Guidance note to Financial Reporting Direction (FRD) 22H

# Guidance on the definition of consultant

Financial Reporting Direction 22H requires entities to disclose details of individual consultancies engaged valued in excess of $10 000 (exclusive of GST). Below is a guide to assist entities in applying the definition of consultant in this FRD.

### Definitions

**Contractor** – A contractor is an individual or organisation that is formally engaged to provide works or services for or on behalf of an entity. This definition does not include casual, fixed-term or temporary employees employed by the entity.[[1]](#footnote-1)

**Consultant** – A consultant is a particular type of contractor that is engaged primarily to perform a discrete task for an entity that facilitates decision making through:

* provision of expert analysis and advice; and/or
* development of a written report or other intellectual output.

### Distinguishing consultants from other contractors

In practice the distinction between consultants and other contractors is not always clear cut, and may require some judgement.

Many contractors may call themselves consultants, but do not fall within the definition of a consultant outlined above. When determining if a service provider is a consultant it is important to consider the primary purpose of the engagement.

The main factor that distinguishes a consultant from other types of contractors is the predominantly advisory nature of the work.

#### Examples of consultancy and contractor services

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| **Type of service** | **Consultant** | **Other contractor** |
| **Research** | * Research projects where advice and/or recommendations are provided, including feasibility studies and market research. | * Research or collection and compilation of statistical data, including associated findings, where recommendations are not provided. * Surveys, data processing and performance reporting. |
| **Program implementation, management and evaluation** | * Project/program analysis and/or evaluation where recommendations are provided. * Recommendations relating to an assessment of risk concerning program developments and delivery. * Business case development including development of strategic options and/or ranking of preferred option(s). * Risk analysis at the program level. | * Day to day project or program management. * Project/program evaluation where recommendations are not provided. * Business case preparation where the preferred option(s) have already been determined. * Implementation of a new program. * Risk assessment at the project level. |
| **Organisational processes** | * Business process analysis. * Advice on strategic planning issues. * Review of security procedures and preparation of recommendations. * Independent review of organisational processes. * Change facilitation advice. | * Business process mapping. * Preparation of guidance materials that cover proposed and/or existing processes. * Implementation of business processes. |
| **Policy** | Provision of expert advice to an entity on policy options including:   * Development of policy options. * Analysis and provision of recommendations on policy options. | * Preparation of a report or other document on an existing or proposed policy. * Preparation of a report or other document on behalf of the entity where the output is considered to be a product of that entity. This may include development of policy options and provision of recommendations. |
| **Technical/professional services** | Advice on technical and professional matters where a decision or a direction has not yet been determined. e.g.   * Accounting firm engaged to examine the financial performance of an entity. * Independent expert engaged to advise on industry/sector structural reform. * Legal advice relating to issues on proposed legislative amendments. * Development of a framework for benchmarking. | * Routine accounting, audit and taxation services that provide advice on day to day issues. * Routine legal services (conveyancing, drafting of documents, litigations services). * Interpretation services. * Conduct of benchmarking/performance surveys and preparation of findings. |
| **IT/Communications** | * Development of the entity’s IT plan. * Analysis and advice on the agency’s future technology needs. * Development of software and/or system specifications. | * IT maintenance and support services. * Software development (where the software specifications have already been determined). * Hardware specification/supply. * Training. * Communication support services. |
| **Professional development** | * Training needs analysis and advice. | * Delivery of professional development, training or workshops; key note speakers, presenters etc. |
| **Workforce** | * Analysis and advice on the agency’s workforce planning requirements. * Development of performance standards. | * Recruitment of staff where the organisation has determined role/position requirements. * Labour hire/recruitment agencies that supply persons to an organisation on a casual or fixed term basis and received payment for employment of such persons. |
| **Construction** |  | * Building and works design, construction and related services including fit out. |

## Guidance on the recording and maintenance of contractor information available on request

For the purpose of FRD 22H, the details of contractors to be maintained include arrangements where an individual or organisation is engaged to assist the entity to carry out its **defined activities or core operational functions**. This would normally be expected to include, but not restricted to:

1. Labour hire either through a labour hire firm or through a direct engagement; and
2. Outsourced contracts. Examples may include outsourced IT, HR/payroll services and invoice processing services etc.

#### Specific exclusions

* There are some contractors that are engaged to provide works or trade services which are either ancillary or incidental to the delivery of the entity’s defined activities or core operational functions. Examples of such engagements may include taxi, travel, photocopier maintenance, catering, cleaning and maintenance. Engagements that are ancillary or incidental to the delivery of an entity’s defined activities or core operational functions are excluded from the scope of FRD 22H.
* There are also some contracted specialist professional services which are not of an on-going nature and are not reasonably expected to be available within the entity to deliver its core operational functions. Examples may include specialist legal representation or highly specialised accounting, financial, actuarial or OHS advice which the entity would not be reasonably expected to provide in-house.

N.B. It should be noted that while such specialist professional services are excluded from the contractor requirements under FRD 22H, entities will still need to assess whether such engagements meet the definition of a consultant under FRD 22H, referring particularly to the guidance and examples in the above section.

1. Entities should refer to the ‘*Guidance on the recording and maintenance of contractor information available on request*’ section of this guidance note, which provides clarification to the requirements in relation to contractors under FRD 22H. [↑](#footnote-ref-1)