
Report highlights

What the report is about

This audit assessed how effectively NSW government agencies procure and manage consultants. It examined the role of the NSW Procurement Board and NSW Procurement (a unit within NSW Treasury) in supporting and monitoring agency procurement and management of consultants.

The audit used four sources of data that contain information about spending on consultants by NSW government agencies, including annual report disclosures and the State's financial consolidation system (Prime). It also reviewed a sample of consulting engagements from ten NSW government agencies.

What we found

Our review of a selection of consulting engagements indicates that agencies do not procure and manage consultants effectively.

We found most agencies do not use consultants strategically and do not have systems for managing or evaluating consultant performance. We also found examples of non-compliance with

procurement rules, including contract variations that exceeded procurement thresholds.

NSW Procurement has made improvements to the information available about spending on consultants, including additional analysis and reporting. However, there is no single data source that accurately captures spending on consultants.

Our analysis of data on whole-of-government spending on consultants, drawn from agency annual reports, indicates that four large professional services firms accounted for about a quarter of consultancy expenditure from 2017–18 to 2021–22. This concentration increases strategic risks, including over-reliance on a limited number of providers and potential reduction in the independence of advice.

It is also highly unlikely that NSW government agencies will meet the government's 2019 policy commitment to reduce consultancy expenses by 20% each year, over four years, from 2019–20. NSW Treasury

advised that to implement this commitment, agency budgets were reduced in Prime in line with the savings targets. However, actual spending on consulting in NSW Treasury's Reports on State Finances 2020–21 and 2021–22 was almost \$100 million higher than the savings targets over the first three years since 2019–20.

What we recommended

The report made seven recommendations which aim to improve:

- the quality and transparency of data on spending on consultants
- monitoring of strategic risks and agency compliance with procurement and record keeping rules
- agencies' strategic use of consultants, including evaluation and knowledge retention.

Fast facts

Over \$1b

spent on consultants by NSW government agencies, 2017–18 to 2021–22

Over \$170m

of consultant spending not included in annual reports because some entities are exempt from annual reporting

10,000+

consulting engagements for NSW government agencies, 2017–18 to 2021–22

1,000+

consulting firms were used by NSW government agencies, 2017–18 to 2021–22

27%

of NSW government agency spending on consultants was concentrated in four large consulting firms

30%

of consulting engagements we examined included contract variations that increased cost