Public Accounts Committee

Report on the Use of External Consultants by Northern Ireland Departments: Follow-up Report

Together with the Minutes of Proceedings of the Committee
Relating to the Report and the Minutes of Evidence

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Report: NIA 43/11-15 Public Accounts Committee

REPORT EMBARGOED UNTIL
00:01 am on 18 April 2012

Mandate 2011/15

Fifth Report

Membership and Powers

The Public Accounts Committee is a Standing Committee established in accordance with Standing Orders under Section 60(3) of the Northern Ireland Act 1998. It is the statutory function of the Public Accounts Committee to consider the accounts, and reports on accounts laid before the Assembly.

The Public Accounts Committee is appointed under Assembly Standing Order No. 56 of the Standing Orders for the Northern Ireland Assembly. It has the power to send for persons, papers and records and to report from time to time. Neither the Chairperson nor Deputy Chairperson of the Committee shall be a member of the same political party as the Minister of Finance and Personnel or of any junior minister appointed to the Department of Finance and Personnel.

The Committee has 11 members including a Chairperson and Deputy Chairperson and a quorum of 5.

The membership of the Committee since 23 May 2011 has been as follows:

Mr Paul Maskey (Chairperson)
Mr Joe Byrne (Deputy Chairperson)
Mr Sydney Anderson
Mr Michael Copeland
Mr John Dallat
Mr Alex Easton
Mr Paul Girvan
Mr Ross Hussey
Mr Mitchel McLaughlin
Mr Adrian McQuillan[1]
Mr Conor Murphy[2]

1 With effect from 24 October 2011 Mr Adrian McQuillan replaced Mr Paul Frew

2 With effect from 23 January 2012 Mr Conor Murphy replaced Ms Jennifer McCann

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List of Abbreviations used in the Report

C&AG	Comptroller and Auditor General
the Committee	Public Accounts Committee
DFP	Department of Finance and Personnel
PPEs	Post Project Evaluations
NDPBS	Non-Departmental Public Bodies

Executive Summary

Introduction

1. Northern Ireland Government departments purchase professional services from a wide range of organisations in areas such as management consultancy, financial services and information technology. Aggregate spending on external consultants is significant. Over the period 2005-06 to 2010-11, departments (including agencies, non-departmental public bodies and health trusts) have spent more than £150 million on external consultancy services.

2. During its previous hearing on this subject, the Committee noted that the cost of external consultancy to Northern Ireland Civil Service departments and related bodies had more than doubled in five years and looked like it was out of control. It is therefore reassuring to note that, since then, there has been a significant reduction in the amount of spending on external consultants. The latest annual spend is approximately £14 million, compared with a peak of £42 million in 2006-07.

Ensuring Value for Money in the Use of External Consultants

3. The Committee recognises that some degree of external consultancy will always be necessary and can be beneficial to the public sector under certain circumstances. In the past, however, external consultancy was too often used in an attempt to provide protection for civil servants' decision making. The Committee welcomes the Accounting Officer's assurance that this has now changed. However, it is important that this change of mindset continues and is embedded within the culture of the wider public sector.

4. One of the key reasons for using external consultants is where specialist skills are not available in-house. Where feasible, external consultancy projects should therefore be designed to ensure transfer of skills. However, around two thirds of external consultancy contracts continue to be let without any documented evidence of whether opportunities for skills transfer exist or could be put in place. This represents a missed opportunity for the public sector to increase its own capacity and needs to be addressed, particularly in major projects.

5. Departments are required to prepare full, but proportionate, business cases to ensure that the use of external consultancy is necessary and represents value for money. It is encouraging to note that compliance with DFP guidance in this area has improved. However the absence of business cases in a significant minority of projects and the poor quality of some of those which are produced is unacceptable. This is a basic management tool and must be applied in full. In the absence of business cases, it is not possible to justify the use of external consultants or to show that value for money has been obtained.

6. Post-project evaluations (PPEs) provide an opportunity for departments to assess the performance of external consultants, confirm whether value for money was achieved and identify lessons for future projects. The Committee has concerns about the quality and usefulness of the current process and considers it essential that DFP should use its position at the centre to positively influence the quality of PPEs and to promulgate key lessons.

7. Competitive tendering represents the best means of ensuring that departments achieve value for money and helps demonstrate propriety in the use of public funds. Around one in five of the contracts reviewed in the C&AG's report were single tender actions. This is too high. Single tender actions should be very much the exception and, where they occur, they must be fully justified, subject to a challenge process and reported transparently.

8. The C&AG's report identified that around 40 per cent of the contracts had experienced a cost increase relative to the original contract value. The extent to which some contracts were extended, and the repeated nature of some contract extensions, is a matter of grave concern. The absence of competition when contracts are extended in this way compromises value for money.

The Account NI Consultancy Project

9. Account NI was a major reform initiative within the Northern Ireland Civil Service to implement a centralised accounts processing system. External consultancy expenditure on this project increased from an original contract value of £0.97 million to £9.6 million and was delivered four years late.

10. The Committee is appalled that the DFP Accounting Officer did not accept that the Account NI external consultancy contract represented a cost overrun. The Committee is unambiguous on this matter — this project experienced a huge cost overrun and should have been re-tendered and opened to competition. The lack of competition for almost £9 million of expenditure is unacceptable. This contract spiralled out of control, and the repeated extensions give every impression of providing an open cheque book to the external consultants.

DFP's Central Oversight of External Consultancy

11. The availability of accurate, timely and consistent expenditure data is a pre-requisite for public accountability. DFP gave a commitment to this Committee in 2008 that comprehensive and accurate data on external consultancy expenditure would be available at the touch of a button. This is still not happening. In response, DFP has outlined imminent developments in Account NI which should improve the situation.

12. However, the majority of public spending remains outside Account NI. The Committee therefore remains concerned that there will continue to be difficulties in providing accurate, timely and consistent expenditure data on the use of external consultants, especially for NDPBs and other bodies at arm's length from departments. This is an issue which needs to be considered.

13. In response to a previous Committee recommendation, DFP has introduced an annual Compliance Report on the use of external consultants. This Compliance Report is a useful vehicle for holding departments to account for their use of external consultants. There may now be scope to make the exercise more forward looking. The Committee considers that further value could be added if the report was expanded to focus on the sharing of good practice and the identification of lessons learned.

14. TRIM is the Northern Ireland Civil Service's electronic records management system. In preparing his report, the C&AG had difficulty obtaining key documents, and some departments identified TRIM as a causal factor. This is a matter of great concern, as the integrity of the public record is a fundamental requirement. The move towards electronic records management must not compromise the maintenance of Northern Ireland's public record and the ability of the C&AG to carry out his functions in providing assurance to the Assembly and this Committee on departments' use of resources. This issue must be reviewed as a matter of priority.

Summary of Recommendations

Recommendation 1

1. It is unacceptable that so many external consultancy assignments are undertaken without a thorough assessment of the potential for skills transfer. The Committee recommends that, for large scale consultancy projects, business cases always explicitly consider whether there is scope to transfer skills from external consultants to public sector staff in order to build internal capabilities. DFP's annual compliance report should assess performance on this issue.

Recommendation 2

2. Post-project evaluations must be more than a "tick-box" exercise and must be used to promote good practice. The Committee recommends that the results of PPEs are shared more widely across the public sector to ensure that key lessons are identified and disseminated.

Recommendation 3

3. Where single tender actions occur, they must be fully justified, subject to a challenge process and reported transparently. The Committee recommends that departments and their sponsored bodies ensure that all single tender actions are reviewed by the Management Board and signed off only by the Accounting Officer, in line with the DFP approach.

Recommendation 4

4. To improve transparency and accountability in the use of Single Tender Actions, the Committee recommends that each departmental Accounting Officer should make details of non-competitive contracts publicly available. This is the public's money, and they have a right to know the details of the subject or purpose of single tender contracts, their value and the reasons for not having a competitive process.

Recommendation 5

5. Repeated extensions of contracts often result in large scale cost overruns, are uncompetitive in nature and undermine the achievement of value for money. The Committee recommends the use of fixed price or incentivised contracts with well-defined outputs rather than simply paying external consultants for the amount of time they spend on the project, which risks being open-ended.

Recommendation 6

6. The Committee welcomes the proposed improvements to Account NI coding which should make information on external consultancy and other types of professional services more robust and accessible. However, DFP has previously given a similar undertaking to this Committee on which it has failed to deliver. The Committee recommends that DFP completes a compliance check within 12 months to ensure that this change has taken place and is working effectively, and reports back to this Committee.

Recommendation 7

7. The Account NI shared service accounts for a relatively small proportion of public bodies. The Committee recommends that options for expanding the coverage of Account NI are considered to determine whether a larger proportion of the public sector can feasibly be brought under the ambit of this shared service. In the meantime, departments' arm's-length bodies outside the remit of Account NI should be required to report their spending in line with DFP guidance and the new Account NI categories.

Recommendation 8

8. DFP's Compliance Report is a useful document and has the potential to add further value. The Committee recommends that future reports not only identify non-compliance, but also provide examples of good practice and lessons to be learnt.

Recommendation 9

9. The implementation of an electronic records management system represents a major change for the NICS and creates risk to the integrity of the public record. The Committee recommends that a formal review of the system is undertaken, involving the Public Records Office and other appropriate professionals to review the quality and standards of document management and record-keeping.

Introduction

1. The Public Accounts Committee met on 8 February 2012 to consider the Comptroller and Auditor General's (C&AG's) report: 'The Use of External Consultants by Northern Ireland Departments: a Follow-up Report'. The Committee also considered updated information provided by the Department of Finance and Personnel (DFP) in its 'Annual Compliance Report on the Use of External Consultants'.

2. The Witnesses were:

   - Mr Stephen Peover, Accounting Officer, Department of Finance and Personnel;
   - Mr Richard Pengelly, Public Spending Director, Department of Finance and Personnel;
   - Mr Paul Wickens, Chief Executive, Enterprise Shared Services, Department of Finance and Personnel;
   - Mr Kieran Donnelly, Comptroller and Auditor General; and
   - Ms Fiona Hamill, Treasury Officer of Accounts, Department of Finance and Personnel.

3. Northern Ireland Government departments purchase professional services from a wide range of organisations in areas such as management consultancy, financial services and information technology. External consultancy is defined as professional services provided for a limited period of time to carry out specific, finite or "one-off" tasks or projects.

4. Aggregate spending on external consultants is significant. Over the period 2005-06 to 2009-2010, departments (including agencies, non-departmental public bodies and health trusts) have spent £144 million on external consultancy services, an average of £29 million per year. Expenditure peaked in 2006-07 at £42 million but has subsequently fallen to around £14 million in 2010-11.[1]

5. This Committee reported on this area of expenditure in February 2008. At that time, the Committee found that the cost of external consultancy to the Northern Ireland Civil Service departments had almost doubled in five years. It also found that, in a significant number of cases, departments were not undertaking business cases; were not tendering competitively; were not conducting post project evaluations; and that a significant percentage of contracts had encountered extensions and/or cost overruns.

6. Since then, the C&AG's report indicates there has not only been a significant reduction in external consultancy expenditure but also improved compliance with DFP guidance and with good practice. Despite this improvement, however, there still remain many examples of poor practice across the public sector.

7. In taking evidence on the Comptroller and Auditor General's report, the Committee focused on the following issues:

   - Compliance with DFP guidance and good practice — particular focus was given to the significant cost overrun on Account NI external consultancy.
   - The quality, consistency and comprehensiveness of information on external consultancy spending.
   - The cost overrun in the external consultancy component of the Account NI project.

1 NI departments spent £15.95 million on external consultants in 2010-2011. However, for the purposes of direct comparison with previous years expenditure we have excluded the Department of Justice (£1.74 million) and the Public Prosecution Service (£0.01 million).

Ensuring Value for Money in the Use of External Consultants

The public sector has reduced its reliance on external consultants

8. During its previous hearing on this subject, the Committee noted that the cost of external consultancy to Northern Ireland Civil Service departments and related bodies had more than doubled in five years and looked like it was out of control. The Committee stressed that expenditure must not be allowed to continue rising at this rate.

9. It is therefore reassuring to note that, since then, there has been a significant reduction in the amount of spending on external consultants. The latest annual spend is approximately £14 million, compared with a peak of £42 million in 2006-07. The reduction in the use of external consultants is due to a range of factors. These include the completion of a number of major reform projects (which had been consultancy-dependent) and a much tougher public expenditure climate. However it is clear that, as acknowledged by the Accounting Officer, the scrutiny of this Committee has exerted a strong influence on behaviours and contributed positively to the reduced spend. This is welcome.

10. The Committee recognises that some degree of external consultancy will always be necessary and can be beneficial to the public sector under certain circumstances. However the Committee also agrees with the Accounting Officer's judgement that, in the past, external consultancy had been undertaken because civil servants felt they needed some degree of "independence" to justify decisions. In effect, external consultancy was used in an attempt to provide protection for decision making. He believed this was unnecessary and civil servants were now more willing to make decisions and recommendations to Ministers. The Committee welcomes this change of mindset within the Civil Service as outlined by the Accounting Officer. It is important that this trend continues and is embedded within the culture of the wider public sector.

11. One of the key reasons for using external consultants is where specialist skills are not available in-house. This Committee has previously expressed concern that departments were not building an efficient and well-skilled civil service and that internal staff were in danger of being left behind. It is therefore important that external consultancy projects are designed to ensure transfer of skills where appropriate.

12. However, around two thirds of external consultancy contracts continue to be let without any documented evidence of whether opportunities for skills transfer exist or could be put in place. The Committee is therefore disappointed that, despite its previous concerns, skills transfer is still not being considered in the majority of external consultancy contracts. This represents a missed opportunity for the public sector to better manage its use of external consultants and to increase its own capacity.

Recommendation 1

13. **It is unacceptable that so many external consultancy assignments are undertaken without a thorough assessment of the potential for skills transfer. The Committee recommends that, for large scale consultancy projects, business cases always explicitly consider whether there is scope to transfer skills from external consultants to public sector staff in order to build internal capabilities. DFP's annual compliance report should assess performance on this issue.**

There is a greater degree of compliance with DFP guidance, but more needs to be done

14. Departments must ensure that the use of external consultancy is necessary and represents value for money. A full, but proportionate, business case must therefore be completed for all external consultancy contracts. This needs to establish a clear business need, review the options for meeting that need and quantify the costs and benefits associated with each option.

15. Compliance with DFP guidance in this area has improved, and this is welcome. However the C&AG's report identified that, in 12 per cent of cases, external consultants were still being engaged without a business case being completed. Furthermore, a substantial number of the business cases produced were deficient and failed to comply in full with DFP guidance. The absence of business cases and the poor quality of some of those which are produced is unacceptable. This is a basic management tool and should be applied in full. In the absence of business cases, it is not possible to justify the use of external consultants or to show that value for money has been obtained.

16. Post-project evaluations (PPEs) provide an opportunity for departments to assess the performance of external consultants, confirm whether value for money was achieved and identify lessons for future projects. There has been a welcome improvement in the number of PPEs. Nevertheless, the Committee has concerns about the quality and usefulness of the current process. There must be questions around the credibility of a process that identifies so few lessons to be learnt, particularly when a number of large scale contracts have experienced significant cost and time overruns.

17. DFP noted that its oversight of PPEs had been refined to focus on large scale or innovative projects and/or those which might have common application. This appears a pragmatic and risk-based approach. The Committee considers it is essential, however, that DFP uses its position at the centre to positively influence the quality of PPEs and to promulgate key lessons.

Recommendation 2

18. **Post-project evaluations must be more than a "tick-box" exercise and must be used to promote good practice. The Committee recommends that the results of PPEs are shared more widely across the public sector to ensure that key lessons are identified and disseminated.**

There is evidence of poor procurement practices and poor management of external consultants

19. Competitive tendering represents the best means of ensuring that departments achieve value for money in the procurement of external consultancy services and helps demonstrate propriety in the use of public funds. The use of single tender actions results in a lack of competition and creates risks to the achievement of value for money.

20. Around one in five of the contracts reviewed in the C&AG's report were single tender actions. The Accounting Officer accepted that this was too high; that he would prefer the number of single tender actions were lower; and that single tender actions should only be used when there is a convincing case to do so. He outlined the process adopted within his own department. Every proposal for a single tender action is reviewed by the senior management group to ensure there is a robust justification. The accounting officer then signs off each individual case which comes through this review process.

21. DFP's approach in this area appears sound, and it would be useful if this practice was adopted across all departments and public bodies i.e that all single tender actions are signed off by the Accounting Officer. Single tender actions should be very much the exception. The Committee has an additional concern in such cases that the terms of reference could be written with a specific provider or delivery agent in mind to exclude others. The procurement process needs to be crystal clear, transparent and beyond reproach.

Recommendation 3

22. **Where single tender actions occur, they must be fully justified, subject to a challenge process and reported transparently. The Committee recommends that departments and their sponsored bodies ensure that all single tender actions are reviewed by the Management Board and signed off only by the Accounting Officer, in line with the DFP approach.**

23. In response to a recommendation in PAC's report on Procurement and Governance in Northern Ireland Water[2], DFP accepted that it is appropriate for each departmental accounting officer to maintain a record of all non-competitive contracts in respect of their department and sponsored bodies; and that these should be both made available to and considered by the departmental board and audit and risk committee on at least an annual basis. The Committee now believes this process must be developed further.

Recommendation 4

24. **To improve transparency and accountability in the use of Single Tender Actions, the Committee recommends that each departmental Accounting Officer should make details of non-competitive contracts publicly available. This is the public's money, and they have a right to know the details of the subject or purpose of single tender contracts, their value and the reasons for not having a competitive process.**

25. Cost overruns in external consultancy projects can occur for a variety of reasons including poor scoping, appraisal, management and monitoring. The C&AG's report identified that around 40 per cent of the contracts he reviewed had experienced a cost increase relative to the original contract value. The scale of cost overruns identified in a number of high profile, high value projects is particularly alarming.

26. It appears to the Committee that the public sector does not have the hard-edged contract management and negotiation skills necessary for dealing with private sector consultants, given the increased costs illustrated in several case studies in the C&AG's report. The extent to which some contracts were extended, and the repeated nature of some contract extensions, is a matter of grave concern. The absence of competition when contracts are extended in this way compromises value for money.

Recommendation 5

27. **Repeated extensions of contracts often result in large scale cost overruns, are uncompetitive in nature and undermine the achievement of value for money. The Committee recommends the use of fixed price or incentivised contracts with well-defined outputs rather than simply paying external consultants for the amount of time they spend on the project, which risks being open-ended.**

2 Measuring the Performance of NI Water and Procurement and Governance in NI Water 37/10/11R

The Account NI Consultancy Project

This consultancy cost almost ten times more than originally valued

28. Account NI was a major reform initiative within the Northern Ireland Civil Service to implement a centralised accounts processing system. External consultancy expenditure on this project increased from an original contract value of £0.97 million to £9.6 million and was delivered four years late. The Accounting Officer accepted that:

- the scope was not sufficiently clear at the outset and changed significantly over its life-span;
- departments were reluctant to release their staff to the project and more rigorous action was needed to achieve this sooner;
- when it became clear that the nature of the contract was changing, the external consultancy should have been competitively retendered.

29. The Department's attitude to this external consultancy project is worrying. The Accounting Officer argued strongly that the increase from the £0.96 million initial contract to the £9.7 million final spend did not constitute a cost overrun. To support this, he noted that there was provision for extension in the original contract; legal and procurement advice was taken from the Departmental Solicitors' Office and the Central Procurement Directorate respectively; the scope of the contract did not change; and each extension was subject to the requisite internal control and approval process.

30. The Committee is appalled by the DFP Accounting Officer's stance on this consultancy project The Committee is unambiguous on this matter – the project experienced a huge cost overrun and should have been re-tendered and opened to competition. The lack of competition for almost £9 million of expenditure is unacceptable. This contract spiralled out of control and the repeated extensions give every impression of providing an open cheque book to the external consultants. The Accounting Officer's insistence that this did not constitute a cost overrun because the original contract allowed for extension is barely plausible given the scale and duration of the subsequent extensions and the changing scope of the Account NI project itself.

31. There are serious lessons to be learned from this case. Major change initiatives of this nature need to be meticulously planned from the start; the scope of such projects needs to be clearly defined as early as possible; there should be clear and strong leadership from the top; the buy-in from individual departments needs to be deeply embedded; and project leaders need to ensure they do not become overly dependent on external consultancy to deliver such projects.

DFP's Central Oversight of External Consultancy

There are concerns about the quality of expenditure information

32. The availability of accurate, timely and consistent expenditure data is a pre-requisite for public accountability. DFP gave a commitment to this Committee in 2008 that comprehensive and accurate data on external consultancy expenditure would be available at the touch of a button.

33. This is still not happening, particularly for those bodies at arm's length from their core departments. The C&AG's report identified a number of cases where the figures supplied by departments were inconsistent with what had been recorded elsewhere. In addition, there continues to be confusion over the classification of external consultancy compared with other forms of professional services (such as staff substitution, research and contracted services). The C&AG identified that 13 out of a sample of 100 "external consultancy" contracts were in fact wrongly coded. This resulted in the misclassification of expenditure in some instances.

34. DFP told the Committee that they are introducing a new set of coding under the Account NI system that will allow officials to stipulate whether a cost is external consultancy or another form of professional service. Those systems have been developed in consultation with departments and consultancy co-ordinators and will be implemented from April 2012. In DFP's view, this will bring universal understanding to this area and provide more consistent and detailed expenditure information.

Recommendation 6

35. **The Committee welcomes the proposed improvements to Account NI coding which should make information on external consultancy and other types of professional services more robust and accessible. However, DFP has previously given a similar undertaking to this Committee on which it has failed to deliver. The Committee recommends that DFP completes a compliance check within 12 months to ensure that this change has taken place and is working effectively, and reports back to this Committee.**

36. The Committee nevertheless remains concerned that there will continue to be difficulties in providing accurate, timely and consistent expenditure data on the wider public sector's use of external consultants, especially for NDPBs and other arm's-length bodies. The issue of new guidance will go some way towards improving this position. However the majority of public spending remains outside Account NI and so this concern is likely to persist unless a more radical extension of shared service coverage is delivered.

Recommendation 7

37. **The Account NI shared service accounts for a relatively small proportion of public bodies. The Committee recommends that options for expanding the coverage of Account NI are considered to determine whether a larger proportion of the public sector can feasibly be brought under the ambit of this shared service. In the meantime, departments' arm's-length bodies outside the remit of Account NI should be required to report their spending in line with DFP guidance and the new Account NI categories.**

DFP monitors compliance with its guidance on an annual basis and there is scope to enhance this activity

38. In response to a previous Committee recommendation, DFP has introduced an annual compliance report on the use of external consultants. This is informed by annual external consultancy returns from departments and the results of DFP's own test drilling exercise. Currently DFP writes to Accounting Officers with a copy of the report and the annexes of the report highlight cases with which there are concerns.

39. In the Committee's view, the Compliance Report is a useful vehicle for holding departments to account for their use of external consultants. It provides valuable information about the extent to which business cases and PPEs are produced, and whether competitive tendering has been undertaken. It helpfully identifies and details examples of non-compliance.

40. Having served this purpose for a number of years, there may now be scope to make the exercise more forward looking. The Committee considers that further value could be added if the report was expanded to focus on the sharing of good practice and the identification of lessons learned.

Recommendation 8

41. **DFP's Compliance Report is a useful document and has the potential to add further value. The Committee recommends that future reports not only identify non-compliance, but also provide examples of good practice and lessons to be learnt.**

The Committee has concerns about the implementation of electronic records management and its impact on the public record

42. TRIM is the Northern Ireland Civil Service's electronic records management system. It was rolled out to NICS departments in 2007. The Committee notes, however, that the C&AG had some difficulty obtaining key documents and that, where information was unavailable, some departments identified TRIM as a causal factor.

43. The Accounting Officer outlined the mechanisms and structures in place to safeguard the public record. This includes an information governance board, an information management group, information strategy teams and business area information managers. Each department has a file structure and TRIM has a sophisticated search facility. DFP considers that the system is bedding in well and being used widely and appropriately.

44. The Committee reaffirms its statement, made previously as part of its report on Shared Services for Efficiency,[3] that TRIM must not compromise the maintenance of Northern Ireland's public record and the ability of the C&AG to carry out his functions in providing assurance to the Assembly and this Committee on departments' use of resources.

Recommendation 9

45. **The implementation of an electronic records management system represents a major change for the NICS and creates risk to the integrity of the public record. The Committee recommends that a formal review of the system is undertaken, involving the Public Records Office and other appropriate professionals to review the quality and standards of document management and record-keeping.**

3 Report on Shared Services for Efficiency – A Progress Report 21/08/09R

DFP should be prepared to use its central role to greater effect

46. During the session, the Accounting Officer emphasised that he was only accountable for DFP spend and not that of other departments or NDPBs, each of whom have their own accounting officers. On this basis, he would not be drawn into discussion on a number of case studies within the C&AG's report.

47. The Committee fully accepts that individual Accounting Officers should be held to account for spend within their own areas of responsibility. However DFP has an important central oversight role. Formally, DFP consent is required for all expenditure and resource commitments. In practice, DFP delegates to departments the authority to enter into commitments and to spend within predefined limits. However DFP must be consulted specifically on any proposal outside a department's delegated authority; and all expenditure which falls outside a department's delegated authority and has not been approved by the DFP, is irregular.

48. This means that DFP gives approval for all major external consultancy projects (in general those costing over £75,000). The Committee therefore believes the Accounting Officer could usefully have contributed to discussion on the respective case studies as they exceeded the £75,000 limit. DFP must be prepared to use its central monitoring and analysis of project overspends to drive improvements in this area. The Accounting Officer may wish to reflect on his unwillingness to discuss the non-DFP case studies in the report as there may have been important lessons to share. In the absence of the Accounting Officer's engagement, the Committee was unable to scrutinise a number of large scale consultancy projects which his Department had approved, or to explore whether there were common lessons to be learned.

Northern Ireland Assembly

Appendix 1

Minutes of Proceedings of the Committee Relating to the Report

Wednesday, 1 February 2012
Room 29, Parliament Buildings

Present:	Mr Paul Maskey MP (Chairperson) Mr Joe Byrne (Deputy Chairperson) Mr Sydney Anderson Mr Michael Copeland Mr John Dallat Mr Alex Easton Mr Paul Girvan Mr Mitchel McLaughlin Mr Conor Murphy MP Mr Adrian McQuillan
In Attendance:	Miss Aoibhinn Treanor (Assembly Clerk) Mr Phil Pateman (Assistant Assembly Clerk) Mrs Danielle Saunders (Clerical Supervisor) Mr Darren Weir (Clerical Officer)
Apologies:	Mr Ross Hussey

2:01 pm The meeting opened in public session.

5. **Briefing on the NIAO Report on 'Use of External Consultants by Northern Ireland Departments: Follow-up Report'**

Mr Kieran Donn elly, Comptroller and Auditor General; Mr Eddie Bradley, Assistant Auditor General; and Mrs Joan McClelland, Senior Auditor; briefed the Committee on the report.

3:06 pm Mr McQuillan left the meeting.

3:09 pm The meeting went into closed session after the C&AG's initial remarks.

3:10 pm Mr Dallat left the meeting.

3:11 pm Mr Copeland left the meeting.

3:11 pm Mr Dallat entered the meeting.

3:15 pm Mr Copeland and Mr McQuillan entered the meeting.

3:32 pm Mr Anderson left the meeting.

3:38 pm Mr Anderson entered the meeting.

The witnesses answered a number of questions put by members.

[EXTRACT]

Wednesday, 8 February 2012
The Senate Chamber, Parliament Buildings

Present:	Mr Paul Maskey MP (Chairperson) Mr Sydney Anderson Mr Michael Copeland Mr John Dallat Mr Alex Easton Mr Paul Girvan Mr Ross Hussey Mr Mitchel McLaughlin Mr Adrian McQuillan
In Attendance:	Miss Aoibhinn Treanor (Assembly Clerk) Mr Phil Pateman (Assistant Assembly Clerk) Mrs Danielle Saunders (Clerical Supervisor) Mr Darren Weir (Clerical Officer)
Apologies:	Mr Joe Byrne (Deputy Chairperson) Mr Conor Murphy MP

1:35 pm The meeting commenced in closed session.

4. Evidence on the Northern Ireland Audit Office Report 'Use of External Consultants by Northern Ireland Departments: Follow-up Report".

The Committee took oral evidence on the above report from:

- Mr Stephen Peover, Accounting Officer, Department of Finance and Personnel (DFP);
- Mr Richard Pengelly, Public Spending Director, Department of Finance and Personnel (DFP);
- Mr Paul Wickens, Chief Executive, Enterprise Shared Services, Department of Finance and Personnel (DFP);

2:43 pm Mr Copeland left the meeting.

2:45 pm Mr Copeland entered the meeting.

3:14 pm Mr Dallat left the meeting.

3:15 pm Mr Dallat entered the meeting.

3:20 pm Mr McQuillan left the meeting.

3:46 pm Mr Copeland left the meeting.

3:50 pm Mr Copeland entered the meeting.

3:55 pm Mr Girvan left the meeting.

4:04 pm Mr Hussey left the meeting.

4:05 pm Mr Hussey entered the meeting.

4:06 pm Mr Girvan entered the meeting.

4:19 pm Mr Anderson left the meeting.

4:22 pm Mr Hussey left the meeting.

4:25 pm Mr Hussey entered the meeting.

4:47 pm Mr Hussey left the meeting.

The witnesses answered a number of questions put by the Committee.

Agreed: The Committee agreed to request further information from the witnesses.

[EXTRACT]

Wednesday, 15 February 2012
Room 29, Parliament Buildings

Present:	Mr Paul Maskey MP (Chairperson) Mr Joe Byrne (Deputy Chairperson) Mr Sydney Anderson Mr Michael Copeland Mr John Dallat Mr Alex Easton Mr Paul Girvan Mr Mitchel McLaughlin Mr Conor Murphy MP
In Attendance:	Miss Aoibhinn Treanor (Assembly Clerk) Mr Phil Pateman (Assistant Assembly Clerk) Mrs Danielle Saunders (Clerical Supervisor) Mr Darren Weir (Clerical Officer)
Apologies:	Mr Ross Hussey Mr Adrian McQuillan

2.00 pm The meeting opened in Public Session.

2:29 pm The meeting went into closed session.

5. Issues Arising from the Oral Evidence Session on NIAO Report 'Use of Consultants'

The Committee considered an issues paper relating to the previous week's evidence session.

2:31 pm Mr Easton entered the meeting.

Agreed: The Committee agreed to proceed with the drafting of the report on the terms outlined in the issues paper and additional proposals made by members.

Agreed: The Committee agreed to write to the Department to request further information.

[EXTRACT]

Wednesday, 14 March 2012
The Senate Chamber, Parliament Buildings

Present:	Mr Paul Maskey MP (Chairperson) Mr Joe Byrne (Deputy Chairperson) Mr Sydney Anderson Mr Michael Copeland Mr John Dallat Mr Alex Easton Mr Paul Girvan Mr Ross Hussey Mr Mitchel McLaughlin Mr Adrian McQuillan Mr Conor Murphy MP
In Attendance:	Miss Aoibhinn Treanor (Assembly Clerk) Mr Phil Pateman (Assistant Assembly Clerk) Mrs Danielle Saunders (Clerical Supervisor) Mr Darren Weir (Clerical Officer)
Apologies:	None

2.00 pm The meeting opened in Public Session.

2:21 pm The meeting went into closed session.

5. Consideration of Draft Committee Report on 'Use of External Consultants by NI Departments: Follow-up Report'

The Committee considered its report on 'Use of External Consultants by NI Departments: Follow-up Report'.

Paragraphs 1 - 4 read and agreed.

Paragraph 5 read, amended and agreed.

Paragraphs 6 - 11 read and agreed.

Paragraph 12 read, amended and agreed.

Paragraph 13 read and agreed.

Paragraph 14 read, amended and agreed.

Paragraphs 15 – 16 read and agreed.

Paragraphs 17 - 18 read, amended and agreed.

Paragraphs 19 – 20 read and agreed.

Paragraphs 21 – 22 read, amended and agreed.

2:55 pm Mr Girvan entered the meeting.

Paragraphs 23 – 24 read and agreed.

Paragraphs 25 – 26 read, amended and agreed.

3:01 pm Mr Copeland and Mr Dallat left the meeting.

Paragraphs 27 – 28 read and agreed.

Paragraphs 29 – 30 read, amended and agreed.

3:04 pm Mr Copeland and Mr Dallat entered the meeting.

3:04 pm Mr Easton and Mr Girvan left the meeting.

Paragraphs 31 – 33 read and agreed.

Paragraph 34 read, amended and agreed.

Paragraph 35 read, and agreed.

Paragraph 36 read, amended and agreed.

Paragraphs 37 – 43 read and agreed.

3:09 pm Mr Hussey left the meeting.

3:11 pm Mr Anderson left the meeting.

Paragraph 44 read, amended and agreed.

Paragraphs 45 – 46 read and agreed.

Paragraph 47 read, amended and agreed.

3:16 pm Mr Anderson and Mr Hussey entered the meeting

Consideration of the Executive Summary

Agreed: The Committee agreed to reflect the amendments to the body of the report in the Executive Summary.

Agreed: The Committee agreed the correspondence to be included within the report.

Agreed: The Committee ordered the report to be printed.

[EXTRACT]

Northern Ireland Assembly

Appendix 2

Minutes of Evidence

8 February 2012

Members present for all or part of the proceedings:

Mr Paul Maskey (Chairperson)
Mr Sydney Anderson
Mr Michael Copeland
Mr John Dallat
Mr Alex Easton
Mr Paul Girvan
Mr Ross Hussey
Mr Mitchel McLaughlin
Mr Adrian McQuillan

Witnesses:

Mr Richard Pengelly Mr Stephen Peover Mr Paul Wickens	*Department of Finance and Personnel*
Mr Kieran Donnelly	*Comptroller and Auditor General*

Also in attendance:

Ms Fiona Hamill	*Treasury Officer of Accounts*

1. **The Chairperson**: Today we are addressing matters raised by the Audit Office report, 'Use of External Consultants by Northern Ireland Departments: Follow-up Report'. Does any member wish to express an interest? Are there any consultants among us?

2. Mr Stephen Peover, the accounting officer of the Department of Finance and Personnel, is here to respond to the Committee. Also with us are Fiona Hamill, the Treasury Officer of Accounts, and Kieran Donnelly, the Comptroller and Auditor General (C&AG). You are all very welcome. Mr Peover, I will pass over to you to introduce your team.

3. **Mr Stephen Peover (Department of Finance and Personnel)**: On my right is Mr Pengelly, whom you have probably met many times. On my left is Paul Wickens, chief executive of enterprise shared services (ESS).

4. **The Chairperson**: Thank you. I remind the witnesses that, although they should give a full account in their answers, they should keep them succinct and to the point so that we can get through the matter today. Mr Peover, the Committee produced a report on the use of external consultants in February 2008, which identified a number of key issues and outlined recommendations for improvement. We can see from the C&AG's follow-up work that things have improved somewhat since our last report. Perhaps you could tell us to what extent you think the previous scrutiny of this Committee has helped to drive down the consultancy spend and improve compliance along with good practice.

5. **Mr Peover**: I think that that is a fair comment. You will have seen the latest compliance report that was published today. That adds to the materials already in the Northern Ireland Audit Office (NIAO) report.

6. **The Chairperson**: I appreciate that, but we are here to talk about the C&AG's report. There is not a true read-across. Maybe it is just coincidence that the compliance report was released this week, or maybe I am a cynic; but we are here to discuss the C&AG's report. A member will touch on that matter later in the session.

7. **Mr Peover**: That is fine. All I wanted to say was that it shows that the trend is still continuing. We have seen a downward trend in the use of consultants and we have seen better compliance with the guidelines for the employment of consultants. The figures speak for themselves. The figures in the report show that there has been a substantial percentage reduction, in absolute terms, in the spending on consultants by Departments. In the case of the larger projects, very few — and most recently none of them — do not

comply with the guidelines. So, we are cautiously confident that the situation is improving on foot of the report and the guidance that has been put in place since the report was issued.

8. **The Chairperson**: Is it coincidence that the compliance report was —

9. **Mr Peover**: The Committee was keen for us to get the compliance report out as quickly as possible. It has been done in 10 months this time, whereas in previous times it was 15 months and 19 months. Our aim is start the process after the resource accounts material is available and to try to complete it within the financial year.

10. To some extent, it is a coincidence that it is available now. The timing of this hearing was a matter for the Committee. Kieran and I were talking about this before: in a sense, it does not matter to us whether the report is published now or next week or whether it was published a couple of weeks ago. It just happened to be ready and the Minister gave us clearance on Monday morning, so we released it. I would not tend to rely on it, but it does contain interesting information.

11. **The Chairperson**: Fair enough.

12. Appendix 1 on page 44 of the C&AG's report lists the 17 recommendations contained in the Committee's 2008 report. How many of them have you fully implemented? To what extent has overall practice in this area improved?

13. **Mr Peover**: I have not counted them, so I will have to go through them one-by-one in my response.

14. The first recommendation was about the cost doubling and looking like it was out of control. The cost is on a very significant downward trend. The figures for the current year are down to £16 million or £14 million, depending on whether you count the Department of Justice in or out. There has been real pressure from the Committee and from us to control consultancy, which has led to the implementation of guidelines and to control by departmental accounting officers and departmental boards. That shows in the outcomes. So, that recommendation has been taken forward substantially.

15. The second recommendation is to develop in-house consultancy resources. We have developed our in-house consultancy capacity. There are 25 consultants in the business consultancy service, who are undertaking roughly 100 projects a year. There is guidance to the Departments, which requires them to consider the use of internal consultancy first. The consultants are significantly skilled. We have eight people who are certified management consultants, under the professional guidelines for consultancy, which is unusual in Northern Ireland. We have resources in systems thinking and in business continuity. So, a lot of work has gone on to develop in-house resources. The centre for applied learning (CAL), which is on Paul's side of the ESS, is the single resource for NICS training. There is a process in place to identify training needs, gross those across the Departments, and work with CAL to deliver the programmes that Departments need.

16. As regards recommendation 3, there are databases in each Department, which we draw from in DFP, rather than having a single database. We think that this is an effective way to operate. There is another database of projects within Departments.

17. Recommendation 4 states:

"departments must ensure that they give comprehensive and consistent information on consultancy expenditure in response to requests from elected representatives."

18. That was a cause of concern to the Committee before. The central database should hold information in a consistent format. There had been difficulties in separating external consultancy from professional services generally, and the consultancy co-ordinators in the Departments and in my Department have been working together to provide clearer definitions. There is guidance that will be implemented by Account NI

from April this year, which should provide for the consistent reporting of all of that type of expenditure in future.

19. As far as Departments are concerned, we monitor that through our interaction with them through our Supply divisions and through our test running in the compliance reports. So, there is better and more consistent information than there was in the past. The only point I would register is that when members ask questions, sometimes those questions are slightly different, and they demand an answer to the question that has been asked, and not some other question. So, occasionally, if somebody asks for a particular piece of information, they will hopefully get the right information in response. If someone else asks another question asking for slightly different information, they may get a different response. However, hopefully the two are capable of being reconciled.

20. Recommendation 5 is that DFP produces an annual compliance report. That is being done, and we are trying to reduce the time for the production of those reports so that they are produced in the financial year after the one to which they relate. In relation to Northern Ireland Water, we do report on that company's use of consultants. It is included in our figures, although it was not covered in the C&AG's report. The status of Northern Ireland Water is an interesting, almost philosophical, problem. Discussions are continuing about its status. In fact, I have a meeting with the permanent secretary of DRD next week to talk further about how we manage it. Northern Ireland Water is included in our system of reporting on consultancy.

21. The next recommendation was that public officials should avoid the perception of a conflict of interest and that appropriate controls should be in place. Again, we have given guidance to Departments on the sorts of controls that should be involved, with departmental boards, audit committees, and so on, getting involved in the monitoring of consultancy spend. The report also recommended that Departments must complete business cases. The guidance is what it is. We monitor the larger projects, and are satisfied with the quality of the larger business cases that we get. Our test drilling shows that some of the smaller projects still do not have adequate business cases. That is a matter that we draw to the attention of accounting officers, and my Supply colleagues write to accounting officers on the foot of the compliance exercise to draw their attention to that.

22. The report also states:

"Procuring consultancy by non-competitive tendering makes it difficult to demonstrate that value for money has been achieved."

23. Single-tender actions, or direct-award contracts, are still a feature of departmental action, largely in relation to smaller contracts. In our view, there will always be some single-tender actions in the system. As regards consultancy, the guidance requires such contracts to be cleared by the permanent secretary and, more generally, by accounting officers. In DFP, we meet every week as a senior management team, and if there are any direct-award contracts to be considered we will consider them as a group and then I, as accounting officer, will challenge them, sign them off or take the appropriate action. Those are the sorts of controls that are in place. The Committee feels that these should be the exception rather than common practice. They now make up around 18% of cases — one in five at the most. It is up to Departments to have systems in place that allow them to test whether it is appropriate to have a single-tender action.

24. Recommendation 12 of the report states that the Committee advocates the use of COPEs: so do we. There is a requirement for those awarding contracts to do so under a service level agreement with a COPE and to follow the COPE's guidance. Larger contracts should be negotiated through the COPEs.

25. The next recommendation states:

"The Committee recommends that the Central Procurement Directorate takes the lead in developing improved contracts".

26. There has been a whole lot of work on contracts. There was guidance issued on things such as single-tender actions. There is continuing guidance, and the COPEs provide guidance to Departments on an individual basis as well.

27. We encourage post-project evaluations, which we monitor through the compliance reports. It is getting better. It is still not perfect but is improving.

28. The next recommendation relates to databases of post-project evaluations and disseminating performance information. On that business about consultants being removed from framework agreements and so on, there is now provision, under guidance by the CPD, for a certificate of unsatisfactory performance, and for people to be debarred from competing for future contracts. It has not been used yet, but it is available.

29. Recommendation 16 is:

"Post-project evaluations should offer the potential to recover fees from a consultant who has not performed."

30. If there has been a failure of performance there is the potential to debar, and there may be, depending on legal advice, the possibility of recovering fees.

31. The last recommendation is:

"Framework Agreements should, wherever possible, be used in the procurement of consultancy."

32. We agree with that, and there is guidance. There is a framework contract in place, and Departments are expected to procure from those contracts.

33. In general terms, we think there has been a fair bit of action on foot of the Committee's recommendations last time. This is demonstrated in a practical way by the improving position outlined in the compliance reports.

34. **The Chairperson**: Thank you for that, Mr Peover. Other members will delve into some of the other aspects, but I want to take you back to recommendation 2. I think you said that there are 25 people working on in-house consultancy: is that across the Civil Service or in DFP?

35. **Mr Peover**: It is the central unit. Departments may have their own internal units as well, but the central specialist consultancy service in my Department consists of 25 people. We have recruited five in the recent past, which brings the number up to 25.

36. **The Chairperson**: So, that is 25 people, and they do around 100 projects per year — an average of four consultancy cases per person.

37. **Mr Peover**: Yes. To emphasise the point; people do not use the service because it does not cost them anything. We charge for the service. Our satisfaction rating shows that 100% of people are either very satisfied or satisfied with the product they get from the internal consultancy service.

38. **The Chairperson**: So, other Departments have to pay for it?

39. **Mr Peover**: Yes.

40. **The Chairperson**: There were 20 consultants, and there are now 25. Is the money for the five coming from income generated by the service?

41. **Mr Peover**: People move in and out, but we have actually recruited people, including some from the private sector in the recent past.

42. **The Chairperson**: I am trying to work out why the workload has increased. You said that there are 100 projects per year: what was the average number per year before our report in 2008?

43. **Mr Peover**: I will need to check that. I do not have that figure in my head.

44. **The Chairperson**: That would be a useful figure for us to have in order to see how we have gotten to the stage in which there is a reduction in costs. What was the intake then? What were they carrying out prior to our report in 2008?

45. **Mr Copeland**: Now that you have 25 consultants, what is the cost of providing the service? I am not talking about the cost less what people pay to use it, but the cost of the provision of the 25 people at their desks, wherever they may be. I would be interested to see that cost.

46. **Mr Peover**: Again, I do not have that figure to hand, but it is 25 times the daily rate multiplied by 200 or so. I could work it out if I had a calculator, but I will get you the proper figure.

47. **Mr Copeland**: If we looking at some of the figures that have been spent in the past, they were getting up around £8 million or £9 million, so I am curious to see how much we are getting the 25 consultants for.

48. **Mr Peover**: On average, those staff are more senior, so it probably costs £40,000 a year, which, on average, amounts to around £25 million. Richard is the accountant, so I will check with him.

49. **Mr Copeland**: It costs £25 million to deal with 100 cases.

50. **Mr Peover**: Yes, but I will get you an accurate figure for that.

51. **The Chairperson**: You have taken us through all 17 recommendations. In your view, does much more need to be improved, and, if so, how are you going to do that?

52. **Mr Peover**: It is one of those continuously improving areas. I do not want us to rest on our laurels. We have done a lot in response to the Committee's report and in response to trying to tighten up on this area of expenditure generally. The compliance reports show that things are better but that there is further work to be done. I am not sure whether that further work will make a substantive difference to the outcomes. In some cases, it may be that pieces of documentation are not produced at the right time or to the right depth, but that may make no difference to the outcome. The decision might still be the same, but there is always scope for further improvement. We will keep pressure on Departments and carry on with the compliance reporting. We will carry on engaging through our Supply divisions with Departments to point out any deficiencies we see in practice, and we will refine guidance as necessary.

53. Account NI has been working on guidance on the classification of expenditure to make that more consistent. The Committee raised that point on a previous occasion. Therefore, it is a never-ending story. It is not going to be perfect, but we will keep working at it.

54. **The Chairperson**: Will you explain to us what additional things you are going to do to make those improvements?

55. **Mr Peover**: The first one will be the changes to Account NI in respect of the classification of expenditure. To explain that a bit further, the compliance report is not just a one-off event. In other words, it is not just a document that arrives at the end of the year and that we send out to people. As the process of the test drilling goes on during the year and we get returns from Departments and query things, Richard's staff will engage with departmental finance directors and others challenging what appear to be failings in respect of departmental performance throughout the year. That process will continue, and we will continue that engagement.

56. Accounting officers then get a formal copy of the compliance reports in which we identify the failings in Departments, so they can see where their Department has fallen down. They are expected to handle that properly through the channels of their departmental boards and Audit Committees. We will carry on working in those areas. If people come to us and say that the guidance is not clear or ask what something means, we will develop the guidance. The guidance on single-tender actions, for example, took us quite a long time to get out. The reason for that was that we went back and forward to Departments trying to clarify what exactly they should be doing, what they were responsible for, and who should do what. That process continues, and, as people gain experience of

applying the guidelines in practice, there may be further queries that we will need to refine. There are no yawning gaps that I can think of in the guidance, and the Account NI classifications of expenditure will help.

57. It is one of those things. It involves constant maintenance and charting up bits when we find that something is unclear or not absolutely satisfactory in the operation of the guidance.

58. **The Chairperson**: Before I bring the next member in, I remind the officials to turn off any electrical devices that they have, because they are interfering with the recording. That goes for people in the Public Gallery as well, if they have any.

59. **Mr McQuillan**: Case study C on page 28 of the report indicates that the contract for Account NI lasted for seven years, at a cost of £9·6 million. How many PwC staff were working on the delivery of that project? What role did they perform, and how did that differ from the role of members of the Civil Service who were working on the project?

60. **Mr Peover**: At a maximum, there were 33 PwC staff involved. That is not 33 full-time equivalents. It is 33 people; some worked part time and some worked for some of the time. The maximum number was 33. There were two reasons for that. First, it was a novel type of project, involving major change for the Civil Service, and we did not have sufficient internal skills to manage it. We needed people from outside with specialist skills to be involved. The second, more regrettable reason is that we had hoped to have significant numbers of our own staff seconded to Account NI to help us in the development process. The senior responsible officer at the time made repeated pleas to permanent secretaries, finance directors and finance officers for the secondment of staff without a huge amount of success. That is regrettable, but I can understand it.

61. **Mr McQuillan**: Was that because the staff did not want to move?

62. **Mr Peover**: No, the Departments did not want to release them. I think the staff may have been quite happy to move to get a new learning experience. In a sense, I understand why the Departments did not want to release them, because they are focused on the delivery of their own business and the underpinning of that through their own corporate services, whether it is HR or finance. They had to manage the legacy systems through to the point of handover to Account NI. It is like a football team. If I came to you and asked for your two best players to set up another team, you might be a bit reluctant to let them go. The Departments were reluctant to let them go, and it was not until the latter end of the contract, when we were starting to get more of our staff in, that they were able to ramp the PwC consultants down. That is a matter of regret. We would have preferred not to have to rely to that extent on external consultants to support us in that project. On the other hand, Paul, what is the total value of the Account NI project?

63. **Mr Paul Wickens (Department of Finance and Personnel)**: It is £175 million over 12 years.

64. **Mr Peover**: If we did not do our bit of it, we would face the risk of penalties from the contractors for delaying them. It was a big contract, with quite a lot of consultancy support. There should not have been as much consultancy support, and we should have had more of our own staff involved, but I have some sympathy for Departments. Indeed, I was in one of those Departments at the time, and I did not have many staff. We took our services from DRD — I was in DOE at the time. I would not have wanted DRD officials coming to me in DOE and saying that they were sorry but they could not do my accounts as quickly as I would like because they had just sent two or three of their best staff off to Account NI. There are divided loyalties in the system, but it is a pity. It would have been better if we had had more of our own staff. That explains the extent of the involvement of PwC.

65. **Mr McQuillan**: Did that leak into the seven years as well? Did that add to it?

66. **Mr Peover**: I am not sure that the seven years can be attributable to that lack of skills. I was worried about talking about this when I came to the Committee today, because it is quite a difficult project to talk about. It is a long project — as you said, it lasted seven and a half years — and there were different phases to it. For me to explain to the Committee how we got from April 2002 to September 2009 would require me to read the script that I have here, which is about 10 pages long, and explain all of the different stages of the process. I suspect that if I did that you would think that I was trying to blind you with detail. What I will say is that, if we were doing it again, we would not do it in that way.

67. We would have tried very hard to force some of our own staff into the project sooner. We would have probably retendered the contract in the middle, though that is an arguable issue because so much expertise had been built up by that stage that going out to the market again might have threatened the continuity.

68. It was a big, complicated project. I do not think anybody at the outset appreciated quite how complicated and innovative it was. The original proposal developed through Deloitte, rather than PwC, for the accounting services programme was a rather more constrained idea. As it went along, it developed into a shared service for the 12 Departments, which, in those days, was 11. That had never been done before anywhere in the UK and maybe even wider afield.

69. **Mr Wickens**: Not in the public sector.

70. **Mr Peover**: It was a novel thing for us to do. Departments had a number of different systems, and they did things slightly differently. It took a lot of work to try to get some streamlining, uniformity and consistency. It would be easy for me to say that it could have been done quicker, but I was not there at the time. I was not making the decisions, and it is hard for me to second-guess the decisions that all our predecessors took. However, it is possible that it could have been done quicker. If we could have devoted more resources to it, we would rather have done that, but the decision at the time was that people would not be released, so we were stuck with getting on with it.

71. At every stage along the way, all the requisite approvals were sought from permanent secretaries, Ministers and Supply. If I read you the 10-page script, which would bore you witless, it would show that, at every stage of the process, we went back and got clearance at the appropriate stages. In that sense, we think that it was managed appropriately, but we will never really know whether it could have been done more effectively or cheaply. Possibly.

72. **Mr Copeland**: Is it possible for us to get a copy of the 10-page script?

73. **Mr Peover**: Certainly. It would be useful to have a proper chronology of the whole thing.

74. **Mr McLaughlin**: I can understand that perhaps the issue of the skills transfer was not foremost in a contract that was initially projected to cost less than £1 million, but that grew to £9·6 million. When we consider how the cost and term of the contract just grew exponentially, will the records demonstrate if, at any stage, people asked whether they would have been better putting their own staff in there and developing their skills?

75. **Mr Peover**: The answer is yes.

76. **Mr McLaughlin**: Does the record show that that issue was considered at the time?

77. **Mr Peover**: Yes, it does. There were repeated attempts by the senior responsible officer for the programme to get Departments to second staff to Account NI to help out, and that happened to some extent. It is not as if we were wholly reliant on PwC. There were 33 PwC staff involved, and there was a core of our own staff. As

the process went on, we got more of our own staff in. So it was not just a contract managed by consultants.

78. **Mr McLaughlin**: I noted that explanation and agree with you. I can understand why other Departments were reluctant to lose people, but, given the significance of the project — and I am a strong supporter of it — did it occur to people that maybe they should do an external trawl to see whether they could find the people who they needed elsewhere if people could not be released from their existing complement?

79. **Mr Peover**: That was considered. However, it was a project, which had an end date. It was not expected to be seven and a half years, but it did have an end date.

80. **Mr McQuillan**: It kept moving, just.

81. **Mr Peover**: Yes, it kept moving. There was a core of staff in Account NI that we always expected would run the service in the long term, and, for the purposes of development, more staff were brought in. If we had recruited permanent staff, we would have been left with a cadre of people who were recruited for the purpose of the project, but, when the project was over, what would we have done with them? They would have been specialist staff with accountancy backgrounds. So there was a fine balance between trying to make sure that we got our own resources in without bringing in people for whom we would have no long-term use.

82. The project actually demonstrated an example of considerable skills transfer for the staff who are now in Account NI. Since the project phase ended, and we are now in implementation, Paul's people have brought on the Driver and Vehicle Agency, which was formerly two agencies — Driver and Vehicle Licensing Northern Ireland (DVLNI) and the Driver Vehicle Testing Agency (DVTA) — with two different accounting systems, both of which were different from Account NI. They have now been brought on to Account NI, and the Department of Justice and the Public Prosecution Service (PPS) are being brought on as well. That is being done without using external consultancy support; we are doing it ourselves. So those skills have now been acquired by Paul's staff.

83. Do you want to say anything about that, Paul?

84. **Mr Wickens**: I will pick on up on the question about trawling for people. In 2007, there was a trawl, and some external resource was brought in at that point. I think there were three or four senior finance staff who came in at that point and provided the bedrock for taking the thing forward. At that point, and from that point onwards, we had all the PwC consultants reporting to at least a grade 7 in the team. So, it took us until 2007 to get there, but once we got to that point, at least we were able to take full control or better control.

85. **Mr Peover**: This is a slightly pre-emptive strike, but you mentioned the under £1 million at the start and the £9·7 million at the end. There is a nice symmetry: it was £970,000 to start with and finished at £9·7 million. As you will have seen in the reports, we do not accept, in a formal sense, that this was a cost overrun.

86. **Mr McLaughlin**: I would love to see you on 'Nolan' talking about that.

87. **Mr Peover**: If it I have anything to do with it, you will not see me on 'Nolan'.

88. **Mr Copeland**: It is a radio show.

89. **Mr Peover**: That is right, you will not hear me on Nolan.

90. In the document, the Audit Office guidance as to what counts as cost overrun is quoted. There is a clause in that guidance about whether there is provision for extension in the contract. And there was provision. The contract was initially competitively tendered for three years, with provision for an extension for six-monthly intervals. So there was provision for extension. Looking back on it, the way I would characterise it is as I said earlier: this started off as a fairly limited concept

in some senses. Nobody really had any appreciation of how it could be developed, and it did develop along the way. It was still the same project. It was still trying to bring together a new accounting system for the NICS, but it developed in a different sort of way. That explains the escalating cost and the time taken. Formally speaking, in our terms, it did not overrun on costs because there was provision for extension in the contract. What that suggests to me is that we did not have a clear concept at the outset of exactly what we wanted. Would we do it differently? As I said in response to Mr McQuillan, you like to think that you would be clearer about what it was you wanted. However, we are talking about 11 years ago, and I do not think that anybody had a clear idea of what the potential was at that stage. We know better now.

91. **Mr McQuillan**: Surely nobody would have imagined that it would develop into a seven-year contract costing £9·6. In your wildest dreams, you could never have thought it would have developed into that.

92. **Mr Peover**: We did not dream of it. We had a three-year contract with the extensions. I do not think that we expected four and a half years of an extension. It is a bit like having an extension that is bigger than your house. It did develop. It became a different beast: it was an elephant rather than a horse.

93. **Mr Copeland**: How much had been spent at the end of the three year period?

94. **Mr Peover**: I would need to check. The first phase of the contract came to about £2·2 million. Is that right?

95. **Mr Wickens**: By March 2005, we had spent £972,000. Then, by March 2006, we had spent, I think, £2·2 million.

96. **Mr Copeland**: So the growth and the value of the contract was proportional to the passage of time. In other words, the more time passed, the more expensive it became, and the more rapid the growth became.

97. **Mr Peover**: Well, not quite, I think. There was a renegotiated contract. What date was that, Paul?

98. **Mr Wickens**: That was June 2006.

99. **Mr Peover**: That was for £5·2 million, if I remember rightly, and there was a slight extension to it. So there was a major element after June 2006. I would not want to claim that it was proportional to the value of the original contract.

100. **Mr Copeland**: There is something in this that troubles me in some way. We talk about £1 million, £2 million, £900,000, or, as you just said, £5·2 million, and that is perhaps the top end of the scale, whereas, as some people around this table will know, there has been a practice recently of using stopwatches to apportion time to children who are in need of special educational intervention. It is essentially a matter of control. How are we capable of exercising control to the precision of a stopwatch in apportioning educational special requirements for children, yet, at the top end, we can commit ourselves to a three-year contract costing £971,000, and end up, seven years later, with a good value job at £9·6 million? It really grabs me in the guts somewhere. There is something not quite right in the attitude that we have to the way in which we oversee. It may well be good value, I do not know, but I spent a long time doing contracting, and, if I was pretty sure I was getting a contract for £9·6 million, I would have found a way of bringing people in to do it. I would have thought that it was a very good contract, given its duration and size.

101. **Mr Peover**: The original contract was competitively tendered, and tendered on the basis that extensions would be available. All I can say is that, at each stage, when we were considering either an extension or the renegotiation of the contract, it was subject to the internal approvals processes that were relevant at the time. Ministers had a look at it, CPD gave us advice — the Central Procurement Directorate, sorry; I should not use initials — and the Departmental Solicitor's Office gave us advice on the

legalities of the contract. It was subject to value-for-money scrutiny. Those who were involved in making the decisions at each stage along the way, whether to extend or renegotiate, did go through the processes of challenge at the time, and the decisions were made. In a sense, it is hard to know now whether they were the right decisions.

102. **Mr Copeland**: The key words there are “relevant at the time”. I take it that what was relevant at that time would no longer be relevant at this time.

103. **Mr Peover**: I think I said earlier that we would probably do it differently now. We would find different ways of doing it. You can offset against the £9·7 million at least £1·4 million of our own staff costs — probably more than that — that we would have had to incur to get the project going. It is not £9·7 million net; it is £9·7 million gross. As we were using a large number of their staff as substitutes for our own, it would have cost us something anyway. It is very difficult to be clear about whether it might have been managed better. All I can say is that it was managed in accordance with the processes, procedures and guidance that were in place at the time. It was checked against the Central Procurement Directorate guidance. It was given repeated once-overs by legal advisers, and we were satisfied that we had complied with legal and other requirements.

104. **Mr Copeland**: And there were no stopwatches involved.

105. **Mr Peover**: Not that I can recall. I am disappointed about the stopwatches in special education. I spent 14 years in the Department of Education, including being responsible for special educational needs, and I do not remember us buying stopwatches at the time.

106. **Mr Hussey**: Perhaps a stopwatch might have been useful when you see that somebody went from £971,700 to finish up with £9·6 million. The stopwatch was certainly going very fast. In the report, we have a reference to emerging case law. What was that emerging case law? From what I read in the document, you certainly had an element of leeway with the first extension to 50% of the original contract value. You do not need a calculator to work out that 50% of £1 million is £500,000. Never mind a stopwatch or a calculator — you can work that out with a biro. I cannot understand how it got that far. What was the emerging case law that led to that?

107. **Mr Peover**: The experience gained through the other big contract that we were involved with, Workplace 2010, was that, when you were operating within the envelope of the original contract, schedule 14-something to the European law did not apply and the regulations did not apply. That 50% restriction applied only if you were tendering for new services on top of something that you had already tendered for. There was a fair bit of toing and froing over that, but the legal advice at the end of the day was that that did not apply to the contract, the scope of which did not really change. Our understanding of what was involved changed, but the scope of the contract did not change. That is what raises the issue of whether we should have gone out to competitive tendering again at some point during those seven and a half years. Those of us sitting here would say that we probably should have.

108. **Mr Hussey**: I think anybody sitting here would say that you certainly should have. When you see something suddenly go from an initial costing of nearly £1 million to nearly £10 million, I am no accountant, but even with my limited capabilities, I would have worked out that something was out of kilter.

109. **Mr Peover**: It did not suddenly go up; it was a long process. As I said to your colleagues earlier, when decisions were being made at each stage about what to do next, appropriate approvals were sought and legal and procurement advice was taken. The next step was gone in to on the basis of that advice.

110. **Mr Hussey**: The appropriate advice may have been taken, but I wonder why no one at any stage said that the original costing of £1 million is spiralling out of control. As a layman, I would have thought that, if an initial figure of £1 million is given to me, and that suddenly becomes £10 million, that does not add up. Again, legal advice was given — professional advice. Surely somebody with an accountancy background would have said, "Hold on, this is spiralling out of control and the costs are going totally haywire."

111. **Mr Peover**: I do not want to repeat myself, but, the concept of the project expanded as we went along. The original £972,000 award of contract was for what was envisaged at the time, but even then the people who had engaged in it had the foresight to realise that it was not necessarily the end of the story because there was the provision for extension of the contract at six-monthly intervals. They may not have known what more needed to be done, but they knew that more would need to be done. That is why there was provision for extensions. I do not think anybody had an idea that it would take seven and a half years, although not all of that is attributable to the contract. There are lots of reasons why it took so long. However, I think they understood that the £972,000 was not the end of the story. We were not going to get a project delivered for less than £1 million.

112. **Mr Hussey**: You certainly did not get it delivered for less than £1 million; you got it delivered for nearly £10 million.

113. **Mr S Anderson**: Did I pick you up right when you said that the original tendering process was given with the knowledge that extensions may have been required?

114. **Mr Peover**: Yes.

115. **Mr S Anderson**: How do you tender for a contract that may require extensions without going out to retender? If I was getting a contract to build a home for myself, I would show the contractor the build I wanted and ask for a price. How can you give extensions without retendering? Is that not giving the original successful contractor an open chequebook and an encouragement to seek extensions? I think they would feel, as an ongoing process, that it was an open chequebook and they would go in for another extension and another, especially if they find out that you are not going to retender.

116. You also said that, maybe in hindsight, you should have retendered. With such figures that are eight or nine times the original amount, why was it not retendered?

117. **Mr Peover**: All I would say is that the original contract allowed for extensions, so everybody who competed for that contract competed on the same basis: that the initial contract value was whatever, plus the option for extensions. There were a number of phases to the project: an initial phase; a development phase; and the implementation phase. Were there any other phases?

118. **Mr Wickens**: The procurement phase.

119. **Mr Peover**: Obviously, yes, there was the procurement of the system, not of the consultants. There were a number of phases to it. What I was saying about what we would have done in hindsight was that, at the point when we got to the renegotiated contract and were allowing another contract for £5·2 million, that might have been the point at which we would go out to tender again. That is not to say that the same people would not have got the contract. They had been involved with it very closely over a long period of time and knew it inside out. We were dealing with hard-nosed private sector people who were tendering for the substantive contract worth £175 million. We needed quality support and advice to make sure that we got good value out of that contract and we did not slip up and let them penalise us for it. They may well have been successful again, but, looking at it now, I would like to think that we would go for competitive tendering at that point of the renegotiated contract.

120. Apart from that, all I would say is that controls were exercised. I do not want

to give the impression that people just wrote blank cheques for consultants. The staff involved with the project monitored the spend, so did Supply, Ministers and the senior officials in the Department. At each stage, a case was made that further expenditure was needed. We did not just say, “Here is the chequebook; write your own cheques for us.” It was a monitored and managed process.

121. **Mr S Anderson**: You say that, in hindsight, things would maybe have been done differently. Is that an admission that what we have here was not carried out in a proper and correct manner?

122. **Mr Peover**: No, it is not. I stand on the point that I made. At each stage the appropriate approvals were sought and people went through the right approval processes. They took legal advice and procurement advice and satisfied themselves that what they were doing was right. All I am saying is that, looking back at it now, in the middle of it, nobody knew that it was going to take seven and a half years; nobody knew that it would take so much money.

123. With the benefit of hindsight, to satisfy ourselves, the Committee and the public that all the expenditure was managed as tightly as possible and that there was proper competition, it would have been nice to have had that reassurance at the midpoint. It was not done; but that does not mean that I think anything was done wrongly or that there was any mis-practice. Few of us would not do things differently with the benefit of hindsight.

124. **Mr McLaughlin**: You repeatedly told us that those extensions were managed and that you took advice from the Central Procurement Directorate, the centres of procurement excellence and the Departmental Solicitor’s Office. You also said on a number of occasions that, if you were doing it now, you would do it differently. My question is how much we have learned since, given the extensions turned out to be so expensive. Are you indicating that there was, in this instance, a post-project evaluation (PPE)? If there was, what lessons brought you to the conclusion that you should have done it differently? What mistakes did you identify? Can we have a copy of that report?

125. **Mr Peover**: Yes, you can have a copy of the report. I do not think that it identifies mistakes in that bit of the process. What it demonstrates is that the Account NI project was delivered and the benefits that we expected to flow from it did indeed flow. What I am saying to you about looking back is that it is such a big contract that, for us as a group and our colleagues as a management team in the Department, it would have been desirable to take the opportunity of a break point, retendered and see what would have happened. It may not have changed anything at all. I am not saying that it would have.

126. **Mr McLaughlin**: Is that your view now, or was that the conclusion of the PPE?

127. **Mr Peover**: No, the PPE was not really looking at those sorts of issues. It was looking at the delivery of benefits from the project. We were spending £175 million over 12 years or whatever and we needed to satisfy ourselves that, first of all, we delivered what we wanted, got what we wanted, are getting a quality service and the benefits that were projected from the project are being realised. That is what the PPE is about. It is not a PPE about the consultancy; it is about the project as a whole. I am very happy to let the Committee have a look at a copy of the report. It is quite heavy going to read and detailed, but it is helpful.

128. **Mr McLaughlin**: Nevertheless, I am interested. I am certainly interested in the lessons learned, because they might tell us something about the questions asked.

129. **Mr Peover**: The two main lessons that I would learn from the consultancy aspect of this project is that we should have got more civil servants into the project sooner, and we should have taken the opportunity of that midpoint renegotiation, perhaps to go to tender

again. I am not sure that it would have made any difference, but it would have satisfied me, you, the Committee and others that we had put the thing to the test. Beyond that, I do not think that I would change much.

130. **Mr McLaughlin**: How long after the contract ended was the post-project evaluation carried out?

131. **Mr Wickens**: The post-project report for Account NI is a fairly recent document. Post-project evaluations were also done for the consultancy contracts themselves, and that was towards the end of 2009, I think.

132. **Mr McLaughlin**: So there was sufficient time for people to stand back from their proximity to the daily management in order to ask questions about whether it was, in fact, value for money, whether it was done in the proper way and whether it was something that absolutely should not be done again. Are you saying that the post-project evaluation did not address those issues?

133. **Mr Wickens**: The biggest thing to come out of the post-project report for Account NI was the fact that we are continuing to live within the overall tolerances of the £175 million. That actually included the biggest bulk of what we paid for our external consultancy. If you leave aside the first couple of million pounds that was spent with PwC, you will see that the remainder of what was then spent with it was done so within the £175 million cost envelope.

134. **Mr McLaughlin**: It is possible that we are actually having a parallel conversation here. We are not talking about the operational success or otherwise of Account NI. We are talking about the delivery and the development of it and the fact that there is a dispute about the whether it was a cost overrun. If it walks like an overrun and quacks like an overrun, it is an overrun as far as the public are concerned, given the significance of these factors. Was the post-project evaluation concerned with the development from the first contact until the sign-off sum seven years later at £9·6 million or with the operational effectiveness and efficiencies that were being delivered through Account NI?

135. **Mr Wickens**: The biggest part of the post-project report for Account NI was to do with Account NI as an overall vehicle. The separate post-project evaluation for the consultancy exercise would have looked specifically at those things. From memory, there were two separate ones done for the two major chunks of the work that were provided. Again, those can all be provided to you.

136. **Mr McLaughlin**: Well then we seem to have two new reports that we should have an interest in, and we request to see those.

137. **Mr Dallat**: Very briefly, who was in control during those seven years? Who was driving this gravy train? Was it you or PricewaterhouseCoopers?

138. **Mr Peover**: It was the Department.

139. **Mr Dallat**: Certainly anything that I have heard so far this afternoon tells me that PricewaterhouseCoopers designed a gravy train and you were just a mere passenger on the footplate.

140. **Mr Peover**: I would not accept that.

141. **Mr Dallat**: You are not accountable to the public. You do not have to be elected; we do. People will be listening in on this and looking for some explanation that is plausible about how a £900,000 contract became £9·6 million with no tendering. Will you tell me how I sell that to the public? You have not sold it to me?

142. **Mr Peover**: I do want to repeat what I said. The original contract was not for £972,000. It was for £972,000 plus the possibility of extensions. At each stage along the way when further extensions or renegotiation were required, they were done on the basis of advice from procurement professionals and legal advisers, and were washed through the approval systems, both at official and ministerial level.

143. **Mr Dallat**: If it was right then, would it be right today to do that?

144. **Mr Peover**: Yes, of course it would be right.

145. **Mr Dallat**: That surely makes a total and absolute nonsense of the procurement exercise. It demolishes all the messages that are going out from Ministers and the Assembly that the small and medium-sized businesses have a future in tendering for work with the Assembly, based on what you just told me.

146. **Mr Peover**: I do not think so.

147. **Mr Dallat**: This document that mysteriously appeared on your website in the last few days basically sets out the tests for a good procurement. It mentions an appraisal of the range of options. Was that done beforehand?

148. **Mr Peover**: Yes.

149. **Mr Dallat**: Yet, you did not know that this tender would run £9·6 million.

150. **Mr Peover**: No, what I said to you is that the initial project was started as a result of the accounting services review, in which we were supported by Deloitte, which produced proposals and options for the way forward. A decision was made in 2001 to go with a particular option, and that led to the letting of this consultancy contract and the wider Account NI contract. So there was appraisal of the options.

151. **Mr Dallat**: Sorry; what we are getting now basically is a history lesson, which is not helping me to in any way to understand —

152. **Mr Peover**: You asked whether options were appraised. They were appraised.

153. **Mr Dallat**: Was there an examination of the benefits and explanations of how they were to be delivered?

154. **Mr Peover**: Yes.

155. **Mr Dallat**: This is getting worse. Was there an examination of the opportunities for skills transfer to in-house?

156. **Mr Peover**: Yes, and that did happen.

157. **Mr Dallat**: Explanation of project management arrangements?

158. **Mr Peover**: There were project management arrangements in place, yes.

159. **Mr Dallat**: Explanation of arrangements for post-project evaluation?

160. **Mr Peover**: Yes.

161. **Mr Dallat**: Chairman, I have no more questions.

162. **Mr Copeland**: I want to go right back to the basics of this matter, so that I can get it right in my mind. I want to assure myself about something. A very few moments ago, you said something along the lines that nobody really thought that they would get that for £971,000. If I understand this correctly, services were sought and a contract was tendered for. A quote, in my terms, was submitted for £971,000, and on that basis, the contract was awarded. Presumably, there was a winning tender and there were losing ones. What view would the losing tenderers take if the actual contract value had not been for X, Y and Z at £971,000 but had been for £9·6 million, seven years later? At any stage, did you consider the likelihood of legal action by those who had quoted unsuccessfully for something that was not there?

163. **Mr Peover**: The only point that I would make to you on that is that there was a provision for extensions and that all who tendered for the original contract had the knowledge that there was a potential to extend.

164. **Mr Copeland**: But the provision for —

165. **Mr Peover**: As to the legal challenge, we took legal advice at each stage of the process and we were satisfied that the risk of challenge was not serious.

166. **Mr Copeland**: What was the purpose of the extensions, when they came to nine times the original price? To me, that fundamentally changes the contract

167. **Mr Peover**: The contract was renegotiated. As I said, the second bit, the £5·2 million and the subsequent

minor bit was a renegotiated contract, not just an extension. At that stage, the question was this: should we take it or should we go to tender? As I said earlier, at that point, there is an argument, now, looking back, that had we gone to tender at that stage, we would have satisfied ourselves, the Committee and everyone that we were getting absolutely the best value for money. We thought we were getting it, as did our colleagues. They took all the advice that they needed at the time; they got the approvals that they needed and went with that course of action. Would we do it that way again? I think, probably, the answer is no.

168. **Mr Copeland**: I would have thought definitely.

169. **Mr McQuillan**: I think that, honestly, if the contract were being run today, the Assembly would never allow it to get that far down the line. There was no devolution back in 2002. Civil servants were running the show and no one was looking over their shoulder.

170. **Mr Peover**: The project was originally agreed by Mark Durkan, who was Minister of Finance at the time. *[Interruption.]*

171. I am not blaming anyone, Mr Dallat. I am responding to a point that a member made about who was in charge.

172. The point was made to me that this was not done under the Assembly's guidance, but it was. Some stages of the project were under direct rule, but direct rule was not the Civil Service's fault. We were not that keen.

173. **Mr McQuillan**: Chair, can I just crack on with the question? In a previous report, this Committee found that Northern Ireland Water (NIW) procurement was very lackadaisical. Consultants appointed to Northern Ireland Water were recruiting temporary staff from their own firm to carry out the work of NIW. Can you assure us that that was not the case with this contact; that consultants were not recruiting their own staff?

174. **Mr Peover**: No. They were always consultants. We had various consultants at different times, at different rates and so on, but the project staff were our staff and, over time, we replaced the consultants with our own staff. They did not recruit our staff for us.

175. **Mr McQuillan**: Yes, but did they recruit their own staff to come in and do more consultancy work as different consultants?

176. **Mr Peover**: I am not sure that I follow the point.

177. **Mr McQuillan**: When temporary staff were appointed through Northern Ireland Water, the consultants present recruited staff from their own firms to come in and carry out some of the consultancy work. Did that ever happen with the NI Account project?

178. **Mr Peover**: Not that I am aware of. They would have been either PwC staff or ours. There was no one in the middle, and no temporary staff were recruited by PwC.

179. **Mr McQuillan**: There was no sub-tendering or subcontracting?

180. **Mr Peover**: I cannot recall any: there was none that I am aware of.

181. **Mr Hussey**: No PwC staff were seconded to the Department at any time during this process?

182. **Mr Peover**: No. They were consultants.

183. **Mr Hussey**: You say that, for definite, no PwC staff were seconded?

184. **Mr Peover**: They were not our staff.

185. **Mr Hussey**: None were seconded? You did not bring any in as seconded staff?

186. **Mr Peover**: No.

187. **Mr Dallat**: Paragraph 2.9 states:

"delegated expenditure approval limits do not apply to external consultancy expenditure incurred by the Strategic Investment Board".

188. Why is the Strategic Investment Board exempted from the standards of accountability expected of all other

Departments? Do you feel that that is justifiable?

189. **Mr Peover**: It was really a decision taken by Ministers. The Strategic Investment Board (SIB) was set up on the basis that its job was to be fleet of foot and get on with things, and to be innovative and entrepreneurial. To subject it to the same systems of Civil Service accountability would slow it up. However, there are checks and balances in place. It is subjected to the compliance report test run, and it comes out of that very well. All of its consultancies are approved through a senior management grouping, which includes an observer from the parent Department, OFMDFM. OFMDFM satisfies itself about the consultancy that is undertaken by the SIB. The real rationale was a decision by Ministers that this was something outside the Civil Service, which was to be enabled to intervene quickly and without unnecessary bureaucracy.

190. **Mr Dallat**: The thought occurs to me that it would have done far better inside the Civil Service, based on the discussion that we have just had. It did not have to be accountable to anybody.

191. **Mr Peover**: I do not agree with that, of course.

192. **Mr Dallat**: Of course not. Are any other bodies exempt from applying the standard delegated expenditure approval limits?

193. **Mr Peover**: No, just the SIB.

194. **Mr Dallat**: It worried me when you mentioned earlier that you were having a discussion about NI Water.

195. **Mr Peover**: NI Water has a delegated expenditure approval limit of £750,000.

196. **Mr Richard Pengelly (Department of Finance and Personnel)**: There is a discussion about its status, but, pending clarification of that, we are treating it as though it were fully within the system and subject to all of the arrangements.

197. **Mr Dallat**: Maybe you will keep the elected representatives informed about what you decide.

198. Paragraph 2.12 of the report tells us that, in 2008, this Committee:

"expressed concern that Departments did not appear to be building an efficient, well-skilled Civil Service and that internal staff were in danger of being left behind."

199. Yet, the Audit Office found that two thirds of the business cases it reviewed did not even consider skills transfer. What are you doing to ensure that Departments take that responsibility seriously and help to develop the skills of public servants?

200. **Mr Peover**: We agree with you on that. It is something that we refer to in the guidance. We expect business cases to go through the list that you talked about, which includes the transfer of skills. There are good examples of transfer of skills. There are other cases in which the project may be a very small one, for a short time, on a very specific issue, and not appropriate for a transfer of skills. However, in the main, there should be serious and explicit consideration of the potential to transfer skills. I will give you an example of an exception to that. Our departmental board in DFP quite often looks at issues of IT security and information assurance. One of the things that we often engage consultancy for is to check the security of our website systems and so on. Penetration testing of websites is a very specialised activity, which we do not have, and it probably would not be worth our while acquiring in the Civil Service, because systems change so rapidly that it will always be better to have someone who is up to date in the commercial world to do it. So, there will be circumstances in which the transfer of skills is not appropriate. There will be others in which it is very appropriate or where we should substitute our own internal staff completely for a piece of consultancy. I take your point. That is something that we are keen to push with colleagues. It is in the guidance and it should be covered in business cases.

201. **Mr Dallat**: You have given examples of cases in which it does not apply. Can

you give me some examples of cases where it does apply?

202. **Mr Peover**: The Account NI contract is one in which it applied, and we now have the skills transferred to our own staff.

203. **Mr Dallat**: I have asked enough questions.

204. **Mr McLaughlin**: There is guidance on maximising the skills transfer opportunities. Are there statistics available on the number of business case rejections that have taken place because that issue was not adequately addressed? I accept that not every contract provides the opportunity, but are there examples of the guidance having an effective impact, in that a business case was sent back again?

205. **Mr Peover**: We only see the larger business cases for projects worth over £75,000 for most Departments, and £10,000 for OFMDFM. We have not had to reject any of those in the recent past. If we do reject them, it is usually for reasons other than transfer of skills. Whether departmental boards have occasion to send business cases back for projects that are below the delegated limits, I do not know. There are no statistics that I am aware of at the minute.

206. **Mr McLaughlin**: Do you accept that if there are no examples of business cases being rejected because they do not achieve the necessary level of skills transfer, it means that you are satisfied that all tenders set have achieved that, and that we will not find any more examples of failure?

207. **Mr Peover**: Maybe that is not quite what I am saying. What I am saying is that there are examples in which business cases are rejected. We would send cases back for further elaboration and so on —

208. **Mr McLaughlin**: What about the issue of skills transfer?

209. **Mr Peover**: I do not know about that issue; I honestly do not know. Some business cases get sent back for refinement. Business cases are challenged and are, in some cases, rejected. I think that rejection is probably more likely to be on the basis of insufficient consideration of the options or inappropriate —

210. **Mr McLaughlin**: That leaves two scenarios; let us specifically deal with skills transfer. I am following up on John’s question. Either the assessment of the business case process and the rules, or guidance, provided on skills transfer are not up to the mark — in other words, we do not achieve what we could — or we are performing, and the necessary targets and opportunities are being maximised. It must be one of the two.

211. **Mr Peover**: I cannot give you a hard and fast answer, but I will say something that will touch on it tangentially. Take the DFP, for example; our consultancy spend last year was around £150,000 in total. Out of the Department’s £180 million budget, we spent under £200,000 on consultancy. That suggests to me that we are not heavily reliant on consultants to do our job for us. By and large, we do it ourselves. It implies that we have the skills to do most things for ourselves.

212. However, there are exceptions. I mentioned the penetration testing of websites, which is a very technical activity. Our having somebody employed full-time in the Department to do that would not be worthwhile, so we will buy that sort of service in. There are other times in which we buy services in. Most Departments’ expenditure on consultants is quite substantially down on previous levels. If I were to be frank with you about the spending on consultants —

213. **Mr McLaughlin**: I was assuming you were being frank.

214. **Mr Peover**: Of course I am, but I am talking about past expenditure on consultants. Quite often, consultancy is undertaken as an exercise to ensure that there is somebody else you can point to in order to be able to say that, for example, PwC, Deloitte or whoever,

said that you should do X. This is because there was a feeling that civil servants making those decisions themselves and standing over those decisions would not satisfy people, and that people wanted some degree of independence brought to bear on the decisions that were being made. I think that that was unnecessary. I think we are quite capable of making our own decisions, justifying them and being accountable for them, particularly with an Assembly of our own in which there is that level of challenge on a day-to-day basis. I think we should have the courage of our convictions and make those decisions.

215. Both in the DOE, when I was there, and now latterly in DFP, my senior management teams and I have sought to bear down on the amount of money we are spending on external consultancy, except where it is absolutely necessary. That is a trend across Departments; people are more confident now. They are more willing to make decisions or recommendations to Ministers and not back those up by saying that PwC or Deloitte or whoever else supports them; that is it is their recommendation. It is then for Minister to decide what to do and whether he or she is satisfied with the recommendations they receive.

216. I think that there was an attempt to provide protection for decision-making in the past, which I think was inappropriate. The downward trend in spending indicates that we are more confident in our own decision-making and in our capacity to arrive at recommendations to Ministers that cover all the angles and do not need to have a second opinion. I do not have hard evidence to answer your question, but the trend in the data tends to show that we are now less reliant on external skills, and that we are therefore satisfied that we have sufficient skills in-house except where specialised expertise is required.

217. **Mr McLaughlin**: They are described as guidance. What requirement is there that they are applied?

218. **Mr Peover**: We write to the accounting officers and set down the processes that should be applied. Accounting officers know that they are personally accountable if they make decisions having ignored the guidance and not followed the processes. They are quite liable to be called here to explain why, when the guidance says A, B, C and D, they did not follow it. They are personally accountable to the Committee. That is a real challenge for accounting officers. The accounting officer memorandum sets out their responsibilities with regard to managing public money and the various guidance available. Those are quite onerous and significant. I can, certainly, tell you from my experience of talking to my colleagues that they take those matters seriously.

219. **Mr McLaughlin**: The 2008 Public Accounts Committee report expressed concern that Departments did not appear to be building an efficient and well-skilled Civil Service and that its internal staff were in danger of being left behind. The Committee highlighted the need for external consultancy projects to be designed to ensure the transfer of skills where appropriate. The report and its recommendations were accepted. However, I have to say that I am a bit concerned. I am not sure that it is fair to overstate that the guidance appears to have been revised and updated. I am not familiar with it. Therefore, I would not mind seeing it. Does it address that recommendation? Is there any accountability mechanism by which to ensure that people know that it is, in fact, a requirement?

220. **Mr Peover**: There is no accountability mechanism except insofar as the compliance report checks what has been done. Therefore, we will look at that test drilling of projects.

221. You make a valid point. I am happy to reinforce with my colleagues that we signed up to a recommendation and that everybody must ensure, when they look at their consultancy spend at individual project level and overall management level, that they are getting value for that spend with regard to additional skills for

their own staff, where appropriate. It will not always be appropriate. For example, if you have a £5,000 contract for two weeks of work, you cannot expect too much from it by way of transferred skills. However, you are correct —

222. **Mr McLaughlin**: It works in circles: if there is in-house capacity, there is less need for external consultancy.

223. **Mr Peover**: Yes. That is a good point to reinforce with colleagues.

224. **Mr McLaughlin**: Could we have a look at the updated guidance?

225. **Mr Peover**: Yes.

226. **Mr McLaughlin**: Thank you.

227. **Mr S Anderson**: We have talked quite a bit about tendering and re-tendering. I would like to think that we all agree that competitive tendering offers Departments the best means to ensure that they achieve value for money. However, paragraph 2.14 tells us that 19% of contracts reviewed by the Northern Ireland Audit Office were awarded using a single tender action. Do you think that it is acceptable that almost one in five contracts is being awarded without any competition?

228. **Mr Peover**: We would rather that the number were lower. We would need to look at every individual contract to see whether there was justification in that case. I will give you an example from my Department. We look at every request for a single tender action. I am not talking about consultancy. We got a request from the General Register Office (GRO) in the Northern Ireland Statistics and Research Agency. It has cash registers because it takes in money when people pay for birth, death and marriage certificates. The cash-register software needed to be updated. I cannot remember who supplied the cash registers — possibly NCR. Therefore, the GRO came to us for a request for a single tender action to update the software. Nobody else could update the software. The equipment belongs to a particular company. Therefore, it needs to be updated by the company that developed and provided it.

229. That is still a single tender action. We look at it and consider it. We look at the justification for a single tender action. Then, as a group, we decide whether we think that it is OK. As accounting officer, I, specifically, sign off every individual case of that type. That has always been the case for external consultants. We do it for all single tender actions. Therefore, we actually spend quite a bit of time in the Department going through every single case of a single tender action — every proposal from any business area for a single tender action — and satisfy ourselves that there is robust justification for it. I know that, as the accounting officer, I may have to appear here and justify it in due course.

230. That is what we do in DFP. I believe that it is a model of good practice. I hope that colleagues do the same in their Departments. They are the accounting officers for their Departments. They have to satisfy themselves, in accordance with guidance from CPD, that they are doing appropriate monitoring and evaluation of single tender actions. That is what we do.

231. **Mr S Anderson**: That is appropriate in the situation that you have just described. However, surely, there would not be 20% of cases like that. That is a specific case. I accept that.

232. **Mr Peover**: No. There are many small contracts. That was not a consultancy contract. Therefore, it is not part of the discussion. It was a different example. However, we would follow the same process for a consultancy contract that we would for another single tender action. That is our process.

233. **Mr S Anderson**: The paragraph mentions one in five contracts, which is 20%. What is an acceptable level?

234. **Mr Peover**: I have no idea, Mr Anderson. One would want it to be as low as possible. Procurement professionals tell us that the cost of going out to a competitive tendering arrangement for anything under £20,000 is too great

to justify doing it. That level is also used elsewhere in the UK. I am not sure that £20,000 is appropriate, but that is the procurement advice that was given to us. Under that level, the costs of procurement would outweigh the benefits to be gained from the competition.

235. Ministers have now taken the decision that they want to approve every consultancy project over £10,000. Indeed, some Ministers are going lower than that, and some want to approve every single consultancy project. Therefore, even below the £20,000 level, there will be ministerial involvement in signing off a consultancy exercise. In some cases, Ministers are involved in every single project, even if it is only for £1,000.

236. **Mr S Anderson**: That would be good practice.

237. **Mr Peover**: If Ministers want to do that, it is good practice as far as I am concerned. It is their policy decision.

238. Mr Girvan: I always have concerns when I hear that only one tender has been received for a project, and it leads me to look into how the tender has been written. Coming from the private sector, you can see how sceptical people can get because they may find that a tender has been written in order to write others out and to ensure that certain people are included. Is there any mechanism in place to ensure that when a tender is put together, it is not written with a specific provider or delivery agent in mind? There are probably a number of examples that could be cited, and some of us sitting round the table could probably put names to contracts that should be looked at in relation to how they have been written in the first place to be put out to tender. Is there a mechanism in place to ensure that tenders are not being written to be prescriptive so that a certain person or provider can tender to deliver them?

239. **Mr Peover**: That should not happen. There may be cases in which there is only one possible tenderer because only one individual or organisation has the skills. However, it should not be written in order to ensure that that is the case.

240. **Mr Girvan**: I can accept that argument when you are dealing with specialist areas, but not when we look at the volume of tenderers in proportion to the overall number of contractors or consultancy firms that win them. There is a table in the report, and it is glaring that some of the others are less than £500,000.

241. **Mr Peover**: PwC is well up on that.

242. **Mr Girvan**: It is four or five times greater than the closest one.

243. **Mr Peover**: I am pretty sure that that is not due to writing tenders in order to favour a particular outcome. PwC is the biggest consultancy firm in Northern Ireland and has worldwide resources and lots of skills to draw on. However, this varies. I do not want to harp on about the compliance report that mysteriously emerged a couple of days ago; but, in that report, KPMG is the biggest group, not PwC. However, this varies depending on the skills you are looking for and who may have them. The PwC figure is probably significant due to its involvement with Account NI and other reforms.

244. It should not happen that tenders are written in order to favour a particular consultancy. The policy guidance from the procurement board is that all procurement should be done on the basis of a service level agreement with CPD or a COPE. Any significant contracts should be let only on the advice of CPD or the COPE involved, and the procurement professionals should ensure that tender documents are written in as neutral a way as possible to ensure that there is a competitive market out there.

245. It is in our interest and that of the public that we do not spend more than we have to on consultancy. The procurement professionals advise us and ensure that we do not constrain the field of competition so much that we end up with a bad result. I cannot give you an

absolute guarantee, but the processes that are in place are there to ensure that this does not or should not happen.

246. **Mr S Anderson**: On the back of that, and before we leave the subject of one in five contracts being single tender actions, how can we, as elected representatives, sell this to the public and tell them that they are getting value for money? Are you looking to achieve a lot more, or are you happy that we can sell this to the public?

247. **Mr Peover**: I am not sure that it can be done at a global level. However, as I said earlier, each Department should have a process in place — as we do — to ensure that every contract is individually scrutinised. That will ensure that the only and best way of doing the procurement is through a single tender action, and, if it is not, it should not be let as such. Single tender actions should not be used unless there is a convincing case for doing so. That is where I agree entirely with you.

248. There are controls, and CPD published its most recent guidance on the letting of single tender actions in November. That guidance places the responsibility on departmental permanent secretaries and other accounting officers to satisfy themselves that there is a convincing and documented case for having a single tender action. It is always open to the Audit Office to challenge them and to bring them before this Committee if it is not satisfied. The situation will never be perfect and there will always be instances that slip through the net. However, the guidance is there, the procedures should be there and both should be followed. Richard, do you want to say anything?

249. **Mr Pengelly**: There is a higher threshold for consultancy than for ordinary procurement contracts. Ordinary procurement sign-offs for single tender actions can be delegated by the departmental accounting officer to another senior official. However, the guidance for single tender actions for the use of consultants is that they must be specifically signed off by the departmental accounting officer, which is the permanent secretary. Therefore, there is a higher threshold.

250. There is no question that this remains an issue and one that we will continue to focus on. We are now approaching 80% compliance on single tender actions having departmental accounting officer approval. The vast majority of the cases in the remaining 20% were due to misunderstandings about whether it should be the permanent secretary or a senior colleague who should have signed off the action. If we were to adjust for that anomaly, we would be well below 10% non-compliance. We have to aspire to achieve 0%, and we do. However, we are certainly taking large steps in the right direction.

251. **Mr S Anderson**: OK. Thank you for that. In response to a recommendation from the PAC, DFP committed that all consultancy assignments, other than those of low value, should be procured through a COPE unless they were otherwise approved directly by an accounting officer. However, paragraph 2.16 of the report tells us that almost 30% of consultancy contracts are still not awarded through COPEs. Why do you think that this is happening? Can you do anything to improve the situation?

252. **Mr Peover**: The only point that I would make in response is about the size of contracts. The actual guidance to Departments is that they should procure under the terms of a service level agreement with CPD or the relevant COPE. COPEs may not need to be involved directly in the contractual process for smaller contracts. They can give advice, but the contract may not need to be led through them. There will be circumstances in which a contract is so small — perhaps only a few thousand pounds — that is not worth going formally through a COPE. However, the COPE will give advice on what the contract should look like.

253. The numbers are getting better. There should be greater COPE involvement, and any significant contract should be

procured through a COPE. There is no dispute about that.

254. **Mr S Anderson**: You talked about improving the situation, Stephen, and driving that figure down. Again, I keep asking: what would be seen as acceptable other than the 30%?

255. **Mr Peover**: It depends on the size of the contract. As Richard said, you aspire to zero in these things, but you recognise that it will not get to zero. There will be some small contracts that will always just be given advice — maybe informal advice — from the COPE as to how it should be done.

256. **Mr S Anderson**: Almost one third is quite high.

257. **Mr Peover**: Yes it is.

258. **Mr S Anderson**: Very high.

259. **Mr Peover**: Yes.

260. **Mr Dallat**: I am looking at the table on page 27, and I am sorry for going back to Account NI, which you are totally happy with. There was an overspend of £8,550,000 on that. On Roads Service and public-private partnerships, there was an overspend of £3,780,000; for the regeneration of the Maze/Long Kesh, there was one of £343,325; and for financial advice for the procurement of schools in the Belfast area, it was £1,944,662. It seems to me that the large consultancy firms have really done well out of you. Is that true, and did you learn any lessons from that?

261. **Mr Peover**: Have they done well? That is a leading question. Have they provided the services that they were contracted to provide? Yes, they have.

262. **Mr Dallat**: All my questions are leading questions.

263. **Mr Peover**: Good. Just to reiterate my point: at a formal level, we do not accept that there is an £8·5 million overspend on the Account NI contract. It is not for me to talk about the Department for Regional Development (DRD) or OFMDFM, but there are explanations for the process by which they went through those contracts. Have they done well? They have made money, yes. Was that money unjustified? We do not think so.

264. **Mr Dallat**: The only thing I want to find out, or hear from you today is that this exercise is useful for the future, that lessons have been learned and we will not have repeats of overspends of £14,617,000. Is that a fair point? That is not a leading question, is it?

265. **Mr Peover**: With the caveat that I mentioned earlier, that we do not accept the scale of the overrun, the answer is yes. We found the first hearing useful.

266. **Mr Dallat**: I understand the word yes.

267. **Mr Peover**: Good. OK.

268. **Mr Dallat**: Together, case studies C and D on pages 28 to 30, show that the same external consultancy firm received about £10 million more than the original contract values for those two assignments. Can you understand how the public would be concerned at that outcome? Do you really think that the public sector has the hard-edged contract-management and negotiation skills needed to deal with the big consultancy firms, given the extent of cost escalation involved in those two examples? They are set out there for you.

269. **Mr Peover**: The short answer is yes. The long answer is the one I gave earlier: I cannot speak for the Belfast Education and Library Board (BELB) contract; that is not in my Department. However the Account NI one —

270. **Mr Dallat**: Say that again.

271. **Mr Peover**: I cannot speak for the BELB contract. That is not my Department; it is part of education.

272. **Mr Dallat**: You were speaking earlier for SIB, were you not?

273. **Mr Peover**: Only because you asked me the question about why it was given —

274. **Mr Dallat**: It was involved, too, was it not?

275. **Mr Peover**: I am not responsible for OFMDFM either. Before this meeting, I checked what witnesses were desired.

I can only speak for DFP, its expenditure and for the guidance that we issue. I cannot speak for another Department.

276. **Mr Dallat**: I apologise for my naivety.

277. **Mr Peover**: No, that is all right.

278. **Mr Dallat**: I thought that you were the man with a big bag of money that is dispensed throughout the Civil Service, the non-departmental government bodies, right down to the smallest community group. Can you understand the relevance?

279. **Mr Peover**: I am not the accounting officer for every line of spending in the Northern Ireland Civil Service.

280. **Mr Dallat**: I am elected for a wee bit of Northern Ireland, and I feel that I am responsible for every pound of public money that comes out of your Department.

281. **Mr Peover**: We are responsible for guidance —

282. **Mr Dallat**: Are you telling me that you are not?

283. **Mr Peover**: I am not responsible, as accounting officer, no.

284. **Mr Dallat**: That is scary, because I was sure that the Department of Finance and Personnel holds the purse strings of this Assembly, and that that was your job.

285. **Mr Peover**: That is why we have 12 departmental accounting officers, and there are many more in non-departmental public bodies. There are many accounting officers in the system, and we all share a responsibility to be accountable for the resources that we expend.

286. **Mr Dallat**: I know, but, at the head of any ship, there is a captain.

287. **Mr Peover**: This is not a ship.

288. **Mr Copeland**: Unless it is an Italian ship.

289. **Mr Dallat**: Please do not encourage me.

290. **Mr Peover**: There are a number of ships in this convoy. It is a convoy rather than a ship.

291. **Mr Dallat**: I am glad that this is being recorded by Hansard because I am going to go back to it. I genuinely believe, Stephen, that you are ultimately responsible for the money bag that the Assembly dispenses, but you are telling me that there are 12 people involved.

292. **Mr Peover**: There are many more than 12. There are 12 people at departmental level, and there are other accounting officers in other organisations.

293. **Mr Dallat**: I will end with this. I am now beginning to understand why we have problems in the Public Accounts Committee.

294. **The Chairperson**: On that point, this is an agreed report between your Department —

295. **Mr Peover**: No, it is between the various Departments that are mentioned in the report and the Audit Office.

296. **The Chairperson**: I appreciate that, but you are here today to answer stuff around all of the report. That has been agreed, obviously.

297. **Mr Peover**: No, Chair, I checked with the Audit Office to see whether anyone else was required to attend, because I am not the accounting officer for the Department of Education or for any of the other Departments that are mentioned in the report. I can answer for DFP's spend and for the overall guidance that we issue because we are responsible for that, but I cannot speak in detail and justify the spend in the Department of Education.

298. **The Chairperson**: I am not asking you to go into detail, and I know that John has just asked you some questions about it. Maybe I am wrong, but I am surmising that you spoke to some of your permanent secretary colleagues to try to get some of the information prior to coming here, seeing as you are the one who is dealing with this report today.

299. **Mr Peover**: I had a briefing on the issue, but I cannot speak for another Department.

300. **The Chairperson**: I am not asking you to speak on behalf of any other Department. What I am saying is that you are here before us today and members are asking questions, and they are entitled to do that because this is an agreed report between the Civil Service and the Audit Office, and we have been left to deal with it today.

301. **Mr Peover**: You will remember that DFP and DRD permanent secretaries were here last time because DRD was the focus of attention the last time. If somebody wants to discuss OFMDFM or Department of Education business, I will need to have the accounting officer from the relevant Department along with me. I cannot speak for those people.

302. **The Chairperson**: We do not have a table big enough to get all the permanent secretaries around it. However, you are here representing the Civil Service today.

303. **Mr Peover**: Chair —

304. **The Chairperson**: Bear with me, Stephen. I am not asking you to go into the minutiae, and I do not think John was either, but we are here to get some sort of response to the questions that we are posing on the Audit Office report. I take it you spoke to —

305. **Mr Peover**: The answer is no.

306. **The Chairperson**: Bear with me, Stephen. Let me finish, please, if you do not mind. I take it that you spoke to permanent secretaries, who are the same level as you, with regard to the report, and I take it that they have given you some advice. There is a simple way that we can deal with this matter. If you cannot give us the answers, we can put something in writing and put further questions, but we are entitled to ask whatever questions we need to ask.

307. **Mr Peover**: I did not speak to my permanent secretary colleagues about this report because I specifically asked whether anyone else was going to get called, and I was told that the focus was on DFP, not on other Departments.

308. **The Chairperson**: That is something that we need to check out.

309. **Mr Copeland**: If I heard you right, you said that you were responsible for setting guidance or issuing guidance. Are you also responsible for policing adherence to that guidance?

310. **Mr Peover**: To an extent, but bear in mind that accounting officers for Departments have responsibility for implementing guidance. We will do the compliance report, we will do test drilling, but we do not look at every project below the threshold. That is something that we could not do.

311. **Mr Copeland**: Do you look at every project above the threshold?

312. **Mr Peover**: Yes, we do.

313. **Mr Dallat**: You said that you do the compliance report. That is the document that appeared in the past couple of days.

314. **Mr Peover**: Yes, it is done every year.

315. **Mr Dallat**: Do I take this document seriously?

316. **Mr Peover**: Yes.

317. **Mr Dallat**: Are you responsible for ensuring that everything in that document comes to being and is actually implemented?

318. **Mr Peover**: We issue the guidance, and we expect Departments to comply with it. We check, to an extent, whether they are complying with it through test drilling, and, if we are not satisfied with the performance below the threshold level, we will write to the permanent secretary and accounting officer and point out the deficiencies in their performance.

319. **Mr Dallat**: But you are not responsible.

320. **Mr Peover**: No.

321. **Mr Dallat**: That is amazing.

322. **Mr Copeland**: I think that all my stuff falls within the remit of the Department of Finance and Personnel. Before I ask my questions, I want to wind back on something. I can understand how you identify a need, how that need eventually becomes a project and how that project becomes a contract. I also understand that tenders are prepared, issued, received, weighed and balanced, and a decision is taken, possibly against a matrix, and tenders are awarded. Is there any overlap between the people who are involved in one, more than one or all those phases that could give rise to suspicions, accusations or concerns of conflict? Are we completely sure that there was no involvement by anyone who is not a direct employee of the Northern Ireland Civil Service, perhaps someone who is seconded from the private sector, in any of those stages? Is there a possibility that something was, as we heard, built into the design stage or the scoring matrix by which the contract is judged? Are we absolutely sure that the whole process is open, crystal clear, transparent and above any reproach or suggestions that there is a contaminant?

323. **Mr Peover**: That is quite a big question.

324. **Mr Copeland**: It is an important question from our point of view.

325. **Mr Peover**: If the core of your question is whether anyone from, for example, a consultancy could be involved in drawing up the terms of reference for a project that was subsequently let to that consultancy, the answer should be no.

326. **Mr Copeland**: Should be or is?

327. **Mr Peover**: As far as I know, it is. I am not aware of any circumstances in which that would ever have happened. It would be a straightforward conflict of interest, and it should not happen.

328. **Mr Copeland**: Would the same apply to the preparation of the tender and the documents, the issuing, advertising and timing of the tender, the creation of the matrix and the awarding of the contract?

329. **Mr Peover**: Yes. If we are talking about a significant contract, those would all be handled through the COPE or CPD. They would set in place appropriate arrangements for the management of the procurement.

330. **Mr Copeland**: Is it “the” COPE or “a” COPE?

331. **Mr Peover**: There are a number of COPEs.

332. **Mr Copeland**: Right, OK. So it is “a” COPE. Incidentally, I was called that at school.

333. **Mr Peover**: We tend to use CPD.

334. **Mr Copeland**: You will not be surprised that I want to focus specifically on case study C on page 28. We heard much about that case study today, and it provides details about the Account NI contract overrun. I see from the report that DFP is strongly of the view that there were sound governance and control arrangements in place for the management of that contract. How can DFP justify the assertion that there was no project overrun? You have probably covered that already. However, I am still staggered that you issued a contract for x, y and z for which you got a price of £971,000, yet we ended up with x, y, z, a, b, c, d, gamma and delta and a cost that was not a kick in the ass off £10 million. It strikes me —

335. **The Chairperson**: I remind the member that the meeting is being recorded.

336. **Mr Copeland**: I trust that, with the magnitude of what is confronting us, the public will allow me that one vernacular use of the language of my native city.

337. I do not envy you having to explain it, but it is staggering.

338. **Mr Peover**: To some extent, I share your sense of incredulity about this. When you start off with a contract of £970,000 and end up with £9·7 million, there is something to be explained. We have been through this in extraordinary detail. None of us was personally involved in it, and we had to research it in great detail with our colleagues. We

went through it in detail, line by line and contract extension by extension.

339. The only points that I can make are those that I made earlier. At each stage, appropriate advice was taken, appropriate approvals were received at an official level and, where appropriate, at a ministerial level, and the various pieces of action were signed off through the procedural requirements. Everything was kosher and was done in accordance with the approvals that were in place at the time. They were also done on the basis of legal and procurement advice.

340. I understand people asking how a contract that was originally scheduled to cost £970,000 ended up with a cost of £9·7 million. It did not happen in one leap, and I do not think that, at the outset, anyone imagined that the contract would turn from a cost of £970,000 to a cost of £9·7 million. However, in a sense, the contract was for something in which there were — to use Donald Rumsfeld's phrase — "unknown unknowns". We knew that we had to do something. We did not know the extent of it. The extent of it emerged along the way as the possibilities opened up. That was a novel process for us. It was a novel process in the public sector, as Paul said earlier. The scope did not change, but the content of the project changed. Approvals were received along the way. It is difficult to understand and to justify. That is the formal process.

341. We could end up dancing on the head of a pin: I say it is not and you say it is. I do not want to get into that. It is not appropriate. We will give you the tabulation of what happened stage by stage.

342. **Mr Copeland**: We are in complete agreement that the nature of the contract changed with the passage of time. The question is whether it changed to such a degree that it should have been retendered.

343. **Mr Peover**: The legal advice that we received was that, no, it did not need to be. Leaving aside that legal advice, and looking back on it as an official looking at a process and asking whether we would do it differently now, I think that the answer is yes.

344. **Mr Copeland**: I would expect that to be the case.

345. **Mr Peover**: The legal advice at the time said that it was OK. The procurement advice supported it as well.

346. **Mr Copeland**: Well, on many occasions, legal advice differs depending on who you ask.

347. **Mr Peover**: Normally, they are actually fairly cautious —

348. **Mr McLaughlin**: Especially if you ask the consultant. *[Laughter.]*

349. **Mr Peover**: They were our own employees, not consultants.

350. **Mr Copeland**: As a second-hand car salesman would tell you, if you ask him how many miles are on a car, he will ask you how many miles you want to be on it. Sorry.

351. With regard to case study C, do you consider that you got value for money from those consultants. We appear to be taking an inquisitive look at it. Again, you claim that value for money was obtained when less than £1 million of the contract was competitively tendered and £8 million was not subject to competition. Will we ever know whether that £8 million could have been better spent? Can we make a judgement or, dare I say it, have a personal opinion?

352. **Mr Peover**: The answer is that we will never know — in the strong sense of the word know. However, value-for-money exercises were carried out at the times when there were extensions and the renegotiation. CPD tested the prices that we were quoted against the market rates. It was satisfied that the extensions and the renegotiation were value for money. Could we have got it cheaper if we had tendered competitively? I honestly do not know. We may have done. It certainly would have satisfied us better.

353. **Mr Copeland**: To a degree, it begs the question. The initial contract must have been accepted. We have already said that it was for £900,000. I think that you stated that no one really thought that it could be done for that amount of money. However, that is the basis on which the contract was accepted. Was it the least expensive contract? By what method did the initial contract get accepted?

354. **Mr Peover**: I would need to go back and look at papers on the detail.

355. **Mr Copeland**: I would be very keen —

356. **Mr Wickens**: I can answer that. It was done on the basis of the most economically advantageous tender. PwC was not actually the cheapest. I went back and checked that. Six organisations bid for the contract. PwC's bid was the most economically advantageous according to the matrix that you talked about earlier, in which different things were weighted. Those included experience, methodology, the number of available staff and price.

357. **Mr Copeland**: How many tenders were received?

358. **Mr Wickens**: Six.

359. **Mr Copeland**: Roughly, where was PwC in the sequence?

360. **Mr Wickens**: PwC came in number one. It won on the basis of —

361. **Mr Copeland**: Where did it come in terms of money; hard cash?

362. **Mr Wickens**: I do not recall. I would need to come back to you on that one. It was not the cheapest. I think that it was second or third. I would need to go back and check that.

363. **Mr Copeland**: I am somewhat relieved to hear that some of the other contracts were not accepted. They could have cost more than £10 million.

364. **Mr Wickens**: Four separate value-for-money exercises were carried out throughout the process. However, I do not think that that is the real point.

365. **Mr Copeland**: No, it is not.

366. **Mr Girvan**: I want to return to paragraph 2.4. There has been significant and welcome improvement in the preparation of business cases to justify the use of external consultants. However, the Audit Office report notes that 12% of the contracts that were awarded had no business case. What more can be done to ensure that public sector managers do not engage external consultants without having an appropriate business case? What can be done to police that?

367. **Mr Peover**: In a sense, some of the points that I made earlier are relevant again. We have the guidance, and it is clear from that what a business case should look like. Its size is supposed to be proportionate. It depends on the size of the contract; you do not want 50 pages for a £5,000 contract. It should be proportionate and adequate. The test drilling is still throwing up significant numbers of cases, not above the threshold but below it, in which we think the business cases are not adequate. Those are drawn to the attention of the Departments as we write them.

368. **Mr Pengelly**: The latest figure from our test drill is that some 12% of the items that we sampled had no business case. That is a fundamental reduction on last year, but, 12% is simply unacceptable.

369. We are talking about very low value items. A point that we continue to emphasise to Departments is the proportionality of business cases. For low-value consultancy contracts of a few thousand pounds, a sensible and proportionate business case can amount to a few pages, setting out the key points that Mr Dallat referred to earlier: the rationale for the appointment; what it is you expect to get out of it; and project management. We continue to work on that.

370. The key point that you are interested in is where we go from here. On the back of that recent compliance report, we highlighted all the instances of non-compliance. That is going out formally to Departments. We will be engaging

with them over the next couple of weeks and, based on that dialogue and on the outcome of this Committee's consideration, we will be reviewing it.

371. The difficulty that we have around a proportionate response is that the only real sanction that we have is the removal of delegation. That starts to calcify systems and slow things down. We are reluctant to do that; we would rather raise the quality. A key thing that we did in that respect is that, in September 2009, we fundamentally rewrote the guidance for Departments on expenditure appraisal and, indeed, evaluation. That is now an online facility. Some of the improvements that we have seen in the recent compliance report show that this is the first year that the guidance has been compiled with. That guidance has now been embraced in Scotland as being at the leading edge, and, indeed, by Treasury. Some of my colleagues were in Dublin a few months ago giving a presentation. Rather than 200 pages of detailed text, this is now an online tool giving very strong guidance on this. We continue to work. We want to improve departmental behaviour rather than think about sanctions for non-compliance.

372. **Mr Girvan**: Thank you very much indeed.

373. In paragraph 2.6, the Audit Office noted that a substantial number of the business cases were deficient and failed to comply in full with the guidance. I appreciate that you gave me an indication of what you are attempting to do about that. Can you give me any examples in your Department of where business cases determined that it would be better not to use consultants but to do the project in-house?

374. **Mr Peover**: I cannot think of any off hand that I can point to. In DFP, we only spent slightly over £100,000 last year and much the same this year, so we are not spending much money on consultancy now. The big lines in our expenditure were during the time of the reform projects but, typically, we do not spend very much money. Therefore, when we get consultants in, there is a strong reason for it; it is not just on a whim. We just do not spend money.

375. **Mr Girvan**: You indicated that you have reduced the use of consultants in the Department. In doing so, cases have obviously been made that consultants are required. You have set those aside, and have done the work in-house. That is why you have reduced the use of consultants and the value of consultancy expenditure in DFP.

376. **Mr Peover**: I cannot point to a specific business case to which we said that it does not hold water, we are not doing it and we will use our own staff.

377. **Mr Girvan**: Has it happened?

378. **Mr Pengelly**: It is probably a difficult question for Stephen to answer. I think the rubber hits the road on this more frequently with the likes of Paul and me. I do not now ask Stephen whether he will approve the use of consultants because I know that we are in an environment where there is pushback from the Minister, through Stephen and on to us. So we are looking at alternatives.

379. My business area is not, of its nature, one that relies on consultants. So it is difficult for me to give specific examples, but I know —

380. **Mr Wickens**: I have taken four what you would call consultancy exercises through in the past couple of years, but they have all used our internal business consultancy services. Stephen would not have seen any of the details, and may be unaware of the fact that we have done that. They were just four pieces of work where we have decided that it made sense to use internal consultancy where previously, perhaps, we would have gone outside to do it.

381. **Mr Girvan**: That is the type of example that I am talking about. That is evidence that the Department is taking on board some of these points. You said that there have been three or four. What are they?

382. **Mr Wickens**: I run enterprise shared services, and the most recent exercise involved bringing together a number of big shared services into one organisation and looking at duplicate functions, especially in the finance area, and bringing those together to see if we could get any additional efficiencies. That specific piece of work is almost complete.

383. **Mr McLaughlin**: We have to welcome the fact that there are more post-project evaluations now. That is an important accountability mechanism whereby we can examine mistakes, and, as long as you learn from them, that is to the benefit of everybody. I do not think that we will ever get to the situation where mistakes will not be made.

384. Paragraph 2.23 states that the quality of the post-project evaluations varied greatly. Fifty nine of them were reviewed by the Audit Office, but only one noted any negative feedback regarding consultants. How can we convince the public and how can you convince the Committee that the post-project evaluation process has any credibility when only one out of 59 actually identified any matters for concern? It is hard to draw a conclusion that it is working in the way in which it was intended.

385. **Mr Peover**: I am tempted to say that I would be worried if there were dozens of situations in which we were dissatisfied with a consultant's performance. It is hard to know whether that is a good thing or a bad thing. To have very few criticisms of the service you have received, to me, is positive, but to say that we should have more negative feedback on consultants is worrying.

386. **Mr McLaughlin**: I absolutely take your point, but if there is only one out of 59, some might wonder if the process is worth the effort or if it is a box-ticking exercise. To come back to the conversation that you had with Paul, we have done other investigations in this Committee and, quite clearly, the exercise provided some value, if only to demonstrate for some who had to be convinced that it was a regular experience for our public servants to be skinned by the private sector. They were putting up their consultants and bringing in their legal opinion, and, quite often, they were outpunching and outfoxing the people who were responsible. However, those lessons were learned, and I want to give credit and acknowledge that. However, it seems to me that it would not be that difficult to identify projects, including the one that we started this session off with, from which, clearly, lessons had to be drawn. So I want to know: are lessons being drawn from it?

387. I also want to ask you about the group of 12 — the 12 apostles — who are accounting officers for the respective Departments. If they decide not to apply or follow the guidance, or to rigorously impose it, do they effectively say to DFP that it is within the autonomy of their Department and there is nothing that can be done about it? Or, if, in fact, they are involved in significant mismanagement, does a mark appear on the record to show that they mismanaged a project?

388. **Mr Peover**: Accounting officers are what they are. They are personally accountable to the Assembly. We issue guidance to accounting officers, and we expect them to comply with that guidance. They go out as "dear accounting officer" letters, and, in that sense, they are requirements. If an accounting officer in some circumstance wants to set aside a piece of guidance and to say that they are content to do something without following those guidelines, he or she can make that decision as accounting officer, but they have to justify it.

389. If it is below the delegated limit we do not get involved. However, they are accountable to you, collectively, and can be challenged. The Audit Office will pick up —

390. **Mr Kieran Donnelly (Northern Ireland Audit Office)**: I can pick them up, for example, when I give my opinion on accounts. I have qualified quite a number of accounts in which the ground

rules on consultancy have not been fully followed.

391. **Mr Peover**: Accounting officers are accountable for what they do, and have to justify it. In some cases, it may be possible for them to justify not doing what one would normally do.

392. Richard reminded me that we not only appoint accounting officers, we can also withdraw their accounting officer status if they are particularly egregious in their mismanagement. However, we have not had to do that yet. Kieran is right. The Audit Office can qualify accounts if there is some gross violation of normal process. However, at the end of the day, they are accounting officers and that relationship is particular to the way in which the system operates.

393. **Mr McLaughlin**: I understand that. I just wanted it to be on the record.

394. **Mr Peover**: You also asked whether we are ever dissatisfied with the products that we get from consultants and what we do about it if we are. There is a case study in the report of a grade 7 competition. The first time that we went out to tender for that competition and let the contract, the firm that got the contract did not deliver a product that we regarded as acceptable and was not paid. We then went through another competitive arrangement and got another firm to do it. Therefore, it does happen. It is fairly unusual and you would expect that to be the case.

395. Normally, if you are unhappy with the performance of a contractor in the course of a contract, whether it is a builder or an external management consultant, you would seek to resolve that matter through the performance management of the contract, rather than allowing it to run until the end and then find that the whole thing was a disaster. By and large, you would try to resolve it.

396. The reason for employing consultants is to bring in expertise. If they do not deliver products, you can, ultimately, not pay them or, as I said earlier, issue a certificate of unsatisfactory performance that debars them from future public sector contracts for one year. There are sanctions in the system. It is unusual for those to be used, and you would hope that it would be unusual.

397. **Mr McLaughlin**: Yes, you would hope so. Is there a standard template for the post-project evaluation, or does the accounting officer draw up terms of reference that are bespoke to each contract?

398. **Mr Peover**: There is a fairly standard template. It varies depending on the nature and scale of the project, but there are standard things that need to be included.

399. **Mr Pengelly**: In the online general guidance that I referred to — it goes beyond the use of consultants — there is a comprehensive section on the preparation of PPEs. We always emphasise the importance of proportionality, particularly in the case of consultants. We have 700-odd annual consultancy assignments. Some are very low in value, and you do not need to go through each and every heading and fill in space on a page for the sake of doing so. The evaluation is about testing whether the project delivered what was wanted, whether it was delivered within costs and timescales and whether there were any learning points. Those four key points can be addressed with a heavier or lighter touch depending on the scale of spend.

400. **Mr McLaughlin**: Do accounting offers add or amend the terms of reference or do they work to that template?

401. **Mr Pengelly**: They are free to add to it. There is a certain minimum, in the context that we accept a degree of proportionality. However, we would not want to see PPEs that ignore whether the key deliverables were received and whether the contract was delivered on time and to cost.

402. **Mr McLaughlin**: OK. We have talked about one project ad nauseum. You would want to be able to argue that you are moving to a position in which you can stand over the contract ,procurement and project management

processes and the delivery of specified outcomes. You have a responsibility. You are the public spending director.

403. **Mr Pengelly**: Yes.

404. **Mr McLaughlin**: You also have responsibility for the performance, efficiency and delivery unit (PEDU). Do you have any role in assessing the efficacy of the post-project evaluation process?

405. **Mr Pengelly**: I will focus on consultancy. With regard to the public spending dimension, it used to be that for every project above the delegated limit — for consultancy that was £75,000 routinely, and £10,000 for OFMDFM — we would require sight of the PPE. In late 2009, we amended this because we wanted to get the focus — and again, this is the focus of the Audit Office and the Committee — on learning points and where there is commonality on issues that can enhance our capacity as a system. So, we have amended the guidance. When we give DFP approval, we will indicate to Departments whether we want sight of the post-project evaluation, and we will focus on the large and novel projects, and those which we think have some degree of common application across the system. Below that, we will continue to test drill and report on compliance, because post-project evaluations should be done routinely below the delegated limit.

406. **Mr McLaughlin**: You said the word “require”: if you require something, it must be produced?

407. **Mr Pengelly**: It has to be produced. We now report performance on a quarterly basis to the Committee for Finance and Personnel, which has taken a very helpful interest in that. That started in June 2009, when there were 361 PPEs outstanding. As of November past, the figure is down to 138. There will always be some PPEs outstanding because one should not be done until six to 12 months after a project has closed. However, the Committee’s interest has been helpful in our work with Departments. One of the issues that I talked about is that we want to review the way ahead on the back of this session. We are about to commission annual returns on PPEs, whereby we will be specifically asking Departments to articulate key lessons learned for wider dissemination across the system. It will also be a regular reporting mechanism to see where we are in the completion of PPEs.

408. **Mr McLaughlin**: I do not want to be drawn into a discussion of the latest report, but it indicates that earlier progress seems to have been halted. Is 139 the latest figure?

409. **Mr Pengelly**: I am sorry, that figure is the totality. That is beyond consultancy, which is what the Committee is interested in. The position for the year that ended in March past is that, out of 74 PPEs that should have been completed, only ten have not been completed to our satisfaction. That is a reduction, but ten is still too many.

410. **Mr McLaughlin**: It is progress and should be recorded as such.

411. The Department previously told the Committee:

“comprehensive and accurate data on all consultancy expenditure would be available at the touch of a button through the Account NI system.”

412. Paragraph 3.7 tells us that that is hardly the case. How are you going to rectify that, after such vast expenditure in developing the system?

413. **Mr Peover**: I am interested in the phrase “at the touch of a button”.

414. **Mr McLaughlin**: I think it is a direct quotation.

415. **Mr Peover**: Let us leave aside the metaphorical aspect. It is literally true, as far as internal expenditure is concerned. For the 12 Northern Ireland Departments and their agencies we will have available, through Account NI, detailed information on their consultancy spend. So, at the touch of this metaphorical button, we can deliver that. The non-departmental

public bodies are not on Account NI. So when Richard's people go to do the compliance report, there is a fair bit of toing and froing between us and the Departments to verify the data that we have on Departments, and also to get the data that they have for the non-departmental public bodies. As long as there are organisations for which we are responsible and which are not on Account NI, there will always be that extra stage of gathering that information and collating it for the purposes of the compliance report. The phrase, "touch of a button" may be a slightly flippant way of putting it, but effectively we now have an electronic system that delivers our accounts in a coherent and consistent way and, as I said earlier, we are still refining the guidance. There will be new guidance from the start of April which will deliver more information on the other non-consultancy professional services that are managed.

416. **Mr McLaughlin**: The Finance Committee is having a parallel discussion on that. There are some interesting proposals coming through on reviewing and reforming the Budget process. The fact is that the Assembly, for years, did not know that it was not voting on all the expenditure anyway, because of the NDPBs. Is the system capable of giving us a more comprehensive spend, including bringing in the non-departmental public bodies?

417. **Mr Peover**: That is an interesting issue.

418. **Mr McLaughlin**: It is public money after all.

419. **Mr Peover**: It is. We would like to extend the scope of all our shared services, and there is capacity in the system to do that. There are issues about contracts that we need to negotiate, but Paul is in the process of working through ESS 2020, which is a vision for where we go next. Until relatively recently, we have been stabilising the various systems, including HR Connect, Account NI and CAL, which are part of the ESS group. Our first priority was to get those up and working and reliable and performing effectively against their key performance indicators. That has been done, and it is working very well. However, what do we do with it now? Where do we go with it? We would like to extend the scope of Account NI. At the moment, those bodies are not on Account NI, and they do not use that system.

420. **Mr McLaughlin**: That is a significant omission, but it is not really the core of my question. Have we got to the point at which we do not need to bring the consultant back in? Metaphorically, we are talking about pressing a button. Now that we have got to grips with the system, can we produce the information by pressing whatever number of buttons?

421. **Mr Peover**: We can do it for the Northern Ireland Civil Service departmental and agency expenditure. That is within the ambit of Account NI, and it now includes the Department of Justice as well. However, we cannot do it for non-departmental public bodies that are funded at arm's length from Departments. That is part of the reason why it takes 10 months, or whatever period it might be, to get that data validated and checked and to satisfy ourselves that we are providing accurate information.

422. **Mr McLaughlin**: If we were talking about it in the private sector context, the managing director would have systems in place to let him know what each Department is doing. Given the significant dispersal of public money through those bodies, in theory, they should not be outside the Account NI system. However, I am not saying that it should be done tomorrow.

423. **Mr Peover**: In a sense, they are not, because they are eventually all brought together in whole of Government accounts. However, at management level, we in the departmental board in DFP look at all our expenditure on a monthly basis and have regular returns on consultancy expenditure. Therefore, we are monitoring all sorts of things such as travel, subsistence, expenditure and PR, but consultancy is part of that. We expect other Departments to take similar action with their expenditure.

424. **Mr Copeland**: I am starting to pick up that there was an end product to all of this and that it may have involved the pressing of one or two buttons. You said earlier that it was a very innovative thing and that it had not been attempted elsewhere in the UK. Therefore, it strikes me that there could be intellectual copyright in something that has been done in Northern Ireland, and which has been groundbreaking and could possibly be sold in an open market, such as the rest of Great Britain or, perhaps, even the Republic of Ireland, which has not benefited from our expenditure of £10 million. What was the end product? Who owns the intellectual copyright? In other words, have we purchased something with our people's money, which now belongs to someone else and could be used by them in other scenarios to derive benefit from it, while we will not?

425. **Mr Peover**: We are in a partnership with BT on this issue. There is a system in place. I am not talking about the actual consultants now; I am talking about the actual product. For HR Connect, we are in consultancy with Capita and Fujitsu. Therefore, these are now private sector type contracts. In the case of Account NI, we retained the staff in-house. Therefore, the staff are civil servants, but we are working with contractors in a strategic partnership. Therefore, there are a variety of arrangements. We are keen to use the systems that we have as extensively as possible, but I am not sure that we have thought about taking over the world.

426. **Mr Copeland**: Has the intellectual copyright been developed at the expense of the Northern Ireland taxpayer?

427. **Mr Wickens**: One of the biggest things that Account NI has produced is a common chart of accounts, which allows us to have all the departmental structures and cost codes consistent across the piece. That was not available before, and it goes back to what we started off to do. The fact that we can now do that allows us to show consultancy expenditure in a consistent way across the piece. That is where we have been developing that sort of thinking.

428. **Mr Copeland**: I fully understand that, but is there anything in principle to stop PwC or whoever designed this or worked with you from going to Scotland and offering it there for £5 million?

429. **Mr Wickens**: They cannot sell an asset that we own. We own the asset of Account NI that was built and developed for us.

430. **Mr Copeland**: Do you own the system or the hardware?

431. **Ms Fiona Hamill (Department of Finance and Personnel)**: We own the computer coding of the system that sits below Account NI. It is owned by and protected for the NICS.

432. **Mr Copeland**: Do you mean that, in other words, the intellectual copyright belongs to the NICS?

433. **Ms Hamill**: Yes.

434. **Mr Copeland**: That is all that I was asking. Thank you.

435. **Mr McLaughlin**: I do not think that that was always the case. Maybe it was just in this instance. We will take it from that that lessons are being learned.

436. In paragraph 3.7 and 3.8 of the report, there is a discussion about the confusion around the classification of external consultancy costs compared with the cost of other forms of professional services. The conclusion is that, on occasion, expenditure was misclassified. Is there anything more that you can do to ensure that that will not happen? Have you clarified why it happened? Have you also simplified the guidance and definitions and ensured that your accounting colleagues across the Departments are using the same kind of system?

437. **Mr Peover**: That is what we have been trying to do. Guidance has been given on what counts as consultancy. Extra work has also been done, and a new system will come in from April that will classify the other bits. There will be a set of

coding under the Account NI system that will allow people to stipulate whether the cost is for staff substitution, external consultancy or a managed service such as catering, cleaning or porterage. Those systems have been developed in consultation with Departments and consultancy co-ordinators and will be implemented from April. There has also been ongoing work to clean up the data and ensure that it is accurate and is held on a consistent basis across all the Departments. We have also done work to ensure that when we report we report the same thing.

438. **Mr McLaughlin**: Is there now a universal understanding and standard?

439. **Mr Peover**: Yes.

440. **Mr Wickens**: Exactly what you said has been done and will be implemented from 1 April. It will give a lower level of detail and allow us to break it down and ask more detailed questions.

441. **Mr McLaughlin**: Thank you for your help.

442. **Mr Hussey**: The good thing is that we are getting towards the end of the book. Paragraph 3.10 suggests that the Audit Office encountered significant delays in receiving information from some Departments. In fact, there is a reference to one case that took up to four months. A number of Departments also produced additional information during the clearance process that was not made available during the field-work stage. Do you think that it is acceptable for Departments not to respond promptly to the Comptroller and Auditor General's request for information? Is there anything that DFP can do to improve that process.

443. **Mr Peover**: The answer to your first question is no. Departments should respond promptly to requests for information. All that we can do is remind Departments about that.

444. The Comptroller and Auditor General is quite a scary individual at an organisational level. He carries a lot of clout in the system, and, when he comes in to do a study, he is entitled to expect full co-operation and access to documents and papers. If he is unhappy at the level of response that he or his staff get from the departmental staff, the C&AG can talk to the departmental accounting officer. There are stages in the process when a report is being drafted, and if issues are flagged up about the unavailability of information, those should also be flagged up to the accounting officer at that stage and he or she should respond. As an accounting officer, I would expect my staff to co-operate fully with C&AG staff, and I am sure that my accounting officer colleagues feel the same. We are happy to remind them that that is the case, but I am sure that Kieran's staff are fully engaged with them in chasing any outstanding information. I do not know why it took four months in that case.

445. **Mr Hussey**: A period of four months is glaring and hits you between the eyes. As someone who worked at a low level as an operations manager and occasionally had to inspect documents, I would not have tolerated a two-week delay let alone one of four months. However, maybe I was more frightening — I certainly carry a lot more weight that the previously referred to gentleman.

446. Paragraph 3.13 suggested that DFP previously assured this Committee that the integrity of the public record and the C&AG's access rights were not diminished by the introduction of electronic records management. However, paragraph 3.1 notes that Departments mentioned that the TRIM electronic records management system might have been one reason why information was unavailable for the Audit Office. What evidence do you have that the integrity of the public record and the C&AG's access rights have not been diminished by electronic records management? Of course, there had to be a reference to TRIM in there, which does not help.

447. **Mr Peover**: We think that TRIM system has bedded in. It is the official place for locating and filing documents. The C&AG, obviously, has access to TRIM records. At present, there are something

like 14 million documents on TRIM. The purpose of the system is to have a comprehensive record of information so that paper files, and whatever else is in TRIM, do not go missing. Therefore, I assure you that mechanisms and structures are in place. I chair an information governance board, which looks at issues of information assurance and management. The information management group, which is a lower-level body, brings together the 12 Departments. I might ask Paul to comment on that issue. Our impression is that the system is bedding in well. It is being used appropriately and widely. I am sure that it is not perfect. However, it is being used well. It is now the place of record for systems. It should not diminish the Audit Office's access to records.

448. **Mr Hussey**: Again, it is about the push of a button. Can you tell me whether you have undertaken any reviews of the system? If so, who was involved? What did they actually find? Has the system been reviewed? Can somebody say that, although a record might not be available at the push of a button; it could actually be found at the push of two buttons and by checking with somebody else?

449. **Mr Wickens**: One of the key issues is searching for documents within the system. It is a database that, effectively, holds over 14 million records. There is no point in throwing something into it and not being able to find it again. Therefore, in recent days, we have enhanced the search facility with regard to what it is possible to find. However, if you do not put appropriate search criteria into, if you like, the header information for documents, you are still not going to find it. Therefore, we are working again with and through information strategy teams and business area information managers to ensure that they continue to assist people on the ground and give them the support that they need to file documents appropriately.

450. **Mr Hussey**: When did that enhancement start?

451. **Mr Wickens**: I cannot give you the actual date. I can come back to you on that.

452. **Mr Hussey**: Clearly, there is no point having information if nobody can access it. I know what it is like trying to find letters on my own computer. I am not dealing with 14 million records. It is a matter of public record. I get somebody else to find it for me, to tell you the truth. *[Interruption.]*

453. It is in the other drawer; exactly. *[Laughter.]*

454. **Mr Peover**: Each Department has a file structure. Therefore, there is a structure under which material is held. There are containers and papers. There are quite sophisticated search arrangements. It should be possible to track down documents.

455. **Mr Hussey**: Are physical documents also retained?

456. **Mr Peover**: In some cases, they are. However, the electronic record is really the official record now. We are trying to minimise the holding of alternative forms of documentation because with regard to matters such as FOI queries, it is not helpful if a set of papers is held electronically and another set is held in a folder in a drawer in somebody's desk. If someone asks a question about any matter, there needs to be integrity of the record, so that we can go in, interrogate the system, say that the answer is x and not find that half a dozen other pieces of information are stored on paper elsewhere.

457. Therefore, we are working our way through it. There are still legacy records, and there will be for some time. However, the long-term intention is for the electronic record to be the official record of any particular transaction.

458. **Mr Easton**: I very much welcome DFP's production of an annual compliance report. However, paragraph 3.20 tells us that those reports are taking nearly a year and a half to produce. I note that your most recent report has been published more quickly. How did you manage to address those delays? What

more can you do to produce a report in an even more timely manner?

459. **Mr Peover**: The first report took 15 months; the second took 19 months, and the third took 15 months. Now, we are down to 10 months. Our aim is to publish before the end of the financial year. As I said earlier, we have to wait until the information is available at the time of the resource accounts in late June and early July. That is when we can begin the process of asking Departments for details.

460. **Mr Pengelly**: As regards the key point of what we are doing, the 2010-11 report was published during the past day or so. We have already commissioned the 2011-12 report, uniquely, before the year is finished. We have now commissioned data for the first six months of the year, which will allow us to start the test-drilling process immediately. Normally, that does not happen until the summer. Therefore, that will be out of the way quickly. We will, then, go back some time soon after the end of the financial year, having given Departments due time to finish their annual accounts, and can pick up the second six months of the year with a view to, as Stephen says, finalising and publishing the annual compliance report, certainly, before the end of the year and, ideally, during autumn.

461. **Mr Peover**: We have found that most Departments respond quite quickly, depending on the amount of toing and froing that is necessary. It is one of those things that moves at the pace of the slowest respondent. We have to get all Departments' returns in before we can put the compliance report together. We have to allow people to see the information to ensure that they are satisfied that they have given us the correct information; that we have not misinterpreted it, and that they have not left something out. To do that within the financial year is as much as we can manage. We think that that is timely enough to allow messages to be disseminated. We have to give Departments a chance to work their way through it.

462. **Mr Easton**: The latest report took nine months.

463. **Mr Pengelly**: It took 10 months.

464. **Mr Easton**: You are now six months in advance. Could it be done sooner?

465. **Mr Pengelly**: One issue is that we normally wait for the end of the financial year. Then, we start to capture data from Departments. After that, we start the process of test drilling. If we break that down into two chunks, we will do the first six months of test drilling during the course of the year. That has added benefit in that we can start to filter the lessons that emerge to Departments in real time. That can, potentially, influence the second six months' expenditure, which means that means that when we commission the second six months in the summer, we are dealing with only half of the volume of data. Therefore, we can brigade it. We would, certainly, be optimistic about making a considerable reduction and bringing it in within 10 months. We will publish the 2011-12 data in 2012.

466. **Mr Easton**: Therefore, we can look forward to it a wee bit sooner, perhaps.

467. **Mr Pengelly**: Yes.

468. **Mr Easton**: OK. Paragraph 3.22 indicates that the purpose of conducting test drilling is to monitor external consultancy expenditure and identify ways to improve further performance. That means that the results must be disseminated to the appropriate audience for consideration and action. What do you do currently to publicise the results of your test-drilling exercise? Have you considered whether there are other ways to disseminate the key messages?

469. **Mr Peover**: As I said earlier, we write to accounting officers with a copy of the report. In the report, as you have seen, annexes highlight cases about which we are concerned. They are, therefore, drawn to the attention of accounting officers. I would speak to my colleagues in anticipation of the issuing of reports, so that they know that it is coming,

and identify any significant issues, such as the lack of PPEs being done or inadequate business cases. You have made a good point about whether there is more that we could extract and issue as examples of good practice or things to avoid. I want to reflect on that in light of the discussion.

470. **Mr Pengelly**: As Stephen said, an individual letter goes to every Department about its specific issues. We also send out a formal “Dear Accounting Officer” letter to all departmental accounting officers, NDPBs and arm’s-length bodies, which gives a sense of the themes and trends that are emerging in the report. My teams will then pick that up in one-to-one dialogue with individual Departments. I chair the finance director group, where it would be a topic of specific discussion. Therefore, there is specific discussion on this in the key areas of finance directors and permanent secretaries. You are absolutely correct; we need to focus on that issue. We have now done four reports. We want to pause and take stock of whether we are covering the right issues and presenting the information properly and in a way that is accessible. A key issue in that regard is how we promulgate emerging trends and lessons from our test-drilling exercise.

471. **Mr Easton**: OK. I have one final question. Currently, your annual compliance report does not do much to identify good-practice case studies or draw out lessons to be learned. It is good that overall expenditure on consultancy is down by 39%. However, there are still a lot of bad practices, some of which we highlighted earlier, such as the number of single tender actions and poor quality business cases. Certainly, as we go on, it is good that expenditure is being reduced. However, if those practices are not fixed, we will end up with huge consultancy bills further down the road. Do you think that there is a role for the report to be developed further so that it can be given added value in this way and not solely identify non-compliance?

472. **Mr Peover**: Do you mean identifying good practice and lessons learnt? That is helpful. I would be happy to try to take that forward. If that came as a recommendation from the Committee, we would be happy to see what we could do.

473. **Mr Easton**: Therefore, perhaps, future reports will show good practice?

474. **Mr Peover**: Yes.

475. **Mr McLaughlin**: I have a quick question on post-project evaluations and, perhaps, on specific areas of the entire tendering process. The PPE section of the report states that you are encouraging Departments to share lessons learned and to disseminate those to a wider audience. If they do not do so, and there are repeat examples of that, is there any mechanism by which we can be satisfied that good practice has been established as opposed to simply being identified?

476. **Mr Peover**: That is, probably, an area of deficiency. We could do more to identify good practice and disseminate it. It is quite difficult. Consultancy assignments, by their nature, are, often, fairly specific. There may not be lessons to be learned from —

477. **Mr McLaughlin**: I am talking about the wider process.

478. **Mr Peover**: You mean more generally? Yes; we could do more in that area. Earlier, the Chairman asked me where we might start to develop the entire process, where it might go, and what more needs to be done. We could think sensibly about how we could develop the process of identifying good or bad practice and disseminating lessons learnt throughout the system in a generic way.

479. **Mr McLaughlin**: OK. We will reflect that in our report. Thank you.

480. **The Chairperson**: You will be glad to hear that there are no further questions from members. Thank you for your evidence today. Obviously, a lot of work has been done. However, more needs to be done. Nothing is ever perfect. We

need to learn from practice. Richard, Stephen and Paul, thank you very much. Obviously, there are some questions to be answered and some information to be provided, so, we look forward to receiving that.

Appendix 3

Correspondence

Chairperson's Letter of 16 February 2012 to Mr Stephen Peover

Public Accounts Committee

Mr Stephen Peover
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Department of Finance and Personnel
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16 February 2012

Dear Stephen,

Evidence session on the Use of External Consultants by Northern Ireland Departments: Follow-up Report

Thank you for your participation in the Committee's evidence session in this inquiry.

As the Committee agreed I would be grateful if you could provide the following information.

1) A breakdown by year detailing the growth of DFP's centralised specialist consultancy service and the number and value of projects undertaken by it, if possible as far back as the period of the Committee's 2008 report (2003-07) for comparison; and your assessment of the cost of providing the service as it currently stands.

2) A copy of the "ten-page script" you referred to in the session; and any additional commentary needed to detail how the Department managed the development of the Account NI project throughout, in particular in its consideration of contract extensions.

3) Copies of the post-project evaluation for the implementation of the Account NI scheme and the post-project evaluation of the consultancy element of the project.

4) A copy of the current guidance issued to Departments in respect of skills transfer within the NICS.

5) The original contract and invitation to tender, a summary of the tenders received in respect of the Account NI consultancy in cash terms and the rationale applied that led to PwC successfully securing the contract.

6) The operational date of the enhanced search facility implemented on the TRIM records management system, which you referred to at the session.

7) Clarification of the nature of the Department's intellectual property rights in respect of Account NI information technology, distinguishing what is licensed from what is owned outright.

I would be grateful if you should clearly reflect any data marking concerns you wish the Committee to consider for all or part of your response.

I would appreciate receipt of your reply by Thursday 8 March 2012.

Yours sincerely,

Paul Maskey
Chairperson
Public Accounts Committee

Correspondence of 6 March 2012 from Mr Stephen Peover

From the Permanent Secretary
Stephen Peover

Rathgael House
Balloo Road
BANGOR, BT19 7NA
Tel No: 028 9127 7601
Fax No: 028 9185 8184
E-mail: stephen.peover@dfpni.gov.uk

Department of Finance and Personnel
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Paul Maskey
Chairperson
Public Accounts Committee
Parliament Buildings
Room 371
Stormont Estate
BELFAST BT4 3XX

6 March 2012

Dear Paul

Evidence session on the Use of External Consultants by Northern Ireland Departments: Follow-up Report

Thank you for your letter of 16 February. The information requested is provided below and in the attached annexes.

1) The information requested in relation to the Business Consultancy Service is included in **Annex A**.

2) The "ten-page script" which I referred to at the session is attached at **Annex B**. This is a full explanation of the Department's view of the position on the handling of this contract and does not need any further commentary. There are a few minor terminological inaccuracies in the document but they are not material and I have not therefore sought to correct them. The 'script' contains references to supporting documents, but all of these were available to NIAO during its study and in consequence I have not attached them.

3) Copies of the post-project evaluation for the implementation of the Account NI scheme and the post-project evaluations of the consultancy element of the project are contained in **Annex C**.

4) Guidance in respect of skills transfer within the NICS is integrated within the guidance on Use of External Consultants. This guidance emphasises that Departments should assess the potential for skills transfer and build provision for it into the scope of assignments where possible. There is also a specific section in the standard business case template for skills transfer. Relevant extracts are included in Annex D. The issue of skills transfer is also referred to in the Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE). In cases where there is explicit provision made for skills transfer in the business case for an external consultancy project, this will, in accordance with NIGEAE be included in the Benefits Realisation Plan for the project. A relevant extract from NIGEAE on Benefits Management and Realisation is included at **Annex D**.

5) Copies of the relevant tender and contract documentation are included in **Annex E**, while a summary of tenders received is provided in **Annex F**. PWC was awarded the contract as it provided the most economically advantageous tender with a top score of 1131.1 points. It would be appreciated if the commercial information in relation to the unsuccessful bidders could be restricted to members and relevant officials.

6) An Enterprise Search tool has been procured and work has started to enhance the search facility on TRIM. Testing is currently underway, with a view to fully implementing the new search facility in the summer.

7) The Account NI solution is based on the Oracle E-Business suite and other proprietary software such as Cognos, ReadSoft and Real Asset Management. Such software is used under license from the copyright holders and Account NI does not acquire any right, title or interest in or to the IPR thereof. Account NI however owns certain project specific IPRs.

Yours sincerely

Stephen Peover

Annex A

Context

Business Consultancy Service (BCS) is an internal consultancy service within my Department. Mandated to support Reform and Modernisation, BCS provides a consultancy service to the 12 NI Departments and their executive agencies. It is currently staffed as follows:-

Head of Consultancy	1	
Principal Consultants	2	
Senior Consultants	20	25 Consultants
Consultants	3	
Administrative staff	2	

and for the 2011-12 year has a projected operating cost of £1.6m.

Following the 2007 PAC Hearing

Since the 2007 PAC Hearing on the 'Use of External Consultants' the capacity and capability of the BCS team has been enhanced with the addition of 5 senior consultants during the 2009-10 business year. The team is staffed with 25 experienced business consultants, 8 of whom hold the Institute of Consultancy accredited management consultancy qualification. All BCS staff currently follow a Continuous Professional Development programme that is linked to the industry's professional consultancy standards.

The Reform of BCS

Around the time of the 2007 PAC Hearing on the 'Use of External Consultants', BCS had embarked on a journey to reform its operating delivery model. Traditionally BCS had operated primarily within a limited area of consultancy, ie low value projects and often on projects that offered minimal impact or value to the overall business. Since 2007, the challenges facing the wider public sector have required a very different operating model. As a result, there has been a shift in the type of consultancy projects supported by BCS. There has, for example, been an opportunity to provide specialist consultancy in areas of business including job evaluation, corporate governance, continuity and risk management, systems and process improvement, organisational design, strategy and business planning, and policy appraisal.

There has also been a considerable shift in the size of projects (Table A), with a move away from routine and short projects that we would have been engaged to undertake in the period 2003-2008. Engagement of BCS consultants has also seen a significant change in the complexity of project work. This level of engagement with clients has repositioned the BCS consultant at a strategic level within an organisation and has enabled the delivery of a holistic consultancy service that will deliver sustainable change within a reasonable timeframe.

Prior to 2009-10 the cost of providing the BCS service to departments attracted a notional daily charge – eg DPs were costed at a daily rate of £600. Notional charging has however been phased out in the last two business years and a realistic hard charge daily rate introduced. The policy decision to introduce a hard charging rate of BCS services has helped clients assess the affordability and value of the service before engaging BCS consultants and equally hard charging has assisted the BCS team to concentrate its efforts on the type, quality and value its consultants delivers to its clients.

Added Value

Over the last 9 financial years there has been significant change in the delivery of BCS services. For example, as depicted at Table A there is a noticeable increase in the number of consultancy days, and at the same time a reduction in the daily rate charges. The variables surrounding recovery of costs are often outside the control of BCS, however, the trend to date has been that the business has largely achieved recovery of its full economic costs. The structure, role, and professionalism of the BCS team and a knowledge and understanding of the NICS landscape has helped to shape the delivery model to meet the changing organisational business need.

The 2010-11 and 2011-12 financial years has seen a 25% increase in the number of consultancy requests for BCS support. The increase in requests is relative to:-

(i) adherence by departments of the guidance on the use of consultants;

(ii) referrals from Central Procurement Directorate ie a client is requested to explore internal capability before considering the external market;

(iii) the reposition, and strengthening of the BCS mandate to meet wider business challenges; and

(iv) recognition of the increase in the BCS capability.

Since the 2007 PAC Hearing on the 'Use of Consultants', departments have engaged BCS to undertake work that historically would have been contracted to the private sector eg Policy Appraisal and Review, and Business Continuity.

In conclusion the analysis of client feedback over the last few years portrays a strong customer satisfaction record, 100% of its services being rated by clients as either 'Very Satisfied' or 'Satisfied'.

Taking account of the many variables outlined in this short reply the current operating model and performance record over the last few years reflects that the BCS team is offering the NICS client a value for money service.

Table A

Business Consultancy Service – Cost and Income Data

Business Year	No of Projects	Total No of Staff	No of Consultants	No of Management/ Admin	Consultancy Days	Hard & Notional Income	Full Economic Cost
2003-04	153	N/K			2,032	£1.2m	£1m
2004-05	141	27	23	4	2,040	£1.2m	£1.2m
2005-06	114	18	15	3	2,085	£1.1m	£1.3m
2006-07	74	21	17	5	1,480	£0.9m	£1.1m
2007-08	110	27	23	4	2,013	£1.2m	£1.3m
2008-09	92	24	20	4	2,559	£1.5m	£1.4m
2009-10⅄	98	29*	26	3	2,865✧	£1.5m⅄	£1.5m
2010-11	91	28	25	3	3,870	£1.5m	£1.6m
2011-12	102	28	25	3	3,118	(Figures will be available at year end)	

* 5 additional consultants (DP grade) joined BCS between July and September 2009

✧ Daily (DP) chargeable rate prior to 2008-09 £600 x day
2009-10 £350 x day
2010-11 £390 x day

⅄ Hard charging to departments introduced from 2009/10 business year

enterprise shared services
better together

Account NI

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2002-2009

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Purpose

This purpose of this brief is to provides an overview of the PwC contract and the approval and procurement processes applied for each phase.

Summary

The PwC contract commenced in April 2002, ran for 7 ½ years and completed in September 2009, at a total cost of £9.6m. The contract consisted of an original contract valued at £972k and two extensions of £1.47m and £2.7m respectively. This was followed by a renegotiated contract to the value of £5.2m and a further extension to the renegotiated contract of £0.65m respectively. Account NI sought and secured approval to spend up to £10.9m over this same period.

The table below summarises the PwC contracts, contract values, and reconciles these to the NIAO report. The number of extensions has been interpreted slightly differently in the NIAO report.

<table>
<tr><th>NIAO
Report</th><th>Approvals
(£'000)</th><th>Actual
Position</th><th>Spend
(£'000)</th></tr>
<tr><td>Original contract</td><td>972</td><td>Original contract (April 02- Mar 05)</td><td rowspan="2">2,276</td></tr>
<tr><td></td><td>1,470</td><td>Ext 1 of original contract (Mar 06)</td></tr>
<tr><td>Ist Extension</td><td>2,700</td><td>Ext 2 of original contract (June 07)</td><td>1,662</td></tr>
<tr><td>2nd Extension</td><td>5,200</td><td>Re-negotiated contract (Dec 08)</td><td rowspan="2">5,709</td></tr>
<tr><td>3rd Extension</td><td>650</td><td>Ext to renegotiated contract (Sep 09)</td></tr>
<tr><td></td><td>£10,992</td><td></td><td>£9,649</td></tr>
</table>

The NIAO view is that Account NI programme has overrun in terms of cost and time, particularly given that the scope of the project remained unchanged throughout.

NIAO report findings

Case Study C - Account NI

"DFP commissioned the services of PricewaterhouseCoopers to provide support on Account NI, a major reform initiative within the NICS. The original contract was competitively tendered and awarded in April 2002 to run for three years on the basis of a proposed cost of £971,700. There were three extensions to the original contract valued at £2.7m, £5.2m and £0.65m respectively running from July 2006 to September 2009. The total final consultancy cost was £9.6m. DFP advised us that, Account NI sought and followed CPD advice and secured the appropriate approvals from the Minister and DFP Supply throughout.

Regulation 14 of the Public Procurement Regulations (2006) limits the extension of any contract to 50 per cent of the original contract value after which the contract must go out to open competition. CPD recognised this requirement and limited the first extension to 50% of the original contract value with the intention to re-tender the contract to cover the remaining period required. CPD, in conjunction with Account NI drafted tender documents and agreed an evaluation model. However, following consideration of emerging case law, it was agreed instead to negotiate with PricewaterhouseCoopers with a view to extending the existing contract.

DFP's rationale for this approach was that since there was no change to the scope of the consultancy contract, it was not therefore a new contract to which the provisions of Regulation 14 would apply. This rationale was supported by legal advice. It was considered that value for money could be secured by negotiating with the external consultancy provider and comparing the rates offered with those quoted for other frameworks let at that time.

DFP advised that extensions to the Account NI contract were managed in line with advice and guidance from Central Procurement Directorate, the department's Centre of Procurement Expertise, and the Departmental Solicitors Office.

In our view, in order to demonstrate value for money and ensure compliance with procurement regulations and EU legislation DFP should have undertaken separate procurement exercises for each of the contract extensions.

DFP strongly disagrees with the assertion that there was a project overrun on the Account NI contract with PriceWaterhouseCoopers. DFP believes it has demonstrated that the [*original*] contract [*made provision for extensions*] was pro-actively managed, in line with relevant procurement procedures and underpinned by guidance from Central Procurement Directorate and the Departmental Solicitor's Office, and that appropriate approvals – permanent secretary, ministerial and supply – were sought. The actual expenditure did not exceed the total contracted value, and DFP is strongly of the view that there were sound governance and control arrangements in place for managing this contract.

It is our view that a contract agreed at an original value of £0.97 million which finishes costing £9.6m, more than 4 years after the original completion date, has overrun in terms of cost and time, particularly given that the scope of the project remained unchanged throughout."

Background

Following the creation of the new Departments under devolution, DFP initiated an examination of how best to organise financial systems and services, given the possibility that replicating similar operations in eleven departments might not be the most cost effective way to proceed. In November 2000 consultants (Deloitte) were commissioned to undertake a review of accounting services, known as the Accounting Services Review (ASR), across all departments.

On the 26th November 2001, the NI Executive agreed that the findings of the ASR study be endorsed and the accounting services across departments be provided on a common basis and that the work on procurement and implementation should be initiated with, as a first step, the engagement of consultancy support. With the Executive's specific agreement, consultants were appointed (PwC) to assist in the management of the procurement and implementation of the Accounting Services Programme (ASP) (ref: Submission to Mark Durkan MLA).

Original Contract - Apr 02 - Mar 05 (with options to extend) £972k

DFP commissioned the service of PwC to provide support to ASP (later known as Account NI), a major reform initiative within the NICS. The original PwC contract was competitively tendered and awarded by CPD on 3rd April 2002, with a commencement date of 8th April 2002 for three years (March 2005) with options to extend at six monthly intervals until project (Account NI) completion. The PwC contract covered the procurement and implementation phases of Account NI.

Approvals

Supply approval for the £972k consultancy assignment was implicit by the fact that CFG Senior Management (CED and Supply) advised the then Minister and drafted the Executive Paper in 2001 (reference: Account NI letter to DFP on 15 December 2004).

Account NI recognised that there was no formal record of Supply approval in relation to the original contract £972k. On 18 February 2005 - Supply approval was formalised (reference: letter from DFP Supply).

Procurement

19 December 2001 – contract for "Accounting Service Programme (ASP) – Consultancy Services" was competitively tendered (reference: PwC to CPD on 11 February 2002).

3rd April 2002 – contract awarded to PwC (reference: contract award letter from CPD to PwC). Contract value was £972k with a commencement date of "8th April 2002 for three years (March 2005) with options to extend at six monthly intervals until project is complete" (reference: TOR).

Contract Extension (1) - to March 2006 - £1,470k

Account NI sought additional consultancy support to cover the procurement period up to March 2006 due to prolonged contract negotiations around the modifications to the scope of the programme.

Approvals

28th October 2004 - Account NI sought additional consultancy support up to March 2006 to the value of £1,470k to supplement resource/skills shortages in

Departments to in delivering various work programmes (reference: SRO to Minister).

1st November 2004 - Ministerial approval for additional consultancy was secured (reference: Minister's annotation of submission).

18th February 2005 - Supply approval granted up to £2,442k (£972k + £1,470k) (reference: letter from DFP Supply).

Contract ended on 30th June 2006 at a total cost of £2,276k.

Contract was utilised 3 months longer than envisaged (Mar - Jun 2006) due to ongoing discussions with CPD regarding consultancy arrangements going forward. The focus in the main was on whether to extend or re-tender. In the interests of the programme, it was considered more prudent to retain the services of PwC until such time as agreement was reached.

Contract Extension (2) - July 06 to Dec 08 - £2,700k with early termination in May 2007

Additional resources were needed to provide ongoing support to implementation and to supplement certain resources/skills shortages which were not forthcoming from departments. Further consultancy support covering the implementation phase from 1st July 2006 to 31 December 2008 was sought at an additional estimated cost of £2.7m. Discussions took place between Account NI and CPD with regard to consultancy arrangements going forward.

Approvals

12th June 2006 - PSG approval was granted (reference: PSG e-mail) for the period July 2006 to 31st December 2008.

14th June 2006 - Ministerial approval was granted for the period July 2006 to 31st December 2008 (reference: Sub/203/2006) subject to the provision of additional information. Information to Minister submitted on 3rd July 2006.

6th July 2006 - DFP Supply approval was granted (reference: CFG 1599/05) for the period July 2006 to 31st December 2008. The small delay in securing Supply approval was a consequence of the provision of additional information to the Minister on 3rd July 2006.

Procurement

Prior to the end of the first contract extension (ie, March 2006), discussions took place between Account NI and CPD with regard to consultancy arrangements going forward. The focus in the main was on whether an extension to the existing PwC contract was appropriate considering the future requirements, or whether a re-tendering exercise should be carried out.

CPD limited this contract extension to 50% of the restated contract value £2.4m (£972k and £1,470k) with the intention of re-tendering the contract to cover the remaining period. The contract was extended to 31st May 2007 at a value of up to £1.2m, subject to value for money being demonstrated.

VFM exercise

During the period leading up to July 2006, the VFM exercise commenced. PwC submitted three proposals, 1st June 2006, 23rd June 2006 and 30th August 2006 respectively. On the 12th of September 2006, CPD and Account NI accepted the third proposal. And arrangements were underway to issue a letter of engagement to PwC.

26th September 2006 – CPD awarded the contract to PwC on 26th September 2006 under Regulation 14 (Regulation 14 limits the extension of any contract to 50 per cent of the original value and timescale after which the contract must go out to open competition) (reference: contract award letter from CPD ref S8172/01).

The 3 month delay from contract award (June) to CPD approval (September) was a consequence of carrying out a VFM exercise on the PwC proposal.

Account NI recognised that due to tendering timeframes there was likely to be a gap between the existing contract and the new/retendered contract (refer to e-mail to CPD on 8th February 2006). On 12 February 2006 CPD advised that "if it was impossible to meet the deadline and get a new contract up and running that at least if a tendering exercise had commenced and that a further extension to the contract would be short, it may go some way in minimising criticism."

The contract ended on 30th June 2007 at a cost of £1,662k. The contract exceeded the target date by one month and contract value by £462k due to discussions on the way forward with CPD in relation to emerging case law.

Renegotiated Contract- 1st July 07 - 31st March 09 - £5,200k

Procurement

During the period leading up to July 2007, discussions continued between Account NI and CPD with regard to the remaining implementation phase. CPD, in conjunction with Account NI drafted tender documents and agreed an evaluation model with a view to re-tendering the contract. As a result of a re-planning of the implementation phase, Account NI reassessed its consultancy requirements.

5th May 2007 - Account NI met with CPD to discuss the way forward. In light of advice from the DSO where the EU procurement rule limiting contract extensions to 50% of the original value was deemed not to be applicable where the scope of work on the contract had not changed, CPD advised that Account NI could consider extending the PwC contract further, subject to re-negotiation with the providers to ensure continuing value for money. It was therefore agreed with CPD to extend the contract with PWC subject to re-negotiations and VFM being demonstrated (reference: minutes of meeting dated 18th May 2007).

VFM exercise

25th May 2007 - VFM exercise commenced and PwC submitted their first proposal, which was followed by a revised proposal on the 19th June 2007. On 29th June, CPD confirmed that the PwC proposal demonstrated VFM.

Approvals

25th June 2007 - PSG approval in principle (ref: stock take minutes)

6th July 2007 - Ministerial and Supply approval was granted for £5.2m (reference: SUB/285/2007 & Supply letter) for continued support from July 2007 through to 1st April 2009.

The small delay (6 days) in securing Ministerial and Supply approvals was a consequence of changes in the approval process ie the SRO requested that in this instance, Supply consider the business case prior to seeking ministerial approval.

9th July 2007 - CPD awarded the renegotiated contract to PwC covering the period to 31st March 2009 (reference: CPD letter to PwC S8172/01). The small delay (9 days) in issuing the formal engagement letter (9th July 2007) was a consequence of waiting on formal Supply approval which was not granted until the 6th July.

The re-negotiated contract (which replaced the existing contract ref letter to DFP Supply on 28th June 2007) provided Account NI with continued support from July 2007 through to stabilisation, then scheduled for 1st April 2009.

The renegotiated contract ended on 30th March 2009 at a cost of £4,892k.

Renegotiated Contract Extension 1- April 09 to July 09 - £250k

Having re-considered its requirements through to stabilisation, Account NI sought agreement to extend the PwC contract from April 09 to July 2009 at an additional cost of £250k.

Approvals

10 November 2008 – Account NI submitted a request to Supply to extend. (ref: letter to Supply seeking agreement to extend).

13th November 2008 - As the additional costs were within the 10% tolerance levels set by DFP Supply confirmed that the request was "justified and original approval was still appropriate" (reference: Supply letter to Account NI).

Renegotiated Contract: Extension 2 (April to August 2009) - £650k

To support the project through to completion, a further extension to August 2009 was required. Up to the end of March 2009 it was anticipated that £5.0m of the £5.2m support would be utilised, and Account NI would take forward the balance to offset against future support. Therefore Account NI required additional approval of £0.65m (above the £200k carried forward) to complete implementation and see the programme through to stabilisation in August 2009.

Procurement

9th February 2009 - discussions with CPD commenced, Account NI provided additional information on the proposed extension and a VFM exercise was carried out.

VFM exercise

5th March 2009 - PwC proposal submitted to CPD for review.

22nd April 2009 - CPD confirmed that they had no objection to the extension of the contract from April to August (reference: email from CPD).

Approvals

9th April 2009 - PSG approval granted (reference: e-mail outlining outcome of stock take).

18th May 2009 - Supply approval was granted up to 31st August 2009 at total cost contract cost of £5.85m. The Supply approval sought and obtained in November for an extension to July at an additional cost of £250k was in place and remained valid until it was subsumed within the £650k (reference: Letter from Supply).

22nd June 2009 - Ministerial approval for an additional £650k consultancy support was confirmed (reference: e-mail confirming approval of SUB/263/2009).

Renegotiated Contract: Extension 3 Aug 09 - Sept 09 - no additional cost

Account NI subsequently requested an extension of the timeline from August to September 2009 within the overall Authorisation limits (£650k).

Approvals

31st July 2009 - Supply approval of the proposed extension was granted (reference: email from Supply).

Procurement

12th August 2009 - CPD notified PwC of contract extension from August 2009 to September 2009 (reference: letter from CPD to PwC). The letter of engagement confirmed previous verbal approvals.

The renegotiated contract extension ended on 30th September 2009 at a cost of £817k.

Account NI remained within the re-negotiated contract existing approved authorisation limits of the £5,850k (£5,200k + £650k), actual cost was £5,709k (£4892k + £817k).

Central Implementation Team Resources

Project staff relate to the Central Implementation Team (CIT) who were employed during the implementation phase to assist with design, test, build, roll out and stabilisation of the departments on the new Account NI solution. The FBC anticipated that during the implementation phase, the CIT would ramp up to 72 staff. CIT would consist of 16 permanent staff which would be in post for the full 12 year term, 16 project staff who would be in place for the implementation phase only and 39 staff on loan from departments who would transfer back to their host departments in line with the migration timetable.

Resourcing of the programme was the single highest risk factor which continued to present an enormous challenge. The actual CIT headcount employed over the implementation period peaked early during the Design, Test and Build stage, at approximately 42 staff and ramped down as staff on loan transferred back to their Department in line with departmental roll out.

The shortage of resources was in the main filled by PwC staff. PwC consultants ramped up to a maximum headcount of 33, with many of those employed on a part time basis, for a fixed period or on a call off basis, as required.

Appendix 5(a)

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Post Project Evaluation Pro Forma for the Use of Consultants

Title of Consultancy Assignment: Accounting Services Programme

Name of Consultant Appointed: PricewaterhouseCoopers (PWC)

Cost of Consultancy: £2276k

Completed by:	
Grade:	
Date:	24 September 2009
Signed:	_____________

Authorised by:	Diarmuid McLean
Grade:	Chief Executive
Date:	24 September 2009
Signed:	_____________

WHAT IS POST PROJECT EVALUATION?

Post Project Evaluation (PPE) is an examination of a project, which takes place after it has been implemented. Therefore, PPE is concerned with comparing estimated and actual factors (i.e. costs, implementation time, objectives and benefits). PPE is in effect a retrospective appraisal and so the principles of the Green Book (2003) as well as the NI Practical Guide to the Green Book apply. Evaluation plays a role complementary to appraisal. Evaluation is an ex post activity which examines the outturn of the consultancy and is designed to ensure that the lessons learned are fed back into the decision-making process. Business areas should make arrangements to measure outturns and record them.

WHAT IS THE PURPOSE OF PPE?

The main purpose of PPE is to ensure that lessons are learned that can be applied to the preparation of future economic appraisals and management of future projects.

WHEN SHOULD PPE BE UNDERTAKEN?

It is stated in the appraisal when the PPE for the project should be completed. When considering when the PPE should be completed we must look at when the benefits from the consultancy project are expected to be achieved. Usually a PPE should be completed as soon as the contract for the consultants has run out.

THIS PRO FORMA

The design of this Pro Forma is based on the principle of proportionate effort. It can therefore be used for all projects both above and below the delegated limit.

<u>**Important Note:**</u> **All the boxes in this form can be expanded and the size of the box bears no relation to the amount of information required. Sufficient information should be included in each box.**

If any help is required in filling in this form please contact Finance Branch for advice and assistance on X69009 or 02891 277609.

1. Background

Provide a brief description of the assignment including:

- What was the purpose of the assignment?
- What was the need for the assignment?
- Who was the appointed consultant and when were they appointed?

The project was initially approved by the NI Executive in November 2001 and, with the Executive's specific agreement, consultants (PricewaterhouseCoopers - PwC) were appointed to assist in the management of the procurement and implementation of the project and also to provide professional advice.
Consultancy support was absolutely essential due to the specialised nature of the skills and experience required to procure and deliver a project of the scale and complexity of Account NI. It was vitally important that the project had both project management skills and systems expertise as an integral part of the DFP team taking the project forward.

2. Assessment of Costs

This section should provide a comparison of the actual costs of the external consultancy with the agreed contract value.

Where the variation between contract value and actual costs is greater than 10%, an explanation for the variation must be provided. **[Note where actual costs exceed the cost approved by DFP by more than 10%, then DFP must be informed].**

Expected Cost	Main consultancy contract (£972k), variations (£470k) and additional consultancy support (£1,000k) = £ 2442k
Actual Cost	£ 2276k
Percentage variation between expected and actual costs	-7%

Explanation for variation in costs:

N/A – Does not exceed 10%.

3. Assessment of Deliverables

This section should provide detail on what was delivered by the consultants. The extent to which projected deliverables, as outlined in the Terms of Reference, were met by the consultants should be assessed.

Deliverables
- Initiation, planning, execution and control of all elements of the project using the appropriate project management techniques
- Initial review carried out to assess the feasibility of the proposed option as outlined in the Business Case
- Assessment of project organisation management and control

2 DFP Use of Consultants Post Project Evaluation Pro Forma

- Attendance at all meetings and provision of input and advice and progress updates
- Establishment and delivery of reporting and communication protocols
- Preparation of a Procurement Strategy, using Gateway 2 methodology
- Securing agreement and specification of the detailed Operational Requirement for the preferred option
- Agreeing detailed Project Plans and timetables for outputs with the Programme Executive
- Continual review of project plans against the business case
- Revision of programme work in the context of outputs and decisions
- Project organised and controlled in accordance with PRINCE methodology
- Adhering to programme discipline
- Specification of the future arrangements and actions for ongoing delivery of the preferred solution
- Liaising with internal and external members of the programme and project teams

Account NI (then known as ASP) is satisfied that the above deliverables and outputs were achieved to the Authority's satisfaction during the procurement phase. During this assignment, the procurement phase was prolonged due to a protracted process and in particular, complex detailed contract negotiations. This was not related however to the performance of the consultants.

4. Assessment of Benefits

This section should provide details on the benefits provided by the consultancy assignment. For example:

- Were the deliverables achieved within the timescale specified in the terms of reference? Reasons for any delays and the impact on expected benefits should be explained.
- Was the consultancy assignment used for the purpose originally intended?
- How were the outputs delivered by the assignment used?

The project was delayed by 15 months as a result of contractual negotiations with the provider and was not due to any consultancy shortcomings. The consultancy was used for the purpose as originally intended.

You should complete the table below in order to clearly show the extent of benefit realisation.

Benefit (as specified in Business Case)	Extent Achieved	Description of how benefit was achieved? Explanation of why benefit was not achieved
Availability of specialist skills and expertise not available in the NICS	++	The consultants involved with this assignment brought with them the skills, expertise and knowledge necessary to achieve the desired outputs and worked closely with the NICS Team to achieve the benefit listed.
Availability of experience in implementing a major procurement exercise	++	The consultants involved with this assignment brought with them the skills, expertise and knowledge necessary to achieve the desired outputs and worked closely with the

		NICS Team to achieve the benefit listed.
Skills and knowledge transfer in project management and systems development.	+	On the job transfer of skills and knowledge took place between the consultants and the Central Implementation Team. However, due to work pressures, formal knowledge transfer did not take place.
Development of a common chart of accounts, reports and business processes	++	As part of the assignment PwC facilitated the NICS working groups in the development of the Chart of Accounts and business processes, as well as drawing up a catalogue of NICS reporting requirements.
Leading on commercial contract negotiations with bidders.	++	The consultants effectively led the commercial negotiations throughout the procurement phase.

KEY	++ Fully Achieved	+ Partially Achieved	/ not achieved

Identify any additional benefits in the box below. These are benefits accrued from the project that were not anticipated in the original appraisal.

No.

5. Division of Work

This section should provide details of the division of work between in-house staff and the consultants. Evidence should be provided of whether the in-house assistance provided matched what was in the business case.

Throughout the period of this consultancy, in-house resources were used where at all possible. Resourcing of the project however was probably the highest risk to implementation within the desired timescales. This was due to the skills and knowledge required within Departments being extremely limited and/or not being released, and therefore the project had to rely heavily on consultancy support to achieve the desired outputs.

6. Skills Transfer

- What mechanisms were put in place to allow the transfer of skills and knowledge to happen?
- Assess the extent to which transfer of skill and knowledge to in-house staff has taken place and what impact has this had on in-house capability?

- Has the need for future consultancy support diminished as a result of skills transfer?

On the job transfer of skills and knowledge took place between the consultants and the Central Implementation Team. This did result in an acceptable level of knowledge transfer to Senior Management and in-house staff. However, due to the substantial day to day work pressures, no formal knowledge transfer took place. As such, the need for future consultancy support in this area of work diminished to some degree, but could have been better if time and work pressures had permitted.

7. Assessment of Project Management Arrangements

This section should provide an assessment of the project management arrangements.

- Answer the following questions in relation to the management of the project.

Q1. What aspects of the project management structure worked well?

The consultancy assignment ensured a management structure was established in line with Prince 2 Methodologies. As a result of this work by the consultants, a Programme Board (ASP Board) was established comprising Grade 5 Finance representatives from each of the 11 NI departments (and Roads Service) with CPD and consultants attending as advisors. The Board was supported by the Project Team and professional advisors. In parallel with the procurement, a number of (part time) cross-departmental working groups were established to review a range of pre-implementation activities. These groups, which operated on a part time basis, were facilitated by PwC consultants. This structure and management approach worked well and while additional consultancy input was frequently required to augment shortages in NICS staff, this did prove on the whole to be effective.

Q2. Were there any aspects that worked poorly or were lacking?

• The inability of the NICS to provide skilled resources resulted in the consultants being unable to fulfil the technical transfer of the assignment as effectively as they could have. • The Project Team was led by a Programme Director at G5 supported in the main by a number of senior consultants. The lack of adequate NICS support resources was a weakness at the outset despite the considerable knowledge provided by the consultancy team. • Having a consultant as overall Project Manager leading the procurement created some problems. However, the absence of the necessary skills within the NICS and failure of departments to provide the necessary support at senior user level made it difficult to address this issue.

Q3. Did any unforeseen issues arise that affected the project management process? Was the project managed effectively?

• The structure of the Project team during this phase allowed too much room for consultancy influence and much time was spent managing difficult relationships within the Central Implementation Team and with departments, resulting in difficulties and delays in agreeing the ASP requirements and full business case.

Q4. How well were the risks managed?

Risks were reported to the ASP Board on a regular basis in line with the governance arrangements at that stage.

Q5. Was there an opportunity to influence performance interim stages?

Yes. Opportunities existed to review and revise if necessary the activities and outputs of the consultants throughout the period of the assignment. Account NI reviewed consultants' outputs and deliverables in line with the project plan at that time.

Q6. Did the scope of the project change during implementation?

No. The Consultants' roles remained in line with the assignment terms of reference. The contract was based on three phases i.e. the main contract, change variations and other additional support.

Q7. Were the monitoring arrangements put in place to manage the consultant's satisfactory?

Yes. The nature and scale of this assignment was such that consultants were required to work alongside civil servants within working groups, with ASP Senior Management and with the project team. Consultants reported to and were managed by the various team leaders to deliver outcomes against plans.

8. Conclusions and Recommendations

Conclusions

Provide a summary of what value was added by this assignment and assess whether, on balance, value for money was achieved

Due to a skills gap in the areas of project management, design and system expertise, it was necessary to engage external consultancy support. The consultants involved with this assignment brought with them the specialist skills, expertise and knowledge to help the NICS achieve the desired end result of the procurement process. Given the conditions that pertained at the procurement phase, this assignment did provide value for money for the NICS.

Recommendations

Provide a summary of the lessons learnt and provide details on how these will be disseminated within the Department/Agency.

• **Lack of skilled resources in house.** The appointment of external consultants recognised the lack of project management skills and experience within the NICS. This and the NICS' lack of understanding of the complexity and level of resources needed to implement a major multi - organisational and business change project like ASP - resulted in heavy dependency on consultants. This problem was recognised by the ASP Senior Management Team, but the absence of the necessary skills within the NICS and failure of departments to provide the necessary support at senior user level made it difficult to address this issue at the time. • **NICS Understanding of the Project.** Before the final appointment of consultants, it would have been beneficial during the selection process to facilitate a planning workshop with CPD and the tendering

consultants to ensure that the NICS had a proper understanding of the project, the resources needed and the role of the consultants. This would have resulted in the NICS recognising the full extent of the resource requirement and level of consultancy input needed during the procurement phase.

- **Leadership**
  During this assignment, a lead consultant was appointed as the Programme Manager. This led to ownership issues within the Central Implementation Team and with departments. Greater control by the NICS was therefore needed to ensure the deliverables and outputs were achieved making best use of in-house resources where possible.
- **In-house key staff requirement**
  The key staff needed to resource major programmes like ASP should be selected with the appropriate skills needed for the project. DFP, or whichever department is involved, should also give those concerned (including the SRO) the time necessary to manage the programme. The SRO and initially the ASP Director had too many other divisional responsibilities to deal with, thus making it difficult to address problems which arose - particularly with the resourcing issues and with the later stages of the contract negotiations, when some matters needed to be resolved at higher levels within DFP and with the Preferred Bidder.
- **Knowledge Transfer**
  A formal knowledge transfer programme should have been agreed at the outset and this should be included in any new consultancy arrangements. Those NICS staff who needed to understand the contract for the implementation should have been involved - or at least - attended the contract negotiations and have been provided with the key contract documentation. Contract awareness training did take place following contract signing, but the delay in this put additional pressure on the team who had to deal in parallel with the pressures of a difficult implementation.
- **Formal project management training**
  A programme for the NICS should be considered with CPD to reduce the dependence on consultants for future programmes. These skills do not currently exist to any worthwhile degree in the NICS and were the main reason why PwC was appointed.

Appendix 5(a)

Department of
Finance and
Personnel

Post Project Evaluation Pro Forma for the Use of Consultants

Title of Consultancy Assignment: Employment of External Consultants

Name of Consultant Appointed: PricewaterhouseCoopers (PWC)

Cost of Consultancy: £2.7m

Completed by:	
Grade:	
Date:	031109
Signed:	

Authorised by:	John Crosby
Grade:	Chief Executive
Date:	031109
Signed:	

WHAT IS POST PROJECT EVALUATION?

Post Project Evaluation (PPE) is an examination of a project, which takes place after it has been implemented. Therefore, PPE is concerned with comparing estimated and actual factors (i.e. costs, implementation time, objectives and benefits). PPE is in effect a retrospective appraisal and so the principles of the Green Book (2003) as well as the NI Practical Guide to the Green Book apply. Evaluation plays a role complementary to appraisal. Evaluation is an ex post activity which examines the outturn of the consultancy and is designed to ensure that the lessons learned are fed back into the decision-making process. Business areas should make arrangements to measure outturns and record them.

WHAT IS THE PURPOSE OF PPE?

The main purpose of PPE is to ensure that lessons are learned that can be applied to the preparation of future economic appraisals and management of future projects.

WHEN SHOULD PPE BE UNDERTAKEN?

It is stated in the appraisal when the PPE for the project should be completed. When considering when the PPE should be completed we must look at when the benefits from the consultancy project are expected to be achieved. Usually a PPE should be completed as soon as the contract for the consultants has run out.

THIS PRO FORMA

The design of this Pro Forma is based on the principle of proportionate effort. It can therefore be used for all projects both above and below the delegated limit.

Important Note: **All the boxes in this form can be expanded and the size of the box bears no relation to the amount of information required. Sufficient information should be included in each box.**

If any help is required in filling in this form please contact Finance Branch for advice and assistance on X69009 or 02891 277609.

1 DFP Use of Consultants Post Project Evaluation Pro Forma

1. Background

Provide a brief description of the assignment including:

- What was the purpose of the assignment?
- What was the need for the assignment?
- Who was the appointed consultant and when were they appointed?

As the Project moved into the implementation stage, the role of consultancy support and resource requirements was reviewed. Additional resources were secured for the senior management team to provide greater ownership and direction to the programme and PwC consultants were repositioned in a more advisory role. However significant additional external consultancy assistance was needed to provide ongoing support to the next stage of the implementation phase and to supplement certain resource/skills shortages in the existing team.

2. Assessment of Costs

This section should provide a comparison of the actual costs of the external consultancy with the agreed contract value.

Where the variation between contract value and actual costs is greater than 10%, an explanation for the variation must be provided. [**Note where actual costs exceed the cost approved by DFP by more than 10%, then DFP must be informed**].

Expected Cost	£2.7m
Actual Cost	£1.66m
Percentage variation between expected and actual costs	-38.5%

Explanation for variation in costs:

During 2007, Account NI experienced a 6 month delay in the Programme as the design was not sufficiently advanced to demonstrate a fit for purpose solution. As a result of a replanning exercise, ACNI reassessed its external consultancy requirements. It was agreed with CPD to extend the contract with PWC subject to re-negotiations and VFM being demonstrated. The re-negotiated contract provided Account NI with continued support from July 2007 through to stabilisation of the new services, scheduled at that time for April 2009. As a result, the contract under evaluation here ended in June 2007 as opposed to December 2008 and hence the variation between expected and actual costs.

3. Assessment of Deliverables

This section should provide detail on what was delivered by the consultants. The extent to which projected deliverables, as outlined in the Terms of Reference, were met by the consultants should be assessed.

Deliverables

- Strategic advice and support on Programme Strategies and Plans
- Advice on key modifications to the current contract in relation to the performance and obligations of the prime contractor
- Support and advice in relation to steering the programme to deliver against contractual milestone and plans during the implementation phase
- Support and advice on options and proposals for the proposed design, build and

implementation of the solution and on the commercial, service level and change control issues
- Strategic advice to support the Account NI Senior Management Team in relation to the technical design, application testing, solutions build and solutions implementation
- Advice and support on Departmental Migration
- Advice and guidance on the flexibility and robustness of the new shared services operating model and its delivery structure to respond to changing needs.

Account NI is satisfied that the above deliverables and outputs were achieved to the Authority's satisfaction during the implementation phase.

4. Assessment of Benefits

This section should provide details on the benefits provided by the consultancy assignment. For example:

- Were the deliverables achieved within the timescale specified in the terms of reference? Reasons for any delays and the impact on expected benefits should be explained.
- Was the consultancy assignment used for the purpose originally intended?
- How were the outputs delivered by the assignment used?

- Any delays in deliverables were as a result of Programme Delays. They were not due to any shortfall in the consultancy provided.
- The consultancy assignment was used for the original purpose.
- The outputs were used to arrive at and implement the Account NI solution to all migrating Departments within the NICS.
- Provision of technical infrastructure and solution design advice

Account NI is satisfied that the above deliverables and outputs were achieved to the Authority's satisfaction during the implementation phase.

You should complete the table below in order to clearly show the extent of benefit realisation.

Benefit **(as specified in Business Case)**	**Extent Achieved**	**Description of how benefit was achieved? Explanation of why benefit was not achieved**
PwC's knowledge of the programme and expertise will ensure a more effective and efficient delivery of design stage milestones, avoid a new learning curve for new in house staff or new consultants, and will reduce the risk of costly overruns	++	The consultants involved with this assignment brought with them the skills, expertise and knowledge necessary to achieve the desired outputs. They provided the continuity needed to sustain progress against a challenging critical path and worked closely with the NICS Team to achieve the benefit listed.
The experience and knowledge gained over the procurement stage provides a sound foundation for moving into implementation stage	++	Essential knowledge transfer was deployed throughout.
Specialist knowledge and skills will remain within the programme	++	Essential knowledge transfer was deployed throughout.

The facilitation of knowledge transfer from consultants to NICS staff	**++**	Essential knowledge transfer was deployed throughout.
Lead times for delivery of products should reduce	**++**	The consultants involved with this assignment brought with them the skills, expertise and knowledge necessary to achieve the desired outputs. They provided the continuity needed to sustain progress against a challenging critical path and worked closely with the NICS Team to achieve the benefit listed.
Reduced training requirements, as existing consultants are up to speed with the programme	**++**	The consultants involved with this assignment brought with them the skills, expertise and knowledge necessary to achieve the desired outputs. They provided the continuity needed to sustain progress against a challenging critical path and worked closely with the NICS Team to achieve the benefit listed.
Reduction in training costs	**++**	The consultants involved with this assignment brought with them the skills, expertise and knowledge necessary to achieve the desired outputs. They provided the continuity needed to sustain progress against a challenging critical path and worked closely with the NICS Team to achieve the benefit listed.

KEY	**++** Fully Achieved	**+** Partially Achieved	**/** not achieved

Identify any additional benefits in the box below. These are benefits accrued from the project that were not anticipated in the original appraisal.

N/A

5. Division of Work

This section should provide details of the division of work between in-house staff and the consultants. Evidence should be provided of whether the in-house assistance provided matched what was in the business case.

In the Business Case, the in-house effort for the period June 2006 to April 2009 was estimated at £6,898k. This was based on consultants being embedded within various work streams and working alongside the Central Project Team and Management Team (Management). In early 2007 due to a re-planning exercise, external consultancy requirements were reviewed and a new contract was established with PwC to take effect from July 2007 through to stabilisation scheduled for April 2009. Therefore, based on the information submitted in the BC, the in-house effort for the period June 2006 to June 2007 is estimated to be £3,403k. The actual in-house effort for this period is £2,399k, i.e. £1,004k less than anticipated.

The reason for this reduced in house effort is, in the main due to;
- Changes in staff requirements over the implementation period;
- Programme delays delayed the recruitment of project and Management staff,
- Actual Management Team costs based on SO and above; and the
- Lack of NICS resources within the Central Implementation Team.

Throughout the entire programme, Account NI has sought to recruit internal resources where possible, however due to other commitments, departments have either been unable or unwilling to transfer/second appropriately skilled resources to the Account NI Programme.

6. Skills Transfer

- What mechanisms were put in place to allow the transfer of skills and knowledge to happen?
- Assess the extent to which transfer of skill and knowledge to in-house staff has taken place and what impact has this had on in-house capability?
- Has the need for future consultancy support diminished as a result of skills transfer?

- Consultants worked with the main work streams to provide strategic advice on implementation and roll out to Departments, technical advice and support on the design, build, test and acceptance of the common design platform. They also provided technical infrastructure and solution design advice and supplemented NICS resources in the various work streams.

- The following points set out the extent to which transfer of skills and knowledge has taken place to in house staff:-
  - Technical infrastructure and solution design – consultants provided on-going technical advice to the technical team, and also supported the Team while it got up to speed. The level of support diminished in line with transfer of knowledge and recruitment of internal resources.
  - Solution Architect, infrastructure and technical architect role – consultants fulfilled these roles until internal resources became available.
  - Strategic Advice on Implementation and rollout – this was a specialist requirement which was fulfilled solely by external consultancy.
  - Contract Awareness – although a Contract Manager was appointed from within the NICS, a consultant provided contract awareness support as required. The level of this support decreased proportionately with the transfer of knowledge.
  - Support for work streams – consultants provided support in five main areas i.e. Solution Design and Delivery, Record to Report, Procure to Pay, Data Management and Departmental Migration. The level of this support diminished in line with knowledge transfer and ongoing recruitment of NICS internal resources.

7. Assessment of Project Management Arrangements

This section should provide an assessment of the project management arrangements.

- Answer the following questions in relation to the management of the project.

Q1. What aspects of the project management structure worked well?

From the outset, the Terms of Reference were clearly set out for each consultant, detailing the key deliverables and timescales in line with the overall implementation plan. Governance arrangements were put in place which required consultants to contribute to reports summarising work completed, exceptions to planned activities, issues and risks. The Technical Director was charged with overseeing this whole area. Having clearly defined the expected outputs and there being a robust reporting mechanism in place throughout the lifetime of this contract, the Programme was able to closely monitor the use of the consultants and their cumulative output from both a quantitative and qualitative perspective.

Q2. Were there any aspects that worked poorly or were lacking?

Consultants were not always security cleared before commencing work on the Programme. Getting this clearance in place was more often than not a protracted process.

Q3. Did any unforeseen issues arise that affected the project management process? Was the project managed effectively?

Project Management arrangements worked well.

Q4. How well were the risks managed?

Risk and Issue management procedures operated as an integral element of the overall project governance procedures. Risk and Issue Registers were maintained and reviewed on a monthly basis. All risks and issues were notified to the Management Team who liaised with the Team Leaders, Consultants and staff to ensure that these were monitored and reported against on a timely basis.

Q5. Was there an opportunity to influence performance interim stages?

Yes. Opportunities existed to review and revise if necessary the activities and outputs of the consultants throughout the period of the assignment. Account NI reviewed consultants' outputs and deliverables in line with the project plan at that time. Where necessary, different resources were sought / deployed.

Q6. Did the scope of the project change during implementation?

No - Timescales did change due to implementation delays, but the overall scope of the contract remained the same.

Q7. Were the monitoring arrangements put in place to manage the consultant's satisfactory?

Consultants' performance was monitored in line with the requirements of DAO (DFP) 03/05 "External Consultancy Recording Requirements" and in accordance with the established Programme governance arrangements. Governance arrangements were put in place which required consultants to contribute to reports summarising work completed, exceptions to planned activities, issues and risks.

8. Conclusions and Recommendations

Conclusions

Provide a summary of what value was added by this assignment and assess whether, on balance, value for money was achieved

Due to a skills gap in the areas of project management, design and system expertise, it was necessary to engage external consultancy support. The consultants involved with this assignment brought with them the specialist skills, expertise and knowledge to help the NICS achieve the desired end result of the implementation phase. However, the Programme did recruit NICS personnel where it was at all possible to do so. Given the strategic importance of the project, the limited opportunity to deploy suitable NICS staff and the tight timeframes, this assignment did provide Value for Money.

Recommendations

Provide a summary of the lessons learnt and provide details on how these will be disseminated within the Department/Agency.

- **Lack of skilled resources in house.**
  The appointment of external consultants recognised the lack of project management skills and experience within the NICS. This and the NICS' lack of understanding of the complexity and level of resources needed to implement a major multi - organisational and business change project like Account NI - resulted in dependency on consultants. This problem was recognised by the Account NI Senior Management Team, but the absence of the necessary skills within the NICS and failure of departments to provide the necessary support at senior user level made it difficult to address this issue at the time.
- **Leadership**
  During this assignment, a lead consultant was appointed as the Programme Manager. This led to ownership issues within the Central Implementation Team and with departments. Greater control by the NICS was therefore needed to ensure the deliverables and outputs were achieved making best use of in-house resources where possible. This was addressed and resolved in mid 2007 as more Senior Management staff were recruited and PwC migrated into more of a support role.
- **Management of Consultancy resource**
  Recognising the importance of Proactive management of the consultancy resource to ensure maximum benefit is received by the NICS through effective deployment, requirement, skills transfer etc.

Appendix 5(a)

Department of
Finance and
Personnel

Post Project Evaluation Pro Forma for the Use of Consultants

Title of Consultancy Assignment: Employment of External Consultants

Name of Consultant Appointed: PricewaterhouseCoopers (PWC)

Cost of Consultancy: £2.7m

Completed by:
Grade:
Date: 031109
Signed:

Authorised by: John Crosby
Grade: Chief Executive
Date: 031109
Signed:

WHAT IS POST PROJECT EVALUATION?

Post Project Evaluation (PPE) is an examination of a project, which takes place after it has been implemented. Therefore, PPE is concerned with comparing estimated and actual factors (i.e. costs, implementation time, objectives and benefits). PPE is in effect a retrospective appraisal and so the principles of the Green Book (2003) as well as the NI Practical Guide to the Green Book apply. Evaluation plays a role complementary to appraisal. Evaluation is an ex post activity which examines the outturn of the consultancy and is designed to ensure that the lessons learned are fed back into the decision-making process. Business areas should make arrangements to measure outturns and record them.

WHAT IS THE PURPOSE OF PPE?

The main purpose of PPE is to ensure that lessons are learned that can be applied to the preparation of future economic appraisals and management of future projects.

WHEN SHOULD PPE BE UNDERTAKEN?

It is stated in the appraisal when the PPE for the project should be completed. When considering when the PPE should be completed we must look at when the benefits from the consultancy project are expected to be achieved. Usually a PPE should be completed as soon as the contract for the consultants has run out.

THIS PRO FORMA

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If any help is required in filling in this form please contact Finance Branch for advice and assistance on X69009 or 02891 277609.

1. Background

Provide a brief description of the assignment including:

- What was the purpose of the assignment?
- What was the need for the assignment?
- Who was the appointed consultant and when were they appointed?

During the procurement and contract negotiation phase the strategic management of the programme and leadership of the design teams was undertaken by experienced PricewaterhouseCoopers (PwC) staff. As the programme progressed experienced NICS staff were moved in to the programme to take responsibility for overall management of the programme as well as leading the design teams, with consultancy support being confined to those areas of design and system expertise where suitable skills were not available within NICS. However, significant additional external consultancy experience was still needed to provide ongoing support to the next stage of the implementation phase and to supplement certain resource/skills shortages in the existing team. As this was treated as a renegotiated contract, PwC were retained as the appointed Consultant.

2. Assessment of Costs

This section should provide a comparison of the actual costs of the external consultancy with the agreed contract value.

Where the variation between contract value and actual costs is greater than 10%, an explanation for the variation must be provided. [**Note where actual costs exceed the cost approved by DFP by more than 10%, then DFP must be informed**].

Expected Cost	£5.85m
Actual Cost	£5.81m
Percentage variation between expected and actual costs	-2.4%

Explanation for variation in costs:

N/A. In view of wider financial pressures, resource usage was reduced where at all possible.

3. Assessment of Deliverables

This section should provide detail on what was delivered by the consultants. The extent to which projected deliverables, as outlined in the Terms of Reference, were met by the consultants should be assessed.

Deliverables
- Expert advice and guidance at a strategic level on the implementation of the Account NI solution, and the establishment and operation of a financial SSC.
- Expert advice and guidance on managing the contractual relationship with the prime contractor to maximise outcomes
- Delivery of programme strategies and plans, including departmental migration plans
- Implementation of an Oracle Financials ERP solution within the SSC
- Provision of strategic advice on setting up of an SSC

- Management of keys changes which impact service scope or levels within the contract
- Expert advice and guidance on any commercial, service levels and performance issues under the contract
- Provision of technical advice on the implementation of a Finance solution and the construction of the SSC
- Expert advice and guidance on Programme Strategies and Plans
- Provision of advice to the Contract Manager in relation to key modifications to the contract in relation to the performance and obligations of the Contractor.
- Provision of support and advice in relation to steering the Programme to deliver against contractual milestones and plans
- Advice and guidance to enable Account NI to take decisions on options and proposals and to challenge the contractor fairly on the proposed design, build and implementation of the solution and on the commercial, service level and change control issues
- Expert advice and guidance to Account NI in relation to the technical design, application testing, solutions build and solutions implementation.
- Advice and support to Account NI on individual departmental migration.
- Assistance across the FAS and IS work streams in applying industry best practice in post-design, test and build and acceptance activities for the delivery of an integrated Financials based ERP solution.

Account NI is satisfied that the above deliverables and outputs were achieved to the Authority's satisfaction during the implementation phase.

4. Assessment of Benefits

This section should provide details on the benefits provided by the consultancy assignment. For example:

- Were the deliverables achieved within the timescale specified in the terms of reference? Reasons for any delays and the impact on expected benefits should be explained.
- Was the consultancy assignment used for the purpose originally intended?
- How were the outputs delivered by the assignment used?

- Any delays in deliverables were as a result of Programme Delays. They were not due to any shortfall in the consultancy provided.
- The consultancy assignment was used for the original purpose.
- The outputs were used to arrive at and implement the Account NI solution to all migrating Departments within the NICS.
- Provision of technical infrastructure and solution design advice

Account NI is satisfied that the above deliverables and outputs were achieved to the Authority's satisfaction during the implementation phase.

You should complete the table below in order to clearly show the extent of benefit realisation.

Benefit (as specified in Business Case)	Extent Achieved	Description of how benefit was achieved? Explanation of why benefit was not achieved
PwC's knowledge of the programme and expertise will ensure a more effective and efficient delivery of design	++	The consultants involved with this assignment brought with them the skills, expertise and knowledge necessary to achieve the desired

stage milestones, avoid a new learning curve for new in house staff or new consultants, and will reduce the risk of costly overruns		outputs. They provided the continuity needed to sustain progress against a challenging critical path and worked closely with the NICS Team to achieve the benefit listed.
The experience and knowledge gained over the procurement stage provides a sound foundation for moving into implementation stage	++	Essential knowledge transfer was deployed throughout.
Specialist knowledge and skills will remain within the programme	++	Essential knowledge transfer was deployed throughout.
The facilitation of knowledge transfer from consultants to NICS staff	++	Essential knowledge transfer was deployed throughout.
Lead times for delivery of products should reduce	++	The consultants involved with this assignment brought with them the skills, expertise and knowledge necessary to achieve the desired outputs. They provided the continuity needed to sustain progress against a challenging critical path and worked closely with the NICS Team to achieve the benefit listed.
Reduced training requirements, as existing consultants are up to speed with the programme	++	The consultants involved with this assignment brought with them the skills, expertise and knowledge necessary to achieve the desired outputs. They provided the continuity needed to sustain progress against a challenging critical path and worked closely with the NICS Team to achieve the benefit listed.
Reduction in training costs	++	The consultants involved with this assignment brought with them the skills, expertise and knowledge necessary to achieve the desired outputs. They provided the continuity needed to sustain progress against a challenging critical path and worked closely with the NICS Team to achieve the benefit listed.

KEY	**++** Fully Achieved	**+** Partially Achieved	**/** not achieved

Identify any additional benefits in the box below. These are benefits accrued from the project that were not anticipated in the original appraisal.

N/A

5. Division of Work

This section should provide details of the division of work between in-house staff and the consultants. Evidence should be provided of whether the in-house assistance provided matched what was in the business case.

As the programme has progressed experienced NICS staff have been moved in to the programme to take responsibility for overall management of the programme as well as leading the design teams, with consultancy support being confined to those areas of design and system expertise where suitable skills are not available within NICS. The in house effort is based on consultants being embedded within various work streams and working alongside the Central Project Team as well as the SSC Staff.

In the Business Case, the in-house effort for the period July 2007 to April 2009 was estimated at £8,111k. This reflects the salary costs of the Account NI Team which consists of Project staff and SSC staff. Project staff consists of both departmental staff on loan and seconded staff, and the SSC staff reflects the permanent SSC Management team and transaction based processing staff transferred from Departments.

The actual in-house effort for this period is £7,398k, £713k less than anticipated.

The reason for this reduced in house effort is, in the main due to;

- Changes in staff requirements over the implementation period;
- Lack of NICS resources within the Central Implementation Team,
- Revised migration strategy, and
- Programme delays meant that the migration of staff from departments to Account NI was deferred.

Throughout the entire programme, Account NI has sought to recruit internal resources where possible, however due to other commitments, departments have either been unable or unwilling to transfer/second appropriately skilled resources to the Account NI Programme.

6. Skills Transfer

- What mechanisms were put in place to allow the transfer of skills and knowledge to happen?
- Assess the extent to which transfer of skill and knowledge to in-house staff has taken place and what impact has this had on in-house capability?
- Has the need for future consultancy support diminished as a result of skills transfer?

- Consultants worked with the main work streams to provide strategic advice on implementation and roll out to Departments, technical advice and support on the design, build, test and acceptance of the common design platform. They also provided technical infrastructure and solution design advice and supplemented NICS resources in the various work streams.

- The following points set out the extent to which transfer of skills and knowledge has taken place to in house staff:-
    - Technical infrastructure and solution design – consultants provided on-going technical advice to the technical team, and also supported the Team while it got up to speed. The level of support diminished in line with transfer of knowledge and recruitment of internal resources.
    - Solution Architect, infrastructure and technical architect role – consultants fulfilled these roles until internal resources became available.
    - Strategic Advice on Implementation and rollout – this was a specialist requirement which was fulfilled solely by external consultancy.
    - Contract Awareness – although a Contract Manager was appointed from

within the NICS, a consultant provided contract awareness support as required. The level of this support decreased proportionately with the transfer of knowledge.

- Support for work streams – consultants provided support in five main areas i.e. Solution Design and Delivery, Record to Report, Procure to Pay, Data Management and Departmental Migration. The level of this support diminished in line with knowledge transfer and ongoing recruitment of NICS internal resources.

7. Assessment of Project Management Arrangements

This section should provide an assessment of the project management arrangements.

- Answer the following questions in relation to the management of the project.

Q1. What aspects of the project management structure worked well?

From the outset, the Terms of Reference were clearly set out for each consultant, detailing the key deliverables and timescales in line with the overall implementation plan. Governance arrangements were put in place which required consultants to contribute to reports summarising work completed, exceptions to planned activities, issues and risks. The Technical Director / Programme Solution Implementation Manager were charged with overseeing this whole area. Having clearly defined the expected outputs and there being a robust reporting mechanism in place throughout the lifetime of this contract, the Programme was able to closely monitor the use of the consultants and their cumulative output from both a quantitative and qualitative perspective.

Q2. Were there any aspects that worked poorly or were lacking?

Change of consultant personnel sometimes at short notice sometimes resulted in an insufficient handover of knowledge / work in progress.

Consultants were not always security cleared before commencing work on the Programme. Getting this clearance in place was more often than not a protracted process.

Q3. Did any unforeseen issues arise that affected the project management process? Was the project managed effectively?

Project Management arrangements worked well.

Q4. How well were the risks managed?

Risk and Issue management procedures operated as an integral element of the overall project governance procedures. Risk and Issue Registers were maintained and reviewed on a monthly basis. All risks and issues were notified to the Management Team who liaised with the Team Leaders, Consultants and staff to ensure that these were monitored and reported against on a timely basis.

Q5. Was there an opportunity to influence performance interim stages?

Yes. Opportunities existed to review and revise if necessary the activities and outputs of the consultants throughout the period of the assignment. Account NI reviewed consultants' outputs and deliverables in line with the project plan at that time.

Q6. Did the scope of the project change during implementation?

No - Timescales did change due to implementation delays, but the overall scope of the contract remained the same.

Q7. Were the monitoring arrangements put in place to manage the consultant's satisfactory?

Consultants' performance was monitored in line with the requirements of DAO (DFP) 03/05 "External Consultancy Recording Requirements" and in accordance with the established Programme governance arrangements. Yes - Governance arrangements were put in place which required consultants to contribute to reports summarising work completed, exceptions to planned activities, issues and risks.

8. Conclusions and Recommendations

Conclusions

Provide a summary of what value was added by this assignment and assess whether, on balance, value for money was achieved

Due to a skills gap in the areas of project management, design and system expertise, it was necessary to engage external consultancy support. The consultants involved with this assignment brought with them the specialist skills, expertise and knowledge to help the NICS achieve the desired end result of the implementation phase. However, the Programme did recruit NICS personnel where it was at all possible to do so. Given the strategic importance of the project, the limited opportunity to deploy suitable NICS staff and the tight timeframes, this assignment did provide Value for Money.

Recommendations

Provide a summary of the lessons learnt and provide details on how these will be disseminated within the Department/Agency.

- **Lack of skilled resources in house.**
  The appointment of external consultants recognised the lack of project management skills and experience within the NICS. This and the NICS' lack of understanding of the complexity and level of resources needed to implement a major multi - organisational and business change project like Account NI - resulted in dependency on consultants. This problem was recognised by the Account NI Senior Management Team, but the absence of the necessary skills within the NICS and failure of departments to provide the necessary support at senior user level made it difficult to address this issue at the time.
- **Leadership**
  During this assignment, a lead consultant was appointed as the Programme Manager. This led to ownership issues within the Central Implementation Team and with departments. Greater control by the NICS was therefore needed to ensure the deliverables and outputs were achieved making best use of in-house resources

where possible. This was addressed and resolved in mid 2007 as more Senior Management staff were recruited and PwC migrated into more of a support role.

- **Management of Consultancy resource**
  Recognising the importance of Proactive management of the consultancy resource to ensure maximum benefit is received by the NICS through effective deployment, requirement, skills transfer etc.

Account NI

POST PROJECT REVIEW

Implementation Phase

December 2011

Contents

PURPOSE

1. The purpose of the paper is to review the performance of the Implementation phase of the Accounting Services Programme (ASP) now known as Account NI, against its original plans. This paper provides an overview of the programme background, objectives, benefits and costs, and compares these with actual performance to date. This paper reflects the Account NI position as at March 2011.

PROGRAMME DESCRIPTION

2. Account NI, is essentially a programme of business change, to transform the way that the NICS supports the delivery of departmental finance services, with objectives to rationalise, simplify and improve finance business processes, to improve the efficiency and effectiveness of financial transaction processing and to help the delivery of accountancy services in an effective and efficient manner on a common basis for all departments.

3. Account NI sought to change the way Departments operate by improving financial reporting and purchase to pay support services through the implementation of common, simplified, standardised business processes, with electronic transactions replacing paper, enabled by a standard IT platform and supported by a single Shared Service Centre, serving all Departments, and a number of their sponsored bodies, based in Belfast.

4. Account NI involved the delivery of an integrated accounting system and transaction processing service using a shared service centre approach. The Shared Service Centre (SSC) is governed, managed, staffed and operated by civil servants. The plan was to partner with a private sector provider who would assist with implementation of the services and provide ongoing technical infrastructure support and facilitation of business change.

5. The objective behind Account NI was to provide a fit for purpose accounting system that could produce high quality information for financial management. The solution implemented meets all of the programme's objectives; is fully in line with the "Vision"; is consistent with best practice in the development of shared support services and with central government policy; and provides an industry standard platform upon which to deliver further effectiveness and efficiency improvements.

BACKGROUND

6. Following the creation of the new Departments under devolution in 1999, DFP initiated an examination of how best to organise financial systems and services, given the possibility that replicating similar operations in eleven Departments might not be the most cost effective way to proceed.

Accounting Services Review

7. In November 2000 DFP undertook a review of accounting services across the Northern Ireland Civil Service, known as the Accounting Services Review (ASR). The purpose of the ASR was to explore the strategic drivers giving rise to a need for change, options which could potentially satisfy those needs, costs and benefits associated with each option and a recommended preferred option and implementation strategy and plan.

8. The ASR concluded that Departments should progress on a common programme basis across the system. The ASR also indicated that significant benefits would accrue from the programme by effecting business process change and rationalising the number of transaction processing centres.

9. In taking these recommendations forward, the ASR recommended that the NICS should mobilise a small team to carry forward the procurement phase, called the Accounting Service Programme (ASP). In November 2001, the NI Executive approved the ASP and the launch of the Procurement Project.

Accounting Services Programme

10. In 2002 the Accounting Services Programme (ASP) was mobilised with the appointment of the Board, Executive and Programme Teams. DFP Central Procurement Service was appointed to advice on detailed procurement matters, with PwC Specialist Advisors providing project management, technical and financial advice and DLA and DSO providing legal advice. The Procurement was conducted in line with PRINCE 2 project management methodology and OCG Gateway guidance.

11. In October 2003 the ASP Outline Business Case (OBC) updated the ASR Business Case. The OBC considered a number of options which either fully met or partially met the ASP vision and provided a platform upon which the support of NICS financial and management information could be developed. The preferred Option, known as Option I, involved the creation of a data centre initially, with implementation of an SSC over a subsequent period of time. Under this scenario Departments would complete the transition to the new ASP service initially, and cut-over to the new Shared Service Centre at a later date in a phased approach.

12. The Authority conducted the procurement using the Negotiated Procedure which commenced with the placing of a Notice in the European Journal (OJEU) in January 2004. Eight Bidder submissions were reviewed and evaluated and the Pre-qualification phase concluded that five Bidders should be selected for the Outline Proposal Phase. Those applicants that successfully passed the Pre-qualification evaluation received an Invitation to Submit an Outline Proposal (ISOP). Outline proposals were received from four suppliers which were evaluated and three Bidders selected to participate in the Negotiation Phase.

13. Prior to the Negotiation phase, a short independent OGC Interim Gateway review of the current status of the procurement was carried out. The mid-gate review was completed in early July 2004, and reported that the ASP Vision as outlined within the PID remained intact, the procurement decisions taken to date were consistent with the objectives of the Vision, and the review team confirmed that the Procurement strategy adopted by the ASP Board had been duly followed.

14. The Negotiation Phase constituted the formal invitation to enter into detailed negotiations known as the "Invitation to Negotiate" (ITN) Phase. Taking account of the assessment of the Bidders' ITN Proposals and having fully considered all the issues, Account NI nominated a Preferred Bidder (BT) and a Reserve Preferred Bidder with the Preferred Bidder being invited to proceed to the next stage of the contract negotiations.

15. The next phase consisted of formal detailed contract negotiations between the ASP and BT. During this phase, contract negotiations were prolonged due to a number of modifications to the scope and nature of the project:-

- Inclusion of Transitional Services - the BT proposal was to include the takeover of the existing financial service to preserve business continuity (known as 'Transitional Services') prior to implementing the ASP service.
- Departments would transition directly to the new services within a shared service environment in a single step approach. Implementation was to commence in April

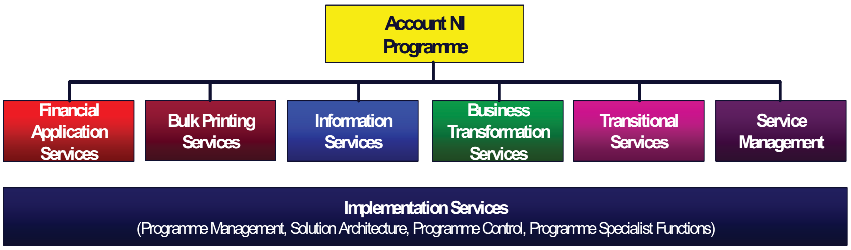
2006 with the departments migrating to the SSC on a phased basis over 6 waves. Waves 1-5 to include departmental migration and Wave 6 to be used as a tidy up. All services to be fully rolled out and implementation completed by early 2009.

- Implementation approach was revised which established a business continuity service (Transitional Services) prior to the expiry of the existing facilities management contracts for Oracle Financials in August 2006; Commence preparations for the implementation of the ASP service, and the migration to the SSC, in parallel with the establishment of Transitional Services; and Decommission Transitional Services following cut-over of the last Department to the ASP service, estimated to be September 2008.
- Project Accounting Module and Sales Order Processing Services which were identified as an optional requirement were included in scope.
- I-Procurement extended to e-Commerce - and included Internet access from within the financial applications; Electronic documents transfer; Online supplier catalogues and updates; Document scanning; and Additional security requirements.
- Inclusion of Business Transformation Services - During contract negotiations, it was subsequently decided that the Business Transformation would encompass communication; Organisation design of the Shared Service Centre; Culture change; and Knowledge Transfer. In order to ensure the greatest flexibility for NICS, a flexible "business transformation fund" was established to provide a number of pre-paid days which could be called off as required by NICS during the lifetime of the contract.
- Contract Duration - During the latter stages of the contract negotiations, a variant proposal was presented by the Preferred Bidder to extend the contract duration from 10 to 12 years, the rationale being that greater savings could be achieved over a 12 year period which would subsequently be passed on to the Authority through lower unitary charges.

16. The Procurement phase took twelve months longer than planned and was completed by March 2006, in line with the completion and sign off of the FBC and Gateway 3 Review, and the commencement of the Implementation Phase.

IMPLEMENTATION

17. Account NI was a Programme with a number of distinct projects:-



- **Financial Application Services (FAS) -** encompassed the design, implementation, and roll-out of the financial applications.
- **Bulk Printing Services -** encompassed the design, build, test, deploy and run of the infrastructure and services required to facilitate the processing, printing and output handling of payment batches created by the Shared Service Centre (SSC).
- **Information Services (IS)** - encompassed the design and implementation of the ICT infrastructure to support the FAS and the SSC. The project also encompassed the design and implementation of the infrastructure to support the project environment, i.e. Jump Start environment
- **Business Transformation Services (BTS) -** The BTS Project's aim was to provide a business solution that supported the transformation of transaction processing and accounting services within the SSC to ensure they are delivered in an efficient manner and on a common basis across all departments. BTS encompassed the set-up of a SSC, to meet the financial management needs of the Departments, including the set-up of a 1st Line Helpdesk to support Account NI users. This project also encompassed the design and implementation of communications, training, culture change and migration programmes for Departments as they migrated to the new Account NI environment.
- **Transitional Services (TS) -** Account NI and the existing systems provided by Fujitsu co-existed until the deployment of the Account NI was completed. During this period BT contracted with Fujitsu to deliver those existing systems that they currently supported. These BT managed services were called Transitional Services (TS). TS encompassed the management of the legacy system support services, provided by Fujitsu, to six NICS Departments and 1 Agency, including the decommissioning of these services as the Departments migrated to the new Account NI environment.
- **Service Management (SM) -** encompassed the design, implementation, and run of the full BT Account NI support function, including a 2nd Line BT Service Desk, service level management, application management, infrastructure management, and bulk printing management.
- **Implementation Services (IS)** - These services drove the implementation of Programme across all Projects. The services ensured that the Account NI products, services, and processes are fit for purpose and meet contractual obligations.
- **Programme Management -** The Account NI and BT Programme Directors had overall responsibility for managing the Account NI Programme.

18. A Programme Definition Document (PDD) and Project Initiation Documents (PIDs) were produced defining the programme objectives and the projects within.

ACHIEVEMENT OF OBJECTIVES AND KEY DELIVERABLES

Project Definition Document (PDD)

19. This section sets out the PDD key objectives and deliverables and their achievement:-

- To drive and support the delivery of common financial accounting services across all Departments of the NICS.

  With the stabilisation of Wave 5 Departments, the implementation and delivery of a common financial accounting services solution across all NICS Departments was completed on 28 August 2009. This was followed by Contract Performance Point (CPP) - the point at which the Contractor and Authority agree that the technical Solution and all Services are working satisfactorily in compliance with the ASP Agreement - on 27th October 2009.

- This is to be achieved by a centralised system replacing fragmented financial systems for each Department.

  Subsequent to the delivery and stabilisation of all Waves into Account NI, and the implementation of an appropriate supporting ICT infrastructure, the transitional legacy financial systems previously used by Departments have been decommissioned.

- The Account NI Programme will provide a common footprint across the NICS and will require the redesign of business processes and the use of new information and communication technology (ICT).

  The Account NI Programme provided a common footprint across the NICS and has designed, agreed and put in place the necessary business processes to support this. A new ICT infrastructure required to support the Financial Application Services has also been put in place.

- The programme will also support the transition to a new resource-based financial management model whereby the new finance function will focus on outputs to enable better decision support and financial management.

  The Account NI Programme has supported the move to a resource based financial management function, thus facilitating more accurate and timely reporting and decision making at all levels throughout the Departments.

- The outcomes from Account NI will be reduced cost of transactions with the Departmental finance function primarily focussed on decision support and financial management.

  In line with best practice, Benefits Realisation is being monitored and was reviewed as part of the Gateway 5 process in May 2011 (refer to Benefits Realisation section).

- Finance staff skills will be developed in keeping with maximising added value to the NICS.

  A total of 5,744 NICS staff attended and completed formal training on the new Account NI system. E-learning for the system continues to be available for all NICS staff.

ASP Agreement Milestones

20. This section sets out the Contractor (BT) implementation milestones and programme deliverables and their achievement. Contract Milestones relate to the Programme deliverables during the Design, Build and Test Phase, the rollout of each new Wave onto the new service, and the stabilisation of Waves. Programme delays are reflected in the following table and the subsequent paragraphs provide further detail regarding target and actual delivery dates for all Contract Milestones:-

Contract Milestone	Description	Target Date	Actual Date
CON_1.0	Detailed Implementation Plan Completed	15-06-2006	04-08-2006
CON_2.0	FAS Common Footprint - Conceptual Design (CRP1)	29-09-2006	29-09-2006
CON_3.0	FAS Common Footprint (CRP2) - Design Closed	01-12-2006	11-05-2007
CON_4.0	Wave 1 Integration Testing Completed	27-03-2007	14-09-2007
CON_5.0	Wave 1 User Acceptance Testing Completed	25-04-2007	30-11-2007
CON_6.0	Commencement of Operational Services to Wave 1	04-06-2007	03-12-2007
CON_7.0	FAS Wave 1 Rollout - Stabilisation Complete	03-08-2007	28-03-2008
CON_8.0	Commencement of Operational Services to Wave 2	01-10-2007	07-07-2008
CON_9.0	FAS Wave 2 Rollout – Stabilisation Complete	07-12-2007	05-09-2008
CON_10.0	Commencement of Operational Services to Wave 3	04-02-2008	03-11-2008
CON_11.0	FAS Wave 3 Rollout – Stabilisation Complete	04-04-2008	02-01-2009
CON_12.0	Commencement of Operational Services to Wave 4	02-06-2008	06-04-2009
CON_13.0	FAS Wave 4 Rollout – Stabilisation Complete	08-08-2008	06-06-2009
CON_14.0	Commencement of Operational Services to Wave 5	06-10-2008	06-07-2009
CON_15.0	FAS Wave 5 Rollout – Stabilisation Complete	05-12-2008	28-08-2009

- **Contract Milestone 1 - Detailed Implementation Plan Completed -** Delay in completing this Milestone was due to ongoing discussions around the detail to be included in the Implementation Plan. It was completed on 4th August 2006.
- **Contract Milestone 2 - FAS Common Footprint - Conceptual Design (CRP1) Completed -** This Contract Milestone was delivered according to schedule. The Conference Room Pilots provided an overview of Readsoft Scanning Software and the Oracle Accounts Payables module for Account NI.
- **Contract Milestone 3 - FAS Common Footprint (CRP2) - Design Closed -** BT issued the Authority with a Delay notice on 12 December 2006 and the Authority responded with the issue of a Non-Conformance Report on 13 December 2006. The issue here was that the solution design was not developed sufficiently to allow for a credible and "fit for purpose" common Account NI footprint solution to be shown to key stakeholders (CRP2). Negotiations continued during January and February 2007. In early February general agreement was reached between the teams on a revised plan, with a revised Contract Milestone 3 target date of 11 May 2007 being subsequently achieved.
- **Contract Milestone 4 - Wave 1 Integration Testing Completed -** Initial delays in Contract Milestones 1 and 3 above resulted in the date for this milestone moving out to 7 September 2007. On 4 September 2007, BT's letter to Authority advised of a further postponement to 14 September 2007 due to the delay in the delivery of customisations within the ReadSoft invoice scanning component of the solution, which had a knock-on impact in completing Integration Testing for the full solution. Contract Milestone 4 was achieved on 14 September 2007.
- **Contract Milestone 5 - Wave 1 User Acceptance Testing Completed -** Initial delays in Contract Milestones 1 - 4 above resulted in the date for this milestone initially moving out to 12 October 2007. BT advised of a further delay to 30 November 2007 due to the delay in completing User Acceptance Testing of the Readsoft Reports solution. Contract Milestone 5 was achieved on 30 November 2007.

- **Contract Milestone 6 - Commencement of Operational Services to Wave 1 Departments -** Initial delay from 4 June 2007 until 30 November 07 outlined above. The subsequent delay until 3 December 2007 was due to further issues in completing all necessary testing of the Readsoft Reports solution. Contract Milestone 6, Commencement of Operational Services to Wave 1 Departments, was achieved on 3 December 2007.
- **Contract Milestone 7 - FAS Wave 1 Rollout - Stabilisation Complete -** Initial delay until 8 February 08 was due to the delay in Wave 1 Go-live. On 31 January 2008 BT informed Account NI by letter that they would not achieve the Wave 1 stabilisation milestone of 8 February 2008. The primary reason for this was the instability of Readsoft. Account NI consequently requested the submission of a Correction Plan, in line with the terms and conditions of the ASP Contract. Following further discussions, Account NI received a Correction Plan from BT on 18 February 2008, with a revised Wave 1 stabilisation date agreed as 28 March 2008. Contract Milestone 7 was achieved on 28 March 2008.
- **Contract Milestone 8 - Commencement of Operational Services to Wave 2 Departments -** Initial delays had already moved out the Wave 2 go-live from 1 October 2007 to 7 April 2008. Due to the delays in Wave 1 stabilisation, the Correction Plan received from BT on 18 February 2008 indicated BT's belief that the revised Wave 2 go-live date would now be 1 June 2008. However further planning led BT to revise its estimate of a go-live date to 1 July 2008. This was further revised to and agreed as 7 July 2008. Contract Milestone 8, Commencement of Operational Services to Wave 2 Departments, was achieved on 7 July 2008.
- **Contract Milestone 9 - FAS Wave 2 Rollout - Stabilisation Complete -** Initial delays in Contract Milestones 1 – 8 above resulted in the date for this milestone moving out to 5 September 2008.
- **Contract Milestone 10 - Commencement of Operational Services to Wave 3 Departments -** Initial delays in Contract Milestones 1 – 8 above resulted in the date for this milestone moving out to 3 November 2008. Contract Milestone 10, Commencement of Operational Services to Wave 3 Departments was achieved on 3 November 2008.
- **Contract Milestone 11 - FAS Wave 3 Rollout - Stabilisation Complete -** Initial delays in Contract Milestones 1 - 8 above resulted in the date for this milestone moving out to and being achieved on 2 January 2009.
- **Contract Milestone 12 - Commencement of Operational Services to Wave 4 Departments -** Initial delays in Contract Milestones 1 - 8 above resulted in the date for this milestone moving out to 6 April 2009. Contract Milestone 12, Commencement of Operational Services to Wave 4 Departments was achieved on 6 April 2009.
- **Contract Milestone 13 - FAS Wave 4 Rollout - Stabilisation Complete -** Initial delays in Contract Milestones 1 – 8 above resulted in the date for this milestone moving out to and being achieved on 1 June 2009.
- **Contract Milestone 14 - Commencement of Operational Services to Wave 5 Departments -** Initial delays in Contract Milestones 1 - 8 above resulted in the date for this milestone moving out to 6 July 2009. Contract Milestone 14, Commencement of Operational Services to Wave 5 Departments was achieved on 6 July 2009.
- **Contract Milestone 15 - FAS Wave 5 Rollout - Stabilisation Complete -** Initial delays in Contract Milestones 1 - 8 above resulted in the date for this milestone moving out to and being achieved on 28 August 2009.

Contract Performance Point (CPP)

21. CPP is specifically outlined in the Agreement as: "The date falling ninety (90) days after the Achievement of Key Milestone Five (Contract Milestone 14), where the Contractor and Authority agree that the technical Solution and all Services are working satisfactorily in compliance with this Agreement". The earliest possible date for CPP was therefore 5 October 2009. CPP was achieved on 27 October 2009, the key elements of which are:

- **Delivery -** The Delivery component of CPP related to the completion of all deliverables which are part of the Account NI Common Footprint solution (i.e. the technical solution). Delivery encompassed deliverables for all waves but of particular relevance to CPP were the deliverables outstanding when the plan was prepared on 5 August 2009. These included: migration of RAM and Legacy Archiving for Waves 4 and 5; completion of Stabilisation for Wave 5; Fujitsu de-commissioning and a number of Cognos issues.
- **Service -** The Service component of CPP related to the stability of the Account NI Common Footprint solution. More specifically, it encompassed operational and functional stability across the entire solution, the delivery of service operating models, progress on service releases (fixes) and delivery of a limited number of Authority Change Requests (ACRs). A second Disaster Recovery exercise was carried out in mid-October and this proved successful. A plan to provide assurance on system performance was also accepted.
- **Solution -** The Solution component of CPP related to demonstration that the Technical Solution and Services met the requirement as specifically stated in the Agreement. This was managed using a series of detailed Requirements Traceability Matrices (RTMs). The RTMs provided a line-by-line record of the requirements set out in the Agreement and indicated whether and how they have been met, or exceptionally, were it had been agreed that they were no longer relevant/required. These are the key accountability documents and encompass the Financial Application Services (FAS), Information Services, Transitional Services, Business Transformation Services, Standards, Disaster Recovery and a full contract review.
- **Transition -** The Transition component of CPP relates to the effective transition from the 'Implementation' to the 'Service' phase. The key deliverable was a transition plan, covering operating models, transition into service and knowledge/information transfer.
- **Environments -** The Environment component of CPP related to definition and implementation of an agreed environment strategy to support the requirements of the Account NI programme as it transitioned from the 'Implementation' phase to the 'Service' phase. The key elements were: Environment Strategy, Environment Audit and resolution of all open Environment Management issues.
- **Quality Review -** The Quality Review component of CPP relates to execution of an 'independent' audit of the Technical Solution and Services which have been provided by BT during the 'implementation' phase of the Account NI programme. BT employed an independent expert, Hitachi Consulting, to perform the Quality Review. The review has been completed and the key findings confirmed that: the overall the solution meets the requirements; for the most part, good industry practice has been adopted, although the key findings do highlight some areas where this is not the case; where divergence is identified, there is evidence that the reasons are understood and accepted by Account NI; and that there are no major concerns relating to the overall flexibility and scalability of the solution.

BENEFIT REALISATION

Accounting Services Review (ASR) Business Case

22. A preliminary assessment of monetary and non-monetary benefits was completed in the preparation of the ASR Business Case, March 2001. The ASR Business Case stated that a very prudent view had been taken of the likely cost savings arising from the implementation of new arrangements. In addition most of the benefits arising had been treated as non-monetary.

Outline Business Case (OBC)

23. During the Gateway Phases 1 and 2 the ASP Board and Executive re-considered the likely non-monetary benefits that would arise from implementation of the ASP. The process for the identification of non-monetary benefits commenced during the preparatory work for the OBC.

24. The non-monetary benefits, as defined at this stage, were presented as a Benefits Statement within the OBC and are set out below.

OBC Benefits Statement

Benefits	Measures	Location of benefit	Timing of benefit	Responsibility	Dependency
1. Support strategic objectives of national and regional government	• Provide Whole of Government accounts timely and accurately • Meet local Assembly requirements for information on resource deployment and aggregate analysis of expenditure and trends across NICS	Departmental Finance Divisions and DFP	Immediately after implementation of ASP	ASP Board to specify requirement in contract. Project Manager to ensure new service meets requirement. Finance Divisions to develop	Reporting development beyond initial implementation of system
2. Assist in meeting modernisation agenda for Government	• Make it easier for the public (e.g. suppliers) to deal with government • Improve communication across Government • Improve knowledge sharing across Government through better sharing of information • Improves level of service to citizens, suppliers and stakeholders • Increased efficiency in service delivery	Departmental Finance Divisions and DFP	Immediately after implementation of new system	As above	Support and development plans and resources to be in place for system to enable it to continue development
3. Assist in meeting Best Value initiative for Government	• Optimum efficiency of public resources e.g. benefiting from economics of scale • Improved business process through adoption of best practices • Standardisation of business processes across local government • Improved quality level of services	Departmental Finance Divisions and DFP	Immediately after implementation of new system	ASP Board and ASP procurement team	OBC to be updated during course of procurement. FBC to be prepared
4. Implementation of HM key principles for management of finance	• Support financial decision making • Maximise efficiency benefits and savings • Business process reengineering gains to be made from system implementations	Departmental Finance Divisions and DFP	Immediately after implementation of new system	As above	Support and development plans and resources to be in place for system to enable it to continue development
5. Provide better management information to support Departments' management of business	• Improved accuracy • Improved timeliness of data update • More consistent and accurate costing analysis • Improved capability to analyse/interrogate data • Easier to benchmark and carry out comparative analysis	Departmental Finance Divisions and DFP	Immediately after implementation of new system	ASP Board to specify requirement in contract. Project Manager to ensure new service meets requirement. Finance Divisions to develop	Reporting development beyond initial implementation of ASP

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Benefits	Measures	Location of benefit	Timing of benefit	Responsibility	Dependency
6. Flexibility to adopt future technological advances and support organisation development and change	• Ability of solution to accommodate changes and be adapted for new organisation requirements • Provision of a development path for the solution to accommodate new technologies and other developments • Organisational structure better able to accommodate change • Ability to cope with changes in key volumes.	Departmental Finance Divisions and DFP	Over life time of ASP	As above	Available funding and resources
7. Improved accessibility to information	• Use of standard user interfaces • Use of standard reports and reports development • Integration of systems, especially supplies to finance • Number of managers with access to systems • 24x7 availability	Departmental Finance Divisions and DFP	Immediately after implementation of new system	As above	Infrastructure
8. Improve staff morale	• Provision of modern system with advanced user facilities • Minimisation of transaction processing effort through automation of validation, coding, invoice matching etc • Better access to information to enable staff to perform their jobs more effectively and provide better service both internally and to public • Reduced bureaucratic burden on finance and supplies staff • Provision of new skills • Career advancement path of accounts staff with Shared Service Centre • Capable knowledgeable team in place to deal with finance and customer queries • Recognition of accounts staff specialism • Increased staff retention levels	All end users of ASP service	Immediately after implementation of ASP	Departmental management and Shared Service Centre management	Project communication and adequate training
9. Ensure continuity and quality of service	• Capable knowledgeable team in place to manage system from an application and technical perspective • Minimise length of time to resolve system issues • Issues resolved in accordance with SLA	ASP Service Management	Immediately after implementation of new system	ASP Board to specify requirement in contract. Project Manager to ensure new system meets requirement.	ASP and Departmental Finance involvement in running the systems or in supplier monitoring

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Full Business Case

25. The benefits presented within the body of the FBC have been set in the context of monetary and non-monetary benefits that could potentially arise from implementation of the new service.

Benefits Management

26. Benefits Management is defined in the FBC as the activity of identifying, optimising and tracking the expected benefits from business change deriving from the ASP to ensure that they are achieved. The approach adopted is based on the DAO Business Case Guidance (DAO (DFP) 33/03), which provided the most robust and appropriate framework for benefits management for ASP.

27. The benefits management framework has four defined stages each with a specific output as outlined in the following table:

Stage	Description	Output
1	Identify and structure the benefits	Benefits Statement
2	Plan benefits	Benefits Realisation Plan
3	Execution of benefits realisation plan	Measurements/Lessons Learned
4	Evaluation of benefits achieved	Post Implementation Review

28. The focus of the work undertaken in the lead up to the FBC was on the development of Stage 1 and the preparation of a Benefits Statement. Work had also commenced on the preparation of a Benefits Realisation Plan.

29. The FBC identified 22 benefits, one monetary benefit and 21 non monetary benefits.

Monetary Benefits

30. The FBC principal monetary benefit of ASP was from efficiency savings accruing from the reduced requirement for finance staff to undertake transaction processing.

31. The initial focus of the work on monetary benefits was to establish a baseline of the current staffing levels undertaking the finance function, in particular the transaction processing, within Departments and their Agencies. Departments participated in an extensive data collection exercise in November 2005 which identified 293 staff involved in transaction processing within a finance unit primarily dedicated to finance activities. The quantification of the monetary value of the efficiency savings arose from the adoption of ASP, in terms of staff redeployments. The efficiencies were based on the following assumptions:-

- An element of transaction processing (10%) would remain within the Departmental Retained Finance Function. The remaining transaction processing staff would transfer to the SSC, and an initial efficiency of 25%, which equates to 66 staff, would be realised.
- The Shared Service Centre will be expected to achieve a further 20% efficiency, which equates to 39 ftes when working towards the ‘steady state’ and beyond.

32. The monetary benefits identification and calculations have focussed on the designated finance function. However, it is anticipated that the adoption of the ASP solution will result in additional monetary benefits across NICS as follows:

- As the ASP solution becomes embedded it should be possible for the departments to achieve further efficiencies on the 29 ftes retained. This will arise from efficiencies around both the standardisation and the simplification of the business processes and the maximisation of the technology solution provided by the ASP.

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33. The monetary value of the anticipated efficiency savings (based on full cost) are summarised in the following table and total £43.1 million.

Saving categories	Efficiency Savings FTE's	Annual savings 05/06 £'000	Total savings twelve years £'000
Initial 25% savings	66	2,024	21,927
SSC 20% savings	40	1,197	10,592
Total NICS savings	106	3,221	32,519
RFF savings	29	1,021	10,595
Total efficiency savings	**135**	**4,242**	**43,114**

34. In addition, it should be noted that the FBC contains a sensitivity analysis reflecting the impact of using a lower base transaction processing fte complement of 220 (compared to 293) as well as the potential to realise efficiencies in the non designated finance function. This analysis still shows that value for money can be demonstrated on the lower figure

Achievement of Monetary Benefits

Departmental efficiencies

35. An initial efficiency of not less than 25% of current staff levels was to be achieved by departments on migration to the SSC. This equates to a potential saving of 66 FTEs, an annual efficiency saving (cash releasing) of £1.3m and a total efficiency savings (cash releasing) over the life of the programme of £13.7m. In terms of savings, Departments are responsible for identifying efficiencies within their own departments. An exercise is currently being carried out with departments to measure the monetary benefits. Meetings are being held with Departmental Finance Directors and it is anticipated that the measurement of these benefits will be completed by early 2012.

SSC Efficiencies

36. The FBC anticipated the SSC could achieve a further 20% staff efficiency at steady state and beyond. It was anticipated that 39.5 ftes of the 198 baseline staff could be realised, representing a potential total saving (cash releasing) of £8.6m over the life of the programme.

37. Account NI now anticipates planned staff savings (cash releasing) of £2.9m over the life of the programme. These includes:-

Absorbed efficiencies:

38. Efficiencies of £1.73m relating to staff costs on developments outside the FBC:-

- **DVA** - During 2010/11 Account NI implemented the Driver and Vehicle Agency (DVA). Account NI baseline figures have been deployed to implement the roll out and stabilisation of DVA onto the Account NI solution and carry out the transaction processing activities going forward. This equates to an estimated saving of 5.7 ftes and £1,045k over the life of the programme.
- **DOJ** – In June 2011, it was agreed to migrate DOJ on to the Account NI solution. Account NI has deployed a team from within various business areas in Account NI to work on the implementation of DOJ. Following implementation 3 staff will return to their respective business areas to carry out transaction processing activities. This equates to an estimated saving of £482k over the life of the programme.
- **PPS** - In October 2010, it was agreed to migrate PPS on to the Account NI solution in line with DOJ timetable. Staff within Account NI have been deployed to implement the roll out and stabilisation of PPS onto the Account NI solution and carry out the

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transaction processing activities going forward. This equates to an estimated saving of 1 fte and £200k over the life of the programme.

Planned Efficiencies

- **E-forms:** It is anticipated that the introduction of "e-forms" will offer benefits such as efficiencies accruing from the reduced requirement for manual verification staff, timeliness and cost effectiveness whilst improving customer satisfaction levels. The implementation of e-forms consists of two phases being rolled out over a two year period. It is anticipated that the first phase of e-forms could potentially generate a saving of 2 posts equating to an annual staff saving of £57k, and the second phase will generate further efficiencies of 5 posts equating to an annual staff saving of £147k. Therefore, it is estimated that the total potential savings generated from e-forms is £1,159k (including inflation) over the remaining life of the contract.

  The following table sets out absorbed and planned efficiencies:-

Future Savings	Headcount	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	Total
DVA	5.7	50	156	136	138	139	140	142	143	1,045
DoJ	3			54	83	85	86	87	87	482
PPS	1		50	150						200
E Forms	7			57	206	213	220	228	236	1,159
Total	16.7	50	206	397	426	437	447	457	466	2,887

SSC efficiencies not yet recognised

39. In addition, the potential to realise SSC efficiencies as set out in the FBC has been diluted as a consequence of:-

- **Introduction of the 10 day Prompt Payment** - Account NI has had to deploy transaction processing staff from other front line services to focus on the introduction of the 10 day prompt payment target. The amount of resources currently deployed in the drive to achieve the 10 day target is in the region of 18 staff at an "average actual" AO cost of £27k equating to £490k pa (excluding inflation) and £4.5m over the life of the programme.

  While it is accepted that the impact of prompt payment is inescapable, this initiative was not within the original scope of the FBC and therefore, it is reasonable to assume that Account NI has already realised 18 staff posts to date. This is based on the assumption that staff involved in the delivery of the 10 day target will be declared as efficiencies once this initiative is completed and resources are redeployed.

40. Therefore, absorbed and planned efficiencies would result in a potential efficiency 34.7 ftes and £7.4m over the life of the contract.

- **Budget 2010**: With the impending Budget 2010 settlement, Account NI will have to make efficiency savings. This has been agreed at £115k per annum equating to 4.5 transaction processing staff. These have not been included in projected figures as efficiencies. Further reductions will be necessary in order to contribute to expected ESS savings in subsequent years. There have not yet been defined and are therefore excluded.

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- **Centralisation of the Finance Function**: - it is envisaged that there may be scope to align standard finance and contract management processes and provide a central support function across the various reform programmes with a view to achieving efficiencies at the centre. Therefore, a review is currently underway to examine how current functions are being performed across the ESS with consideration being given to what functions could be carried out by a central team.

Non Monetary Benefits

41. The FBC Benefits were identified and summarised under the following categories:

- ASP Shared Service Centre –benefits that will arise within the SSC and will be the responsibility of the ASP SSC to ensure the realisation of the benefits:
- NICS - benefits that will arise across NICS and responsibility to ensure the realisation of the benefits will be owned jointly by the ASP and Departments, and
- Departmental owned benefits - benefits that will arise within the Departments and it will be the responsibility of the Departments to ensure that these benefits are realised.

42. Benefits Statements were prepared for non monetary benefits and summarised:

- The main benefits arising from the project;
- Measures assigned to each benefit, their current value and target value;
- The location and timing of each benefit;
- Responsibility for achieving and measuring the benefit values;
- Dependencies, in terms of actions required to achieve benefits; and
- Potential risks, their likelihood and impact, the countermeasures identified and responsibility for action.

43. Non-monetary benefits were identified and summarised as follows:

Shared Service Centre Benefits

44. The following benefits will arise within the SSC and will be the responsibility of the SSC to ensure the realisation of the benefits:

- More accessible and efficient services – it is anticipated that the interface with other government organisations and with the private sector (e.g. suppliers) can be more easily managed as the SSC will provide a consolidated contact point. This will facilitate a quicker and more efficient information flow between NICS and external bodies;
- Increased level of service to all stakeholders – the service to be provided to the departments will be defined in the Service Level Agreements and clear performance targets defined. The organisational structures to be implemented within the SSC will incorporate a monitoring function to ensure that the defined level of service is achieved;
- Customer service focus – a key role within the SSC will be customer relationship management. The development of the organisational structures for the SSC will consider the how this benefit can be optimised;
- Re-engineered business processes to maximise efficiency – The business processes that will be operational following the implementation of ASP are standardised and developed to be applicable to the majority of scenarios. The business processes have also been designed to maximise the use of technology, reduce the use of manual forms and, where possible, utilise the financial system to manage the flow of data;
- Creation of standardised report suites and report registers for NICS – it is anticipated that there will be a standard suite of reports. This will introduce a consistency in reporting across NICS and will ensure that all departments are reporting on the same

basis. The maintenance of future reporting will be undertaken by the SSC and this will ensure that the performance benefits will be maintained;

- Increased flexibility – the maintenance and development of the financial system will be the responsibility of the SSC and as a result any technological advances will be easier to manage across NICS. In addition changes or developments requested by departments can be managed as part of the change procedures to be developed within the SSC;
- Improved accessibility to information by appropriate internal and external customers – the development of the use of e-commerce technology is a key objective across government. The financial system solution will support this objective and ensure that external customers will also have greater accessibility to relevant information. In addition, the provision of an integrated systems solution will ensure that the appropriate financial information will be available to support the decision making processes;
- Better recruitment and retention levels – it is anticipated that a combination of improved training, well-defined job descriptions, the removal of routine tasks and the recognition of the finance function as a specialism will contribute to better retention levels within the SSC;
- Structured career development path for staff – it is anticipated that all staff will be offered a career development path supported by wider access to appropriate training opportunities. This will lead to a more proficient staff within the SSC; and
- Better staff morale – staff morale will improve primarily due to the identification of a career development path, increased staff retention, provision of new skills and a reduced bureaucratic burden. This will result in a more stable workforce providing a consistent customer support function.

NICS Benefits

45. The following benefits will arise across NICS and responsibility to ensure the realisation of the benefits will be owned jointly by the ASP and departments:

- Improved knowledge sharing across NICS – it is anticipated that this will be achieved through the standardisation of business processes and common Chart of Accounts;
- Centralisation of services – as an integral part of the creation of the SSC the business processes are developed taking best practice and 'world class' finance into account. This will create the optimal environment for the achievement of efficiencies arising from economies of scale;
- Rationalise support services – reducing staff numbers in 'back office' administration functions to re-deploy staff to front line services is a key objective of the 'Fit for Purpose' review. The implementation of ASP will facilitate the reduction of staff numbers in transaction processing within finance but will also provide the opportunity to realise further staff reductions in transaction processing undertaken outside core finance; and
- Use of e-procurement in ASP solution – the use of e-procurement as part of the ASP solution will enable suppliers to provide innovative solutions, will reduce the administrative process within the procurement function and will allow the contracts management function to develop. As a result it should be possible to deliver additional efficiency savings that would contribute to NICS reform initiatives such as 'Fit for Purpose'.

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Departmental Benefits:

46. The following benefits will arise within the departments and it will be the responsibility of the departments to ensure that these benefits are realised:

- Whole of Government Accounts (WGA) - the design of the chart of accounts has incorporated the requirements of WGA and, where possible, the requirements of COINS and the Single Data System. As a result there should be minimal requirements for additional analysis or data manipulation by departments to meet these reporting requirements and accounts should be available on a more timely basis;
- Common chart of accounts - the standardisation of the chart of accounts will result in reduced maintenance time, a reduced requirement for ongoing training when staff move between departments, a more consistent approach to data analysis, compliance with faster closing and a more accurate provision of data in response to Parliamentary Questions (PQ's);
- Re-engineered business processes to maximise efficiency - the business processes have been developed to maximise the use of new technology, to improve the access to services and to deliver a 'world class' finance function. However, this will have implications within the departments as opportunities arise to develop the retained finance function to undertake an increased business management function;
- Improved decision making - the ASP solution will provide a suite of reports along with better reporting tools that should ensure that the required financial information is available when required, leading to more effective decision making;
- Standard of data held on the financial system - the information held on the system will be more accurate, consistent and relevant. As a result an improvement in the quality of the data used for management decision making will arise;
- Staff development - as part of the ASP implementation Departmental staff, released to the Central Implementation Team, will acquire new skills in project management, business processes, change management and the finance system solution. Each Department will need to give careful consideration to how these staff can be utilised to maximum benefit; and
- Departmental finance teams - the removal of transaction processing to the shared service centre will allow a focus within the departments on the development of the financial management function and business support role. As a result of ASP there will be significant opportunities to develop this decision making function and to re-organise the retained finance function to deliver this.

Benefits Realisation Plan

47. Benefit Realisation plans were prepared to record delivery of the key benefits.

Achievement of Non- Monetary benefits

48. The Benefit Realisation plans have been revised to reflect the position to date, as follow:-

Benefits Realisation Plan for Shared Service Centre (as at 2011)

Success Criterion	ASP Themes	Ownership	Intermediate enabling end/benefits	Measurement Approach Assessment Criteria	Data Source	Dependency	Time Frame*	Progress to date
1. **More accessible and efficient services to the private sector -** ability for private sector organisations who deal with NICS to obtain relevant information quicker	Efficiency and Cost Best Practice/Flexibility (incl. IT) Service to External Customers	SSC	End	Comparisons to Benchmarks that identify best practice within NICS and other public sector bodies who have implemented a SSC similar to ASP	Office of Government (Whitehall), links to other public sectors areas eg. SOCITM	Accurate design of SSC Model Ability to make use of latest IT when re-engineering business processes to allow access by external customers	3+ Years	**Delivered** Departments on Account NI currently achieving over 90% 10 day and 99% 30 day prompt payment. Information for suppliers available on Account NI portal. Electronic options for payments and issue of Purchase Orders and Invoices deployed. E-Banking also widely used. The most recent DFP Supplier survey (2011) indicated an overall improvement of 16% in satisfaction from 57% last year to 66% now (against a target of 64%).
2. Increased level of service to all stakeholders - applicable to both internal and external customers.	Efficiency and cost Best Practice/Flexibility (incl. IT) Service to Internal/External Customer.	SSC	End	Surveys to capture and evaluate information to assess quality of service. Timely feedback from key stakeholders (internal and external)	Office of Government (Whitehall), links to other public sectors areas eg. SOCITM	Structures in place within SSC to coordinate and evaluate data and take appropriate action.	3+ Years	**Delivered** During 2010//11 there was a marked improvement in Departmental supplier scorecards with satisfied ratings now consistently being achieved as SLA targets are met. The number of outstanding incidents to be resolved by the service desk reduced by 78% over the period and has remained The most recent DFP Supplier survey (2011) indicated an overall improvement of 16% in satisfaction from 57% last year to 66% now (against a target of 64%).
3. Customer Service Focus - Centralisation of functions for all Departments allows service to be reviewed and customer service focused on. Eg. One main contract with Supplier instead of one per Department	Efficiency and cost Best Practice/Flexibility (incl. IT) Service to Internal/External Customer.	SSC	End	Comparisons carried out pre and post service. Assessed through SLA's with Supplier and Departments	Previous SLA's pre SSC, examples of SLA's for current service structures. Guidance given from Supplier in relation to projects already implemented.	Accurate understanding of "as is" service to ensure included in "to be". Detailed review and inclusion in the SSC design model. Relationships/Partnerships built with Supplier and Departments	3+ Years	**Delivered** Account NI now manages the supplier contract (with BT) centrally on behalf of all Departments. Sound partnership arrangements in place. Account NI has an SLA agreed with Departments that outlines the level of service. This is reviewed annually. Service Management

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								arrangements in place including Finance Services Board, Service Desk, Account Executives, Departmental User Groups, Business Managers Forum, etc.
4. Reengineer business processes to maximise efficiency, take advantage off new technology and improve access to services - SSC will need to clearly define scope of their model and ensure model takes this into account	Efficiency and cost Best Practice/Flexibility (incl .IT) Service to Internal/External Customer.	SSC	Intermediate	Comparisons to Benchmarks that identify best practice within NICS and other public sector bodies who have implemented a SSC similar to ASP	Review other public sector organisation to provide benchmarks. Implement survey's and questionnaires to review service. Develop and implement KPI's process and tools to ensure progress can be measured at various stages of programme.		1- 3 Years	Delivered Account NI solution is based on best practice. Departments have re-engineered their processes accordingly. Internet based expenses and procurement widely deployed, widespread use of electronic service delivery methods, use of Portal and development of e-forms. Account NI has an SLA agreed with Departments that outlines the level of service. This is reviewed annually and includes KPIs.
5. Creation of Standardised Report Suites and report registers for NICS - cleansing of all current reports used in departments to provide a master listing will create consistency in reporting across NICS. Maint of future reporting by SSC will ensure reporting is kept consistent and comparable between departments. All reporting will be reengineered to be linked to new COA.	Efficiency and cost Best Practice/Flexibility (incl. IT) Service to Internal/External Customer. Improved decision making	SSC	End	Comparisons of reports pre and post SSC implementation. Surveys to report users to understand impact of improvements.	Design stage of solution should be able to provide data on situation on "as is" and "to be" changes should be able to be identified and questionnaires should be able to be developed to test improvements.	Understanding of "as is" reporting and the ability to transform these reports to meet operational and financial accounting needs in the "to be" solution.	3+ Years	**Delivered** Account NI provides a standard catalogue of financial and management reports including a suite of reports to assist with the preparation of resource accounts. Reporting of key performance measures (eg, prompt payment) now consistent across Departments.
6. Increased Flexibility - adopt future technological advances to support changes/developments in departments	Efficiency and Cost Best Practice /Flexibility (incl. IT) Service to Internal/ External Customers Improved decision making	SSC	Intermediate	Comparisons on accessibility to information pre and post SSC implementation Post implementation surveys with input from key stakeholders		Appropriate structures in place to accommodate new technologies and other developments Clear understanding of current procedures to enable accurate assessment of improvements achieved through technological improvements	3+ Years	**Delivered** Account was predicated on flexibility eg, in terms of structural changes the solution has already facilitated OSNI, CSA, Planning Service, on-boarding of DVA, DOJ and PPS and is well placed to support any emerging requirements (eg RPA). Account NI has implemented a programme of continuous improvement to take advantage of the technology in place. The contract provides for technical refresh. This is currently scheduled for 2013 and will bring benefits from the latest version of

								technology.
7. Improved accessibility to information by appropriate internal and external customers - best use of e - commerce technology	Efficiency and Cost Best Practice/Flexilibity (incl. IT) Service to Internal/External Customers Improved decision making	SSC	End	Comparisons on accessibility to information pre and post SSC implementation Assessment of the integration of systems Post implementation surveys with input from key stakeholders		Accurate design of SSC Model with emphasis on IT ability to ensure increased accessibility.	3+ Years	**Delivered** The reporting solution (Cognos) provides a detailed level of reporting for operational purposes and to budget holders including drill down capability to the invoices which support ledger balances. Internet based expenses and procurement (with associated enquiry access) widely deployed. Widespread use of electronic service delivery methods, use of Portal and development of e-forms. E-banking also widely used.
8. Better recruitment and retention levels - reduced staff turnover rates	Efficiency and Cost Service to Internal/External Customer (increase in expertise) Staff/Career Development	SSC	Intermediate	Determine baseline data to be used to assess turnover/vacancy statistics in the SSC	HR Statistics in finance areas regarding staff turnover rates	Best practice recruitment procedures in place Clear definitions of roles and responsibilities Appropriate management skills to review progress	3+ Years	**Delivered** Account NI is subject to the same HR policies as the rest of NICS. There is no comparable data available pre-Account NI but the level of retention / turnover post implementation is a positive indicator.
9. Structured Career Development path for staff - wider access to training opportunities leading to more proficient staff assuming demanding roles	Best Practice and Flexibility Staff/Career Development	SSC	Intermediate	Assess relevance of training provided as a result of changes to the business processes. Timely feedback and take appropriate action, where necessary	Human Resource Data Regular Staff Attitude surveys	Properly devised training material with specific relevance to jobs Provision of competent trainers Career Structures clearly defined in SSC/NICS	1 - 3 Years	**Delivered** Account NI implemented an extensive training and support programme including e-learning. A number of staff have been recruited through specialist competitions (where these could be justified) Account NI is subject to the same HR (including, recruitment, deployment, training and development) policies as the rest of NICS.
10. Better Staff morale - higher staff satisfaction with career development , reduction in sick absences. Also staff involved in continuous service improvements to its customers	Best Practice and Flexibility Service to Internal/External Customer Staff/Career Development	SSC	Intermediate	Monitor sick absence trends pre and post implementation Conduct surveys to gauge staff views on career opportunities within SSC	Review other similar public sector bodies to provide independent benchmarks Internal staff attitude surveys	Cultural Dynamics within SSC Adoption of positive team approach Comprehensive Training Needs Analysis	1 - 3 Years	**Delivered** In the 2011 NICS Staff Attitude Survey, ESS had a higher than average response rate and the Employee Engagement Index for ESS was higher that both DFP and NICS as a whole. A number of staff have been recruited through specialist competitions (where these could be justified) Account NI is subject to the same HR (including,

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								recruitment, deployment, training and development) policies as the rest of NICS. Sick absence is higher than the DFP average but this is a reflection on the gender/grade profile of staff and the deployment policies introduced in response to the economic position.

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Benefits Realisation Plan for NICS (as at 2011)

Success Criterion	ASP Themes	Ownership	Enabling/ Intermediate end benefits	Measurement Approach Assessment Criteria	Data Source	Dependency	Time Frame	Progress to Date
1. Improved knowledge sharing across NICS - achieved though standardisation of business processes and Chart of Accounts	Efficiency and Cost Best Practice/Flexibility (incl IT) Service to Internal Customers Staff/Career Development Improved Decision making	NICS	End	Ability to provide Management Information. Accurate/timely responses to PQs Accuracy of Accounts	Departments need to provide details of current "as is " this can then be measured against process under SSC for improvements.	Chart of Accounts is common to all and properly maintained Business Processes are properly engineered Appropriate training provided on impact of above changes to enable knowledge to be transferable within NICS	1-3 years	**Delivered** Common processes and Chart of Accounts inherent in Account NI solution. Account NI solution is based on best practice. Departments have re-engineered their processes accordingly. Extensive training programme delivered including e-learning.
2. Centralisation of Services - Creation of the SSC will result in a review of services to ensure best practice is followed, this will create standardisation, improved business processes and create optimum efficiency of public resources throughout NICS.	Efficiency and Cost Best Practice/Flexibility (incl. IT) Service to Internal Customers Improved Decision making	NICS	End	Review of services "as is" to create baselines. Setting of benchmarks for the "to be". Ability to locate projects of similar nature to provide suitable benchmarks. Consultation with Customers and Management to agree KPI's. Inclusion in Benefit Realisation plan for post project evaluation.	Review other public sector organisation to provide benchmarks. Implement survey's and questionnaires to review service. Develop and implement KPI's process and tools to ensure progress can be measured and various stages of programme.	Agreement on Common Footprint design for end solution between Departments. Ability to include in the SSC Model. Ability to set up/calculate baselines in areas currently not covered. Extraction of best practice for a project that is pioneering may be difficult when creating baselines etc.	3+ years	**Delivered** Common processes and Chart of Accounts inherent in Account NI solution. Account NI solution is based on best practice. Centralised reporting of key performance indicators for all Departments including prompt payment performance
3 Rationalise Support Services - In line with "Fit for purpose" this programme should rationalise Financial, accounting services and office accommodation. Reducing staff numbers in admin areas to allow redeployment to front line services and ultimately reduce the accommodation taken up by same.	Efficiency and Cost Best Practice/Flexibility (incl. IT) Service to Internal Customers	NICS	Intermediate	Review of "as is" to "to be". Provide measurement of impact created on cost reduction created by centralisation of Financial and accounting functions. Assess impact on staff throughout processes being reengineered to ensure maximum efficiencies can be achieved.	Review other public sector organisation to provide benchmarks. Implement survey's and questionnaires to review service. Develop and implement KPI's process and tools to ensure progress can be measured and various stages of programme.	Involvement of all stakeholders /customers in design process to ensure all efficiencies can be maximised. Appreciation of business/operational demands that may impact on overall design	3+ years	**Measurement Ongoing** Projected staff numbers in shared service centre have been achieved. Measurement of Departmental retained numbers ongoing (BSD)
4. Use of e-procurement in ASP solution - by making use of e-procurement savings should be delivered that can contribute to reform targets as per Fit for purpose	Efficiency and Cost Best Practice/Flexibility (incl. IT) Service to Internal Customers	NICS	Intermediate	Review use of IT in design stage of solution.		Ability to reengineer processes to include e-procurement. Knowledge of e - commerce technology in departments. Supplier's ability to provide innovative advice in this area. Ability to	1-3 years	**Partially delivered** i-procurement deployed widely across Departments. Account NI is working closely with CPD and Departments to ensure optimum use of i-

						adjust overall solution to include		procurement.

Benefits Realisation Plan for Departments (as at 2011)

Success Criterion	*ASP Themes*	*Ownership*	*Enabling/ Intermediate /end benefits*	*Measurement Approach Assessment Criteria*	*Data Source*	*Dependency*	*Time Frame*	*Progress to date*
1.Whole of Government Accounts - Restructured Chart of Accounts to COINS format will provide accurate/timely production	Cost Effective Improved Decision Making	Departments	End	Ability to meet deadlines for production more effectively	Departments and (Whoever we submit WGA to) Consider "as is " to "to be"	Ability of SSC to fit in with Departmental timeframes SSC ability to manage Chart of Accounts	3 + Years	**Delivered** Solution implemented to support preparation of Whole of Government Accounts and to deliver CED monitoring.
2. Common Chart of Accounts - one common COAs for all Departments	Efficiency and Cost Best Practice (incl. IT) Improved Decision Making Service to Internal Customers	Departments	End	Compliance to faster closure Response time to PQs/AQs and provision of accurate information	Departments need to provide details of current "as is " this can then be measured against process under SSC for improvements.	Departments ability to ensure that staff are appropriately trained Monitoring through review of internal controls	0 - 12 months	**Delivered** Common Chart of Accounts Inherent in the Account NI solution from the outset. Month end targets of T + 9 routines achieved enabling departments to meet faster closing deadlines. Centralised reporting for all Departments including prompt payment performance and contributions to FOI and PQ/AQs.
3. Re-engineer business processes to maximise efficiency, take advantage off new technology and improve access to services - Depts will need to clearly define scope of their Retained Finance model and ensure model takes this into account	Efficiency and Cost Best Practice (incl. IT) Improved Decision Making Service to Internal Customers	Departments	Intermediate		Review other public sector organisation to provide benchmarks. Implement survey's and questionnaires to review service. Develop and implement KPI's process and tools to ensure progress can be measured and various stages of programme.	Ability of Department to understand the possible gains from the ASP and include these in their revised Retained Finance Functions. The understanding that the impact is also out with core finance areas. Priority given to programme in Departmental Business Plans and attitude to staffing ASP departmental project teams to ensure maximum efficiencies can be achieved when planning transition.	1 - 3 Years	**Delivered** Account NI solution is based on best practice. Departments have re-engineered their processes accordingly. Internet based expenses and procurement widely deployed, widespread use of electronic service delivery methods, use of Portal and development of e-forms. E-Banking also widely used. Account NI has an SLA agreed with Departments that outlines the level of service. This is reviewed annually and includes KPIs.

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4. Improved decision making - with the provision of better reporting tools and cleansing of financial reports to provide standard formats across NICS. It should be easier to provide information on key areas this ultimately adding to improved decision making.	Efficiency and Cost Best Practice (incl. IT) Improved Decision Making Service to Internal Customers	Departments	Intermediate	Departmental surveys carried out to assess the improvements created by changes in reporting.	Departments need to provide details of current "as is " this can then be measured against process under SSC for improvements.	Training in use of new tools. Ability to create an agreed list of standard reports that meets all individual departmental requirements. Department's ability to use information effectively at an operational level to improve decision making eg. In budget monitoring and estimate planning.	3+ Years	**<u>Delivered</u>** Common Chart of Accounts Inherent in the Account NI solution from the outset. Month end targets of T + 9 routines achieved enabling departments to meet faster closing deadlines. Centralised reporting for all Departments including prompt payment performance and contributions to FOI and PQ/AQs.
5. Standard of Data held on Financial System - through the process of reengineering business processes, cleansing of data and the creation of Common Chart of Accounts there should be an improvement in the accuracy, consistency and relevance of data held on the financial systems. This should improve the ability to analyse data, compare and interogate in a timely manner to meet business needs.	Efficiency and Cost Best Practice (incl. IT) Improved Decision Making Service to Internal Customers Staff Development	Departments	Intermediate	Departmental surveys carried out to assess the improvements created by changes standard of data held. Identification of KPI's in this area to provide benchmarks to monitor improvements	Departments need to provide details of current "as is " this can then be measured against process under SSC for improvements. Review KPI's used elsewhere in public sector and apply best practice to ASP to measure improvements	Focus of Departments and Central implementation team on all areas in the Design phase of solution. Guidance given by Supplier to maximise the use of Software to meet business needs. Ability of teams to put forward operational needs when considering the design.	1 - 3 Years	**<u>Delivered</u>** Account NI has an SLA agreed with Departments that outlines the level of service. This is reviewed annually and includes KPIs. Common Chart of Accounts Inherent in the Account NI solution from the outset. Month end targets of T + 9 routines achieved enabling departments to meet faster closing deadlines. Centralised reporting for all Departments including prompt payment performance and contributions to FOI and PQ/AQs.
6. Staff Development - increase in Project Management skills for nominated ASP Departmental Project Managers and other relevant staff involved in the ASP implementation process.	Improved Decision Making Career/Staff Development	Departments	Intermediate	Ability of individual departments to migrate to the SSC within allocated timescales using appropriate in-house skills . Also use of knowledge and expertise attained by personnel returning to depts from ASP Central Implementation Team (CIT)		Commitment from departments to allocate appropriately experienced staff to assist with the migration to the SSC. Timely return of staff from ASP CIT to assist with the implementation phase.	1 - 3 Years	**<u>Delivered</u>** Account NI is subject to the same HR (including, recruitment, deployment, training and development) policies as the rest of NICS. A number of staff has been recruited through specialist competitions (where these could be justified). Securing staff from Departments proved a challenge during implementation and this meant that there was a heavy reliance in consultancy support. However, significant skills transfer was secured and Account NI now has the capability/capacity to deliver ongoing operations and to on-board new customers without external support.

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7. Departmental Finance Teams - facility for personnel in departments to acquire new skills and devote more time to other departmental activities i.e. resource accounting/budgeting	Efficiency and Cost Best Practice Improved decision making Service to internal customers Staff/Career Planning	Departments	Intermediate	Comparison of finance activities in departments on a pre and post SSC implementation basis to assess improvements.	Data collection on pre and post SSC implementation - some information can be obtained from the data collection exercise being undertaken with all Departments.	Ability of Departments to plan and utilise their resources to maximise the impact of the increase in time to focus on activities such as Resource Accts/ Budgeting and forecasting.	3 + Years	**Delivered** Account NI has now relieved Departments of transaction processing responsibility to enable them to focus on decision making.

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Gateway Review 5 - Operations Review and Benefit Realisation

49. Account NI has been fully operational from November 2009 and has successfully delivered the full range of non monetary benefits set out in the business case and provides a platform for continuous improvement and delivery of wider benefits to NICS. This has been reinforced by the OGC Gateway Review 5 "Operations Review and Benefit Realisation" which states that "the tangible and intangible benefits set out in the business case have been achieved or any changes can be justified. The Account NI team and the staff in finance Departments across NICS are to be congratulated on a successful exercise".

NICS Common Benefit Realisation Strategy

50. In parallel to the work in Account NI, following the establishment of the NICS Reform Oversight Board in 2006, the Reform Delivery Unit (RDU), part of Delivery and Innovation Division, was tasked to develop a standardised approach to benefits realisation in DFP which could be used as an exemplar across the NICS. The approach was based on good practice guidance issued by the Office of Government Commerce.

This work involved working with the Project Managers and Senior Responsible Owners (SROs) in DFP to identify key benefits from the total set of benefits for all the projects and programmes, agree their ownership, capture baseline measurements, set appropriate targets and report on these. The result was the production of a Benefits Pack for each project, setting out the benefits, measurements required, targets and risks. In total, some 133 interim benefits were identified across all 9 Reform Projects, including Account NI. The Benefits Pack for the Account NI project included 22 interim benefits. Refer to Appendix 6 attached.

Consultation with Departments in September - October 2008 established a need for the DFP approach to be simplified and the RDU team was tasked to rationalise the benefits in order to arrive at a more a manageable set of benefits data for reporting purposes. As a result, the RDU team commenced a full review of the benefits with the Project Managers and Senior Responsible Owners in DFP, which involved validating identified benefits, amalgamating, prioritising and identifying gaps in baseline measurements and targets, with a view to identifying the key end benefits for reporting purposes.

With regard to Account NI, this work resulted in four amalgamated end benefits. Refer to Appendix 7 attached. This approach was accepted by the NICS Reform Oversight Board November in November 2008, DFP Departmental Board in November 2008 and the Permanent Secretaries Group in January 2009.

Following agreement on the common approach to benefits realisation and on the four end benefits for Account NI, in 2009 Business Support Division of Enterprise Shared Services (ESS) (formerly the Reform Delivery Unit) commissioned NISRA to gather baseline information which was used to set targets in other non-DFP departments. Actual measurements were then taken by NISRA in line with the dates agreed in the benefits reporting pack.

The current position is that measurement of two of the benefits is now complete and measurement of the remaining two will be completed in 2012/13. Going forward, monitoring of operational KPIs will continue.

RESOURCES

51. This section provides a breakdown of the staff numbers proposed in the FBC compared with actual/projected staff numbers, during the implementation phase and steady state.

Project staff

52. Project staff relate to the Central Implementation Team (CIT) who were employed during the implementation phase to assist with design, test, build, roll out and stabilisation of the departments on the new Account NI solution. The FBC anticipated that during the implementation phase, the CIT would ramp up to 72 staff. CIT would consist of 16 permanent staff which would be in post for the full 12 year term, 16 project staff who would be in place for the implementation phase only and 40 staff on loan from departments who would transfer back to their host departments in line with the migration timetable.

53. Resourcing of the programme was the single highest risk factor which continued to present an enormous challenge. The actual CIT headcount employed over the implementation period peaked early during the Design, Test and Build stage, at 42 staff and ramped down as staff on loan transferred back to their Department in line with departmental roll out. The shortage of resources was in the main due to the lack of skilled resources within the NICS as well as the unavailability of staff from Departments to support the programme. As the skills had not always been available from departments (either in terms of quantity or quality), Account NI had to rely heavily on external consultancy for additional support. As at November 2009, following the completion of the implementation phase, the CIT was reassigned and Account NI moved into steady state

SSC staff

54. The FBC anticipated that at steady state, the SSC would employ 213 staff, 198 Transaction Processing (TP) staff and 16 Management/Support staff.

Transaction Processing Staff

55. The SSC TP staff structure was predicated on the findings of a study in 2005 which was undertaken to establish the existing TP staff complement. The study identified 293 FTEs within the dedicated departmental Finance Functions throughout the NICS. The following table sets out the departmental staff numbers by grade submitted in the data collection exercise which was used as the basis of the SSC staff requirement.

Depts	Staff Numbers							Total
	G7	DP	SO	EO1	EO2	AO	AA	
DARD	0.30	0.65	2.71	4.75	11.25	20.45	18.50	**58.61**
DCAL	0.15	0.45	0.15	0.96	2.50	6.55	0.70	**11.46**
DE	0.00	0.00	0.20	2.97	3.87	4.86	4.70	**16.60**
DEL	0.00	0.00	0.62	0.50	0.90	0.25	0.00	**2.27**
DETI	0.00	0.40	0.55	2.00	3.95	10.00	3.90	**20.80**
DFP	0.00	1.48	2.25	5.10	10.04	34.10	10.50	**63.47**
DHSSPS	0.00	0.00	0.40	0.00	0.00	0.00	0.00	**0.40**
DOE	0.00	0.00	1.75	3.00	4.70	13.00	2.00	**24.45**
DRD	0.10	1.00	1.00	1.90	2.70	7.50	2.00	**16.20**
Roads			1.95	0.80	5.00	13.90	0.00	**21.65**
DSD	0.00	0.50	3.60	7.57	8.21	21.10	12.00	**52.98**
OFMDFM	0.00	0.30	0.30	1.20	0.00	1.90	0.00	**3.70**
total	**0.55**	**4.78**	**15.48**	**30.75**	**53.12**	**133.61**	**54.30**	**292.59**

56. The FBC SSC TP requirement was based on the assumption that 10% (29 staff) of departmental staff would remain within the Retained Finance Function, departments would realise 25% (66 staff) efficiencies at go live and 198 staff would transfer to the SSC in five equal waves over the implementation period in line with the Departments migrating onto the new service.

FBC Staff assumptions	**Staff Numbers**
Total FTE's	293
Retained Finance Function (10%)	(29)
Transferred to the SSC	263
Initial Efficiency of 25%	(66)
Total in the SSC	**197**

57. During the implementation phase, the actual SSC TP staff structure reflects fewer staff migrating to the SSC over a longer period of time. The delay in uptake of SSC staff was due to a combination of a prolonged and drawn out recruitment process as well as delays in the Implementation timetable in which the migration of operational staff from departments was later than anticipated. Post implementation, the SSC staff TP compliment was estimated at 197.

58. The following table compares the FBC SSC staff numbers (the FBC SSC staff profile assume a direct correlation per prime service between the 293 dedicated finance staff identified in the data collection with the 197 staff transferring to the SSC) to the current SSC staff profile (at 31 March 2011).

Prime Services	**FBC Staff no**	**SSC Staff No**
Accounts Payable	76.20	72.60
Travel & Subsistence	20.22	16.00
Accts Receivable: Billing	9.71	11.80
Accts Receivable: Debtors Mgt.	16.88	15.00
General Ledger	27.46	16.68
Fixed Assets	12.51	10.00
Purchase Order Proc.	10.32	5.00
Stores / Inventory	0.76	-
Cash Management	15.74	16.00
Systems Admin/Service Desk	7.81	34.47
Total	**197.61**	**197.55**

59. In relation to the SSC staff profile, Account NI currently operates a Service Management function which includes a Help desk and Account Executives which was a service not provided separately by the Departments prior to the implementation of Account NI. Some of the functions, in particular the help desk, would have been carried out within the separate legacy business areas i.e. invoice queries in departments would have been handled by the Accounts Payable team, whereas in the SSC, 70% of queries are dealt with by the Service Desk and only 30% are forwarded to the relevant business areas for resolving.

Agency Staff

60. In addition, Account NI employed a number of Agency staff during the latter part of implementation to refine business processes, cover back log of work as the embedding process was taking longer than anticipated, and to focus on developments such as the introduction of the 10 day prompt payment. By the end of the Implementation Phase, Agency staff had ramped up to 31 however by March 2011 all Agency staff contracts were terminated (with the exception of those retained to cover a small number of permanent vacancies).

Account NI Management

61. The FBC anticipated that a small Management Team of 16 staff would be established at the outset (re project staff) and would remain in situ, post implementation, to oversee the operation of the SSC.

62. Account NI has 19 staff carrying out non transaction processing activities and supporting the Director of Financial Services in the day-to-day management of the SSC. This includes Account NI governance, finance and contract management, communications and a continuous improvement teams.

PROGRAMME COSTS

63. This section seeks to provide an overview of the key programme changes to date and the subsequent cost impact on the programme since approval of the FBC in March 2006. It also seeks to highlight to members that the cumulative programme cost changes to date are within the 10% tolerance levels set out in the Northern Ireland Practical Guide to the Green Book.

Full Business Case

64. The FBC updated the OBC costs to reflect the preferred option (known as Option I) including the change in scope, increased functionality, implementation approach and timing of delivering ASP via an SSC approach over the revised term of the contract. The revised Option I costs includes the full costs of procuring, implementing and delivering the ASP solution and reflects the costs of the Northern Ireland Civil Service procuring and undertaking the programme with BT providing the Accounting Service using BT as the Supplier of the Service.

65. The FBC sets out the projected cost of the ASP (both internal and contractors costs) over the proposed 12 year contract period. The following section sets out the FBC Programme Costs as well as the revised position to date.

Programme Costs

66. The affordability assessment in the full business case highlighted that the total programme costs (resource and capital) was estimated at £175.5m over the life of the programme. Account NI has compared the estimated capital and resource costs at the time of the FBC (ref: figures 48 and 49 of the FBC) with the actual costs for the four year Implementation period from contract award to March 2010, as well as, projected costs for the 12 year contract period to February 2018.

Revision of FBC Baseline Costs

67. The total baseline programme costs as at the FBC (March 2006) were estimated at £175.5m over the life of the programme (ref: Affordability Section, figures 48 and 49 of the FBC). The table below sets out the total FBC programme costs split between revenue and capital costs over the 12 year life of the programme.

12 year programme	£,000
Total Revenue costs	150,639
Total Capital costs	24,925
Total Programme costs	**175,564**

68. The FBC total costs of £175.5m represent the projected programme costs over the 12 year life of the programme insofar as these fall within the responsibility of Account NI, therefore they do not reflect departmental costs or efficiencies.

Refer to Appendix 1 for the FBC programme costs details and analysis.

SSC Efficiencies

69. The principal monetary benefit of ASP was from efficiency savings accruing from the reduced requirement for finance staff to undertake transaction processing within departments and their sponsored bodies. Departments participated in an extensive data collection exercise in November 2005 which identified 293 staff involved in transaction processing within a finance unit primarily dedicated to finance activities. It was anticipated that of these 293 ftes:-

- An element of transaction processing (10%) equating to 29 ftes would remain within the Departmental Retained Finance Function, and
- An initial departmental efficiency of 25%, equating to 66 staff, would be realised with the remainder of the staff (198) within transaction processing transferring to the SSC.
- In addition, the FBC anticipated that the SSC would achieve a further 20% efficiency gains, equating to 39 ftes when working towards 'steady state' and beyond.

70. For the purpose of this exercise, the projected SSC efficiency savings, estimated at a total saving of £8.8m (excluding loadings) over the life of the programme have been deducted from the total FBC programme costs, giving a revised net programme baseline of £166.7m.

12 year programme	FBC	SSC Efficiencies	Adjusted Baseline
Total Revenue costs	150,639	(8,860)	141,779
Total Capital costs	24,925		24,925
Total Programme costs	**175,564**	**(8,860)**	**166,704**

Refer to Appendix 2 for FBC programme costs adjusted for SSC efficiencies (*Ref Adj#1)*

Changes in Accounting Policies

71. The FBC baseline costs were established at a time when different accounting policies were in place thus rendering like-for-like comparisons misleading. Therefore, the original FBC programme costs have been re-presented in order to provide a baseline capable of direct comparison with actual expenditure incurred and projected for the remainder of the programme.

72. The following policy changes which have impacted on the FBC baseline costs and the profile between Revenue and Capital:

- **Introduction of** International **Financial Reporting Standards**: Since the approval of the FBC, there has been a move away from UKGAAP to International Financial Reporting Standards (IFRS). This shift in accounting standards has subsequently impacted the FBC costs in relation to the purchases of software Licences which were treated differently under UKGAPP. At the time of the FBC, software licences were accounted for as revenue expenditure. However, with the introduction in 2009/10 of International Financial Reporting Standards (IFRS) the criteria for the capitalisation of intangible assets such as software development and licences changed. The table below details the net effect of this adjustment the FBC baseline costs.

12 year programme	FBC	SSC Efficiencies	IFRS Adjustment	Adjusted Baseline
Total Revenue costs	150,639	(8,860)	0,314	142,093
Total Capital costs	24,925		1,870	26,795
Total Programme costs	**175,564**	**(8,860)**	**2,184**	**168,888**

Refer to Appendix 2 for FBC programme costs adjusted for the introduction of IFRS (*Ref Adj#2)*

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- **Removal of Cost of Capital (CoC)**: As the concept of near cash and non cash are not recognised in Estimates or accounts, DFP have removed the requirement for Cost of Capital in anticipated budgets from 2010/2011 onwards. The FBC baseline costs have been adjusted to reflect this. The table below details the net effect of this adjustment the FBC baseline costs.

12 year programme	FBC	SSC Efficiencies	IFRS Adjustment	Removal of CoC	Adjusted FBC Baseline
Total Revenue costs	150,639	(8,860)	0,314	(1,307)	140,786
Total Capital costs	24,925		1,870		26,795
Total Programme costs	**175,564**	**(8,860)**	**2,184**	**(1,307)**	**167,582**

Refer to Appendix 2 for FBC programme costs adjusted for the removal of Cost of Capital (*Ref(Adj#3)*)

- **Change in Accounting Treatment - Payment on Account or Asset in the course of construction**: At the time of the FBC, it was agreed that an asset existed and should be capitalised on the DFP Balance Sheet. However, there were some differences of view as to the treatment of the upfront payments and the point of capitalisation. The FBC approach was to capitalise the whole asset when the accounting system and shared service centre became fully operational, with upfront milestone payments treated as a debtor in the early years. In 2007/08 the accounting opinion changed whereby the milestones payments were treated as an asset in the course of construction up to implementation of the first wave, with the asset being capitalised in phases as the waves migrated onto the new Account NI solution. The table below details the net effect of this adjustment the FBC baseline costs.

12 year programme	FBC	Efficiencies	IFRS Adjustment	Removal of CoC	Change in Accounting	Adjusted Baseline
Total Revenue costs	150,639	(8,860)	0,314	(1,307)	(0,045)	140,741
Total Capital costs	24,925		1,870		(0,173)	26,622
Total Programme costs	**175,564**	**(8,860)**	**2,184**	**(1,307)**	**(0,218)**	**167,363**

Refer to Appendix 2 for FBC programme costs adjusted for the change in accounting treatment (*Ref Adj#4)*

73. Going forward, based on the changes noted above, the revised FBC baseline costs for comparison with actual and projected costs are:-

Adjusted Baseline	4 years to Implementation £000	12 year programme £000
Total Revenue costs	43,034	140,741
Total Capital costs	26,662	26,662
Total Programme costs	**69,656**	**167,363**

Update on Programme since the FBC

74. This section provides a summary of the key changes made to the scope of the programme since the approval of the FBC in March 2006. The actual and projected outturn figures therefore reflect a number of changes that were not in the original baseline.

Programme changes reflected in the FBC

75. The following key changes have been included within the overall programme costs.

- **Prompt Payment deadline:** Staff costs include staff deployed on the delivery of the 10 day prompt payment over the life of the contract. The 10 day target was introduced mid-way through the roll out of Account NI and subsequently impacted on staff costs. At the time of the FBC the NICS statutory prompt payment target was based on 30 days. In November 2008, the then Minister, Nigel Dodds announced the introduction of the 10 day prompt payment target in order to help local businesses, particularly small and medium sized enterprises through difficult economic times. As Account NI was designed to underpin good financial management by improving financial reporting and purchase to pay support services through the implementation of standardised business processes and electronic transaction processing, and not as an expedient payment mechanism, a higher level of resource was required to contribute to this target.

  It is estimated that 18 additional transaction processing staff are required (over and above the existing planned staff compliment) to support the delivery of the 10 day prompt payment target. It has been assumed that this target will be retained for the remainder of the contract. Whilst this target was not within the original scope of the time of the FBC, the costs of the 10 day prompt payment target have been included in the base line costs. The resource that has been deployed in the period from inception to March 2011 to achieve the 10 day prompt payment target has been in the region of £700k. Going forward, it is estimated that the 10 day prompt payment will costs around £500k per annum, totally £4.5m (including 3.5% inflation) over the life of the programme. Refer to Appendix 3 for the FBC actual and projected programme cost details and analysis (*Ref: Efficiency Savings tab*).

- **Centralisation of Support Functions:** Staff costs include the cost of corporate functions, even though these are now centralised within Enterprise Shared Services (ESS). In April 2010 ESS was established, resulting in a review of corporate services functions within each of the separate reform programmes, namely, Account NI, HR Connect, NI Direct, CAL and IT Assist. It was envisaged that there would be scope to align standard processes and provide a central support function across the various reform programmes with a view to achieving efficiencies at the centre. It is envisaged that there will be efficiencies in this area but these will be reflected as ESS driven efficiencies and not therefore within the remit of this review.

  As a result of this, a number of Account NI staff equating to 10 fte's, including senior management, Facilities Management and IT support were transferred within ESS to provide a central service to the various business areas. However, in the interests of comparability, Account NI has reflected the cost of the corporate support function pre-ESS (adjusted for 3 posts which it was anticipated would have been suppressed with the move from project to steady state status), within the baseline costs. The cost of this support function equates to £1.42m (including 3.5% inflation) over an 8 year period commencing 2010/11 to the end of the programme. Refer to Appendix 3 for the FBC actual and projected programme cost details and analysis (*Ref: Salary Adjustments tab*).

- **Change controls:** The actual costs in relation to all programme changes have been included in this review. Throughout the programme there have been a number of change controls which would not have been foreseen at the time of the FBC. The precise nature of change, by its definition, is impossible to predict. Where forward requirements are known, they are provided for in the main contact. Changes were raised to accommodate external factors, the need to drive greater efficiencies, enhance audit control or buy additional products. Account NI has considered the impact of the changes and, in particular, the effect of change requests on the FBC costs.

  Since the programme commenced, Account NI has implemented a number of programme changes at a total value of £5.1m up to March 2011 (excluding changes associated with the on-boarding of new customers). Costs consist of capital and revenue changes and reflect milestones payments and service charges over the life of the contract as well as impact assessment costs (if applicable). Appendix 4 attached sets out a list of programme changes and their costs to March 2011.

- **Technical Refresh:** The FBC provided for two separate technical refreshes to the Account NI Solution during the life of the contract. The initial preliminary refresh was anticipated to be carried out in 2010/11, shortly after the implementation phase was completed, followed by a second extensive refresh in 2014/15. The technical landscape has now changed and Account NI now considers that one substantial refresh in 2013/14 will provide optimum benefit in terms of the delivery of Account NI services through the remainder of the contract.

  The FBC initially reflected costs for two refreshes in 2011/12 and 2014/15. External support was estimated £987k and internal support at £546k. (Ref: Appendix 1 Note 4 & 6). However, the projected additional costs of £125k are much lower than originally anticipated with the development of in house expertise, reducing the need for external consultancy support. (Ref Appendix 3)

Programme changes not reflected in the FBC

76. The following changes have been implemented by Account NI. These costs have either been excluded from the Account NI FBC baseline costs as the respective business areas submitted separate business cases and sought Supply approval independently of Account NI, or, where additional resource requirements have been met within the Account NI baseline, staff costs have been recognised as absorbed efficiencies to be offset against the SSC efficiencies to be achieved in steady state.

Wave 6 - Implementation of Driver and Vehicle Agency (DVA)

77. During 2010/11 Account NI implemented the Driver and Vehicle Agency (DVA) onto the Account NI solution. DVA is an agency (established in April 2007) which is an amalgamation of the old Driver Vehicle Testing Agency (DVTA) and the Driver Vehicle Licensing Northern Ireland (DVLNI), which resides within DOE. The implementation of DVA is based on the existing common footprint design. Implementation encompasses the design, build and test phase, followed by migration and stabilisation of DVA onto the DOE platform within the Account NI solution. The implementation phase is completed and DVA went live on 4 April 2011.

78. The total cost to DVA for the implementation and service delivery of Account NI is £2.6m. This is made up of Account NI costs of £1m and BT costs of £1.6m, as follows:-

Cost category	Implementation Phase £000	Service delivery £000	Total costs £000
Account NI Costs	50	995	1,045
BT costs	837	719	1,556
Programme changes	20	0	20
Total costs	**907**	**1,714**	**2,621**

79. For the purpose of this exercise implementation staff costs (1fte) and operational staff costs (5.7ftes) of £1,045k have been recognised as absorbed efficiencies to be offset against the SSC efficiencies to be achieved in steady state as these staff were deployed from within the existing Account NI baseline staff.

Wave 7 - Implementation of DOJ and PPS

80. The implementation of Wave 7 consists of Department of Justice (DOJ) and Public Prosecution Service (PPS).

Department of Justice (DoJ)

81. The Department was established on 12 April 2010 following the devolution of policing and justice functions to the NI Executive. These functions were formerly the responsibility of the Northern Ireland Office. There are approximately 5,250 people working in DoJ across some 100 sites. DOJ bodies being migrated to Account NI, including ALB's are:

- DOJ Core — NICS departments
- NI Courts Service — Agency
- NI Prison Service — Agency
- Compensation Agency — Agency
- Forensic Science Agency — Agency
- Youth Justice Agency — Agency
- Probation Board NI — ALB
- Criminal Justice Inspectorate — ALB
- Legal Services Commission — ALB

82. In June 2011, agreement to proceed with the implementation and migration of DOJ onto the Account NI solution had been secured in principle. A Letter of Intent (LOI) was signed by the Authority and BT on 30th June 2011 with a view to finalising and signing off on the scope of DOJ Implementation by 31st August 2011.

83. On 31st August 2011, it was agreed to migrate the above organisations to the Account NI system in one wave, with any changes in this scope being handled under the existing change control provisions of the Agreement.

84. The total DoJ costs to-date equate to £15.8m (excluding indices revaluations) and consist of implementation costs, programme changes and service delivery charges, as follows:

Cost category	Implementation Phase £000	Service delivery £000	Total costs £000
Account NI Costs	705	9,055	9,760
BT costs	3,888	1,741	5,629
Programme change	212	212	424
Total costs	**4,805**	**11,008**	**15,813**

- Account NI Project Staff: - Account NI has established a project team to assist in the implementation, migration and stabilisation of DOJ onto the Account NI solution over the period June 2011 to July 2012. The team consists of 8 staff from various business areas within Account NI to work with the Continuous Improvement Team during the implementation phase. Following implementation, 3 staff will return to their respective business areas to carry out transaction processing activities for DoJ.

  For the purpose of this exercise the 3 staff returning to their respective business areas, equating to £482k over the life of the programme, have been recognised as absorbed efficiencies as this headcount would have been declared surplus and offset against the SSC efficiencies to be achieved in steady state.

- Account NI Operational Staff: - It is proposed that an additional 34 staff at a cost of £700k per annum (£4.2m over the life of the contract) will be required to carrying out transaction processing activities once DOJ go live in July 2012. The additional operational staff costs are not included within the Account NI baseline figures.

85. **Contractor -** The total contractor costs of £5.625m consist of a combination of implementation costs of £3.9m and service charges of £1.7m payable over the remaining life of the programme.

86. Implementation consists of 7 milestones payments payable on key stages of the implementation phase:-

		£	
▪ Milestone payment 1	Mobilisation and Planning	141,066	Aug 2011
▪ Milestone payment 2	Design and Infrastructure	1,229,352	Nov 2011
▪ Milestone payment 3	E-business build	583,846	Jan 2012
▪ Milestone payment 4	Test Cycle 1 and 2	165,599	Feb 2012
▪ Milestone payment 5	Test Cycle 3	731,154	Mar 2012
▪ Milestone payment 6	User Acceptance testing	371,541	Apr 2012
▪ Milestone payment 7	Deployment	661,802	Aug 2012
		3,884,360	

87. Implementation commenced in July 2011 and is due to Go-Live on 2nd July 2012.

88. During the requirements base lining phase of the DoJ Implementation, it was agreed to make a number of changes to the original scope including the late transacting of 2 organisations (Prison Services and Legal Services Commission) - of the 9 arms length bodies transferring to Account NI, two bodies to go live in April 2013 as opposed to the planned Go Live date of 2nd July 2012.

89. Subsequently a programme change (ACR_0297) was raised at an additional cost of £211,585, over and above the original £5.63m. This relates to implementation costs and is payable in two milestone payments, Milestone Payment 1Go live Prison/Legal Services in March 2013 at a cost of £154,192 followed by Milestone Payment 2 Go live RAM module in November 2013 at an additional cost of £57,391.

90. The additional milestone payments are due to the additional effort required with the late transacting of the additional two organisations which are due to go live in April 2013 opposed to the planned go live date of 2nd July.

Public Prosecution Service

91. Public Prosecution Service (PPS) was established on 12 April 2010 following the devolution of policing and justice functions to the NI Executive. These functions were formerly the responsibility of the Northern Ireland Office. There are approximately 550 people working in the PPS across some 8 sites.

Cost category	Implementation Phase £000	Service delivery £000	Total costs £000
Account NI Costs	50	520	570
BT costs	370	270	640
Total costs	**420**	**790**	**1,210**

92. PPS expressed an interest in being included in the scope of the rollout phase of the Account NI solution Wave 7. In August 2010, Account NI instructed BT to prepare a priced proposal in respect of the roll-out of PPS onto the Account NI solution. A Letter of Intent (LOI) was signed by the Authority and BT on 8th September 2011 with a view to finalising and signing off on the scope of PPS Implementation by 31st October 2011.

93. On the 7th October Account NI granted the contractor approval to proceed with the implementation of PPS.

94. Total PPS costs are £1.2m and consist of Account NI costs of £570k and BT costs of £640k. The following table summarises PPS total costs split between implementation costs and service delivery costs, as follows:-

- Account NI project staff costs consists of a support (DP) to assist the Continuous Improvement Team in the implementation, migration and stabilisation of PPS onto the Account NI solution over the period November 2011 to July 2012.
- Operational staff requirements are estimated at one (AO) staff at a cost of £25k per annum (£150k over the life of the contract) will be required to carrying out transaction processing activities once PPS goes live in July 2012.

95. In relation to the continuous improvement and operational staff (£200k), this has been recognised as absorbed efficiencies to be offset against the SSC efficiencies to be achieved in steady state, as these staff will be deployed from within the existing Account NI baseline staff.

Variance Analysis

96. Account NI has compared the capital and resource costs at the time of the FBC (adjusted to reflect SSC efficiencies and accounting policy changes) with the current expenditure position to date as well as the projected position over the life of the programme.

97. The analysis in this section has been based on an implementation phase (the design test and build of the common footprint and the roll out of the departments onto the Account NI solution) and an operational phase (the provision of a day to day finance service to Departments).

98. However, it should be recognised that there is not a pure divide between the two phases. During the implementation phase (2006 to 2009) Account NI operated a dual function whereby day-to-day financial services were delivered to Departments on a phased basis from as early as December 2007 whilst also providing a project implementation role for those departments waiting to migrate onto the new platform. Likewise, during the operational phase (2010 to 2018), Account NI has continued to operate in project mode with the on boarding of wave 6 and 7.

Implementation Phase (4 years) from April 2006 to March 2010

99. The following table compares the FBC Programme costs *(Ref Appendix 2)* with Actual Programme Costs *(Ref Appendix 3)* for the four year Implementation period to March 2010.

	Adj FBC £000	4 Yrs to Implementation £000	Variance (Under)/Over £000	%
Staff Costs				
Project & SSC Staff	18,729	15,878	(2,851)	
ESS Staff costs incurred		87	87	
Efficiencies	(230)		230	
Staff Subsitution/Temp Staff		337	337	
Refresh Staff			0	
	18,499	**16,302**	**(2,197)**	**(11.9%)**
Consultancy	3,012	8,077	5,066	
Refresh Consultancy	0	0	0	
	3,012	**8,077**	**5,066**	**168.2%**
Accomodation & GAE				
GAE incl training	2,553	1,327	(1,226)	
Licence Support Costs	1,284	746	(538)	
	3,838	**2,073**	**(1,764)**	**(46.0%)**
Service Costs				
Unitary Charge	6,728	4,905	(1,824)	
Transition Services/Noetix	3,633	4,496	863	
Revenue Change Controls		1,832	1,832	
Extra Contractual Payment		266	266	
	10,361	**11,499**	**1,138**	**11.0%**
Non Cash Costs				
Depreciation & Cost of Capital	**7,325**	**6,094**	**(1,231)**	**(16.8%)**
Resource Total	**43,034**	**44,045**	**1,011**	**2.4%**
Account NI Asset	24,482	25,633	1,151	
Enhancements to Asset		1,502	1,502	
Additional Licences	1,870	846	(1,024)	
Other Capital	270	89	(181)	
Capital Total	**26,622**	**28,070**	**1,448**	**5.4%**
FBC Total	**69,656**	**72,116**	**2,460**	**3.5%**

100. The above table provides assurance that the cost changes in the initial four year period were well within the 10% tolerance levels set out in the Northern Ireland Practical Guide to the Green Book.

Implementation Phase - Detailed Variance Analysis

101. This section provides a detailed analysis of the variances during the implementation phase. Programme costs increased during implementation phase by £2.4m, a total increase of 3.5% on the FBC. Revenue costs have increased by £1m (2.4%) with capital costs increasing by £1.4m (5.4%). Whilst there has been an overall increase in costs, some adverse variances were offset to some extent by consequential reductions elsewhere. The reasons, in the main, for these fluctuations in costs are:

- **Programme Slippage:** The programme experienced an 8 month delay against the original timetable. This brought with it additional costs for the Authority. Project related costs such as Transitional Services (Legacy Systems), Consultancy charges and Contract penalties increased due to the extended period. However, these increased costs were partially offset by a corresponding decrease in service delivery costs such as BT service charges due to a reduced service delivery period. Refer to Timescales section for further information on the programme delays.
- **Lack of in-house resources:** Account NI staff costs have reduced due to changes in the numbers of staff as well as the basis for which staff costs are calculated.
  - Project staff costs: decreased due to the lack of project staff to support the programme throughout the implementation phase. The reduction in project staff costs has been offset by the increase in consultancy support.
  - SSC staff costs: decreased during the implementation phase due to changes in the departmental migration strategy as well as a slow uptake of staff brought about by a combination of a prolonged and drawn out recruitment process and delays in the timetable in which the migration of operational staff from departments was later than anticipated. The lack of SSC staff meant significant reliance on contract and agency support.
  - Staff calculations: are based on actual salary costs compared to the FBC which was based on a departmental "ready reckoner".
  - Staff efficiencies: actual efficiencies have not been realised as early on in the programme as anticipated in the FBC.
- **Consultancy support**: Consultancy costs have increased due to the lack of available internal skills and resources. Throughout the Implementation Phase, Account NI had sought to recruit NICS resources where possible, however, due to continuing skills gaps in departments and other departmental priorities, the required skilled resources had not always been available from departments and Account NI had to rely heavily on consultancy for support. Resourcing of the programme was the single highest risk factor which presented an enormous challenge during implementation. Consultants were appointed to provide project management, technical and financial advice as well as legal advice. As a result, consultancy costs increased significantly during the implementation period however, the increased consultancy costs are partially offset by a decrease in in-house staff costs.
- **SSC running costs:**
  - SSC GAE costs: have decreased since the FBC due to the basis for which costs were calculated. The running costs in the FBC were directly linked to staff numbers and were predicated on an average overhead cost per staff, whereas the running costs during the implementation phase reflect actual costs to date.
  - Licence support costs: oracle licence support costs have decreased as these were based on a % of licence purchase costs. As the requirement for new licences was significantly less than anticipated, the licence support requirements were consequentially reduced.

- **Service Costs:** During the implementation phase, service costs have increased overall due to the following changes:
  - Service Charges: BT service charges for the provision of the ongoing day to day service delivery decreased overall since the FBC. The decrease in service charges was due to programme delays which subsequently reduced the service delivery period by a corresponding 8 months.
  - Transitional Services: Transitional services costs increased due to the change in handover period along with the programme delays. In 2006 BT contracted with Fujitsu to deliver 'Transitional Services'. Transitional Services encompassed the management of the legacy system support services, including the decommissioning of these services as the Departments migrated to the new Account NI environment. In the FBC, it was anticipated that a one month cut-over period would be required for Departments to migrate from their existing legacy systems to the new Account NI platform. However, during implementation, it was felt that this cutover period was not adequate and represented an unacceptable level of risk. Therefore the cut-over period was extended to three months with an additional extension of up to six months where migration occurred over year end to facilitate preparation of year end statutory accounts. Transitional Services was terminated by the end of September 2009.
  - Change controls: During the period from contract award to 31st March 2010, Account NI made a number of changes to the scope of the Account NI solution. In total, as at 31st March 2010, Account NI has paid £3.3m milestone payments (Capital £1.5m/ Revenue £1.8). Appendix 4 attached provides a breakdown of all changes implemented since contract award.
  - Contract Penalties: During the implementation period, Account NI experienced a delay with regard to the achievement of Wave 1 Stabilisation. After prolonged contract negotiations, an agreement was reached in which the Authority agreed to bear its ongoing costs associated with the project team and consultancy support, and pay an Extra Contractual Payment of £266k to BT to cover BTs loss of revenue. In addition, the Authority recognised a reduction in payments to BT of £1,165k for unitary charges associated with the delay in delivery of the live services. The Extra Contractual Payment was paid to BT on the achievement of the Contract Performance Point in October 2009. A copy of the Account NI Extra Contractual Payment business case is attached in Appendix 5.
- **Depreciation Costs:** Depreciation costs during implementation decreased due to programme delays leading to a re-profiling in the capitalisation of the asset and therefore lower depreciation and Cost of Capital. Refer to Timescales section for further details.
- **Account NI/BT asset:** The total asset value at the time of the FBC was £24,655k which was made up of £10,000k up front milestone payments and £14,655k of a finance lease used to finance the initial capital expenditure and the refresh expenditure, to be capitalised in phases in line with the migration of the Departments onto the new Account NI service. However, the asset value has been adjusted to £24,482k as a result of the change in accounting treatment noted in Changes in Accounting Policy section.

  Increases in the value of the asset are due to programme delays and increased implementation costs, as well as a number of asset enhancements (changes). These include items such as the purchase of Congos Licences £346k, addition of Optical Character Recognition (OCR) £80k, Implementation of E Forms £217k, Management Information Systems £160k, Additional PC's £40k etc. Refer to Appendix 4 for further details.

Variance Analysis

Operational Phase (8 years) from April 2010 to March 2018

102. The following table compares the adjusted FBC Programme costs with projected Programme Costs for the eight (1 year actual costs and 7 year projected costs) year operational period from April 2010 to March 2018.

	Adj FBC £000	1 year actual plus 7 year forecast £000	Variance (Under)/Over £000	%
Staff Costs				
Project & SSC Staff	49,327	49,311	(17)	
ESS Staff costs incurred		1,462	1,462	
Efficiencies	(8,630)	(2,887)	5,743	
Staff Subsitution/Temp Staff		522	522	
Refresh Staff	546	125	(421)	
	41,243	**48,533**	**7,290**	**17.7%**
Consultancy	0	116	116	
Refresh Consultancy	987	0	(987)	
	987	**116**	**(871)**	**(88.3%)**
Accomodation & GAE				
GAE incl training	6,320	3,491	(2,829)	
Licence Support Costs	4,197	2,299	(1,898)	
	10,517	**5,790**	**(4,727)**	**(44.9%)**
Service Costs				
Unitary Charge	24,409	30,927	6,518	
Transition Services/Noetix	202		(202)	
Revenue Change Controls		1,286	1,286	
Extra Contractual Payment			0	
	24,611	**32,212**	**7,601**	**30.9%**
Non Cash Costs				
Depreciation & Cost of Capital	**20,348**	**27,504**	**7,156**	**35.2%**
Resource Total	**97,707**	**114,155**	**16,448**	**16.8%**
Account NI Asset			0	
Enhancements to Asset		460	460	
Additional Licences		11	11	
Other Capital		11	11	
Capital Total	**0**	**482**	**482**	**100.0%**
FBC Total	**97,707**	**114,638**	**16,931**	**17.3%**

103. It should be noted that the above table reflects exceptional costs, costs of initiatives not anticipated at the time of the FBC as well as uncommitted costs. Likewise, it is important to highlight that no allowances have been made for the current economic downturn which will curtail the viability of discretionary expenditure to develop or enhance the solution in future years. The details of these are further analysed in the following paragraphs.

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Operational Phase - Detailed Variance Analysis

104. This section provides a detailed analysis of the variances during the Operational phase. Programme costs increased during the 8 year operational phase by £16.9m, a total increase of 17.3% on the FBC. Revenue costs have increased by £16.4m (16.8%) with capital costs increasing by £482k (100%). It is important to highlight, that there is a number of initiatives outside Account NI's control which were not known at the time of the FBC.

- **Staff costs:** Over all SSC staff costs have increased by £7.3m (17.7%) on the FBC. This is due to a combination of factors:-
  - Operational Staff costs: FBC staff costs anticipated 214 staff within the SSC at steady state. These would consist of 198 transaction processing staff plus a team of 16 staff carrying out support activities.

    Projected staff costs are based on current staff levels. These reflect 216 transaction processing and support staff within Account NI and 7 staff within the ESS carrying out a central corporate support function. In addition, projected operational staff costs include 18 transaction processing staff working on delivering the 10 day prompt payment initiative which was not known at the time of the FBC.
  - Temporary staff: Post implementation temporary staff were employed to assist in the bedding down of departments and the implementation of the 10 day prompt payment, not foreseen at the time of the FBC.

    Refer to the section on Staff Profile for a breakdown of FBC staff profiles compared with actual staff numbers and projected staff numbers.
  - Staff Efficiencies: The FBC anticipated the SSC could achieve a further 20% staff efficiency at steady state and beyond. It was anticipated that 39.5 ftes of the 198 baseline staff could be realised, representing a potential total saving of £8.6m over the life of the programme.

    Account NI has reflected planned staff savings of £2.9m over the life of the programme. These include absorbed efficiencies relating to staff costs on developments outside the scope of the FBC (ie DVA implementation and operational staff of £1,045k, DOJ operational staff of £482k, and PPS implementation and operation staff equating to £200k), as well as the implementation of e-forms which has the potential to make efficiencies of £1.15m over the life of the programme.

    Refer to the section on Benefits Realisation for more detail.
- **Consultancy costs:** Refresh consultancy costs have decreased since the FBC. Provision was made for significant consultancy input for two separate technical refreshes to the Account NI Solution during the life of the contract. The technical landscape has now changed and Account NI now considers that one substantial refresh in 2012/13 will provide optimum benefit in terms of the delivery of Account NI services through the remainder of the contract and that the projected consultancy costs can be largely avoided.
- **SSC running costs:** SSC running costs have decreased since the FBC due to the basis for which costs were calculated. The running costs in the FBC were directly linked to staff numbers and were predicated on an average overhead cost per staff, whereas the running costs during the Operational phase reflect projected costs profiled on historical information.

- **Service Costs:** BT service charges for the provision of the ongoing day to day service delivery have increased. The increase in service charges is due to the additional unitary charges associated with the change programme.
- **Change controls:** Going forward, due to the nature of change controls, it is impossible to predict with any accuracy SSC or Departmental requirements, therefore Account NI has incorporated a provision for programme change of £250k on average per annum over the period 2013-2016. It is assumed that as the programme comes to an end, there will be little or no requirements for additional changes during the final years. Appendix 4 attached provides a summary of changes implemented since contract award to 31st March 2011.
- **Depreciation Costs:** Depreciation costs have increased in value since the FBC. This is due to a combination of additional asset enhancements procured under the change programme, revised accounting treatment, and annual adjustments for revaluation indices which were not anticipated in the FBC.
- **Account NI asset:** The value of the asset has increased during operational phase due to the addition of and provision for change controls in the period.
- **Inflation:** The FBC anticipated an annual general inflationary rate of on average 2.7%. The Actual inflation (RPI currently at 5.3%) has been significantly higher with a knock on effect on service costs and depreciation.

Variance Analysis

Programme costs for the 12 year contract period to March 2018

105. The table compares the revised FBC Programme costs with Account NI costs forecast over the twelve year life of the contract. This is based on five year actual costs and seven year projected costs.

	Adj FBC £000	Full 12 Year Programme Costs £000	Variance (Under)/Over £000	%
Staff Costs				
Project & SSC Staff	68,056	65,275	(2,781)	
ESS Staff costs incurred		1,462	1,462	
Efficiencies	(8,860)	(2,887)	5,973	
Staff Subsitution/Temp Staff		859	859	
Refresh Staff	546	125	(421)	
	59,742	**64,835**	**5,093**	**8.5%**
Consultancy	3,012	8,193	5,181	
Refresh Consultancy	987	0	(987)	
	3,999	**8,193**	**4,194**	**104.9%**
Accomodation & GAE				
GAE incl training	8,134	4,818	(3,316)	
Licence Support Costs	6,220	3,045	(3,175)	
	14,355	**7,863**	**(6,491)**	**(45.2%)**
Service Costs				
Unitary Charge	31,137	35,831	4,694	
Transition Services/Noetix	3,835	4,496	661	
Revenue Change Controls		3,118	3,118	
Extra Contractual Payment		266	266	
	34,973	**43,711**	**8,739**	**25.0%**
Non Cash Costs				
Depreciation & Cost of Capital	**27,673**	**33,598**	**5,925**	**21.4%**
Resource Total	**140,741**	**158,201**	**17,460**	**12.4%**
Account NI Asset	24,482	25,633	1,151	
Enhancements to Asset		1,962	1,962	
Additional Licences	1,870	857	(1,013)	
Other Capital	270	101	(169)	
Capital Total	**26,622**	**28,553**	**1,931**	**7.3%**
FBC Total	**167,363**	**186,753**	**19,390**	**11.6%**

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Cost Summary

106. The resulting forecast above reflects a potential increase in programme costs of £19.4m on the FBC programme costs and demonstrates that there may be potential for exceeding the 10% tolerance over the remaining life of the contract. The supporting figures indicate, however, that this risk may only materialise (if at all) late in the programme.

107. The above figures include:

- Costs that have been incurred as a result of exceptional events including high inflation.
- The 10 day prompt payment costs, an initiative brought about as a result of a strategic decision taken at executive level and outside the control of Account NI. It is assumed that the 10 day prompt payment initiative will cost £4.5m over the life of the programme, though there is uncertainty around its continuance.
- An allowance for future discretionary spends which may or may not be required. Projected costs in relation to Programme changes (Change controls) for future years, are predicated on both business demand and budget availability.
- Account NI efficiencies which have been diluted due to new developments and the introduction of the 10 day prompt payment target.

108. While it is accepted that the impact of prompt payment is inescapable and has been included in both the actual and future staff costs, this initiative was not within the original scope of the FBC and therefore, it is reasonable to assume that should this initiative not exist, Account NI could potential make additional efficiencies of 18 staff and £4.5m over the life of the programme.

109. In addition, an allowance of £800k for future programme changes has been included however by their nature these are difficult to predict and may or may not be required. Therefore while Account NI forecast the probability of cost in relation to Programme changes, these costs are unknown and not committed.

110. The prevailing economic climate is likely to create ongoing downward pressure on expenditure and it is therefore more likely that projected budgets will be further curtailed, therefore further reducing the potential to exceed the tolerance.

111. The removal these costs reduces the likelihood of a breach of the 10% FBC tolerance and demonstrates that when future uncommitted costs associated with Programme changes are excluded from the equation, the 10% tolerance is unlikely to be exceeded.

112. The resulting figures are set out below: -

12 year programme	£000
Projected 12 year costs	186,753
Less Programme Changes uncommitted	(800)
Less cost of 10 day Prompt Payment	(4,558)
Adjusted Forecast	**181,395**
Adjusted FBC Baseline	167,363
Variance £	**14,032**
Variance %	**8.4%**

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TIMESCALES

113. Account NI is a 12 year programme commencing 9th March 2006 and expiring on the 8th March 2018. The programme consists of an initial Implementation phase followed by the ongoing provision of an integrated financial service to the eleven NICS departments.

Implementation Phase

114. The FBC anticipated the Implementation Phase would run for 36 months, commencing on 9th March 2006 with design, build and test, followed by the migration and stabilisation of the departments by 6th February 2009 and delivery of Contract Performance Point (CPP) by the end of February 2009.

115. The implementation approach was to migrate departments in 5 waves commencing with Wave 1 in June 07, Wave 2 in October 07, Wave 3 in February 08, Wave 4 in June 08 and Wave five in October 08, to be closely followed by a sixth sweep up wave in December 08.

116. However, during implementation phase, the programme experienced several programme delays, as follows:-

- During the Design, Test and Build stage of Implementation, there were gaps in the system design which demonstrated that the solution was not sufficiently advanced to meet the Authorities requirements. As a result, the migration of Wave 1 departments was initially deferred by 5 months from June 07 to November 07.
- Leading up to the roll out of the first wave, due to delays in the test cycles, it was decided not to pursue the November deadline but instead defer wave 1 roll out to December 07. The impact on implementation of wave 1 was a further one month delay with services being fully rolled out in one of five waves by July 2009, and not six waves as originally planned,
- In early 2008, the programme experienced a further delay in relation to the Stabilisation of Wave 1. The delay in achieving stabilisation and the knock on impact on the roll out of the other waves created an overall extension to the implementation phase of three months, with Waves 2, 3, 4 and 5 re-scheduled to a later date with stabilisation of the last wave by August 2009.

117. The table below sets out the Implementation target timescales compared with actual dates:-

Activity	Description	Target Date	Actual Date
1	Contract effective date	March 06	March 06
2	Design, test & build phase	Apr 06-May 07	Apr 06-Nov 07
3	Pilot roll out – Wave 1 commence	June 07	Dec 07
4	Pilot roll out – Wave 1 stabilisation	May 07	April 08
5	Wave 2 roll out commence	Aug 07	July 08
6	Wave 3 roll out commence	De 07	Nov 08
7	Wave 4 roll out commence	Mar 08	April 09
8	Wave 5 roll out commence	Aug 08	July 09
9	Wave 6 sweep up wave	Dec 08	n/a
10	Services stabilised and operational	Feb 09	End Aug 09
11	Contract Performance Point	End Feb 09	29th Oct 09

118. Whilst the programme has reduced the number of waves from six to five, overall the programme experienced a delay of just eight months.

CHANGE MANAGEMENT

119. While the FBC alludes to the potential for change under the ASP agreement, no provision was made in the cost statements to accommodate such changes. While the precise nature of changes, by definition, is impossible to predict, a significant amount of change is to be expected with a programme of this size and complexity.

120. In total, Account NI has committed to £5.2m of Programme changes over the life of the programme. This includes capital changes £3m i.e. those changes that enhance the value of the asset and provided additional functionality, such as interfaces, licences, etc; and £2.2m revenue changes such as training and system maintenance support etc. These costs are made up of a combination of upfront milestone payments, service charges and scoping fees (Impact Assessments).

Management and Monitoring

121. Schedule 8.2 (Change Control Procedure) of the ASP Agreement provides for services to be procured from the existing contractor. In line with the ASP Agreement, Account NI has established internal procedures to ensure that programme changes are tightly managed, rigorously controlled and properly accounted for.

122. Each programme change is managed and monitored by Account NI, and incorporates various levels of governance to ensure it is implemented in line with technical specifications, to the required quality standard on a timely basis and that it demonstrates value for money.

- Business Needs Manager - the Business Needs Manager: prioritises changes in line with the business needs and provide assurance to the Director on the prioritisation of changes; manages the delivery of the technical solution and ensures the business need has been met; liaises with operational business areas on the technical content of changes and ensures all other developments, such as upgrades are factored into the business need assessment; assesses and evaluates the proposed requirements and prioritises as appropriate in line with business need and synergies; and evaluates the proposed implementation to ensure it meets the Authority's requirements.
- Technical Manager - the Technical Manager: ensures that the contractor meets the technical requirements of the change to the Authority's satisfaction; completes a reasonableness test in relation to Impact Assessment charges and evaluates the proposed implementation (including a reasonableness test) to ensure that the contractor's proposal is in line with the Authority's technical requirements; provides assurance to the business needs manager on the technical position of all change proposals and completes appropriate evaluations on delivery.
- Contract Manager - the Contract Manager: has overall management of the process; advises the Authority where change requests give rise to contractual / commercial implications; and completes a contractual evaluation for each change proposal and provides assurance to the Director on the contractual position of all changes.
- Financial Manager: - the Financial Manager: provides advice to the Director where a change gives rise to financial implications and impacts on the affordability position; is responsible for the Accounting treatment, requesting additional financial information to ensure that the proposed costs are cost effective and demonstrate value for money and carrying out a financial evaluation of a change proposal.
- Director: - the Director has overall responsible for change, taking on board the business need, technical, contractual and financial recommendations, and may approve, request a modification, or decline a change at key stages of the process.

- Contract Management Group: - This consists of the Account NI Director, Contract Manager and Service management Manager, together with the Contractor's Director and Service Delivery Manager. This Group meets at least quarterly and provides the first line escalation for any issues emanating from Operations and the Change Control process.
- Joint Advisory Board: - This consists of senior members of the Authority and the Contractor. The forum is to review and discuss any matters which require joint consideration or escalation from the Contract Management Group. It is responsible for reviewing progress on all aspects of the Account NI Programme including major contract changes.

Change Evaluation Process

123. In line with schedule 8.2 Change Controls of the ASP Agreement, Account NI has implemented a robust change process. The following section sets out the various phases a change will pass through before it is authorised, delivered and payment granted.

- Change Request approval and authority to proceed: - A Change Notice is raised by the Authority detailing the Authorities requirements of the proposed Change and submitted to the Contractor for response. The contractor reviews the Notice and prepares a formal Response setting out a solution to the requirements, timescales, resource effort, contractual implications, and a cost and price model. Following the receipt of the Response, Account NI carries out a Service Change Response Evaluation (SCRE). This consists of a contractual, financial, technical and Business need evaluation to ensure the proposed deliverables are in line with the Authority's requirements. The evaluation is subsequently reviewed and counter signed by the Director of financial Services.

  Simultaneously, an economic appraisal is carried out by the contract, finance, technical and business need managers. On approval of the business case and change evaluation being granted, the change is authorised to proceed. It is important to note that only when the approval to proceed has been granted, has the Authority committed to the implementation of the change. Where a change is implemented without approval, it is delivered at "risk" and the Authority has no contractual or financial obligations.
- Implementation and post project evaluation: - On the Authority's approval to proceed, the contractor will deliver the change in line with the specifications set out in the change notice. On confirmation of delivery, an Authority Change Request Completion Evaluation (ACRCE) is carried out. This process involves an evaluation by the Technical manager to ensure the change has been delivered in line with the technical requirements and specification, along with an evaluation by the Business need manager to confirm the technical Managers assessment, with overall approval to pay from the Account NI Director.
- Payment: - Subsequent to the completion of the Authority Change Request Completion Evaluation, the Finance Manager will authorise the release of a Purchase Order to the value of the change price as agreed at the SCRE stage, thus instigating the payment process.
- Benefits Realisation: - The Contract Management Support Team maintains a Benefits Realisation Register in relation to all Changes. Within 6 to 12 months of delivery (depending on the Change involved), the Contract Management Support Team will initiate a review to determine if the business case objectives and benefits have been realised.

Value for Money

124. The change control process allows for changes to the scope of the solution in which VFM reviews and competitive steps are an integral part of the process:-

- For changes exceeding £50k, the Authority has the right to request the Contractor to provide details of benchmark pricing information for products or services similar to those being proposed by the contractor. The contractor is required to match the best price provided by the benchmarking exercise. The cost of the benchmarking exercise shall be borne by the contractor.
- For changes exceeding £100k, the Authority has the right to request the contractor to seek and evaluate competitive tenders for the product or service being proposed. The contractor is required to match the best price provided by the tendering process and the cost of the market testing shall be borne by the contractor.
- Where the costs associated with a change include hardware or software products, the contractor will charge the Authority no more than the price as quoted in the Government catalogue.
- In all cases, the contractor is required to demonstrate that expenditure incurred under the ACR process is undertaken in the most cost effective manner.

Delegated Authority

125. As set out in Schedule 8.1 Governance and as per the Board paper ANI 2-02 Governance, the Account NI Board, on behalf of the Authority, was responsible for:

- Reviewing, agreeing and prioritising proposed Changes to the Account NI Programme arising in the Pre-Operational Phase.
- Approving any major changes to the Implementation Plans or Services outside of agreed tolerances as set out in Project Initiation Documentation.

126. In December 2006, Board members were presented with the Authority's internal arrangements in relation to the raising, evaluating and approving Programme Change and proposed delegation limits for the Senior Management Team (SMT) in respect of approving changes to the Contract, as follows:-

- Where the total cost of the change is to be paid in a one-off lump sum, it was proposed that the Board should consider giving the management team delegated authority to make decisions up to £500k. Any Programme Change Request where the capital cost exceeds £500k would be referred to the Board for decision, or
- Where the total cost of the change over a specified period of time is equal to or greater than an agreed level - it was proposed that the management team be given delegated authority to take decisions where total cost did not exceed £1million. Any changes involving cost greater or equal to £1million would be referred to the Board for a decision.

127. All decisions made by the management team, where the costs are below the delegated limits, would still be notified to the Board.

128. The Account NI Board members approved delegation limits for the Senior Management Team in respect of changes to the Contract. In doing so members asked that SMT report all changes which had an associated financial consequence to the Board on a regular basis. The SMT was also asked to monitor and report on the costs associated with programme changes and any implications for the FBC. With the migration of the programme from project mode to steady state, delegated authority is now in line with the standard DFP policies and practices where all change expenditure is subject to a business case and test drilling. Additionally, any expenditure over £500k is subject to Supply approval. Refer to Appendix 4 for list of programme changes to 31 March 2011.

FOLLOW ON ACTIONS

129. Details of actions unfinished at Project Closure are as follows:

- **Environments -** The Environment Strategy outlines the environment management processes for the Application Management environments which will exist within the Account NI Technical Solution upon completion of the Implementation Phase of the Account NI Programme, i.e. post CPP.

  The Contractor has agreed to provide a business support environment on an interim basis for a period of 12 months from approval of the Environment Strategy at the Design Authority Group on 22nd October 2009 to meet Business Support and Training business needs on the Account NI Programme. This arrangement has been reviewed from time to time and has been extended indefinitely at no cost to the Authority.

- **ESCROW -** The Account NI Technical Solution code was deposited with the NCC at Wave 3 go-live in November 2008 in accordance with BT's contractual obligations outlined in the Agreement. ESCROW verification was also successfully carried out by the NCC after Wave 3 go-live in November 2008. A further deposit was completed as part of the Contract Performance Point (CPP) in October 2009.

  Account NI will ensure that the Contractor deposits a further version following significant change (this is likely to be post Wave 7 and Technical Refresh).

LESSONS LEARNED

130. A formal exercise to identify and log lessons learned was carried out in the first few weeks after initial go live (Wave 1 - DFP / OFMDFM). In each case, the lesson was documented and monitored for progress, together with the identity of the party responsible for ensuring that the learning was being embedded. From Wave 2 onwards, the log was reviewed and any additional lessons applied.

131. The key lesson 'themes' that emerged over the duration of the programme are summarised in the following paragraphs.

- Programme Management
  - Better adherence to procedures and timescales e.g. in change control, contract negotiation / milestone approval / payment, external consultancy movements, saving final documentation and log maintenance;
  - Clearer understanding of the scale of planned activity and of the potential for contention between execution of one task and preparation for the next to inform resourcing;
  - Earlier provision of documentation with advice on where input is required to allow more effective review;
  - Presence of appropriate decision makers at contractual and other meetings.
- Communication
  - Clearer agreement on the timing, content, means and targeting of communication;
  - Closer working relationships to ensure timeliness and relevance of communications and mutual awareness of any issues / risks / changes / needs / dependencies.

- Data
  - Earlier and more thorough cleansing of data to address duplicates / incorrect / missing data for testing and go live;
  - More rigorous adherence to interim procedures for the maintenance of data changes after each wave's final drop.
- Training
  - Regular meetings to clarify training requirements and content, promulgate appropriate learning messages and ensure a common awareness;
  - Minimal tailoring of courses to ensure that the required content / learning to support the common footprint is not missed out.
  - Clearer communication of the role of the Superuser.
- Recruitment
  - Adequate resourcing to not only deal with day to day project issues, but also to meet the increased demands of the latter stages before each wave's go live.
- System
  - iProcurement to be the predominant procurement means;
  - Clearer and earlier understanding of how the iProcurement hierarchy works and the practical implications of its set-up.
- Service Readiness Testing (SRT)
  - Clearer definition and communication on the approach and scope;
  - Scheduling to accommodate earlier testing of potential problem areas;
  - More frequent reporting, meeting and better defect tracking and resolution;
  - Greater visibility of the Readsoft scanning testing.
  - More suitable files to allow more rigorous testing of interfaces.

CONCLUSIONS

132. Account NI has been fully operational since November 2009 and is providing an integrated financial system to eleven NICS departments and their agencies. Since implementation, Account NI has focused on embedding the departments onto the Account NI system and improving system performance in particular through concentration on quality, investment in training, optimisation within scanning and promotion of good practice in procurement. This has resulted in significant improvements in annual performance indicators e.g. 10 day prompt payment has increased from 57% to 88%, 30 day payment performance has increased from 84% to 96% and Bank Accounts Reconciled within 7 days of month end has increased from 79% to 100%. Currently for the month of November 2011, Account NI has achieved 90% and 99% in the 10 and 30 day prompt payment targets, respectively.

133. The following key conclusions can be drawn from the analysis in this report:

- Account NI represents a business transformation project involving the introduction of a major IT solution (typically high risk in the public sector) which has been delivered successfully.
- Account NI has successfully delivered all its objectives as set out in the PDD and the ASP Agreement.

- Account NI has successfully delivered the full range of non monetary benefits set out in the FBC and provides a platform for continuous improvement and delivery of wider benefits to NICS.
- This PPR highlights a number of changes which have had a material impact on delivery of the FBC.
- In order to make a fair assessment, it has been necessary to take into account a number of factors largely outside the control of Account NI eg, the introduction of the 10 day prompt payment, the implementation of DVA and DOJ.
- The SSC staff complement has remained within the projected staff requirement as set out in the FBC.
- The implementation timeline increased only marginally from the original plan.
- SSC staff efficiencies have been broadly achieved although these have been in the main reabsorbed on new developments, not known at the time of the FBC, namely the introduction of the 10 day prompt payment target and the implementation and service delivery of DVA, DOJ and PPS.
- Notwithstanding the above factors, all of which have had a monetary impact, the Account NI programme has to date remained well within the business case tolerance set in the Northern Ireland Practical Guide to the Green Book.

APPENDICES

Appendix 1 - FBC baseline cost details and analysis as at March 2006

Account NI Original
FBC plus backup anla

Appendix 2 - FBC baseline costs adjusted for SSC Efficiencies, introduction of IFRS, Removal of Cost of Capital and change in accounting treatment of the BT Asset.

Account NI Original
FBC plus Adjustments

Appendix 3 - Account NI Actual and Projected programme cost details and analysis

Account NI Actuals
for FBC plus adjustme

Appendix 4 - Change Control list

Change Control
Summary for FBC Oct

Appendix 5 - Extra Contractual Payment Business Case

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Appendix 6 - The Benefits Pack for the Account NI - 22 interim benefits.

Account NI Benefits
Model for DFP v0.1 D

Appendix 7 - 4 amalgamated end benefits.

DFP ACCOUNT NI
BENEFITS REALISATI

Annex D

Extracts from main body of "Use of External Consultants" guidance

5.10 Business cases should therefore set out in detail proportionate to the proposed assignment:

- The purpose of the assignment.
- A reasoned assessment of the alternatives to external consultancy, and justification for using external consultants.
- The immediate and long-term outputs and benefits expected from the external consultancy service, and when they are likely to accrue and how they will be measured.
- The proposed project management arrangements, including management of deliverables, expectations and risks.
- The means by which skills/expertise will be transferred to 'in-house' staff and/or internal consultants if appropriate.
- The proposed division of work between the external consultant and any 'in-house' staff and/or internal consultants who will be assisting them.
- The expected costs of the external consultant and the 'in-house' effort.
- The performance review arrangements.
- How the results of the consultancy will be implemented and monitored.
- Any other considerations specific to the assignment.

Skills and Knowledge Transfer

5.14 External consultants should be engaged on a temporary basis, for a finite period, with a view to transferring, when appropriate and to the greatest extent possible, their knowledge and skills to the department's or body's staff, thereby reducing future need to engage external consultants. Departments should assess the potential for skills transfer and build into the scope of the assignment where possible.

Extract from Business Case Template – Annex 2 to the "Use of External Consultants" guidance

Section 5: Skills Transfer

- Outline the potential for skills transfer?

- What arrangements have been put into place to facilitate the transfer of skills from the consultants to departmental staff to the extent that this is a benefit of the consultancy?
- When is it anticipated that knowledge and skills delivered by the consultancy will be transferred to internal staff?
- What are the implications of skills transfer for future consultancy support?

Business Case checklist – Annex 4 of the guidance

Consultancy Business Case Checklist				
Title	Name of SRO			
Requirement *[a brief summary including purpose; terms of reference; context of work; expected benefits and deliverables.]*				
Is this a contract extension?	*[yes or no]*			
Duration				
Value (£) per year, and total value *(years are illustrative only – additional years may be required for some projects)*	09/10	10/11	11/12	Total
	Confirmed? *[insert tick/ cross]*		**Para. no/ page?** *[insert from Business Case]*	
Is the strategic case clear and strong?	*[yes or no]*			
Is VFM being optimised including consideration of existing framework agreements?	*[yes or no]*			
Is there a robust cost/ benefit analysis?	*[yes or no]*			
Has the procurement strategy and sourcing option been signed off by the Head of Procurement of the relevant CoPE as being compliant with NI procurement policy, as well as providing the most appropriate VFM solution?	*[yes or no]*			
Have other possible sources of expertise been checked and ruled out ie in-house, secondment, etc?	*[yes or no]*			
Is the sourcing option signed off by the Head of HR?	*[yes or no]*			
Is the budget identified and secured / approved by Finance Director?	*[yes or no]*			
Is the deliverability confirmed? Is the level of risk acceptable?	*[yes or no]*			
Skills transfer considered / included in contract?	*[yes or no]*			

IPR assignment considered / included in contract?	*[yes or no]*
Is exit strategy clear?	*[yes or no]*

Perm Sec. Approval (if applicable)	Date
Ministerial Approval (if applicable)	Date
DFP Approval (if applicable)	Date

Links to full copy of guidance on Use of External Consultants

http://www.afmdni.gov.uk/pubs/FD/fddfp0409.DOC

http://www.afmdni.gov.uk/pubs/FD/PAAB%20%20Use%20of%20External%20Consultants%20-%20revised%20guidance%2022%20December%202009.DOC

Extract from NIGEAE

(available at http://www.dfpni.gov.uk/index/finance/eag/eag-implementation/benefits_management_and_realisation.htm)

10.7 Benefits Management and Realisation

10.7.1	The management and planning of policies, programmes and projects should include specific provision for benefits management and realisation. This applies to projects in general. Benefits management is the identification of potential benefits, their planning, modelling and tracking, the assignment of responsibilities and authorities and their actual realisation. In many cases, benefits management should be carried out as a duty separate from day to day project management.
10.7.2	Benefits management complements and overlaps with appraisal. While appraisal provides the justification for the investment, benefits management allows organisations to plan for and achieve the benefits. Costs and benefits cannot be viewed in isolation, and the benefits management process and the overall appraisal should be planned together. Benefits management also interfaces with performance management, a means of measurement and management that monitors and reports achievement of outcomes.
10.7.3	Benefits management is a process that: • **identifies** expected benefits, contributions to business objectives and stakeholders • **establishes** a benefits management structure defining functions, relationships, communications, roles and responsibilities • **develops** models of benefits, including baseline measurements and intermediate and final outcomes • **defines** the benefits, including their attributes and measures, owners and risks • **assesses** value and organisational impact, dependencies and risks; it will also show how the benefits are interrelated • **develops** a benefits realisation plan, including a schedule for delivery, assessment or review points, alignment/linkage/inter-dependencies with other modules, projects or programmes, and business change processes for implementation and delivery • **establishes** accountability for realisation and a means of tracking benefit realisation, including any performance management requirements • **evaluates** the extent to which benefits have been realised.
10.7.4	Benefits fall into four main categories, as indicated below.

Benefit		Example
Financial	Quantitative	Operating cost reduction, revenue increase

Non-financial	Quantitative	No. of customer complaints, reduction in road accidents, % of Government Departments on-line
Non-financial	Qualitative	Staff skills, staff morale
Outcomes	Quantitative & Qualitative	Improved standards of health care

	Benefits Management and Realisation in the Business Case
10.7.5	In developing a business case an SRO is responsible for ensuring that the project's objectives, costs and benefits are correctly aligned with the business strategy or programme direction. Of particular importance, from an early stage, is the identification of benefits and how these will be realised. In general, business cases should: • Assess/estimate the benefits that the project should deliver to answer the question - 'is the project worth doing?' • Document the process for identifying, monitoring and realising the benefits • Ensure plans/processes are in place to achieve the benefits • Define the baseline benefits position to allow comparison with projected benefits • Define boundaries with other programmes/projects to ensure benefits are not 'double counted'
10.7.6	DFP will look for evidence that these steps have been suitably addressed and documented in business cases submitted to it.
10.7.7	In addition, Benefits Realisation Plans should be included in business cases. They should identify the benefits by category, the activities that will be undertaken to pursue and realise them, and who is responsible for each benefit realisation activity. In general: • A draft BRP should be included in OBCs • A final BRP should be included in FBCs • The format and content of BRPs should accord with the guidance and templates provided at the *Benefits* page of the CPD *Successful Delivery (NI)* website.
10.7.8	Further information on benefits management is provided at the *Benefits* page of the CPD Successful Delivery NI website. Briefings on benefits management are provided on the *OGC Benefits Management* page and there is further relevant guidance available at the *OGC Managing Benefits* website.
10.7.9	CPD's Centre of Excellence (CoE) for Delivery can supply advice on benefits management and realisation.

Evidence session on the Use of External Consultants by Northern Ireland Departments: Follow-up Report

List of tender/contract documentation

NORTHERN IRELAND CIVIL SERVICE

ACCOUNTING SERVICES PROGRAMME

BRIEFING FOR CONSULTANTS

CONTENTS **Page**

1. Introduction

In November 2000 consultants were commissioned by the Department of Finance and Personnel (DFP) to undertake a review of accounting services across the Northern Ireland Civil Service (NICS). This review is known as the Accounting Services Review (ASR).

The purpose of ASR was to explore:

- the strategic drivers and need for change;
- the options which could potentially satisfy those needs;
- the relative costs and benefits associated with each option; and
- to recommend a preferred option and implementation strategy and plan.

A detailed business case was prepared in accordance with HM Treasury and Department of Finance and Personnel guidelines.

2. Overview of the Strategic Drivers

The business case systematically addressed each of the points raised above. It identified a number of key issues driving the project, and these are discussed below.

In particular, the ASR was driven by the issue of technology obsolescence. The version of the application software on which the majority of the current accounting service is based (Oracle Financials R10.7) is coming to the end of the period where it will be developed and supported by the software developer (Oracle Corporation).

The current public position is that Oracle has advised that error correction support for R10.7 will cease from 30 June 2003. (Furthermore, this appears to be conditional on users upgrading to a more current version of the underlying database i.e. from Oracle R7 to Oracle R8.) The worst-case scenario is that Oracle would not have a contractual responsibility to fix new errors/bugs discovered after this date.

A key question raised in the business case was the risk to NICS of running with Oracle R10.7 after the date of de-support. It concluded that the risk is low likelihood but potentially high impact. The worst case is that this could cause the accounting system to fail. This would have serious accounting and/or accountability issues.

Other strategic drivers include:

- Addressing the fragmentation in accounting service which has arisen due to devolution and the subsequent departmental reorganisation;

- FM contract rationalisation; and

- The need for additional commonality and consolidation across the accounting system including for example, Resource Accounting and Budgeting, Whole of Government Accounting; the volume and nature of Assembly queries etc.

In addition, it was recognised that currently available technology offers NICS the platform upon which to effect business process change with regard, for example to the electronic transfer of data; e-procurement and the Modernising Government agenda.

3. Preferred Option

In accordance with DFP and Treasury guidelines on business case development the ASR considered a range of options, which had the potential to satisfy the project objectives. ASR concluded that the quantitative and qualitative analysis indicated that NICS should progress with a migration onto a centralised accounting system with the implementation taken forward on a common programme basis across the system. In addition, the analysis indicated that significant benefits would accrue from taking this opportunity to effect business process change and from the rationalisation of the number of transaction processing centres from the existing six.

It was highlighted that a critical success factor for the programme will be the establishment of a central programme office driving the project and making policy decisions with regard in particular to centre organisation, processes and systems.

ASR also assumed that due to their differing requirements and circumstances, Roads, Water, DVLNI and DVTA would not be serviced by the departmental processing centres, but would continue to make their own arrangements. This assumption does not preclude any of these organisations from falling within the common NICS service in the future. In addition it is assumed that the new contractual framework for the supply of FM services, software and other services would be open to them.

The ASR analysis of risk highlights a key issue as being the potential for future organisational change, which could potentially impact upon the structures for transaction processing and the preference to move from the existing six to four. To mitigate this risk that decision is being progressed by adopting a phased implementation approach.

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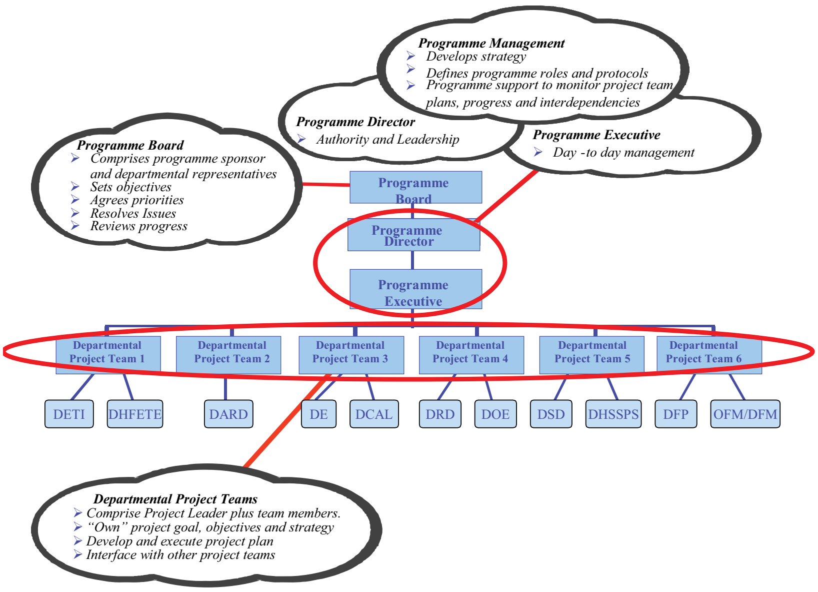
4. Programme Organisation, Management and Control

We have presented an overview of the programme structure in figure 1.1 below.

The programme structure outlined provides for direct alignment of responsibility upward and clear direction and control downwards.

Figure 1.1

Programme Structure



6

The programme will require three levels of consultancy support. A **Project Manager** and **Project Consultants** will be appointed to assist the work of the Programme Director and Programme Executive. **Departmental Consultants** will be used, as necessary, to assist the individual Departmental Project Teams.

Programme Sponsor

The programme sponsor department is DFP. The role of the programme sponsor is:

- to act as advocate for the Accounting Services Programme on behalf of NICS; and

- to provide the programme with access to the appropriate resources.

Programme Board

The role of the programme board will include:

- overall responsibility for programme management and control;

- approval and sign off of each phase;

- authorisation of additional resource requirements; and

- approval of key deliverables.

The project shall be carried out in accordance with the Government guidelines for significant projects (The Gateway Review). The key requirement of the Gateway process is that in the case of high risk IT projects, a five-stage process of review is required to be carried out by persons independent of the project team.

The Programme Board shall be responsible for the five stages of the review, which are:

- Justifying the business case

- Approving the procurement method and the sources of supply

- Agreeing the investment decision prior to the award of contract

- Approving the project's readiness for service

- Identifying the benefits being delivered by the project against those planned at the outset

The Chairman of the Programme Board will be a senior civil servant from the Department of Finance and Personnel and has the overall responsibility for the project. He will be the Senior Responsible Official for the Project. During the Gateway process the Programme Board shall meet on a monthly basis (or such other frequency as required) to review progress and resolve issues.

Programme Director

The Programme Director is required to ensure that the Gateway Review process is carried out in accordance with Government guidelines and will act in accordance with the delegated authority determined by the Programme Board.

The Programme Director will chair and be responsible for the Programme Executive, which will be responsible for the delivery of project.

The Programme Director has executive authority in regard to the Programme Executive in accordance with the delegated authority as agreed with the Programme Board. He is required to be assisted in that role by the Project Manager.

Programme Executive

The Programme Executive will comprise representatives of each of the six lead Departmental Project Teams. The Programme Executive will be assisted in delivering the outputs required by the Project Manager and the Project Consultants.

The key tasks of the Programme Executive are to:

- provide the information requirement for the development of a centralised accounting system
- agree the detailed specification of user requirements, including functionality, common chart of accounts etc.
- agree a phased implementation plan
- provide the required deliverables against the implementation plan

Resources required by individual Departmental Project Teams are not the responsibility of the Programme Executive or the Project Consultants.

The programme executive will report, through the programme director, to the programme board. The programme will be organised and controlled in accordance with the PRINCE methodology. The Programme Executive will be responsible for the planning, control and management of the activities outlined above.

Departmental Project Teams

Each core department will be represented in a Departmental Project Team with each team comprising service provider and receiver departments, where relevant.

A Departmental Project Team Manager will be appointed to lead each Departmental Project Team. The Departmental Project Team Manager will report to the Programme Director, via the Programme Executive, either directly or through their Departmental Project Representative.

The Departmental Project Teams will be responsible for:

- the development of a project PID to take forward the implementation in accordance with the programme PID. These will be signed off by the Programme Executive;
- implementation, management and control of the project;
- monitoring the project against plan and reporting to the Programme Director on progress;
- the development of service specifications and agreements;

- co-ordination and scheduling of training in accordance with the programme training strategy and roll out plan;

- on going liaison with the Programme Executive and other project teams; and

- managing communications within the project department(s) and agencies.

In the event that individual Departmental Project Teams require additional external support, this will be provided by the Departmental Consultants. The Programme Executive will liaise with and co-ordinate the activities of each of the Departmental Project Teams.

5. Implementation

The implementation strategy will be based on a phased approach which relies upon:

1. using the business case to agree a shared vision of the proposed solution;

2. implementing firstly those aspects of the preferred option which are required to deal with the shorter term priorities (eg technology obsolescence);

3. creating Gateway check points in the process to allow reconsideration of the preferred option at critical stages;

4. proceeding with the wider organisational dimensions of the preferred option after the check point process has ensured that the vision continues to be valid.

Given the risks and uncertainties ASR decided that a three-phased approach to implementation is appropriate. The three phases are defined as follows:

- ***Phase I (January 2002 to March 2004, or earlier):*** The primary focus of Phase I will be on the procurement and implementation of a centralised accounting system. This will involve all core NICS departments, including DFP (which currently uses Sun Financials and has made its own arrangements for infrastructure support).

  The initial stages of Phase I will involve programme set up activity including the formation of programme and departmental project teams and the development of reporting and communication protocols.

  The Programme Executive will act as central design authority and will take forward the following activities using the Gateway process:

  Management of Procurement Process in respect of external consultant's (Project Manager, Project Consultants, Departmental Consultants) including supplier evaluation;
  Review and confirm Business Justification;
  Development of Operational Requirement for System;
  Development of Specification of Requirement for FM;
  Production of tender documentation;
  Development of a programme plan;
  Define Procurement Strategy for System and FM;
  Management of Procurement process;
  Supplier evaluation;
  Contract negotiation and evaluation;
  Undertake Investment decision;

Data cleansing and migration;
Rationalisation of transaction processing support arrangements to address the dislocation which has occurred as a result of devolution;
Definition of a common set of rules for implementation, such as coding structure/chart of accounts and communication to project teams;
System integration specification and implementation;
Development of training strategy and roll out programme;
Establishment of help desk;
System manuals;
Ongoing contract management;
Liaison with departmental project teams;
Budget monitoring and analysis;
Analysis and reporting of programme and project and progress against plan;
Systems Development & testing;
System Live all Departments;
Implementation of FM Programme;
Conduct a Post Implementation Review (PIR)
in respect of both new system and FM;

- ***Phase II:*** This phase will focus upon the implementation of business process change. In particular this will impact upon the rationalisation of existing processes for travel and subsistence, accounts payable and receivable;

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- ***Phase III:*** Phase III will focus upon the rationalisation of the number of transaction processing centres from the existing six. For the purposes of assessing costs and benefits we have assumed four service centres. Whilst we believe four to be an appropriate number, this could be reviewed at that point in light of the results of the Review of Public Administration.

The Executive Committee has agreed that the work on procurement and implementation (i.e. Phase I) should now be initiated with the engagement of consultancy support.

A decision to progress the work on Phases II and III will be taken at a later date and these Phases are outside the scope of this initial exercise.

6. Programme Constraints/Risks

The key programme constraints and risks are described in the following paragraphs.

6.1 Delivery Timescales

The critical timescale driver is the date of Oracle R10.7 de-support. This date drives the project plan and timetable for design, procurement and implementation. The Programme Executive will employ rigorous programme management performance in this area. In particular the Programme Board will monitor the milestones in the project plan, and will monitor the usage of all resources to ensure additional resources can be deployed, if necessary, to meet required timescales.

6.2 Co-operation from Departments

The risk is associated with ensuring that the Departmental Project Teams provide on-going co-operation to the project as it moves into procurement and implementation stage. The ASR Steering Group has played a key role to date in ensuring individual departments have been kept on board.

The following actions will help manage the risk in this area:

- each of the Core Departments will be represented on the Programme Executive and will continue to have membership drawn from all departments;

- the Programme Director will develop close contacts with the Departmental Project Teams within departments to ensure the implementation progresses consistently across the system;

- implementation issues, which prove contentious at individual Departmental Project Team level will be brought by the Departmental Project Team Manager to the Programme Executive which will define the approach to be adopted; and

- a communication programme will be initiated to ensure that departments are kept fully informed on progress.

6.3 Availability of Programme and Project Staff

There are a limited number of staff across NICS who have the experience of implementing and managing financial systems implementation projects of this scope.

The programme implementation plan requires staff of an appropriate grade and experience to be made available to the programme and departmental teams on a dedicated basis for its duration.

A Departmental Project Team will be established by each of the lead departments and they shall be responsible for project implementation. As part of the procurement process Departmental Consultants will be contracted to assist if required project teams in individual departments. The programme executive will liaise with and coordinate the activities of each of the Departmental Project Teams.

6.4 Accommodation Issues

Programme Office – there will be a permanent programme office for the duration of the project. This office shall be for the sole use of the Programme Executive team.

Departmental Project Offices – there will be a permanent Departmental Project Team office for use by each Departmental Project Team throughout the duration of the project.

It should be assumed that the Programme and Departmental Project Team office accommodation will be available by host departments at no additional cost.

7. Post Implementation Management

A key issue post-implementation will be the arrangements which are put in place for the ongoing management of the system. The preferred option envisages a solution which has significant commonality, including shared database structures. This model requires a significant degree of central control over coding changes and user access rights. In addition, the preferred option involves a limited number of transaction processing centres providing services to 11 departments. This model will require the establishment of a mechanism for dealing with disputes and managing structural change.

There is clearly a need for a single service-wide structure to manage the service going forward. We believe that the proposed programme management structure forms a sound basis for this. Therefore the Programme Board and Programme Executive would simply roll-forward to become the Accounting Services Board and Executive when the proposed changes are implemented. These arrangements could be supported by a small central systems management team.

8. Next Steps

In taking the recommendations forward, there are a number of next steps which are being taken:

- **Programme structure formation:** NICS have identified the Programme Sponsor and Programme Director, and have mobilised the Programme Executive;

- **Staff availability analysis:** a key issue is the availability of staff with the necessary skills and experience to work on the programme. Core Departments are considering this in the context of mobilisation and this is aimed at determining the specific staff members who may be made available;

- **Training needs analysis:** In the event of the staff analysis exercise identifying gaps in available internal resources it will be necessary to draw up a training plan aimed at acquisition of the required skills; and

- **Procurement:** given the time constraints, NICS will mobilise a small team (within the Programme Executive) to carry forward the procurement phase.

Glossary of Terms

Programme Board - comprises of Programme Sponsor and departmental representatives

Programme Director - provides authority and leadership for the project

Programme Executive - Comprises the Departmental Project Representatives of each of the 6 leading departments

Programme Sponsor - Department of Finance and Personnel

Project Manager - is responsible for the delivery of the whole project

Project Consultants - are responsible for producing the operational requirement and assisting the Project Manager in the delivery of the whole project

Departmental Consultants - to provide consultancy support to the Departmental Project Teams

Departmental Project Teams - develop and execute project plan at departmental level

Departmental Project Team Manager - project manager of departmental team

Departmental Project Representative - representative of Departmental Project Team on Programme Executive

Gateway Process - Gateway is a structured Project control system that Identifies 5 key gateway decision points – 'gates' to ensure that the project is kept on track for successful completion.

FM - Facilities Management

NICS - Northern Ireland Civil Service

ASR - Accounting Services Review

DFP - Department of Finance & Personnel

DVLNI - Department of Vehicle & Licensing Northern Ireland

DVTA - Driver Vehicle Testing Agency

PRINCE – Projects in controlled environments

PID - Project Initiation Document

Oracle R10.7 - application software on which current accounting service is based

ERP Packages - Enterprise Resource Planning packages

Roads - Department for Regional Development (Roads Service)

Water - Department for Regional Development (Water Service)

Instructions To Tenderers

1. Evaluation Criteria

The evaluation criteria that will be used to ensure best value for money in the award of this contract are:

1.1 Proposed Methodology
1.2 Experience and Qualifications
1.3 Price
1.4 Presentation

2. Format of Response

Proposals must include a section fully addressing the following issues:

2.1 Full details in three separate sections detailing your proposed methodology for providing;

2.1.1 Project Management
2.1.2 Project Consultancy
2.1.3 Departmental Consultancy

Your proposal should include your understanding of the client's requirement and a timetable outlining each of the stages involved in the project. A project plan should be included detailing the proposed timescales and milestones in the project with the names and responsibilities of the consultants involved at each stage of the project

2.2 The submission must include the relevant experience of:

2.2.1 the Project Manager in:

2.2.1.1 successfully organising and planning similar large scale projects;

2.2.1.2 testing and implementing major systems;

2.2.1.3 developing and reviewing procurement strategies;

2.2.1.4 quality control systems;

2.2.1.5 using Prince Methodology;

2.2.1.6 the Gateway Process.

2.2.2 the Project Consultant(s) of:

2.2.2.1 testing and implementing major systems;

2.2.2.2 developing Operational Requirements;

2.2.2.3 quality control systems;

2.2.2.4 using Prince Methodology;

2.2.2.5 the Gateway Process.

2.2.3 the Departmental Consultants in:

2.2.3.1 testing and implementing major systems;

2.2.3.2 developing Operational Requirements;

2.2.3.3 using Prince Methodology;

2.2.3.4 the Gateway Process.

CV's in respect of those involved in the project must be included.

2.3 A separate pricing schedule, with the name of each consultant and the stages in which they will be involved must be completed in respect of:

2.3.1 the Project Manager
2.3.2 the Project Consultant(s)
2.3.3 the Departmental Consultants

Staged payments will be made to the service provider after successful completion of each phase of the project. Tenderers must clearly identify in their response the activities which will be completed and the payment required.

Payment proposals should be linked directly to the key milestones and set out on the pricing schedule. These will be subject to approval by the Programme Board prior to commencement of the project. Prices should exclude VAT.

3. Presentation

All of the staff named as part of the project team will be required to attend the presentation. The format of the presentation will be made known at a later date.

4. Period of Contract

The contract shall commence on Monday 8th April 2002 for three years with options to extend at six monthly intervals until the project is complete.

5. Enquiries

All enquiries with regard to the contract should be addressed to:

Donna Kavanagh
Government Purchasing Agency
Room 246
Rosepark House
Upper Newtownards Road
Belfast
Tel: 028 90 526117
Fax: 028 90 526666

Terms of Reference

1. Introduction

This contract is for consultancy services to support the procurement and implementation of a centralised accounting system encompassing 6 processing centres for the 11 Northern Ireland departments. There are three levels of consultancy support required for this project.

A **Project Manager** is responsible for the successful delivery of the whole project including the planning and co-ordination of internal and external resources, from the initial review (assessing the feasibility of the proposed option), through detailed system specification, procurement of the new system to final acceptance and post implementation review.

The contract also requires the appointment of **Project Consultant(s)** to develop an Operational Requirement and FM requirements in order to facilitate the procurement of the new system. The consultants will be required to assist in the evaluation of tenders and system functionality.

Some of the departmental project teams may require **Consultancy Support** on a call off arrangement during the project.

Although not essential, the preferred option is to appoint one company to provide all three levels of consultancy support.

2. Roles of Consultants

2.1 Project Manager

The Project Manager will provide central planning, control, co-ordination and financial systems expertise to the centrally managed boards. Together with the Programme Executive, the Project Manager will also exercise executive authority over individual departmental project teams.

The Project Manager will be formally accountable to the Programme Executive but will receive direction as required from the Programme Director.

The Project Manager has overall responsibility to deliver this project on time, within budget and to specification using the Gateway process. The key tasks outputs shall include the following:

- initiating, planning, executing and controlling all elements of the project using appropriate project management techniques;
- carrying out an initial review, assessing the feasibility of the proposed option (as outlined in the business case);

- assessing project organisation management and control;
- attend all meetings of the Programme Board and providing input and advice and progress updates;
- establishing and delivering the reporting and communication protocols;
- preparing a Procurement Strategy, using Gateway 2 methodology;
- agreeing and specifying the detailed Operational Requirement for the preferred option;
- agreeing detailed project plans and timetables for outputs with the Programme Executive;
- continuously reviewing the project plans against the business case;
- revising the programme of work in the context of outputs and decisions;
- ensuring that the project is organised and controlled in accordance with PRINCE methodology;
- acting in accordance with the programme discipline;
- specifying the future arrangements and actions for ongoing delivery of the preferred solution;
- interfacing with internal and external members of programme and project teams;
- carry out post Implementation Review;
- closing the project – ensuring all aspects of the project are completed to the original business and project plan and reporting to the Programme Executive.

2.2 Project Consultants

The Project Consultants under the direction of the Project Manager will work on a day-to-day basis with the Programme Director and liaise with the Programme Executive on a regular basis.

The key outputs required from the Project Consultants under the direction and control of the Project Manager will be to:

- assist in assessing the feasibility of the preferred option.
- produce a detailed Operational Requirement for the procurement of the preferred option. This will include specification of Facilities Management requirements for the new system.
- assist in the development of a procurement strategy, documentation and evaluation process.
- assist in the technical evaluation of tenders for the above system to include representation at presentations and inputs to overall evaluation report.
- prepare a systems testing strategy and methodology, including the evaluation of results.
- assist in post implementation review.
- provide Gateway training for the Programme Board, Programme Executive and project staff.
- provide help desk facilities.
- provide secretarial support, as required.

2.3 Departmental Consultants

Consultancy support may be required by the Departmental Project teams on a call off basis as and when required. For example, this might include:

- assisting with the development of the operational requirement at departmental level;
- assisting with systems testing within the departments; etc.

2.4 Project Plan

A detailed business plan shall be supplied to the project manager on appointment and the project manager shall be required to prepare, present and agree with the Programme Board and Programme Executive a project plan which shall set out the timescale and deliverables of the programme which shall be in accordance with the Gateway process and the detailed business case.

Appointment of the project manager shall be subject to acceptance of the project plan by the Programme Board and authority to proceed with the plan in accordance with the details of that plan shall form the basis upon which performance under the contract shall be determined. The Programme Director and the Programme Executive (both individually and collectively) shall provide input and information as required for the purpose of assisting the project manager in the preparation of that plan. The response to tender should provide a separate methodology setting out the nature, timescale and cost of preparation of that plan. This shall include the input required from the client and the nature and content of the output which shall be provided.

The Project Manager will also be required to include in the Project Plan the requirement that the Programme be subject to independent assurance and review under the Gateway process and the Project Manager will be required to co-ordinate and contribute to that process in conjunction with Programme Director and Board and the Project Consultants.

In particular, all consultants engaged in the project at each level shall be required to work within the Project Plan. The Project Manager will be required to monitor and report performance against the plan on the Programme Board and Programme Executive and to agree variations and revisions to the plan as may be required during the course of the project.

CONDITIONS OF CONTRACT

FOR

SERVICES

FOR USE BY

NORTHERN IRELAND GOVERNMENT DEPARTMENTS AND

THEIR AGENCIES

NORTHERN IRELAND OFFICE AND ITS AGENCIES

OTHER PUBLIC SECTOR BODIES

June 2000

Contract/3.12ICP

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CONTRACT FOR THE PROVISION OF INFORMATION SYSTEMS, E-BUSINESS AND RELATED SERVICES

This AGREEMENT is made on the ______________________ of ______________________ 20 ______

BETWEEN the Government Purchasing Agency acting on behalf of

____ (the Department) and

____ (the Contractor).

1. INTERPRETATION

1.1 In this Contract the following words shall have the following meanings except where the context otherwise requires:

a.	Acceptance	Confirmation in writing by the Department that a Service has been accepted by the Department.
b.	Amendments	The amendments (if any) to the Contract which may be agreed by the Contractor and the Department.
c.	Authorised Representative	The nominated representative of the Department and the Contractor.
d.	Contract	The Tender completed by the accepted Tenderer, the Conditions of Contract; the Specification or Operational Requirement; the Drawings, if any, the Schedule of Prices or Rates or Lump Sum as submitted by the accepted Tenderer, the Letter of Acceptance issued by the Government Purchasing Agency to the accepted Tenderer together with such correspondence, if any, between the accepted Tenderer and the Government Purchasing Agency as may be agreed by both parties to form part of the Contract.
e.	Contractor	The person, firm or corporate body whose tender shall have been accepted by the Department and shall include the Contractor's personal representatives, successors, and permitted assigns.
f.	Contractors Staff	Employees, sub-contractors employees and agents or representatives of both contractor and sub-contractor.
g.	Department	The Department of Finance and Personnel, other Northern Ireland government departments, their agencies and other public sector bodies

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h.	Equipment	All materials, plant, equipment, and consumables other than the Department's property to be used by the Contractor in the provision of the Services.
i.	Premises	Land or buildings where the services are performed.
j	Services	The provision of the Services defined herein.
k.	Site	The area within the Premises in which the Services are performed.
l.	Days	Calendar Days

1.2 Words importing the singular shall also include the plural, and importing the masculine shall also include the feminine and vice versa where the context requires.

1.3 For the purpose of the Contract the Government Purchasing Agency is authorised to act on behalf of the Department.

1.4 A reference to any statute, enactment, order, regulations or other similar instrument shall be construed as a reference to the statute, enactment, order, regulation or instrument as subsequently amended or re-enacted.

2. **ENTIRE AGREEMENT**

2.1 The Contract constitutes the entire agreement between the parties relating to the subject matter of the Contract. The Contract supersedes all prior negotiations, representations and undertakings, whether written or oral, except that this Condition shall not exclude liability in respect of any fraudulent misrepresentation.

3. **PERIOD OF CONTRACT**

3.1 This Contract shall take effect on the commencement date and shall remain in force for 2 years but with the written agreement of both parties may be extended annually for a further 3 years, unless it is otherwise terminated in accordance with the provisions of these Conditions.

4. **SERVICES**

4.1 The Contract is for work to be undertaken by the Contractor in accordance with the provisions of the Contract.

5. **CONDITIONS AFFECTING PROVISION OF SERVICES**

5.1 The Contractor shall be deemed to have satisfied himself as regards the nature and extent of the services, the means of communication with and access to the site, the supply of and conditions affecting labour, the suitability of the Department's property and the equipment necessary for the performance of the services, subject to all such matters being discoverable by the Contractor.

6. **CONTRACTOR STATUS**

6.1 Nothing in the Contract shall be construed as creating a partnership, a contract of employment or a relationship of principal and agent between the Department and the Contractor.

7. **DEPARTMENT'S PROPERTY**

7.1 All Department's property shall remain the property of the Department and shall be used in the performance of the Contract and for no other purpose without prior approval.

7.2 On receipt of Department's property the Contractor shall subject it to a visual inspection and such additional inspection and testing as may be necessary to check that it is not defective; within 14 days of receipt of any item of Department's property, or such other period as may be approved the Contractor shall notify the Department's in writing of any defects discovered; within 14 days after receiving such notification, the Department shall inform the Contractor of the action to be taken

7.3 The Department shall be responsible for the repair or replacement of Department's property unless the need for repair or replacement is caused by the Contractor's failure to comply with Condition 7.5, or by the negligence or default of the Contractor.

7.4 The Contractor shall be responsible for his own costs resulting from any failure of Department's property, unless he can demonstrate that the Department had caused undue delay in its replacement or repair.

7.5 The Contractor shall maintain all items of Department's property in good and serviceable condition, fair wear and tear excepted, and in accordance with the manufacturer's recommendations.

7.6 The Contractor shall be liable for any loss of or damage to any Department's property unless the Contractor is able to demonstrate that such loss or damage was caused or contributed to by the negligence or default of the Department.

7.7 The Contractor shall not in any circumstances have a lien on any Department's property and shall take all steps necessary to ensure that the title of the Department and the exclusion of any lien are brought to the attention of any third party dealing with any Department's property.

7.8 The Contractor undertakes the due return of all re-useable property and will be responsible for all loss thereof or damage thereto from whatever cause. Deterioration in such property resulting from its normal and proper use in the execution of the Contract shall not be deemed to be loss or damage, except in so far as the deterioration is contributed to by any want of maintenance and repair by the Contractor.

8. **EQUIPMENT**

8.1 The Contractor shall provide all the equipment necessary for the provision of the Services.

8.2 The Contractor shall maintain all items of equipment in good and serviceable condition.

8.3 All equipment shall be at the risk of the Contractor and the Department shall have no liability for any loss of or damage to any equipment unless the Contractor is able to demonstrate that such loss or damage was caused or contributed to by the negligence or default of the Department.

8.4 The Contractor shall provide for the haulage or carriage of equipment to the premises and its off-loading and removal when no longer required.

8.5 The Department may at its option purchase any item of equipment from the Contractor at any time, if the Department considers that the item is likely to be required in the provision of the Services following the expiry or termination of the Contract. The purchase price to be paid by the Department shall be the fair market value.

9. STAFF

9.1 The Contractor warrants and represents that all staff assigned to the performance of the Contract shall possess such skill and experience as is necessary for the proper performance of the Contract.

9.2 Where the Contract provides that the work shall be done by named staff the Contractor undertakes to take all reasonable steps to ensure that his staff remain for the full period of this Contract. Unavoidable changes in the Contractor's staff proposed by the Contractor and agreed by the Authorised Representative shall be subject to not less than one month's written notice.

9.3 If for any other reasons changes in the Contractor's staff become necessary in the opinion of the Authorised Representative such changes shall be subject to 1 weeks written notice by the Authorised Representative to the Contractor.

9.4 In the event that the Contractor is unable to provide replacement staff acceptable to the Authorised Representative within sufficient time to enable the Contractor to complete the work on time than the Department may obtain replacement staff from other sources or terminate the Contract at its discretion.

10. CO-ORDINATION

10.1 The Contractor shall co-ordinate his activities in the provision of the Services with those of Departmental personnel and other contractors engaged by the Department.

11. USE OF DEPARTMENT'S PREMISES

11.1 Where the Services are performed on the Department's premises the Contractor shall have use of the Department's premises without charge as a licensee and shall vacate those premises on completion or earlier termination of the Contract.

11.2 The Contractor shall not use the Department's premises for any purpose or activity other than the provision of the Services unless given prior approval.

11.3 Should the Contractor require modifications to the Department's premises, such modifications shall be subject to prior approval and shall be carried out by the Department at the Contractor's expense. The Department shall undertake approved modification work without undue delay. Ownership of such modifications shall rest with the Department.

11.4 The Contractor shall not deliver any equipment to the Department's premises outside normal working hours without prior approval.

11.5 The Contractor shall maintain all equipment and its place of storage within the Department's premises in a safe, serviceable and clean condition.

11.6 On the completion or earlier termination of the Contract, the Contractor shall, subject to the provisions of Condition 8.5 remove all equipment and shall clear away from the Department's premises all waste arising from the performance of the Services and shall leave the Department's premises in clean and tidy condition.

11.7 Whilst on the Department's premises, all staff shall comply with such rules, regulations and other requirements as may be in force in respect of the conduct of persons attending and working on the Department's premises.

12. RIGHT OF ACCESS

12.1 The Department reserves the right to refuse to admit to any premises occupied by or on behalf of the Crown any person employed by the Contractor, or by a sub-contractor, whose admission would be, in the opinion of the Department undesirable.

12.2 The Contractor shall comply with the requirements of the Department in regard to ensuring the identity and bona fides of all workers and other persons requiring to be admitted to any officially occupied premises in connection with the Contract.

12.3 If the Contractor shall fail to comply with paragraph 12.2 and if the Department shall decide that such failure is prejudicial to the interests of the State, then the Department may terminate the Contract if the Contractor does not comply with such provisions of paragraph 12.2 within a reasonable time of written notice to do so provided always that such termination shall not prejudice or affect any right of action or remedy which shall have accrued thereafter to the Department.

12.4 The decision of the Department as to whether any person is to be refused admission to any premises occupied by or on behalf of the Crown and as to whether the Contractor has failed to comply with paragraph 12.2 shall be final and conclusive.

13. MANNER OF PROVIDING THE SERVICES

13.1 The Contractor shall perform the Services with all due care, skill and diligence, and in accordance with good industry practice. Timely provision of the Services is of the essence of the Contract.

13.2 The Services shall be performed only on approved sites.

13.3 The Contractor shall, upon the instruction of the Authorised Representative:

a. remove from the Department's premises any materials which are not in accordance with those contained in the Specification and substitute proper and suitable materials;

b. remove and properly re-execute any work which is not in accordance with the Contract, irrespective of any previous testing or payment by the Department. The Contractor shall at his own expense complete the re-executed work correctly in accordance with the Contract within such reasonable time as the Department may specify.

13.4 The signing by the Authorised Representative of time sheets or other similar documents shall not be construed as implying the Contractor's compliance with the Contract.

14. **STANDARDS**

14.1 Materials and processes used in connection with the provision of the services shall be in accordance with the standards and quality specified.

14.2 At the request of the Authorised Representative, the Contractor shall provide proof to the Department's satisfaction that the materials and processes used or proposed to be used, conform to those standards.

14.3 The introduction of new methods or systems which impinge on the provision of the services shall be subject to prior approval.

15. **OVERTIME WORKING**

15.1 The Contractor shall not normally be prevented from working reasonable overtime hours on the Department's premises if he so desires, provided that he obtains prior approval and it is at no additional cost to the Department.

16. **PROGRESS REPORTS**

16.1 Where progress reports are required to be submitted under the Contract, the Contractor shall render those reports at such time and in such form as may be specified or as otherwise agreed between the parties.

16.2 The submission and receipt of progress reports shall not prejudice the rights of either party under the Contract.

17. **AUTHORISED REPRESENTATIVES**

17.1 The Authorised Representative of the Department for the purposes of the Contract is:

____

____

17.2 The Authorised Representative of the Contractor for the purpose of the Contract is:

____

____

18. **PAYMENT**

18.1 The Department shall pay the Contractor for work done at the rates or prices contained in the priced schedules or other interest documentation. Where payment is based upon daily rates the Contractor and his staff will be expected to work 7½ hours per day, exclusive of meal breaks, unless alternative arrangements are agreed with the Department.

18.2 Payment shall be due within thirty (30) days of receipt by the Department of a correct application for payment or invoice or as otherwise specified in the Contract.

18.3 The Department reserves the right to withhold payment against any invoice which is not submitted in accordance with the Contract or which covers or purports to relate to services which have not been provided in accordance with the Contract and shall forthwith notify the Contractor accordingly in writing.

19. VALUE ADDED TAX

19.1 The Department shall pay to the Contractor, in addition to the charges due for the work performed under the Contract, a sum equal to the value added tax as may be properly chargeable on the value of the supply of goods and services provided in accordance with the contract.

19.2 Any invoice or other request for payment of monies due to the Contractor under the Contract shall, if he is a taxable person, be in the form and contain the same information as if the same were a tax invoice for the purposes of Regulations made under the Finance Act 1972.

19.3 The Contractor shall, if so requested by the Department, furnish such information as may reasonably be required by the Department as to the amount of value added tax chargeable on the value of goods and services supplied in accordance with the Contract and payable by the Department to the Contractor in addition to the charges for work. Any over payment by the Department to the Contractor shall be a sum of money recoverable from the Contractor.

19.4 If the costs of the Contract are increased or decreased any monies thereby payable shall have added to them a sum equal to any appropriate adjustment in respect of value added tax due on the final value of the work.

20. RECOVERY OF SUMS DUE

20.1 Whenever under the Contract any sum of money is recoverable from or payable by the Contractor (including any sum which the Contractor is liable to pay to the Department in respect of any breach of this Contract), the Department may unilaterally deduct that sum from any sum then due or which at any later time becomes due to the Contractor under this Contract or under any other contract with the Department or with any other Department, office or agency of the Crown.

20.2 The Department shall give at least 21 days' notice to the Contractor of its intention to make a deduction under Condition 20.1 giving particulars of the sum to be recovered and the contract under which the payment arises from which the deduction is to be made.

20.3 Any overpayment by the Department to the Contractor, whether of the contract price or of value added tax, shall be a sum of money recoverable by the Department from the Contractor.

21. PRICE ADJUSTMENTS

21.1 Prices quoted shall remain firm for the initial contract period set out in Condition 3.1.

21.2 In the event that the contract period is extended a price review shall take place and any increases or decreases shall be agreed by both parties and recorded as a Variation in line with Condition 40.

22 INTELLECTUAL PROPERTY RIGHTS - ASSIGNMENT AND INDEMNITY

22.1 The Contractor hereby assigns to the Department all Intellectual Property Rights owned by the Contractor in any material which is generated by the Contractor and delivered to the Department in the performance of the Services and shall waive all moral rights relating to such material. The Contractor shall not reproduce, publish or supply any such material to any person other than the Department without prior approval.

22.2 In performing the Services the Contractor shall obtain approval before utilising any material which is or may be subject to any Intellectual Property Rights other than those referred to in Condition 22.1.

22.3 Subject to Condition 22.4, the Contractor shall indemnify the Department against all claims, proceedings, actions, damages, legal costs (including but not limited to legal costs and disbursements on a solicitor and client basis), expenses and any other liabilities arising from or incurred by the use by the Contractor, in the performance of the Services, or the use by the Department following delivery by the Contractor, of any material which involves any infringement or alleged infringement of the Intellectual Property Rights of any third party.

22.4 The provisions of Condition 22.3 shall not apply in respect of any material which the Department has supplied to the Contractor or which the Department has specified for use by the Contractor or for delivery to the Department.

22.5 The Department shall indemnify the Contractor against all claims, proceedings, actions, damages, legal costs (including but not limited to legal costs and disbursements on a solicitor and client basis), expenses and any other liabilities arising from or incurred by the use by the Contractor, in the performance of the Services, of any material referred to in Condition 22.4 which involves any infringement or alleged infringement of the Intellectual Property Rights of any third party.

22.6 Where any claim is made by a third party in respect of any material referred to in Condition 22.3 or 22.5, the party which is required to provide an indemnity under those provisions shall have the right to conduct, or take over the conduct of, the defence to the claim and to any proceedings or action brought by the third party.

23. SECURITY

23.1 The Contractor shall take all measures necessary to comply with the provisions of any enactment relating to security which may be applicable to the Contractor in the performance of the Services.

23.2 The Contractor shall take all reasonable measures, by the display of notices or other appropriate means, to ensure that staff have notice that all provisions referred to in Condition 23.1 will apply to them and will continue to apply to them, if so applicable, after the expiry or earlier termination of the Contract.

23.3 Whilst on the Department's premises, staff shall comply with all security measures implemented by the Department in respect of personnel and other persons attending those premises. The Department shall provide copies of its written security procedures to the Contractor on request.

23.4 The Department shall have the right to carry out any search of staff or of vehicles used by the Contractor at the Department's premises.

23.5 The Contractor shall co-operate with any investigation relating to security which is carried out by the Department or by any person who is responsible to the Department for security matters and when required by the Authorised Representative:

a. shall use his best endeavours to make any staff identified by the Authorised Representative available to be interviewed by the Authorised Representative, or by a person who is responsible to the Department for security matters, for the purposes of the investigation. Staff shall have the right to be accompanied by the Contractor's Representative and to be advised or represented by any other person whose attendance at the interview is acceptable to both the Authorised Representative and the Contractor's Representative; and

b. shall, subject to any legal restriction on their disclosure, provide all documents, records or other material of any kind which may reasonably be required by the Department or by a person who is responsible to the Department for security matters, for the purposes of the investigation, so long as the provision of that material does not prevent the Contractor from performing the Services. The Department shall have the right to retain any such material for use in connection with the investigation and, so far as possible, shall provide the Contractor with a copy of any material retained.

24. CONFIDENTIALITY

24.1 Each Party:

a. shall treat as confidential all information obtained from the other party under or in connection with the Contract;

b. shall not disclose any of that information to any third party without the prior written consent of the other party, except to such persons and to such extent as may be necessary for the performance of the Contract; and

c. shall not use any of that information otherwise than for the purposes of the Contract.

24.2 The Contractor shall take all necessary precautions to ensure that all information obtained from the Department under or in connection with the Contract:

a. is given only to the minimum number of staff and then only to the extent necessary for each member of staff's activities in the provision of the Services; and

b. is treated as confidential and not disclosed (without prior approval) or used by any staff otherwise than for the purposes of the Contract.

24.3 Where it is considered necessary in the opinion of the Authorised Representative, the Contractor shall ensure that staff sign a confidentiality undertaking before commencing work in connection with the provision of the Services.

24.4 The provisions of Condition 24.1 and 24.2 shall not apply to any information:

a. which is or becomes public knowledge (otherwise than by breach of this Condition), or

b. which is in the possession of the party concerned, without restriction as to its disclosure, before receiving it from the disclosing party, or

c. which is received from a third party who lawfully acquired it and who is under no obligation restricting its disclosure.

24.5 Nothing in this Condition shall prevent the Department:

a. disclosing such information relating to the outcome of the procurement process for the Contract as may be required to be published in the Supplement to the Official Journal of the European Communities in accordance with EC directives or elsewhere in accordance with requirements of United Kingdom government policy on the disclosure of information relating to government contracts;

b. disclosing any information obtained from the Contractor:

i. to any other department, office or agency of the Crown, or

ii. to any person engaged in providing any services to the Department for any purpose relating to or ancillary to the Contract.

provided that in disclosing information under sub-paragraph (i) or (ii) the Department discloses only the information which is necessary for the purpose concerned and requires that the information is treated in confidence and that a confidentiality undertaking is given where appropriate.

24.6 Nothing in this Condition shall prevent either party from using any techniques, ideas or know-how gained during the performance of the Contract in the course of its normal business, to the extent that this does not result in a disclosure of confidential information or an infringement of any Intellectual Property Rights.

24.7 The Contractor shall not use any confidential information obtained from the Department for the solicitation of business from the Department or any other part of the Crown.

24.8 The obligations imposed by this Condition shall continue to apply after the expiry or termination of the Contract.

25. PUBLICITY

25.1 The Contractor shall not make any public statement relating to the existence or performance of the Contract without prior approval, which shall not be unreasonably withheld.

26. RIGHT OF AUDIT

26.1 The Contractor shall keep secure and maintain until two years after the final payment of all sums due under the Contract, or such longer period as may be agreed between the parties, full and accurate records of the Services, all expenditure reimbursed by the Department and all payments made by the Department.

26.2 The Contractor shall grant to the Department or its authorised agents, such access to these records as they may reasonably require in compliance with the Contract.

DATA PROTECTION ACT 1998

27.1 The Contractor shall not disclose or allow access to any personal data provided by the Department or acquired by the Contractor during the course of tendering for or executing the contract, other than to a person employed or engaged by the Contractor or any sub-contractor, agent or other person concerned with the same.

27.2 Any disclosure of or access to personal data allowed under Condition 27.1 shall be made in confidence and shall extend only so far as that which is specifically necessary for the purpose of the Contract.

27.3 The Contractor shall store or process such personal data only at sites specifically agreed in writing, in advance, with the Department.

27.4 If the Contractor fails to comply with any provision of this Contract then the Department may summarily determine the Contract by notice in writing to the Contractor provided always that such determination shall not prejudice or affect any right of action or remedy which shall have accrued or shall accrue thereafter to the Department.

27.5 If the Contractor or any employee, servant agent or sub contractor of the Contractor, having obtained without the consent of the Department personal data within the meaning of the Data Protection Act, directly or indirectly discloses or publishes the data to any other person or allows improper access to the data, or in any event directly or indirectly causes the loss, damage, or destruction of such data, he shall indemnify the Department against all claims, proceedings, costs and expenses in respect of any damage or distress suffered whereby by any person.

27.6 The decision of the Department upon matters arising under this clause shall be final and conclusive.

28. INDEMNITY AND INSURANCE

28.1 The Contractor shall indemnify the Department to a limit of £1,000,000 (one million pounds) in respect of any one incident or series of incidents arising out of his performance of the Contract against all claims, proceedings, actions, damages, legal costs, expenses and any other liabilities in respect of any loss of or damage to property which is caused directly or indirectly by any act or omission of the Contractor. Indemnity in respect of death or personal injury shall be unlimited. This condition 28.1 shall not apply to the extent that the Contractor is able to demonstrate that such death or personal injury, or loss or damage, was not caused or contributed to by his negligence or default, or the negligence or default of his Staff or sub-contractors, or by any circumstances within his or their control.

28.2 The Contractor shall effect and maintain with a reputable insurance company a policy or policies of insurance providing an adequate level of cover in respect of all risks which may be incurred by the Contractor, arising out of the Contractor's performance of the Contract, in respect of death or personal injury, or loss of or damage to property. Such policies shall include cover in respect of any financial loss arising from any advice given or omitted to be given by the Contractor.

28.3 The Contractor shall hold employer's liability insurance in respect of Staff in accordance with any legal requirement for the time being in force.

28.4 The Contractor shall produce to the Authorised Representative, on request, copies of all insurance policies referred to in this Condition or other evidence confirming the existence and extent of the cover given by those policies, together with receipts or other evidence of payment of the latest premiums due under those policies.

28.5 The terms of any insurance or the amount of cover shall not relieve the Contractor of any liabilities under the Contract. It shall be the responsibility of the Contractor to determine the amount of insurance cover that will be adequate to enable the Contractor to satisfy any liability referred to in this Condition.

29. **CORRUPT GIFTS AND PAYMENTS OF COMMISSION**

29.1 The Contractor shall not:

29.1.1 offer or give or agree to give any person in Her Majesty's Service any gift or consideration of any kind as an inducement or reward for doing or forbearing to do or for having done or forborne to do any act in relation to the obtaining or execution of this Contract or any other contract for Her Majesty's Service and/or for showing or forbearing to show favour or disfavour to any person in relation to this contract or any other contract for Her Majesty's Service;

29.1.2 enter into this Contract or any other contract with any Government Department in connection with which commission has been paid or agreed to be paid by him, or on his behalf, or to his knowledge, unless before the Contract is made particulars of any such commission and of the terms and conditions of any agreement for the payment thereof have been disclosed in writing to the Department.

29.2 Any breach of this Condition by the Contractor or by anyone employed by him or acting on his behalf (whether with or without the knowledge of the Contractor) or the commission of any offence by the Contractor or by anyone employed by him or acting on his behalf, (either with or without the knowledge of the Contractor) under the Prevention of Corruption Acts, 1889 to 1916, in relation to this Contract or any other contracts for Her Majesty's Service, shall entitle the Department to determine the Contract and recover from the Contractor the amount of any loss resulting from such determination and/or to recover from the Contractor the amount or value of any such gift, consideration or commission.

29.3 Any dispute, difference or question arising in respect of either the effect or the interpretation of this clause or the amount recoverable hereunder by the Department from the Contractor or the right of the Department to determine the Contract, or the amount or value of any such gift, consideration or commission shall be decided by the Department whose decision shall be final and conclusive.

30. **STATUTORY AND OTHER REGULATIONS**

30.1 The Contractor shall be deemed to have acquainted himself with any and all Acts of Parliament, Statutory Regulations, or other such laws, recommendations, guidance or practices as may affect the provision of the service(s) specified under the Contract.

30.2 The Contractor shall be deemed to have acquainted himself with British/European Standards, Codes of Practice as may be relevant to this Contract.

30.3 The Contractor shall adequately train, instruct and supervise staff to ensure that so far as is reasonably practical the standards and codes of practice are observed.

31. **EQUALITY OF OPPORTUNITY**

31.1 The Contractor shall comply with the Fair Employment and Treatment (Northern Ireland) Order 1998 , the Sex Discrimination (Northern Ireland) Order 1976, the Equal Pay Act (Northern Ireland) 1970, the Disability and Discrimination Act 1995, the Race

Relations (Northern Ireland) Order 1997, the Employment Relations (Northern Ireland) Order 1999 and the Employment Rights (Northern Ireland) Order 1996 and shall use his best endeavours to ensure that in his employment policies and in the delivery of the services required of the Contractor under this agreement there shall be no unjustifiable inequality of treatment of:

a. people of different religious beliefs or political opinions;

b. men or women or married or unmarried people;

c. people with or without dependants (including women who are pregnant or on maternity leave);

d. people of different ethnic groups;

e. people with or without a disability;

f. people of different ages; or

g. people of differing sexual orientation.

32. HEALTH AND SAFETY

32.1 The Contractor's attention is drawn to the provision of the Health and Safety at Work (Northern Ireland) Order 1978 and in particular to Article 4 "General Duties of Employers to their Employees".

32.2 The Contractor shall adequately train, instruct and supervise staff to ensure that so far as is reasonably practicable, the health and safety of all persons who may be affected by the services provided under the Contract. Before commencing work on the Contract the Contractor, shall prepare a written policy of the health and safety of staff employed in connection with the Contract together with written organisational arrangements for carrying out the policy.

33. SOCIAL SECURITY SYSTEM

33.1 The Contractor shall not employ any person whom he knows or ought to know is by reason of his employment engaged in any unlawful procurement of social security benefits or tax exemptions and the Contractor shall not make, facilitate or participate in the procurement of, any unlawful payments whatsoever, whether in the nature of social security fraud, or evasion of tax, or otherwise.

33.2 The Contractor shall prepare and maintain such records of his staff and all other persons engaged in the performance of this Contract by the Contractor as the Department may from time to time require.

33.3 Without prejudice to Condition 33.2 the Contractor shall forthwith on demand by the Department furnish the Department with the names, addresses and national insurance numbers of all persons employed by him under the contracts of service and shall forthwith on demand furnish the Department with the names, addresses, periods of employment and exemption certificates of all persons employed by him under contracts for services.

33.4 The Contractor shall permit the Department, its servants or agents at all reasonable times to enter on any premises of the Contractor for the purpose of inspection and investigation of the employment, social security and tax records of any person employed by the Contractor or engaged by him to carry out any works under the contract.

34. DATE COMPLIANCE

34.1 Neither the performance nor the functionality of the Products or Services will be affected by any changes to the Date Format caused by the advent of the Year 2000 or any other date. In particular:

i. no value for current date will cause any interruption of the Services;

ii. all manipulations of time related data will produce the desired results for all valid date values within the application domain;

iii. date elements in interfaces and data storage will permit specifying the century to eliminate date ambiguity; and

iv. where any date element is represented without a century, the correct century shall be unambiguous for all manipulations involving that element.

35. CONFLICT OF INTEREST

35.1 Provided that there shall be no conflict of interest and the Contractor shall fulfil his obligations to the Department the Contractor shall be at liberty to enter into agreement with other public sector organisations elsewhere in the United Kingdom for the provision of services.

35.2 The Contractor warrants that he is not at the date hereof retained by any interest that could be in conflict with the work of the Department and that for the duration of this Contract he will not accept instructions from any such interest either directly or indirectly nor do any other act which may give rise to conflict of interest.

36. OFFICIAL SECRETS ACT

36.1 The provisions of the Official Secrets Act 1911 - 1989 in general and the provisions of the Official Secrets Act 1989 in particular shall apply to the Contractor, the staff and all persons engaged whether as agents or sub-contractors by the Contractor on any work under the Contract, and shall continue to apply without limitation of time after the expiry or termination of the Contract, and the Contractor shall bring to the notice of each and every such person the provisions of the said Acts.

36.2 If the Department shall at any time so direct, a declaration of knowledge of these provisions in such terms as the Department shall require shall be signed by every such person as the Department shall direct and be delivered to the Department by the Contractor.

37. TRANSFER, SUB-CONTRACTING AND ASSIGNMENT

37.1 The Contractor shall not transfer or assign this Contract or a part thereof and shall not sub-contract any part of the provision of the services without the prior written consent of the Department.

37.2 It is a condition of such consent that the sub-contractor must undertake directly to perform the terms of the Contract in respect of the sub-contracted services as if he were the contractor.

37.3 Any consent to sub-contract will not release the Contractor from any liability to the Department in respect of the sub-contracted section and the contractors shall be responsible for the acts, defaults or neglect of any sub-contractor or their agents or employees in all respects as they were the acts, defaults or neglect of the contractor or their agents, or employees.

37.4 Where the Contractor enters a sub-contract with a contractor for the purpose of performing the Contract, he shall cause a term to be included in such sub-contract which requires payment to be made to the contractor within a specified period not exceeding 30 days from receipt of a valid invoice as defined by the sub-contract requirements.

37.5 The Department may assign or in any other way dispose of its rights and obligations under this Contract or any part of it to any Department, Office or Agency of the Crown or any other body provided that any such assignment or other disposal shall not increase the burden of the Contractors obligations under this Contract.

38. SEVERABILITY

38.1 If any provision of the Contract is held invalid, illegal or unenforceable for any reason by any court of competent jurisdiction, such provision shall be severed and the remainder of the provisions of the Contract shall continue in full force and effect as if the Contract had been executed with the invalid, illegal or unenforceable provision eliminated. In the event of a holding of invalidity so fundamental as to prevent the accomplishment of the purpose of the Contract, the parties shall immediately commence negotiations in good faith to remedy the invalidity.

39. WAIVER

39.1 The failure of either party to exercise any right or remedy shall not constitute a waiver of that right or remedy.

39.2 No waiver shall be effective unless it is communicated to the other party in writing.

39.3 A waiver of any right or remedy arising from a breach of contract shall not constitute a waiver of any right or remedy arising from any other breach of the Contract.

40. VARIATIONS

40.1 The Contract shall not be varied unless such variation is made in writing by means of a Variation to Contract Form as set out at Appendix A.

40.2 In the event of an emergency the Department shall have the right to vary the Contract by oral instructions given by the Departments' Authorised Representative, which shall be confirmed by the issue of a Variation to Contract Form within 7 days.

40.3 The Department shall have the right to vary the Services at any time, subject to the Variation being related in nature to the Services being provided, and no such Variation shall vitiate the Contract.

40.4 The Contractor may request a Variation provided that:

a. the Contractor shall notify the Department's Authorised Representative in writing of any additional or changed requirement which it considers should give rise to a Variation within 7 days of such occurrence first becoming known to the Contractor;

b. any proposed Variation shall be fully supported by a quotation as detailed in Condition 40.5

40.5 The Contractor, within 14 days of being requested by the Department's Authorised Representative or where requesting a Variation pursuant to Condition 40.4, shall submit a quotation to the Department, such quotation to contain at least the following information:

a. a description of the work together with the reason for the propose Variation;

b. the price, where applicable;

c. details of the impact, if any, on other aspects of the Contract.

40.6 The price for any Variation shall, unless otherwise agreed between the Parties, be calculated in the following order of precedence:

a. using the Prices or Rates;

b. prices pro-rata to the Prices or Rates;

c. prices based on the Prices or Rates.

40.7 The Department shall either approve or reject any Variation proposed by the Contractor.

40.8 In the event that the Contractor disputes any decision by the Department to reject a proposed Variation or contends that a proposed Variation is outstanding or continues to be required, the Contractor shall update the information contained in his quotation for the proposed Variation every Month and shall send the updated information to the Department.

41. PERFORMANCE MONITORING

41.1 The performance of the Contractor will be subject to monitoring and review against agreed quality aspects.

41.2 Where applicable performance and or price indices may be applied by the Department to measure the performance of the Contractor.

41.3 The Contractor shall ensure that information, records, and documentation necessary to monitor effectively the performance of the Contract are maintained and are available at all times to the Authorised Representative.

42. FORCE MAJEURE

42.1 Neither party shall be liable to the other party by reason of any failure or delay in performing its obligations under the Contract which is due to Force Majeure, where there is no practicable means available to the party concerned to avoid such failure or delay.

42.2 If either party becomes aware of any circumstances of Force Majeure which give rise to any such failure or delay, or which appear likely to do so, that party shall promptly give notice of those circumstances as soon as practicable after becoming aware of them and shall inform the other party of the period for which it estimates that the failure or delay will continue.

42.3 For the purposes of this Condition, "Force Majeure" means any event or occurrence which is outside the control of the party concerned and which is not attributable to any act or failure to take preventive action by the party concerned, but shall not include any industrial action occurring within the Contractor's organisation or within any sub-contractor's organisation.

42.4 Any failure or delay by the Contracter in performing his obligations under the Contract which results from any failure or delay by an agent, sub-contractor or supplier shall be regarded as due to Force Majeure only if that agent, sub-contractor or supplier is itself impeded in complying with an obligation to the Contractor by Force Majeure.

43. **BANKRUPTCY**

43.1 In the event of the Contractor becoming bankrupt or making a composition or arrangement with his creditors or having a winding up order made or (except for the purpose of reconstruction) a resolution for voluntary winding up passed or a receiver or manager of his business or undertaking duly appointed, or possession taken, by or on behalf of the holders or any debentures secured by a floating charge of any property comprised in or subject to the floating charge, the Department may at its discretion forthwith determine the employment of the Contractor under this Contract. The said employment may be reinstated and continued by the Department and the Contractor, if his trustee in bankruptcy, liquidator, receiver or manager, as the case may be, so agree.

44. **TERMINATION ON DEFAULT**

44.1 The Department may terminate the Contract, or terminate the provision of any part of the Services, by written notice to the Contractor with immediate effect if the Contractor is in default of any obligation under the Contract and:

a. the Contractor has not remedied the default to the satisfaction of the Department within 30 days, or such other period as may be specified by the Department, after service of written notice specifying the default and requiring it to be remedied; or

b. the default is not capable of remedy; or

c. the default is a fundamental breach of the Contract.

45. BREAK

45.1 The Department shall have the right to terminate the Contract, or to terminate the provision of any part of the Services, at any time by giving 3 Months' written notice to the Contractor. The Department may extend the period of notice at any time before it expires, subject to agreement on the level of Services to be provided by the Contractor during the period of extension.

46. CONSEQUENCES OF TERMINATION

46.1 If the Department terminates the Contract under Condition 44, or terminates the provision of any part of the Services under that Condition, and then makes other arrangements for the provision of the Services, the Department shall be entitled to recover from the Contractor the cost of making those other arrangements and any additional expenditure incurred by the Department throughout the remainder of the Contract Period. Where the Contract is terminated under Condition 44, no further payments shall be payable by the Department until the Department has established the final cost of making those other arrangements.

46.2 If the Department terminates the Contract, or terminates the provision of any part of the Services, under Condition 45, the Department shall reimburse the Contractor in respect of any loss, not including loss of profit, actually and reasonably incurred by the Contractor as a result of the termination, provided that the Contractor takes immediate and reasonable steps, consistent with the obligation to provide the Services during the period of notice, to terminate all contracts with sub-contractors on the best available terms, to cancel all capital and recurring cost commitments, and to reduce equipment and labour costs as appropriate.

46.3 For the purposes of Condition 46.2 the Contractor shall submit to the Authorised Representative, within 14 working days after service of the notice, a fully itemised and costed list, with supporting evidence, of all losses incurred by the Contractor as a result of the termination of the Contract, or the termination of any part of the Services, to be updated only in respect of ongoing costs each week until the Contract is terminated.

46.4 The Department shall not be liable under Condition 46.2 to pay any sum which, when added to any sums paid or due to the Contractor under the Contract, exceeds the total sum that would have been payable to the Contractor if the provision of the Services had been completed in accordance with the Contract.

47. TRANSFER OF UNDERTAKING AND PROTECTION OF EMPLOYMENT (TUPE)

47.1 Tenderers are advised to seek their own legal advice with regard to the application of TUPE and state clearly when returning their tender documentation whether or not they have done so.

48. ARBITRATION

48.1 All disputes, differences or questions between the parties to the Contract with respect to any matter arising out of or relating to the Contract, other than a matter of things as to which the decision of the Department is under the Contract to be final and conclusive, shall after written notice by either party to the Contract to the other be referred to a single arbitrator agreed for that purpose or in default of such agreement within twenty-one (21) days, appointed at the request of either party by the President of the Law Society of Northern Ireland. The decision of such arbiter shall be final and binding on the parties of the Contract.

48.2 The provision of the Arbitration Act 1996 shall apply to any arbitration under this contract and such arbitration shall be conducted solely within Northern Ireland.

49. LAW

49.1 This Contract shall in all respects be governed by and construed in accordance with the laws of Northern Ireland and the parties hereby agree that the Courts of Northern Ireland shall have exclusive jurisdiction to hear and determine any dispute arising out of or in connection with this Contract.

Signed for and on behalf of the **Department**	Signed for and on behalf of the **Contractor**
By: ______________________	By: ______________________
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________
Date: ______________________	Date: ______________________

Appendix A

(see Condition 40.1)

VARIATION TO CONTRACT FORM

CONTRACT TITLE: ....
FOR THE PROVISION OF: ....
CONTRACT REF: .... VARIATION NO: .... DATE: / /

BETWEEN:

1. The Contract is varied as follows:

2. Words and expressions in this Variation shall have the meanings given to them in the Contract.

3. The Contract, including any previous Variations, shall remain effective and unaltered except as amended by this Variation.

SIGNED:

For: The Department	For: The Contractor
By:	By: ....
Full Name:	Full Name: ....
Grade:	Title: ....

Date: .... Date: ....

Appendix B

LIST OF SUB-CONTRACTORS

Sub-Contractors listed below may be used by the Contractor in providing the Services subject to approval from the Authority pursuant to Condition 37.

ACTIVITY	SUB-CONTRACTOR

Annex E

Summary of tenders received

Tenderer	IGTL	HELM Corporation	PA Consulting	DBI	Deloitte	PWC
Cost (£)	42,000 (only part costs provided)	675,963.75	1,160,000	1,014,400	671,150	985,200
Cost points awarded	29.20	273.20	144.70	175.00	241.80	201.10
Other criteria points awarded	206.00	752.00	262.00	546.00	799.50	930.00
Total Points	235.20	1025.20	406.70	721.00	1041.30	1131.10

Northern Ireland Assembly

Appendix 4

List of Witnesses who Gave Oral Evidence to the Committee

List of Witnesses who Gave Oral Evidence to the Committee

1) Mr Stephen Peover, Accounting Officer, Department of Finance and Personnel;

2) Mr Richard Pengelly, Public Spending Director, Department of Finance and Personnel;

3) Mr Paul Wickens, Chief Executive, Enterprise Shared Services, Department of Finance and Personnel;

4) Mr Kieran Donnelly, Comptroller and Auditor General; and

5) Ms Fiona Hamill, Treasury Officer of Accounts, Department of Finance and Personnel.

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