if it has been entered into the system. However, despite requirements for ministries to enter purchase orders or the approved contract amount in IFIS for consulting contracts over \$25,000, the ministries we audited did not do this consistently, or at all.

Some ministries use separate tracking systems, such as Excel spreadsheets or Access databases, to track the actual spending on consultants against approved amounts and future spending projection details relating to consulting contracts. However, this information is not uploaded to IFIS and is not accessible to Supply Chain Ontario.

If information on new contracts was consistently entered into IFIS by all ministries, government-wide information would be readily available on demand. Instead, the information is gathered manually from ministries on an annual basis by Supply Chain Ontario, and is prone to errors, as noted earlier.

Including limits on spending in IFIS based on approved contract amounts would also help prevent any payments from being made over the approved contract amount.

RECOMMENDATION 3

We recommend that the Treasury Board Secretariat require ministries to use the Integrated Financial Information System to record all consulting contracts, including the approved amounts, to better manage consulting contracts and their associated expenditures, and to allow for improved, timely and accurate reporting of consulting expenditures and new consulting contracts for use by the Ministry of Government and Consumer Services and others for decision-making purposes.

SECRETARIAT RESPONSE

The Treasury Board Secretariat (Secretariat) will work collaboratively with the Ministry of Government and Consumer Services (Ministry) to strengthen and reinforce compliance with existing policy direction to use the Integrated Financial Information System (IFIS) to record all consulting contract purchase and payment information. In addition, the Secretariat and the Ministry will work with ministries to ensure that IFIS is being used.

RECOMMENDATION 4

To ensure that consultants are being used only to provide value-added service in compliance with the Ontario Public Service Procurement Directive, we recommend that the Ministry of Government and Consumer Services:

- perform regular analysis of the information on ministries' use of consultants to identify and inform ministries and the Treasury Board Secretariat on areas for improvements and cost savings; and
- report publicly on the ministries' use of consulting services.

MINISTRY RESPONSE

The Ministry of Government and Consumer Services (Ministry) will enhance the analysis of information on the use of consultants in order to provide insights to ministries and the Treasury Board Secretariat on areas for improvement and cost savings. In addition, the Ministry will report publicly on all ministry consulting services contracts.

4.1.4 More Ministry Oversight and Planning Needed for the Effective Use of Consultants

We found the levels of oversight by ministries on the use of consultants varied, mainly because identifying needs and managing consultants is generally

a decentralized process undertaken by individual branches and program areas within a ministry.

Our review of the processes followed at the ministries found that half of them required secondary reviews of consulting contracts by another branch to ensure, for example, that the proper procurement methods were being used and that all required approvals were sought. However, the other half did not require secondary reviews.

A best practice was noted in a 2016 report from the U.K. National Audit Office whereby a central government body has to approve any consulting contract lasting longer than nine months and costing more than about \$33,000 (£20,000). The departments in the U.K. government said this requirement has encouraged them to assess their proposals more rigorously, including providing reasons for hiring consultants rather than full-time staff.

We also noted a good practice in place at the Ministry of the Attorney General. It requires its branches and program areas to conduct a semi-annual self-assessment to assess the use and value-added of hiring consultants.

Ministries Not Conducting Annual or Strategic Workforce Planning to Reduce Over-reliance on Consultants

An annual workforce-planning process would allow ministries to consider staffing needs based on forthcoming or longer-term priorities and available resources within the ministries to help reduce reliance on consultants. The Procurement Directive does not specifically require ministries to undertake such planning on an annual basis to support decision-making with respect to the procurement of consultants, and none of the ministries that we reviewed did this.

The 2016 audit report from the U.K. National Audit Office on the use of consultants noted the importance of undertaking strategic workforce planning in managing cost-pressures. The report noted that such planning assesses an organization's

current staff resources and skills, predicts its future needs, and plans how to meet these needs cost-effectively. It also noted that failure to undertake this process leads to short-term decision-making on using consultants.

RECOMMENDATION 5

To ensure that consultants are hired only when needed, and in a cost-effective manner, we recommend the Treasury Board Secretariat, in collaboration with the Ministry of Government and Consumer Services:

- develop and implement an effective process for centralized oversight of the ministries' use of consultants, including a quality-assurance process, within each ministry; and
- require ministries to undertake an annual workforce-planning process to consider ministry-wide staffing needs based on forthcoming and longer-term priorities and available resources.

RESPONSE FROM SECRETARIAT AND MINISTRY

The Treasury Board Secretariat (Secretariat) and the Ministry of Government and Consumer Services (Ministry) will strengthen direction and guidance to ministries when they are considering procuring consultants. Actions will include working with ministries to develop a process for centralized oversight.

In addition, enhancements will be made to the multi-year planning process requiring ministries to review potential future consulting services needs and ensure the most effective and efficient resourcing strategy is selected to deliver on forthcoming and longer-term priorities.

The Secretariat and the Ministry will develop guidance materials, including outreach and education, to support the new requirements and the Ministry will establish a quality assurance program.

4.2 Improvements Are Needed to Ensure Value for Money Is Received When Using Consultants

We examined a sample of consulting contracts at various ministries and looked at the processes in place for acquiring and using consultants, including justification, procurement, monitoring, payment and evaluation of consulting services.

We noted that while ministries generally documented the actions taken on their use of consultants, the documentation often lacked detail to support the reasons for taking certain actions and the rationale for decisions made. In addition, ministries did not always demonstrate that they received value for money, and details justifying the need for and cost of the services were not always evident.

4.2.1 Lack of Support Available to Justify the Cost Estimates and Need for Consultants

For the most part, we noted that approvals of business cases for consulting assignments were obtained in accordance with the Ontario Public Service Procurement Directive (Procurement Directive) and the Ministries' delegation of financial authority. However, there was little evidence to support the cost estimates in business cases used to obtain approval for consulting services. These estimates ultimately determine the maximum amount to be paid for a contract, so it is important that they be reliable and supportable.

About 90% of the business-case estimates we reviewed were based on an estimated rate that a consultant might charge, and the estimated time to complete the project. However, there was no support to show how these estimates were determined. The Procurement Directive provides little guidance on how to establish cost estimates, and includes no maximum rates that can be charged for the types of consulting services provided. We noted that per diem rates generally ranged from \$1,000 to \$2,000, with some as high as \$3,500 and \$4,000.

Ministries noted that these estimates were based mostly on past experience, but did not demonstrate how. In our review of a sample of consulting contracts, we noted that half contained differences between the business case and the final contract amount that ranged from 20% to 113%. The following are examples of these differences:

- A branch within the Ministry of Health and Long-Term Care estimated the cost of engaging experts with experience in laboratory systems and genetic services for 1.5 years at \$500,000. However, no submissions were received from suppliers within this estimate, and the ministry had to amend the business case and seek additional approvals to match the \$670,000 quote from one supplier.
- The Ministry of Community and Social Services (now Ministry of Children, Community and Social Services) estimated the cost of consulting services relating to post-implementation operational support for its Social Assistance Management System to be approximately \$1.4 million. The final contract amount was \$795,000.
- The same ministry estimated the cost of data-migration services relating to the Children's Aid Societies to be \$21.7 million. However, the actual contract amount was \$25.5 million.

Scan for Internal Resources Not Supported or Diligently Done

Most business cases to support the need for consultants did not demonstrate whether internal staff resources were available within the contracting ministry before procuring consultants. Instead, there was just a general statement that no internal staff were available. As a result, there was no support or analysis provided to show that qualified internal staff were seriously considered before consultants were hired.

Ministry staff told us that the scan of internal resources was generally done informally, through

meetings, for example, or in discussions based on relationships with others rather than something more concrete, such as a job posting to solicit internal candidates.

The Procurement Directive states that a ministry cannot engage a consultant before considering its available internal resources. However, it does not provide guidance on how to do this, or the extent of review required.

Proper evaluation and review of available resources could reduce the need for consultants if internal staff are able to undertake the work instead. In addition, documenting and collecting information on skill shortages and the lack of internal staff could help management identify recurring areas where training or hiring staff with the required skills would be more cost-effective in the long term than engaging consultants.

RECOMMENDATION 6

To help ministries improve their processes for estimating the cost of consulting services and engaging consultants only when qualified internal resources are not available, we recommend that the Treasury Board Secretariat, in collaboration with the Ministry of Government and Consumer Services, reinforce the requirements of the Procurement Directive and provide additional guidance on:

- establishing cost estimates for consulting services, including maximum rates that can be charged for the types of consulting services provided;
- documenting the rationale for arriving at the estimates; and
- the extent of the review ministries should undertake to solicit available internal resources prior to engaging external consultants.

RESPONSE FROM SECRETARIAT AND MINISTRY

The Treasury Board Secretariat (Secretariat) and the Ministry of Government and Consumer

Services (Ministry) will strengthen direction and guidance to ministries for estimating the cost of consulting services and documenting their rationale for arriving at the estimate, and to help ensure that they are engaging consultants only when qualified internal resources are not available.

The Secretariat and the Ministry will develop guidance materials, including outreach and education, to reinforce existing requirements.

4.2.2 Contract Changes and Lack of Standardized Evaluation Criteria Can Affect Integrity of Competitive Procurement Process

Contract Amendments Result in Unfair Advantage to Suppliers

The Procurement Directive says that extensions made to existing contracts beyond what is included in the initial procurement constitute non-competitive procurements.

Such amendments may result in ministries obtaining additional deliverables at costs that could be higher than necessary because the new deliverables were not procured competitively. This could also give existing suppliers an unfair advantage.

In our review, 22% of the contracts that were competitively procured had an amendment greater than \$10,000 without an option in the contract to allow for the amendment or where the amended amount exceeded the amount approved for the contract. Most were between \$100,000 and \$500,000, with a couple as high as \$1.5 million. The additional services included in these amendments were not competitively procured. For example:

- A consultant was hired through a competitive procurement at a cost of about \$120,000 to review work processes within a division of the Ministry of the Attorney General. The contract was later amended to include substantially more work within the original term of the contract at an additional cost of \$360,000, quadrupling the value of the original contract to \$480,000.

- One of the contracts at the .NET Service Delivery Centre within the Ministry of Transportation (see **Section 4.1.2**) for \$18.5 million, covering the period from April 2015 to April 2017, was subsequently increased to \$19.9 million for the same work. This is just under the threshold amount of \$20 million at which contracts must be approved by the Treasury Board/Management Board of Cabinet. The approved funds for this contract were exhausted six months early and the branch then entered into another contract for \$70 million for another three years. The new contract was competitively procured.
- A team of consultants was procured by the Ministry of Transportation at a cost of approximately \$585,000 to review business support functions across the Ministry based on consultations, and make recommendations for improvements. The contract value was amended to \$870,000 and the contract term was extended by six months to allow for additional consultations to be held and analysis of the results.

Lack of Standardized Evaluation Criteria Can Affect the Competitive Process

There are no standardized evaluation criteria that ministries must use when procuring consultants. As a result, at the ministries that we reviewed, we saw variations in the evaluation criteria used for price, interviews and past experience. A lack of standardized evaluation criteria can allow ministries to tailor the criteria to a preferred consultant.

Of specific concern were variations we noted in the interview component. While in general, in the sample of contracts that we reviewed, this made up less than 30% of the total evaluation score, instances were noted where interviews were given 40% or 50% of the score, and up to 70% for IT consultants. The interview component provides opportunities for judgment and subjectivity, which can lead to biases in the scoring process.

RECOMMENDATION 7

To promote the fair procurement of consulting services, we recommend that the Treasury Board Secretariat, in collaboration with the Ministry of Government and Consumer Services:

- reinforce the requirements of the Procurement Directive and provide additional guidance on when contracts with amendments to the original terms should be re-tendered; and
- develop standardized criteria for ministries to use in evaluating consultants.

RESPONSE FROM SECRETARIAT AND MINISTRY

The Treasury Board Secretariat (Secretariat) and the Ministry of Government and Consumer Services (Ministry) will strengthen the guidance on contract amendments, including when contracts should be re-tendered, and will work with ministries to develop standardized criteria for evaluating consultants' proposals. The Secretariat and the Ministry will develop guidance materials, including outreach and education, to support new requirements.

4.2.3 Contract Deliverables and Invoices Lack Detail to Determine if Value for Money Is Received

We found in our review that most consulting contracts did not include costs associated with the specific deliverables in the contract. Lack of detail on these costs makes it difficult to determine if deliverables have been received before payment is made, and whether value for money was received.

We also noted that the majority of invoices submitted for contracts that we reviewed provided little detail on the work performed, making it difficult to link amounts billed back to the deliverables in the contract. As a result, the invoices

were paid with little detail or evidence about what was received.

An example of this was noted in a December 2016 contract for \$1.2 million over 14 months for a team of consultants to help the Ministry of Health and Long-Term Care assess its readiness for an operational transition of the Community Care Access Centres to the Local Health Integration Networks. The amount of the contract was paid in equal monthly amounts. However, the invoices were unclear on the work performed, which made it difficult to determine what the invoice was for and if payment was made after specific deliverables were received.

The contract value also included approximately \$60,000 for travel expenses and a requirement that travel expenses would be reimbursed only if incurred and shown separately on invoices. None of the invoices contained any travel expenses, but the full amount of the contract, including the travel expense amount of \$60,000, was paid.

We also noted a few instances where a ministry paid for work before receiving the deliverables. For example, the Ministry of Children, Community and Social Services (previously known as the Ministry of Community and Social Services) entered into a consulting contract for a one-year term at \$470,000 to provide IT maintenance and support for the Family Responsibility Office's case management system, starting March 28, 2016. The contract was paid in full on March 24, 2016, four days before the start date of the contract and seven days before the end of the fiscal year. The Ministry told us that the contract was similar to an annual software maintenance and support contract, where the suppliers expect payment in advance.

A best practice was noted at branches of various ministries, where, although the invoices reviewed contained few details, they had a deliverable acceptance form that was reviewed and completed for each deliverable. Most of these forms were signed by the contract manager. This practice provides some assurance that the person reviewing

and approving the invoice understood what the invoice was for and what deliverable was received.

4.2.4 Management of Consultants Varies

The Procurement Directive requires that supplier performance be managed and documented, and that any performance issues be addressed. However, it provides no details on what is considered an appropriate action or an appropriate level of management.

Ministries had a variety of practices in place for contract management that included using different methods to different extents. If contract management is not done properly, it can result in the contract taking longer than planned or costing more, the government not receiving the intended deliverable, or finding out too late when something goes wrong.

We saw some positive examples of contract management in the contracts at the ministries we reviewed, including periodic status reports by the consultant, and use of Excel spreadsheets to track deliverables and invoices.

In other contracts that we reviewed, we noted a lack of documentation on the actions taken, but we did confirm that some contact was made between the consultant and ministry staff at least once a month, although there was no indication of what was discussed in the majority of these interactions.

We also found that contract management varied depending on the type of service provided by the consultant. For example, those with similar roles as an employee often did not have any formal meetings or reports because contract management was performed through daily interactions with the individual.

Supply Chain Ontario provides ministries with some tools and templates for contract management. Examples include a contract-management checklist and a guide that includes best practices, such as identifying the roles and responsibilities of persons involved with the contract, and having weekly performance meetings to allow the supplier to provide

early warning of problems and to discuss solutions. However, the use of these tools is optional.

An internal review conducted by the Ontario Internal Audit Division recommended in 2013 that Supply Chain Ontario establish a standard contract/supplier management framework to provide corporate guidance on contract management. The framework would set out minimum standards, for example, on monitoring and enforcing contract provisions, and dispute resolution. However, the framework was still not in place at the time of our audit.

We noted a best practice in place with the federal government for contract management. It stipulates that contracts are to contain appropriate mechanisms, such as regular meetings with consultants, regular examinations of the work to ensure it is in line with the contract, and appointment of an internal project manager to monitor a consultant's work.

Ministries Generally Ensured Knowledge Transfer at the End of Consulting Assignments

Where applicable, the Procurement Directive requires a transfer of knowledge from the consultant to staff at the end of a contract to reduce future reliance on consultants.

Our review of contracts indicated that, where required, most knowledge transfers at the end of consulting assignments were done appropriately, either through a written report or in a meeting with the consultant.

4.2.5 Post-assignment Evaluations Not Completed

Post-assignment evaluations help assess the quality of work and value for money received, and are useful to assess the suitability for future work of a consultant and to avoid repeated issues.

We found that post-assignment evaluations were not completed for the majority of contracts we reviewed, and there was no evidence that past

performance of consultants was considered when contracting them for new work.

Post-assignment evaluations were reviewed in our 2016 Supply Chain Ontario and Procurement Practices audit report. Following that audit, a standardized scorecard was introduced on a pilot basis in the Information and Information Technology Clusters in the province to evaluate and document IT suppliers' performance fairly and consistently. The Ministry of Government and Consumer Services and the Treasury Board Secretariat plan to roll out the scorecard to all ministries in October 2019.

RECOMMENDATION 8

To promote value for money when ministries use consulting services, we recommend that the Treasury Board Secretariat, in collaboration with the Ministry of Government and Consumer Services:

- amend the Ontario Public Service Procurement Directive to include standards requiring that costs be associated with each deliverable in consulting agreements; and
- reinforce the requirements of the Procurement Directive and provide additional guidance on what is considered an appropriate action or an appropriate level of management of supplier performance.

RESPONSE FROM SECRETARIAT AND MINISTRY

The Treasury Board Secretariat (Secretariat), with the Ministry of Government and Consumer Services (Ministry), will strengthen the direction and guidance on how costing should be reflected in consulting contracts, including direction that each deliverable will have an associated cost. The Secretariat and the Ministry will leverage best practices in place in ministries and promote their use enterprise-wide. The Ministry will also establish guidance to ministries on supplier performance and contract management.

4.3 Crown Agencies and Corporations Make Heavy Use of Consulting Services

4.3.1 No Overall Review of Use of External Consulting Services

Crown agencies and Crown-controlled corporations (agencies and corporations) spent over \$665 million on consulting services from 2015/16 to 2017/18. These totals are from self-reported information on actual expenditures for consulting services we gathered in our survey of 54 agencies and corporations because these expenditures are not tracked and reviewed by the Province. Details on the expenditures reported to us, and the entities surveyed, are shown in **Appendix 3**. There has been an overall decrease in consulting expenditures, from \$243 million in 2015/16 to \$184 million in 2017/18.

Since funding for these organizations may come in whole or in part from the Province, there may be opportunities for the Province to find cost savings or areas for improvement. For example:

- The use by agencies and corporations of consulting services followed a pattern similar to that of the ministries in that most contracts were for IT consultants. We know from our audit of the ministries that there is an over-reliance on IT consultants, and opportunities for cost savings. A similar opportunity may exist at these entities.
- We found that in the 2017/18 fiscal year, five entities accounted for 65% of the total reported spending on consulting services as shown in **Appendix 3**. A review of the reasons for these high rates of use would help determine if these services are being used cost-effectively.
- Similar to ministries, agencies and corporations are also required to follow the Ontario Public Service Procurement Directive.

RECOMMENDATION 9

To promote the cost-effective use of consulting services across the Ontario Public Service, we recommend that the Ministry of Government and Consumer Services in conjunction with ministries gather information on the use of consultants across provincial Crown agencies and Crown-controlled corporations to identify areas for cost savings and improvements.

MINISTRY RESPONSE

Through the work under way to address the government commitment to centralizing government purchasing, the Ministry of Government and Consumer Services (Ministry) will work with ministries to adopt best procurement practices and enhance procurement controls and oversight across the Ontario Public Sector. The Ministry will collect data on the use of consultants for all provincial agencies and will release it publicly.

4.4 Process for the Appointment of Advisors Could Be Strengthened

The requirements for special advisors and advisory groups (advisors) are outlined in the Agencies and Appointments Directive (Appointments Directive), which came into effect in 2015 (replacing the Government Appointees Directive). Additional guidance is provided in the Treasury Board Secretariat's 2015 Guide to Establishing Short-Term Advisory Bodies and Special Advisor Positions.

Under the Appointments Directive, the government may create short-term advisory groups and/or appoint special advisors to provide advice or make recommendations to a minister or the Premier. These appointments are made through an Order in Council or a minister's order and cannot exceed three years in length. The Treasury Board/Management Board of Cabinet (TB/MBC) must first provide approval to establish the positions of

such advisors. The sections in the Appointments Directive pertaining to advisors were last updated in 2015 to require that business cases provide additional support for the remuneration to be paid to appointees.

We reviewed a sample of special advisors and advisory groups appointed and noted the following:

- Not all requirements in the Appointments Directive for business cases that are submitted to TB/MBC for approval were met. Specifically:
 - Some business cases submitted did not contain comparative research on remuneration focusing on a public-sector comparable.
 - For appointments with per diems over \$398, the Appointments Directive also requires that verification of the comparable rate (for example, signed contracts, paid invoices, or similar documents) be submitted as part of the business case. As well, assurance is required from the advisor that the government will receive the appointee's best comparable rate. None of the appointments that we reviewed with per diems over \$398 complied with these requirements.
- Approximately 25% of advisors did not complete and submit conflict-of-interest forms. The form requires the advisor to “disclose any obligation, commitment, relationship or interest that could conflict or may be perceived to conflict with his or her duties to or interests of the agency, board or commission to which the applicant is seeking appointment.” However, it does not ask advisors to disclose relationships, contracts or interests they may have relating to other government organizations. In this regard, we noted that advisors appointed by the federal government are required to abide by the federal Conflict of Interest Act, 2006, which requires greater disclosure of past activities, including, for example, activities related to employment, management of businesses, consulting con-

tracts, or partnerships in the two years prior to the appointment.

We also noted that the Appointments Directive does not stipulate a “cooling-off” period before an advisor can take a position with the entity that they previously advised, or any related entities. A cooling-off period is important to ensure that the work undertaken by an advisor is objective and any subsequent work or business obtained is independent of the advisor's role. It is also important to avoid any real or perceived conflict of interest. In our testing, we noted examples of advisors taking on positions with the same ministry to which they provided advisory services during their appointments or shortly after their appointments ended. Specifically:

- A paid member of an advisory panel appointed by the Treasury Board Secretariat in November 2016 entered into an agreement to provide actuarial consulting services to the Secretariat on February 3, 2017. A note in the contract stated that it was to commence upon completion of the work for the panel. However, the panel did not issue its report until February 13, 2017, which is after the date the agreement came into effect.
- A special advisor to the Ministry of Government and Consumer Services, whose appointment ended in March 2014, entered into a three-month contract for work with the same ministry in January 2014, two months prior to the appointment ending.

RECOMMENDATION 10

To promote value for money and objectivity in the appointment of special advisors and advisory groups, we recommend that the Treasury Board Secretariat:

- strengthen the Agencies and Appointments Directive for conflict-of-interest requirements so that the declarations include activities with any government organization, and require a cooling-off period between the

time an advisor's contract expires and the time they can take a position with the entity they had previously advised, or any related entities; and

- ensure that the business cases to be submitted to the Treasury Board/Management Board of Cabinet for approval meet the requirements of the Agencies and Appointments Directive.

SECRETARIAT RESPONSE

The process and requirements for the establishment and appointment to advisory services positions is set out in the Agencies and Appointments Directive and supporting guidance documents. As part of a commitment to continuous improvement, the Treasury Board Secretariat (Secretariat) will review the directive and the conflict-of-interest direction for new appointments.

As part of this review, the Secretariat will consider the observations and recommendations in this audit as well as other evidence and best practices from other jurisdictions. The Secretariat will also continue working with and supporting ministries in meeting the requirements of the Agencies and Appointments Directive.

4.5 Use of Professional Services by Provincial Ministries and Agencies

Professional services are those provided by licensed professionals, such as physicians, dentists, nurses, pharmacists, veterinarians, engineers, land surveyors, architects, accountants, lawyers and notaries, for regular work in their licensed capacity.

Although some of the professionals above could provide either professional services or consulting services, the difference in the type of expense classified as either consulting services or professional services is based on the specific service provided: professional services are those provided by, for example, a lawyer performing regular legal work that they are licensed to do. The same lawyer would be considered a consultant if they provided expertise and strategic advice to inform decision-making.

Expenditures for professional services by government ministries for the last three fiscal years (2015/16, 2016/17 and 2017/18), totalled approximately \$960 million.

We surveyed 54 Crown agencies and Crown-controlled corporations (agencies and corporations) to determine the extent of their spending on professional services for the same three fiscal years (the Province does not currently compile this information). The information provided to us indicated that the 54 agencies and corporations spent approximately \$1.38 billion on professional services during this three-year period. Details on the professional services expenditures for the three years between 2015/16 and 2017/18 reported to us, and on the entities surveyed, are shown in **Appendix 3**.

Although we did not review the use of professional services by ministries and agencies in this audit, the recommendations in this report on consulting services may equally apply to professional services, and we suggest that they also be reviewed by the Province to identify any potential cost savings and to confirm whether value for money has been achieved.

Appendix 1: Top 25 Consulting-Services Suppliers Based on New Contracts, 2014/15–2016/17

Source of data: Supply Chain Ontario

Supplier	Contract Value (\$ million)				Total # of	
	2014/15	2015/16	2016/17	Total	Contracts	Type of Service
1. Hitachi Consulting Corp.	–	20.0	70.2	90.2	3	IT
2. Procom Consultants Group Ltd.	23.1	19.6	21.2	63.9	374	IT and Management
3. Deloitte	9.4	18.9	18.0	46.3	136	Management
4. SRA Staffing Solutions Ltd.	9.2	10.3	15.9	35.4	226	IT and Management
5. TEKsystems Canada Inc.	9.7	11.9	11.9	33.5	241	IT and Management
6. Infosys Public Services Inc.	26.7	0.5	–	27.2	2	IT
7. Modis Canada Inc.	9.1	6.7	3.9	19.7	104	IT and Management
8. Randstad Interim Inc. (including Randstad Technologies)	6.4	4.2	8.5	19.1	130	IT
9. Pricewaterhousecoopers LLP	10.2	7.0	1.4	18.6	53	Management
10. Swansea Computer Specialists Corp.	5.0	5.0	7.2	17.2	115	IT
11. IBI Group	13.1	3.7	0.3	17.1	8	Technical
12. IBM Canada Ltd.	2.8	0.8	12.4	16.0	17	IT
13. Yoush Inc. (O/A Careermatch)	5.4	5.4	4.8	15.6	100	IT
14. KPMG LLP	5.3	3.9	4.4	13.6	43	Management
15. ITCAD Tech Inc.	2.6	4.3	4.4	11.3	74	IT
16. Bevertec CST Inc.	3.4	4.6	2.8	10.8	70	IT
17. Digitembrace Inc.	4.8	4.3	1.7	10.8	70	IT
18. RGS Consulting Services Inc.	3.1	4.8	2.3	10.2	57	IT
19. Lintex Computer Group Inc.	3.0	3.4	3.7	10.1	56	IT
20. Computronix (Canada) Ltd.	–	9.3	–	9.3	2	IT
21. Manageflow Consulting Inc.	2.1	3.6	3.3	9.0	52	IT
22. iVedha Inc.	2.3	4.4	2.2	8.9	50	IT
23. Verbena Consulting	2.7	3.5	2.5	8.7	48	IT
24. 01 Millennium Consulting Inc.	2.9	2.7	2.2	7.8	56	IT
25. GSI International Consulting Group	3.0	3.2	1.3	7.5	38	IT and Management
Total of Top 25 Suppliers	165.3	166.0	206.5	537.8	2,125	
Other Suppliers	155.9	158.8	135.1	449.8	3,220	
Total of All Suppliers	321.2	324.8	341.6	987.6	5,345	

Note: Information on new consulting contracts for 2017/18 fiscal year unavailable at time of audit.

IT: Information Technology

Appendix 2: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

1. A ministry's planning for use of consulting services justifies the need for such services and clearly establishes the terms of reference for an assignment, including its objectives, scope, deliverables, timing and cost. All applicable approvals have also been obtained.
2. A ministry has a written agreement that formally defines the responsibilities of both parties in the consulting assignment. The agreement should be consistent with the original terms of reference for the assignment and include all key requirements, such as the scope of the project, key deliverables, timing and remuneration. All applicable approvals are obtained prior to changing the terms and conditions of the original agreement.
3. The work of consultants at a ministry is properly managed to ensure satisfactory completion of the assignment on time, within budget, and in receipt of the expected deliverables. When appropriate, a transfer of knowledge is made between the consultant and ministry staff to avoid continuous reliance on the consultant.
4. Advisory services acquired by the Premier or a minister are in compliance with the Agencies and Appointments Directive.
5. Management information systems at a ministry provide timely, accurate and complete information on consulting and advisory services to support effective management of such services.

Appendix 3: Consulting and Professional Services Expenditures by Crown Agencies and Crown-Controlled Corporations, 2015/16-2017/18 (\$ 000)

Source of data: Survey responses from 54 Crown agencies and Crown-controlled corporations

Crown Agency or Corporation	Consulting Expenditures			Professional Services Expenditures		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Agricorp*	317.5	537.0	1,346.2	37.4	77.8	64.2
Agricultural Research Institute of Ontario	—	—	—	23.0	32.2	28.6
Algonquin Forestry Authority	27.3	9.1	35.1	—	—	9.3
Cancer Care Ontario*	5,736.4	3,736.9	3,943.2	5,171.9	7,348.4	8,309.1
Centennial Centre of Science and Technology (Ontario Science Centre)	34.5	85.6	535.3	21.0	5.8	5.8
Education Quality and Accountability Office	1,154.7	1,017.2	839.4	32.9	28.8	29.4
eHealth Ontario	24,771.7	23,968.1	23,120.5	5,954.8	487.3	602.6
Financial Services Commission of Ontario	4,096.1	4,656.2	3,142.0	27,715.6	23,425.8	1,921.4
General Real Estate Portfolio	2,486.6	2,848.3	5,576.8	9,170.3	14,227.1	11,243.8
Independent Electricity System Operator*	4,025.7	7,363.7	5,674.6	10,549.2	6,554.6	8,788.2
Legal Aid Ontario	1,613.3	519.1	403.5	710.9	1,258.5	622.9
Liquor Control Board of Ontario	7,644.5	9,820.9	13,276.7	7,072.6	6,806.8	5,322.8
Local Health Integration Network – Central	—	—	—	233.2	256.2	421.3
Local Health Integration Network – Central East	—	—	—	216.3	231.9	901.5
Local Health Integration Network – Central West	275.7	23.9	291.3	17.0	17.0	58.1
Local Health Integration Network – Champlain	22.5	—	3.6	298.7	312.8	451.4
Local Health Integration Network – Erie St. Clair	44.5	50.8	115.3	14.1	14.1	49.1
Local Health Integration Network – Hamilton Niagara Haldimand Brant	21.4	—	—	162.1	162.4	320.8
Local Health Integration Network – Mississauga Halton	25.0	8.2	99.6	410.4	380.3	880.8
Local Health Integration Network – North East	286.6	285.2	355.3	24.5	15.1	282.5
Local Health Integration Network – North Simcoe Muskoka	284.7	196.8	381.1	22.3	14.1	60.5
Local Health Integration Network – North West	46.6	49.5	42.1	15.1	15.1	26.7
Local Health Integration Network – South East	—	32.1	63.4	14.8	14.8	51.3
Local Health Integration Network – South West	326.9	385.5	862.7	40.2	27.5	339.7
Local Health Integration Network – Toronto Central	30.7	261.7	644.0	43.0	43.0	33.6
Local Health Integration Network – Waterloo Wellington	—	190.0	255.3	135.8	36.2	190.7

Crown Agency or Corporation	Consulting Expenditures			Professional Services Expenditures		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Metrolinx	53,959.1	57,835.7	39,361.2	155,469.1	220,974.5	128,259.3
Metropolitan Toronto Convention Centre Corporation	191.9	235.3	426.2	406.3	1,266.2	510.1
Niagara Parks Commission	217.8	263.6	219.6	438.5	541.2	1,047.0
Northern Ontario Heritage Fund Corporation	10.0	69.7	267.9	1,934.4	1,921.4	1,418.4
Ontario Agency for Health Protection and Promotion (Public Health Ontario)	793.1	630.5	1,318.2	350.7	303.0	274.1
Ontario Capital Growth Corporation	101.0	80.7	296.1	285.1	318.2	299.8
Ontario Clean Water Agency*	580.4	494.3	486.6	943.7	1,503.7	1,259.2
Ontario Educational Communications Authority (TVO)	85.6	74.3	332.6	201.1	133.4	182.5
Ontario Electricity Financial Corporation	227.8	181.7	38.8	1,126.4	383.5	187.4
Ontario Energy Board	12,551.1	8,314.3	5,354.4	741.7	379.7	933.4
Ontario Financing Authority	307.9	614.1	486.4	105.9	72.7	151.3
Ontario French-Language Educational Communications Authority (TFO)	2,347.2	2,515.3	2,375.4	2,169.6	1,421.2	1,075.0
Ontario Infrastructure and Lands Corporation (Infrastructure Ontario)	15,322.8	11,792.0	3,842.8	23,710.6	24,809.5	27,114.2
Ontario Lottery and Gaming Corporation	9,678.9	13,474.0	11,692.2	18,312.6	19,527.4	31,048.5
Ontario Mortgage and Housing Corporation	—	—	—	—	—	—
Ontario Northland Transportation Commission	242.6	1,464.8	680.1	4,649.3	4,465.3	4,448.4
Ontario Pension Board*	7,770.5	4,851.6	6,308.6	1,537.9	1,420.1	938.6
Ontario Place Corporation*	20.0	—	1,220.3	14.1	284.1	1,225.5
Ontario Power Generation Inc.*	19,738.7	13,927.2	15,908.0	105,534.7	107,711.8	109,514.4
Ontario Securities Commission	2,146.8	3,900.2	2,747.6	1,329.0	867.4	1,349.1
Ontario Tourism Marketing Partnership Corporation	—	—	20.0	31.0	31.0	32.0
Ontario Trillium Foundation	494.8	429.2	579.9	176.0	191.7	260.1
Ornge	369.1	179.4	238.2	1,177.9	1,463.4	1,260.0
Ottawa Convention Centre Corporation	—	41.0	24.8	170.6	100.5	174.0
Pension Benefits Guarantee Fund	—	—	—	6,117.8	2,674.2	3,807.0
Province of Ontario Council for the Arts (Ontario Arts Council)	513.1	671.2	279.0	134.8	61.8	52.8
Royal Ontario Museum	373.0	461.3	761.9	1,937.9	1,355.8	1,508.3
Workplace Safety and Insurance Board*	62,170.4	58,862.1	28,140.6	53,087.4	55,314.0	56,655.3
Total	243,486.5	237,409.3	184,414.4	450,201.2	511,290.3	416,001.8

* Financial statements have a December 31 year end.