

**For Official Use****English - Or. English****9 December 2024****COUNCIL****Council****2023 PERFORMANCE AUDIT: EXTERNAL CONSULTANTS IN OECD'S  
ACTIVITIES****Executive Summary****JT03557182**

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Executive Summary of the External Auditor's Report

**EXTERNAL CONSULTANTS IN OECD'S  
ACTIVITIES**

1. The main objective of this performance audit was to **provide reasonable assurance whether the current scope and nature of cooperation with external consultants (also known as intellectual service providers - ISP) are capable of delivering results that are desired by the Organisation and whether the established quality controls and approval processes regarding external consultants' work are efficient and fit-for-purpose for the Organisation.**
2. To achieve the overall objective of the audit, as well as to answer the audit questions, the External Auditor reviewed relevant regulations and statistics in respect of intellectual services; inquired and interviewed officials of corporate Directorates as well as selected substantive Directorates; carried out judgmental sample of transactions concerning intellectual services; and conducted a survey among 18 substantive Directorates, including questions on: current scope and nature of involvement of the external consultants by the entity and quality controls and approval processes regarding external consultants' work.

### General assessment

3. **The cooperation with external consultants (intellectual service providers – ISP) of its current scope and nature is capable of delivering results desired by the OECD. The deliverables of ISP significantly contribute to the achievement of Output Results as set out in the Programme of Work and Budget (PWB).**
4. **It is supported by the Organisation's competitive procurement framework that also governs procurement of intellectual services. The procedures for market consultation or call for tenders of suppliers are satisfactory in general and enable to obtain value for money through an effective and judicious selection of suppliers. However, the External Auditor draws attention that in a limited number of cases, though concentrated in one organisational unit, of the direct selection of ISP by a competent subsidiary body, the optimal use of resources would be best ensured through a competitive procurement process.**
5. **The established quality controls and approval processes regarding external consultants' work, despite of not being standardised, are generally effective and fit-for-purpose for the Organisation. In addition, the OECD Strategic Management System, composed of the OECD Strategic Management Framework and the Integrated Management Cycle, which work together, provides robust layers of management, including for intellectual services. Within this System, the PWB promotes accountability and transparency by showing how resources (also involving ISP) are deployed and monitored to ensure that outputs and outcomes are achieved in the efficient and effective manner.**
6. **However, the audit revealed certain deficiencies that may increase the risk of deficient outputs and may potentially lead to diminished impact of deliverables.**
7. The average share of intellectual service providers in the selected Directorates/Programmes' total expenditure was 9% in 2023 (10% in 2022). The ISP are particularly relevant for those Output Results where their share is well above the average (mainly in two Directorates). Without these two areas, the average share of intellectual services across the Directorates/Programmes was 5% in 2023 (7% in 2022). In this respect, the use of intellectual service providers for policy work can be considered to be limited and targeted.
8. Acquisition of intellectual services is made within the Organisation's competitive Procurement framework, as set out in the Financial Regulations (FR), Financial Instructions (FI) and Financial Procedures for Procurement. The Procurement framework applies to all Directorates/ Programmes/ Services of the OECD, including Autonomous and

Hosted Bodies, and all activities of the Programme of Work and Budget, including those financed by voluntary contributions and grants.

9. As per FR 19, the procurement of goods and services shall be carried out in such a way as to optimise the use of resources and maximise transparency in the selection of suppliers. Section I of FI – Procurement sets out requirements regarding competitive procurement process which are further detailed in the Financial Procedures for Procurement.

10. The observations made during this performance audit indicate that the OECD designed and implemented quality controls and approval processes regarding external consultants' work, which provide reasonable assurance of mitigating the risk of deficient outputs. It is supported by the complete overview of the procurement of intellectual services across the Organisation, mainly via Supplier Relationship Management module (SRM) through which OECD procurement is made. Moreover, the Directorates' budgets are controlled and monitored by their Resource Management Unit (RMU). The procurement of intellectual services (reviewed during sampling) was committed in the accounting systems after consultation and approval by the respective RMU.

11. However, the External Auditor found that the total value of 14 of a sole-ISP vendor designations for 2021-2023 in one Programme was around EUR 1.43 million (out of which KEUR 742 materialised in the formal contracts). Consequently, approximately one quarter out of EUR 2.8 million of this Programme total expenditure on ISP for this period was not subject to the competitive procurement process. It should be noted that, even though designations are in line with the OECD financial rules<sup>1</sup>, competitive procurement is a best way of assuring the optimal use of resources (best value for the Organisation), as prescribed by Financial Regulations (18§2, 19§2).

In connection with this it is recommended that, **in order to minimise the number of suppliers selected by relevant subsidiary bodies without employing competitive procurement procedures, guidance should be provided to subsidiary bodies indicating the advantages of selecting suppliers through competitive procedures.**

12. Each committee monitors the achievement of the PWB Output Results for which it has oversight, including ISP deliverables, in the framework of the OECD's Integrated Management Cycle. The Programme Implementation Report (PIR) is a key accountability mechanism for monitoring and reporting on all Output Results (including those with ISP input) for the biennium..

13. Overall, the PIR indicators (quantity, timeliness, quality, impact, and usage) for the biennium 2021-2022 have demonstrated a sustained trend<sup>2</sup> of effective delivery of the OECD Programme of Work, particularly in relation to high-impact outputs.

14. A multi-layered approach is used to ensure the quality, timeliness, and adherence to ethical standards of deliverables from external consultants although there is not any common practice, regulation or guidelines across the Organisation how the external consultants' work should be reviewed, assessed and accepted.

15. The External Auditor observed, and this was also confirmed in the comments provided by the surveyed substantive Directorates, that in the OECD there is not a

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<sup>1</sup> In accordance with the Organisation's Financial Regulations and Instructions, the Council or a competent subsidiary body may designate a specific supplier or provider for the provision of services or goods. Such designations are validated by the Procurement Board.

<sup>2</sup> As was the case for the previous biennia: 2017-2018 and 2019-2020.

centralised digital tool for supplier performance evaluation and an easily searchable database of framework contracts and consultant profiles.

16. In connection with the above **it is recommended to improve intellectual service processes by implementing a digital tool for ISP performance evaluation and by exploiting the data available in SAP to enhance searchability of framework contracts and consultant profiles, both subject to availability of resources.**

17. Current daily rates of intellectual service providers are found in the SAP/BO report named Average Consultant Rate. This report is updated automatically each day based on SAP/SRM data. However, when analysing sample ISP transactions and survey results, the External Auditor found that the Directorates had not made reference to the Average Consultant Rate report while setting the remuneration for ISPs.

18. In connection with this **it is recommended that the SAP/BO report on daily rates of intellectual service providers in SAP/SRM be promoted for reference by Directorates, in particular Resource Management Advisors, through guidance and regular communications.**