

3 July 2019

PRESS RELEASE

Government needs to make better use of its collective buying power when outsourcing services

The report “*Government’s use of Outsourced Services*,” issued by the Office of the Auditor General (OAG) today reviewed how effectively the Government uses outsourced services and ensures that it is obtaining value for money.

The report specifically looked at how well the Government planned the use of outsourced services, how well it procured these services and then managed contracts and engagements to ensure that it was receiving value for money.

“The main types of services that the Government outsources to private sector contractors are school buses, security services, janitorial and gardening services and some IT-related services” says Ms. Winspear. “It is important that the Government obtains value for money for the \$10 million a year it spends on these services.”

The report states that many of the findings were similar to those in the OAG’s report ‘*Government’s use of Consultants and Temporary Staff*’. However, the report identifies some additional areas where procurement and contract management practices could be improved to better demonstrate value for money.

The Auditor General adds, “Ministries are independently buying services, often the same services from the same suppliers and there is limited competition for many services. Government needs to make better use of its collective buying power to achieve greater benefits and efficiencies from outsourced services.”

The report also highlights that Government needs to improve its contracts to ensure that it can effectively monitor and manage suppliers’ performance.

“Most contracts we looked at specified the services to be delivered but none had clear success measures that would enable the Government to effectively monitor and manage performance,” Ms. Winspear adds. “In addition, we found only a few examples of ongoing contract management. The Government continues to be responsible for these services, even where delivered by the private sector. It therefore needs to embed effective contract management of outsourced services into its day-to-day operations to ensure that it is obtaining high quality services and value for money.”

More information about the report can be obtained by contacting Sue Winspear at (345) 244-3201 or Angela Cullen, Director of Performance Audit at (345) 244-3220.

This report and the original OAG reports on which this report is based are available at www.auditorgeneral.gov.ky.

Notes to the editor:

1. Outsourced services are defined as those services contracted out by government to non-government suppliers such as the private sector and charitable sector. They can cover a wide range of services, including back-office functions such as facilities management and ICT; transactional services such as processing vehicle licence payments; process and case management services such as pension administration; and front-line services such as running prisons or residential care for older people.
2. The OAG estimated that the Government spent \$47.7 million on outsourcing services to private sector contractors in the five years from 1 July 2012 to 30 June 2017.
3. The audit reviewed a sample of 23 outsourced services, covering four types of service from seven Ministries and Portfolios across government valued at \$32.2m million (70 per cent of total expenditure on outsourced services over five years).
4. The seven Government Ministries and Portfolios covered by the audit are Ministry of Community Affairs; Ministry of Commerce, Planning and Infrastructure; Ministry of Education, Youth, Sports, Agriculture and Lands; Ministry of Financial Services and Home Affairs; Ministry of Health, Environment, Culture and Housing; Ministry of Human Resources and Immigration (now Ministry of Employment and Border Control); and Judicial Administration.
5. The period covered by the audit is 1 July 2012 to 30 June 2017. This is the same period as our report '*Government's use of Consultants and Temporary Staff*' that was published in March 2018.