N I A O
Northern Ireland Audit Office

Account NI: Review of a Public Sector Financial Shared Service Centre

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
1 October 2013

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K J Donnelly	Northern Ireland Audit Office
Comptroller and Auditor General	1 October 2013

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Abbreviations

AFBI	Agri-food and Biosciences Institute
APQC	American Productivity & Quality Centre
BACS	Bankers' Automated Clearing Services
BT	BT Group plc
DARD	Department of Agriculture and Rural Development
DCAL	Department of Culture, Arts and Leisure
DE	Department of Education
DEL	Department for Employment and Learning
DETI	Department of Enterprise, Trade and Investment
DFP	Department of Finance and Personnel
DHSSPS	Department of Health, Social Services and Public Safety
DOE	Department of the Environment
DOJ	Department of Justice
DRD	Department for Regional Development
DSD	Department for Social Development
ESS	Enterprise Shared Services
FBC	Full Business Case
FTE	Full Time Equivalent
GL	General Ledger
ICT	Information and Communication Technology
KPIs	Key Performance Indicators
NI	Northern Ireland
NIAO	Northern Ireland Audit Office
NICS	Northern Ireland Civil Service
NISRA	Northern Ireland Statistics and Research Agency

OBC	Outline Business Case
OFMDFM	Office of the First Minister and Deputy First Minister
OGC	Office of Government Commerce
PAC	Public Accounts Committee
PPE	Post Project Evaluation
SLA	Service Level Agreement
SRO	Senior Responsible Officer
TP	Transaction Processing

Executive Summary

Executive Summary

1. Account NI is a shared service centre providing a financial processing service for all government departments and 18 other public bodies (these are detailed in **Appendix 1**). While Account NI staff are all civil servants, the technology supporting its operation is provided under a £54 million (including inflation), 12 year contract with BT.

2. This study examines Account NI's effectiveness in implementing the system to time and cost and its performance at delivering the expected efficiency savings and benefits.

Implementation of Account NI

3. The Account NI Project had its origins in the 2000 Accounting Services Review which recommended that government departments implement a common accounting system by April 2003. In July 2008 we reported on progress in delivering Account NI and found that the procurement and implementation phases of the project had taken longer than planned. In this review we found that Account NI became fully operational in October 2009, just eight months later than planned in the June 2006 Full Business Case.

4. DFP estimated the final Account NI cost to be £187 million from June 2006 to the end of the 12 year contract period, 11.6 per cent higher than planned. We found that the key factors in the increased costs were policy changes, such as the introduction of a 10 day prompt payment requirement, and the absorption of staff efficiencies to cover an increased work load, not anticipated in 2006. NIAO estimates that the cost of the project from inception to contract end, including costs incurred by existing and new client bodies, is £213.1 million.

Performance of Account NI

5. In our view, Account NI has not fully achieved its only financial benefit target, which would have led to departmental staff efficiencies of £32.5 million. We also found that planned qualitative benefits had not been well considered and these have proved difficult to substantiate.

6. Account NI has not established performance measures which would allow it to benchmark its performance against comparable organisations. NIAO commissioned consultants to develop appropriate measures and undertake a benchmarking exercise. Overall, we found Account NI performed well on quality and timeliness but significantly less well on cost. It costs Account NI £9.73 to process one transaction; the cost to the median performer in our benchmarking exercise is £5.22: the cost to NI Housing Executive is £2.94.

Executive Summary

Programme Governance and Developing Account NI in the Future

7. We consider that the appropriate governance and accountability arrangements were in place during the project procurement and implementation, and these arrangements evolved to meet operational needs. Account NI is working with departments to encourage rationalisation, compliance with procedures and to implement its continuous improvement programme.

Key Conclusions and Recommendations

On the Implementation of Account NI

8. In its 2011 Revised Full Business Case, Account NI has provided a detailed estimate of project costs in the period 2006 to 2018. However, it does not capture a number of additional costs which are required to provide the information on the full cost of the project, recommended by PAC in 2009. In its revised estimate NIAO has therefore included costs associated with the design, procurement and implementation processes. **We recommend that internal costs for any major project should be included in the total cost of the project to ensure the transparency of costs, facilitate the calculation of value for money, and determine full project costs.**

9. Account NI staffing levels are both higher than planned and are more heavily skewed towards senior grades. The additional cost of the grade-mix used is some £180,000 a year. We note that the planned staffing levels were a result of changes in project requirements (for example, the 10 day prompt payment initiative) and the introduction of new customers from within existing resources. **We recommend staffing levels and the mix of grades employed in Account NI are reviewed to determine whether further efficiency savings are achievable.**

10. A series of reviews of the procurement stage of the project had highlighted the difficulty in acquiring the in-house resources required for the project. Despite these difficulties, plans for the implementation stage were based on departments releasing a substantial number of staff (72) to the Project but these numbers were not forthcoming (only 42 were released). Despite DFP's efforts, the continuing staffing and skills gaps impacted on the project, resulting in an over-reliance on consultancy support throughout the implementation phase. We appreciate the difficulties departments face in releasing key finance staff in such circumstances. **In future, DFP and departments should be more realistic about what can be achieved and build in appropriate budgets for additional consultancy support. Departments should work with the Permanent Secretaries Group and**

the Establishment Officers Members Group to design arrangements which would promote the release of suitable staff for future shared services programmes or major projects.

On the Performance of Account NI

11. Given the primary purpose of a shared service centre is to drive down service costs, we found it surprising that Account NI's KPIs are primarily focused on cycle times and quality, with none to monitor cost. Account NI has also not formally benchmarked its services against comparable organisations, in order to determine if the service is cost effective and to identify areas for improvement. **We recommend that, in order to drive efficiencies and a cost focus, Account NI should include a number of cost related KPIs in the monitoring of Account NI. We recommend that, as a priority, Account NI should establish suitable comparators and routinely benchmark its performance against them.**

12. KPIs used by Account NI to monitor quality and timeliness are in line with industry standards. A small number, however, are insufficiently challenging. **We recommend that Account NI and departments review the KPIs used to monitor quality and timeliness to ensure that, while attainable, they are also challenging.**

13. Account NI does not have sufficient evidence to demonstrate that the non-financial benefits of the Project, most of which it claims to have delivered, have actually been achieved. NIAO considers that monitoring of benefit realisation has been poor, with confusion between Account NI, Business Support Unit (formerly the Reform and Delivery Unit) and the departments as to who should be tracking them. **We recommend that, in future projects, departments take the following steps to improve the identification, measurement and monitoring of projected benefits:**

- **establish baselines for expected qualitative benefits;**
- **ensure benefit definitions are SMART;**
- **measure benefits based on reliable data;**
- **ensure proposed benefit measurement methodologies are employed in practice;**
- **produce and retain evidence supporting progress against planned benefits; and**
- **continue measuring and tracking projected benefits until they have all been realised.**

Executive Summary

14. Only one financial benefit was attached to the project at the outset: a reduction in transaction processing staff leading to a potential £43.1 million saving (**see paragraph 3.2**). Staff efficiencies required to provide that level of saving have not been achieved. In 2009, and again in 2011, ESS commissioned NISRA to measure the retained finance staff in the departments. However, the results were incomplete and inconclusive because there was no departmental consensus on the definition of 'Transaction Processing Staff'. Nor have ESS and departments sought to establish whether the wider staff efficiencies within departmental finance functions have been achieved. **We recommend DFP undertakes a review of the current structure of departmental finance functions. This should determine the appropriate level of retained transaction processing staff, establish the extent to which the other staff support Account NI processes and revisit the value for money assessment of the project in light of additional information obtained.**

On the Programme Governance and Developing Account NI in the Future

15. DFP found that it was not possible, under EU procurement law, to expand Account NI beyond the NI departments, their executive agencies and any related non-departmental public bodies. However, there are 45 executive NDPBs which have not joined Account NI but who could do so under the terms of the existing contract. **We recommend that public bodies outside Account NI should be required to demonstrate they are at least as efficient as the shared service centre; if they cannot, they should be required to join. We also recommend that DFP ensures the next contract for the NICS's shared finance function, following the end of the current contract in 2018, allows for expansion beyond NICS departments and their arms length bodies.**

16. A 2011 review concluded that departments were unnecessarily duplicating work undertaken by Account NI and this is likely to have increased costs. Account NI is addressing the review's findings through its Continuous Improvement process. **We recommend that Account NI and the departments jointly establish a Working Group to identify duplicate work processes and make recommendations as to how they can be eliminated. We also recommend that departments and Account NI**

should establish a process, for example by commissioning an independent review, which would ensure compliance with any recommendations and which would measure the resulting efficiencies.

17. The introduction of hard charging for shared services ensures that public bodies focus on cost and enables them as service users to challenge providers to achieve efficiency savings. However, responses to our questionnaire show that, if charging for the Account NI services is to drive efficiency and improve value for money, customers require openness and transparency in the financial and performance information provided to them. **We recommend that, in introducing charges for shared financial services, customers are provided with the financial and performance information they will require to achieve efficiency savings.**

Part One:
Background and Introduction

Part One: Background and Introduction

Account NI is a Shared Service Centre which processes and records financial transactions on behalf of Northern Ireland departments

1.1 Shared service centres provide corporate services to a number of organisations (or across different parts of a large organisation). These can include functions such as payroll, human resources, IT and payment processing. The benefits of using shared service centres are the potential to cut costs by reducing duplication, achieve economies of scale and increase efficiency by automating and standardising processes. Shared service centres also have the potential to improve quality of service through a more customer focused approach.

1.2 Account NI is a shared service centre providing a financial processing service for all government departments and 18 other public bodies (these are detailed in **Appendix 1**). The services provided include:

- checking and paying invoices and making grant payments. Account NI processes over 1 million transactions a year (worth over £10 billion[1] annually);
- reconciling bank accounts;
- issuing invoices on behalf of departments and administering debt management;
- maintaining accounting records;
- developing management reports; and
- reimbursing staff travel and expenses claims.

1.3 Account NI is one of a number of shared services[2] provided by Enterprise Shared Services (ESS), part of the Department of Finance and Personnel (DFP). While Account NI's 215 staff[3] are all civil servants, the technology supporting its operation is provided under a £54 million (including inflation), 12 year contract with BT.

1.4 The origins of Account NI lie in the 2000 Accounting Services Review, a major review of the provision of financial services in the Northern Ireland Civil Service (NICS). A timeline for the Account NI Project is at **Appendix 2**. Early estimates were that a shared service, initially with four transaction processing centres, could be operational in April 2003 at a cost of £63 million. However, as the project developed, timescales and cost estimates were refined. The Full Business Case (FBC) of June 2006 estimated the project would be delivered for £169.4[4] million in March 2009, the main cost increases due to the extension in contract duration and changes in the scope. Account NI

1 Includes amounts that are handled more than once e.g. as income and expenditure as well as transfers between organisations.

2 In addition to Account NI these are: HR Connect - providing personnel services; Records NI - an IT based common storage facility; Network NI – a data communications network; the Centre for Applied Learning – providing training to NICS departments and agencies; and IT Assist – an information and communications technology shared service centre.

3 As at 31 March 2013.

4 NIAO 'Shared Services for Efficiency – A Progress Report' July 2008, NIA 206/07-08. This figure represents the total cost of the 2006 FBC preferred option, including procurement and departmental costs, using BT as the service provider.

became fully operational in July 2009. In December 2011, DFP estimated the final Account NI project cost to be £186.7 million[5].

The Assembly's Public Accounts Committee wanted assurance that the intended benefits of Account NI had been achieved, as well as evidence of the costs incurred in achieving them

1.5 The Assembly's Public Accounts Committee's January 2009 report[6] considered Account NI as one of the seven projects[7] forming a major programme of civil service reform, known as the Reform Agenda. While the Committee was reassured by evidence of progress in implementing the projects, it considered that there was an enormous management challenge for DFP to complete implementation of the projects and move to their successful operation. A key concern for the Committee was whether the substantial public investment in the projects would achieve the intended benefits and if transparent evidence of the costs incurred in achieving those benefits would be provided.

1.6 The Committee's recommendations include a number with particular relevance to Account NI, for example, departments should:

- fully consider all the options before starting the procurement process, as not doing this makes it more difficult to demonstrate that value for money has been secured (Recommendation 1);
- ensure projects have challenging yet realistic timetables for procurement and implementation, as delay may increase costs and impact on the value for money assessment (Recommendation 3);
- review their capability to carry through such projects, considering the skills and resources available, and properly identify the need for consultants to fill any gaps (Recommendation 6);
- record the benefits expected, including who will be responsible for their delivery and, through a tracking system, generate evidence of realisation of actual benefits (Recommendation 9);
- undertake Gateway Reviews[8] at the prescribed stages in the project, including Gate 5 (Benefits Realisation) reviews (Recommendation 11); and
- as part of the post project evaluation, make information on the full costs of these major projects available (Recommendation 12).

5 This figure includes uncommitted programme changes and a revised requirement for payment processing over the life of the project, not included in the FBC.

6 Public Accounts Committee, Report on Shared Services for Efficiency - A Progress Report, 15 January 2009, Session 2008/2009, Sixth Report.

7 In addition to the six existing shared service centres operated by ESS, a seventh project, Workplace 2010, was considered by the Committee. The Workplace 2010 procurement was suspended in October 2008 and cancelled in February 2009.

8 The Gateway Review process examines programmes and projects at key decision points in order to provide assurance that they can progress successfully to the next stage (also see **Appendix 2**).

Part One:
Background and Introduction

Westminster PAC found that government shared service centres have often failed to deliver value for money

1.7 In its 2012[9] review of shared service centres in GB, Westminster PAC found that they had cost more to set up than planned and had not delivered the expected savings. This was often because:

- there were fewer users than anticipated and planned economies of scale were not achieved;
- processes were overly tailored to individual departments because users were not prepared to change their way of working; and
- data was not available on the cost and quality of services provided; there were no baselines for current performance or relevant benchmarking against which to assess progress. The absence of good performance data made it difficult for departments, acting as intelligent customers, to drive efficiencies.

This study examines the implementation of Account NI against planned costs and timescales and its performance to date, with recommendations for beneficial future developments

1.8 This report examines the effectiveness of implementing Account NI to time and cost and the realisation of expected benefits, considering:

- Was the Account NI Project implemented within planned budget and timescale (**Part Two**);
- Has Account NI's performance delivered the expected efficiency savings and benefits (**Part Three**); and
- Has the Account NI Project (and the resulting contract) been well managed and has it facilitated improved financial management within NICS (**Part Four**).

1.9 To inform our review we:

- **interviewed relevant personnel** - in Account NI, ESS, DFP, and the Finance Directors in six departments[10];
- **benchmarked Account NI performance and considered how it measures its own performance** – by commissioning consultants to obtain benchmarking comparators, and reviewing Account NI's own performance data and information;

9 'Efficiency and Reform in Government Corporate Functions through Shared Services' March 2012.
10 DSD, DCAL, DARD, DETI, DOE and DFP.

- **obtained feedback from key customers of the service** – we provided a questionnaire to the Finance Directors within the departments (except the Department of Justice which did not join Account NI until July 2012), agencies and the arms length bodies using the Account NI system, summarising and analysing the 16 responses received; and

- **reviewed relevant documents** – including those describing project implementation and governance arrangements.

A detailed methodology for this review is at **Appendix 3**.

1.10 Departmental Finance Directors, in responding to our questionnaire, told us that it had been difficult to draw meaningful comparisons between the operation of finance departments before Account NI and their functions now, given roles and responsibilities had changed for reasons unrelated to the implementation of Account NI. Also, Finance Directors had some difficulty in providing responses on the implementation of Account NI given the passage of time.

1.11 Despite these reservations, because Finance Directors are key users of Account NI services, it was important that we sought and reflected their views on the design and implementation of Account NI and their experience of its day-to-day operations. The responses we received were consistent and the follow-up interviews we conducted have added to our understanding of the system. A summary of the key responses is at **paragraph 3.30**.

Part Two:
Implementation of Account NI

Part Two:
Implementation of Account NI

2.1 This Part considers the extent to which the Account NI Project was delivered on time and within budget and identifies areas where expenditure fell below or exceeded planned levels.

Planning for a new transaction processing system followed the creation of five new departments under devolution

2.2 Following the creation of five new government departments, under devolution, DFP initiated a review of how best to organise financial systems and services in NICS, given the likelihood that replicating existing systems in 11 departments[11] would not be the most cost effective option. The 2000 Accounting Services Review recommended that departments implement a common accounting and transaction processing system which could provide significant benefits by introducing more efficient processes and reducing the number of processing centres. This decision was made in the context of a number of government initiatives, including:

- Modernising Government;
- the introduction of resource accounting and budgeting;
- the aim to produce Whole of Government Accounts;
- the Best Value initiative;
- enhancing professional skills for Government; and
- the Review of Public Administration.

2.3 The Accounting Services Review Business Plan of March 2001 estimated that a shared service, initially with four transaction processing centres, could be operational by April 2003 at a cost of £63 million. However, as the project developed, timescales and cost estimates were extended.

2.4 The Outline Business Case (OBC) of October 2003 estimated the project would be operational from April 2007 at a cost of £113.6 million. By June 2006 the estimated project cost, set out in the Full Business Case (FBC), had risen to £169.4 million (see footnote 4) with planned implementation in March 2009. The main cost increases were due to the extension in the contract duration and changes in the scope.

2.5 The 2006 FBC notes that the aim of Account NI was to transform the delivery of departmental finance services, to rationalise, simplify and improve finance business processes and to improve the efficiency and effectiveness of financial transaction processing. The Project was also intended to help the delivery of accountancy services in an effective and efficient manner on a common basis for all departments. The Project sought to change the way departments operate, by improving financial reporting with electronic transactions replacing paper, made possible by a standard IT system and supported by the single shared service centre. The Project represented a major business change and cultural shift for the NICS.

11 From December 1999, until the implementation of Account NI, departments were classified as 'provider' or 'receiver' departments. The six original departments provided their own transaction processing service while five 'new' departments received that service from another department. The Department of Justice became the twelfth department, on its creation in April 2010.

2.6 Account NI became fully operational in July 2009. This was four and a half years after the target date set in the Accounting Services Review Business Plan and 21 months later than the target set in the OBC. In December 2011, DFP estimated the Project cost from April 2006 until the contract ended in March 2018 would be £186.7 million[12] (see footnote 5).

The procurement and implementation phases took longer than planned and the estimated costs have increased significantly

2.7 NIAO's July 2008 progress report on Shared Services[13] identified that Account NI, and the other shared services examined, had taken longer to reach procurement and implementation stages than estimated in their OBCs. In the case of Account NI this meant that, although the review of accounting services had started in November 2000 and the Executive granted approval to proceed with procurement in November 2001, a single preferred bidder was not in place until November 2004 and the contract was not signed until June 2006.

2.8 Our 2008 report identified a number of reasons for delays, highlighting changes which had been made at preferred bidder stage. Eighteen months elapsed between the appointment of a single preferred bidder and contract signature. Factors involved in this delay included: lack of skilled resources in NICS; extension of the contract term from 10 to 12 years; and frequent amendments to the service requirement and price revisions from the preferred bidder. DFP also told us that, as it had moved quickly to select the preferred bidder, thereby removing competitive tension, it had been important that negotiations with the preferred bidder were robust on contract terms and this had been reflected in the time taken.

2.9 In 2008, we also reported on the significant increase in estimated costs in the procurement and implementation phases of the Project. We found that DFP had managed gaps in staff capacity and capability by recruiting from the private sector. Other factors in the increased cost included:

- the impact of increasing the contract term (£24.9 million);
- scope changes and the cost of services not included in the OBC;
- costs for procurement (£2 million) and implementation (£7.4 million), which were greater than planned; and
- increased IT costs, identified after a benchmarking exercise (£15.7 million).

2.10 Our 2008 report also noted that a number of suppliers had expressed an interest in providing accounting services on an outsourced basis, including a private finance route. However, although included in the initial 'long

12 Based on actual costs for the 5 year period April 2006 to March 2011 and projected costs for the 7 year period April 2011 to March 2018 when the contract ends.

13 NIAO "Shared Services for Efficiency – A Progress Report" July 2008, NIA 206/07-08.

Part Two:
Implementation of Account NI

list' of options, this alternative was not investigated by DFP, as departments considered that an outsourced provision of accounting services would not be "*a scalable and flexible solution*".

The implementation phase was delivered eight months later than expected but the delay was well managed

2.11 The formal end of the implementation phase was deemed to have been achieved[14] in October 2009, just eight months later than the target date of February 2009. Given the scale and complexity of the project, this is a notable achievement. Delays have been attributed to:

- gaps in the system's design identified during the design, test and build stage of implementation; as a result, the transfer of the first group of departments to the new system was initially deferred by five months, from June 2007 to November 2007, and subsequently to December 2007; and
- the group of departments transferring in December 2007 took three months longer than anticipated to be firmly established on the system; this had a knock-on impact on subsequent transfers.

2.12 Overall, delays were minimised by eliminating the contingency stage, planned to cater for any slippage due to departments experiencing delays. DFP also removed a number of design elements on the basis of business need, for example, Project Accounting[15]; Enterprise Planning and Budgeting[16]; and Sales Order Processing[17]. The removal of some elements of the Project resulted in a relatively modest reduction in the project cost. This was in the form of approximately £0.7 million in contractor credits and rebates against future expenditure/charges.

2.13 The implementation phase was eight months late, however, the delay was well managed, with revised delivery plans agreed, the contractor held to account, and financial penalties pursued where appropriate. This delay is well within the 24 month tolerance set out in DFP guidance[18].

DFP estimates the Account NI Project will cost some £187 million over the 12 year contract period, 11.6 per cent more than planned

2.14 Following the implementation phase, in December 2011 Account NI undertook a revision of the 2006 FBC. Its report examined the changing environment in which the Account NI Shared Service Centre was implemented, highlighting for example:

14 The key target date was the 'Contract Performance Point' which fell three months after the transfer of all 11 departments and which marked the formal end of implementation and transition into full operation.

15 The Project Accounting module enables all costs associated with a project to be attached to that project.

16 The Enterprise Planning and Budgeting module provides a framework to manage budgeting and forecasting.

17 The Sales Order Processing module allows the raising of sales orders upon receipt of a purchase order from a customer.

18 DFP's "NI Practical Guide to the Green Book" provides guidance on the appraisal, evaluation, approval and management of policies, programmes and projects.

- changes in accounting policies;
- the introduction of the 10 day Prompt Payment Initiative;
- the centralisation of support functions; and
- the introduction of new organisations to the Account NI system.

2.15 The revised FBC estimated the actual and projected costs for the 12 year contract at £186.7 million (see footnote 5), including implementation, operations and consultancy costs, against an estimate of £169.4 million (see footnote 4). The projected cost overruns are estimated to occur, in the main, in the operational phase (April 2010 to March 2018); these will exceed the estimate by 17.3 per cent. In total, the estimated increase in programme costs, at £19.4 million, exceeded the budget by 11.6 per cent.

2.16 Cost overruns during the implementation phase were £2.5 million (see **Figure 1**). We consider that these costs were well documented, reported to DFP Supply and within the 10 per cent cost tolerance set out in the NI Practical Guide to the Green Book. Increased costs can be attributed mainly to the following factors:

- the additional costs resulting from slippage on the go-live date, including continuing payments to the existing suppliers and increased consultancy costs and contract penalties (£266,000 extra contractual payment[19]), partially offset by a decrease in BT service charges and other service costs;
- additional consultancy costs (£5.1 million) due to a lack of in-house resources, partially offset by the consequent reduction in project staff costs (£2.2 million); and
- change control costs resulting from changes to the scope and functionality of the system, including revenue change control costs (£1.8 million), and capital asset enhancements (£1.5 million)[20].

Figure 1: Account NI Cost Overruns by Project Phase

Project Phase	FBC 2006 £m	Revised FBC 2011 £m	Variance £m	Variance %
Implementation (April 2006 – March 2010)	69.6	72.1	2.5	3.5
Operational (April 2010 – March 2018)	97.7	114.6	16.9	17.3
Total	**167.3**	**186.7**	**19.4**	**11.6**

Source: DFP Revised Full Business Case, December 2011

19 This was partial compensation for BT's loss of income when DFP required extensions, for operational reasons, to BT's proposed go-live dates for some departments.

20 Including expenditure on Cognos reporting software licences (£346,000); addition of Optical Character Recognition (£80,000); implementation of e-forms (£217,000); management information systems (£160,000); and additional PCs (£40,000).

Part Two:
Implementation of Account NI

Shortage of in-house project staff and the resulting reliance on consultants remained a significant difficulty in the project implementation phase. DFP took active measures to address the problem

2.17 NIAO notes that the Accounting Services Programme Board minutes and evaluation reviews of the procurement phase, including the Gateway Review reports[21], had all highlighted an ongoing problem in acquiring in-house staff resources from departments. Despite these past difficulties, the 2006 FBC relied on departments releasing significant resources (72 staff) to take the Project forward into the implementation and operational phases. In the event, only 42 NICS staff were made available to the Project. As a result, Account NI continued to rely heavily on additional external consultancy, which had significant cost implications for the Project.

2.18 In April 2012, PAC reported on the Use of Consultants in NICS[22], with specific reference to Account NI's main consultancy contract with PricewaterhouseCoopers. PAC was concerned that the value of the contract had increased from £0.97 million to £9.6 million without re-tendering.

2.19 We found, however, that on the whole individual consultancy contracts were properly approved and managed. Contracts were supported by a Business Case or Economic Appraisal, DFP Supply approval and Ministerial Approval. However, a number of consultancy requests did not seek formal approval from DFP Supply in advance of the contract award, while one contract did not seek Supply or Ministerial Approval in advance of the contract award. Consultants' performance was monitored in line with DFP requirements[23] and contracts were subject to post project evaluations (PPEs). In addition, the role of consultants was addressed in formal evaluations of the Account NI Project.

2.20 NIAO notes that DFP took pro-active steps to fill the implementation team and shared service centre resource and skills gaps. For example, it issued staff trawls and interest circulars and engaged extensively with Departmental Establishment Officers, Central Personnel Group[24] and the Permanent Secretaries Group[25].

Higher costs are being incurred in the operational phase

2.21 Factors involved in the estimated cost increase of 17.3 per cent for the operational phase include increases in service charges and revenue change controls by £7.6 million (31 per cent); and capital costs by £482,000 (100 per cent). Cost overruns are also partially offset by cost savings in areas such as accommodation and administration expenses, which decreased by £4.7 million (45 per cent). Cost overruns in the Project as a whole are set out at **Figure 2**.

21 Staff resourcing addressed in the September 2002 Gateway 1, Gateway 2 Review of November 2002 and the Independent Mid-Gate Review of July 2004.

22 'Use of External Consultants by Northern Ireland Departments: Follow-up Report', NIA 43/11-15.

23 Dear Accounting Officer (DFP) 03/05 'External Consultancy Recording Requirements'.

24 Responsible for ensuring consistency with Government human resources policy.

25 Composed of the 11 Departmental Permanent Secretaries and chaired by the Head of the Civil Service.

Figure 2: Account NI Analysis of Project Cost Variances - 2006 FBC and 2011 Revised FBC

Project Cost	FBC 2006 (Note 1) £m	Implement-ation Phase Costs £m	Operational Phase Costs £m	Total Costs Revised 2011 FBC (Note 2) £m	Variance 2006 - 2011 (Under)/ Over £m	Variance 2006 - 2011 %	Main reasons noted by DFP in 2011 Revised FBC
Staff Costs	59.7	16.3	48.5	64.8	5.1	8.5	Savings in Project and SSC Staff Costs (-£2.8m) offset by staff efficiencies not realised (+£5.9m) including those not achieved due to introduction of 10 day prompt payment target and additional cost of temporary staff (+£0.9m)
Consultancy	4.0	8.1	0.1	8.2	4.2	104.9	In-house staff unavailable
Accommodation /Admin Expenses	14.4	2.1	5.8	7.9	(6.5)	(45.2)	Savings in General and Administrative Expenses (-£3.3m) and Licence Support Costs (-£3.2m)
Service Charges	35.0	11.5	32.2	43.7	8.7	25.0	Additional Unitary Charge (+£4.7m) associated with the change programme. Revenue Change Controls costs (+£3.1m) from change implementation costs, training and system maintenance support costs
Depreciation/ Cost of Capital	27.7	6.1	27.5	33.6	5.9	21.4	As a result of accounting policy changes
Capital Costs	26.6	28.1	0.5	28.5	1.9	7.3	Fewer additional licences required (-£1.0m) offset by capital charges (+£1.1m) and enhancements (+£2.0m)
Total	**167.4**	**72.1**	**114.6**	**186.7**	**19.4**	**11.6**	

Source: DFP and NIAO

Note 1: baseline adjusted in 2011 to allow like-for-like comparisons

Note 2: based on 5 years actual costs and 7 years projected costs

Part Two:
Implementation of Account NI

2.22 The reasons for the estimated cost increases in the operational phase are two new initiatives which were not anticipated in the 2006 FBC:

- the 10 day prompt payment target, requiring 18 additional staff to deliver, at an additional cost, over the contract period, of £4.5 million; and
- the retention of 41 staff, at a cost of £5.4 million over the contract period, to deliver Account NI services to additional client bodies.

The 2006 FBC estimated that Shared Service Centre staff efficiencies[26] over the contract period would total £8.86 million, based on reducing the number of transaction processing staff post-implementation, from 198 to 158.5. As these efficiencies were no longer achievable, DFP's 2011 estimate of staff savings over the contract period was adjusted to £8.6 million and then revised downwards to £2.9 million.

2.23 In addition, staff in post have been more heavily skewed towards senior grades than had been planned, with additional costs of some £180,000 a year incurred as a result. DFP told us that the skew towards more senior grades is inevitable, given that Account NI has experienced changes to its operational environment, has maintained the capacity to introduce new customers without the need of specialist consultancy support, and has implemented the 10 day prompt payment initiative.

2.24 The 2011 Revised FBC notes the impact of Account NI absorbing a number of public bodies not included in the original FBC. These bodies were brought in on a 'cost neutral' basis, with additional costs to Account NI offset by equivalent income from these bodies. The estimated total costs in respect of these additional bodies, to the end of the contract in March 2018, are as follows:

- £2.6 million for the Driver and Vehicle Agency, which joined Account NI in April 2011;
- £1.2 million for the Public Prosecution Service, which joined in July 2012; and
- £15.8 million for the Department of Justice and its arms length bodies[27], most of which joined Account NI in July 2012.

NIAO has adjusted the 2011 Revised Full Business Case cost to include procurement costs and costs incurred by user departments

2.25 PAC's January 2009 report on Shared Services (see **paragraphs 1.5 and 1.6**) recommended that, as part of the PPEs of these major projects and in the interest of transparency, information be made available on the full project cost. DFP accepted this recommendation in its March 2009 Memorandum of Response.

26 Anticipated staff efficiencies in departments are not quantified and are therefore not included in DFP's business case.

27 NI Courts Service, NI Prison Service (from July 2012), Compensation Agency, Forensic Science Agency, Youth Justice Agency, Probation Board NI, Criminal Justice Inspectorate and Legal Services Commission (from April 2013).

2.26 In order to comply with PAC's recommendation, a number of additions are required to the £186.7 million Project cost estimated by DFP. The 2011 FBC includes costs incurred from April 2006 but excludes procurement and departmental project costs. We consider that the following costs, totalling £26.4 million, should be included:

- costs relating to the three additional bodies joining Account NI of £19.6 million;
- project staff costs from November 2001 to March 2006, which we estimate to be £1.4 million;
- consultancy costs before March 2006, estimated at £2.5 million;
- departmental consultancy support, estimated at £0.6 million; and
- departmental implementation teams, estimated to cost £2.3 million.

We estimate that the full cost of the project is therefore at least £213.1 million.

2.27 DFP told us that it does not accept the justification for adding in the cost of introducing new bodies (see **paragraph 2.26 bullet 1**) (as these were subject to separate business cases prepared by other departments), without including the corresponding income. However, NIAO considers it important to reflect the full cost of the Project regardless of which departments incurred this expenditure.

Conclusions and Recommendations

2.28 A series of reviews of the procurement stage of the project had highlighted the difficulty in acquiring the in-house resources required for the Project. Despite these difficulties, plans for the implementation stage were based on departments releasing a substantial number of staff (72) to the Project but these numbers were not forthcoming (only 42 were released). Despite DFP's efforts, the continuing staffing and skills gaps impacted on the Project, resulting in an over-reliance on consultancy support throughout the implementation phase.

2.29 We appreciate the difficulties departments face in releasing key finance staff in such circumstances. In future, DFP and departments should be more realistic about what can be achieved and build in appropriate budgets for additional consultancy support. Departments should work with the Permanent Secretaries Group and the Establishment Officers Members Group to design arrangements which would promote the release of suitable staff for future shared services programmes or major projects.

2.30 Account NI staffing levels are both higher than planned and are more heavily skewed towards senior grades. The additional cost of the grade-mix used is some £180,000 a year. We note that the planned staffing levels were a result

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of changes in project requirements (for example, the 10 day prompt payment initiative) and the introduction of new customers from within existing resources.

2.31 We recommend staffing levels and the mix of grades employed in Account NI are reviewed to determine whether further efficiency savings are achievable.

2.32 In its 2011 Revised FBC, Account NI has provided a detailed estimate of project costs in the period 2006 to 2018. However, it does not capture a number of additional costs which are required to provide the information on the full cost of the Project, recommended by PAC in 2009. In its revised estimate NIAO has therefore included costs associated with the design, procurement and implementation processes.

2.33 We recommend that internal costs for any major project should be included in the total cost of the project to ensure the transparency of costs, facilitate the calculation of value for money, and determine full project costs.

Part Three:
Performance of Account NI

Part Three:
Performance of Account NI

3.1 This part examines the performance of Account NI and the extent to which it has delivered the expected efficiency savings and wider benefits.

The Account NI Project did not fully achieve its financial benefit target which would have led to departmental staff efficiencies of £32.5 million

3.2 Account NI's only anticipated financial benefit was total staff efficiency savings, over the 12 years of the contract, of £43.1 million (**Figure 3**). Of these savings £32.5 million were to come from the departments directly and the remainder (£10.6 million[28]) from the further staff efficiencies planned within the Account NI Shared Service Centre, once it was fully operational (**paragraph 2.22**). This estimate was based on a 2005 data collection exercise that identified a total of 293 departmental staff primarily engaged in transaction processing. It was estimated that only 10 per cent of these (29 FTEs) would be temporarily retained within departmental finance branches. The 29 FTEs were identified in the sensitivity section of the 2006 FBC as "additional efficiency gains within the departmental retained finance function" which were "projected at 10 per cent". The projected saving was to be pursued by departments but it did not form part of the cost benefit analysis used to determine that the Project should proceed.

Figure 3: 2006 FBC Planned Transaction Processing Staff Efficiency Savings

	Efficiency savings FTEs	Total efficiency savings over 12 years £m
Initial efficiency savings	66	21.9
Additional efficiency savings on staff remaining in departmental retained finance functions	29	10.6
Total Departmental Efficiency Savings	**95**	**32.5**
Additional Shared Service Centre efficiency savings (paragraph 2.22)	40	10.6
Total Efficiency Savings	**135**	**43.1**

Source: NIAO based on 2006 FBC

3.3 Following the 2005 data collection exercise, departments raised concerns that the baseline of 293 transaction processing staff was overstated, and some hesitated in supporting the level of staff efficiencies proposed in the 2006 FBC. However, Account NI considered that these efficiencies were deliverable and the FBC received DFP Supply approval. The level of staff efficiencies proposed has not been achieved (see **Figure 4**). The removal of a Project Accounting module (**paragraph 2.12**) rendered 15 of the 50 planned savings unattainable.

28 Of which £8.86 million represents the direct staff costs of the 40 staff efficiencies; the balance comprises the overheads related to those posts (personnel, IT, finance etc.).

3.4 A 2012 ESS review shows that the Account NI Project has failed to deliver the annual £2 million expected departmental financial efficiencies: the annual shortfall is £0.6 million (at 2005-06 costs). We found that the staff numbers currently retained by departments are substantially higher than the planned 29, at 50 (ESS estimate); responses to our questionnaire indicated the figure is 113.

Figure 4: Planned and Actual Transaction Processing (TP) Staff Retained by Departments

Department	2005 TP Staff Numbers	Planned TP Staff Numbers following implementation of Account NI (10% of FBC figure)	2012 Actual TP Staff Numbers (ESS)	2012 Actual TP Staff Numbers (NIAO)
DARD	58.61	5.86	4.80	30.05 (Note 1)
DCAL	11.46	1.15	0	0
DE	16.60	1.66	1.31	1.31
DEL	2.27	0.23	0.85	0.85
DETI	20.80	2.08	2.05	2.05
DFP	63.47	6.35	20.75	54.99 (Note 2)
DHSSPS	0.40	0.04	4.55	4.55
DOE	24.45	2.45	3.45	3.45
DRD (inc. Roads)	37.85	3.79	4.35	4.35
DSD	52.98	5.30	6.00	9.75
OFMDFM	3.70	0.37	1.63	1.63
TOTAL (rounded)	**293**	**29**	**50**	**113**

Source: NIAO based on DFP documentation and NIAO questionnaire

Note 1: includes Agency staff
Note 2: includes Agency staff and finance staff in other DFP business areas (including ESS, which was not part of DFP in 2005)

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3.5 On the basis of ESS figures (50 staff retained by departments) we estimate a shortfall in staff efficiency savings of £7.2 million over the 12 year contract. However, if 113 staff have been retained, the shortfall could be £17.6 million over the contract term. These estimates do not include the cost of additional staff in departments engaged in new roles that support the partnership arrangements with the Account NI Shared Service Centre, including monitoring, gatekeeper, governance and business manager roles. These additional costs were not considered in the 2006 FBC, which focused on departmental transaction processing staff and Account NI staff efficiencies.

Account NI has not monitored wider departmental finance staff numbers (non-transaction processing), which the FBC had anticipated would reduce over time

3.6 The 2006 FBC considered that there were wider potential benefits within the NICS finance function in terms of staff savings and efficiencies which the Account NI Project would facilitate, but these were not quantified. For example, finance professionals should spend less time on transaction processing and data recording, becoming more involved in areas where they could add real value. The FBC also considered the potential to realise savings in NICS staff outside the finance function, from enhanced financial reporting, more efficient compliance procedures, and the introduction of value added services – again these were not quantified.

3.7 As part of the FBC sensitivity analysis, it was estimated that the realisation of non-monetary benefits (see **Figure 8 at paragraph 3.19**) would result in an additional 10 per cent efficiency gain within the departmental finance functions (equivalent to 62 FTEs). Account NI has not sought to establish whether these additional projected savings have been achieved. However, the FBC noted that "it will be the responsibility of the departments to ensure that these benefits are realised".

3.8 We found that the information available on the extent to which Account NI has impacted on finance staffing levels in NICS was ambiguous. Data collected by DFP's Accountability and Financial Management Division, on behalf of HM Treasury, suggests that the number of finance staff within NICS has increased substantially (from 1,239 in 2006 to 3,222 in 2011, a 160 per cent increase). DFP told us that the two main reasons for the increase are the inclusion of NDPB finance staff in the figures, as well as changes to the definition of finance staff. However, the responses to our survey of Finance Directors indicate that the number of staff within dedicated finance units has decreased. The returns suggest staff numbers fell from 916 in 2005 to 586[29] in 2012, excluding the Account NI Shared Service Staff (a 36 per cent decrease).

29 Excluding 198 staff in the Account NI shared service centre.

Account NI evaluates the quality and timeliness of the service it provides. It has not, however, developed performance indicators which would permit an analysis of service costs

3.9 A Key Performance Indicator (KPI) is a business measure used to evaluate factors that are critical to the success of an organisation. Within a financial shared service centre, KPIs should focus on the quality, timeliness and cost of the service provided. Given that the primary purpose in establishing a shared service centre is to reduce costs, we would expect to find a particular focus on cost KPIs, such as cost per invoice processed. We were therefore surprised to find Account NI had not set any KPIs by which it could evaluate the cost of the service provided. DFP informed us that, in the case of Account NI, the primary objective was to replace and modernise financial processes and provide a common accounting system across the Northern Ireland Civil Service.

3.10 Account NI has set out its KPIs (**Figure 5**) in the Service Level Agreements between it and the departments. KPIs have been amended over time and in January 2011, Account NI's Finance Services Board agreed to monitor 10 KPIs monthly.

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Figure 5: Account NI's performance against its KPIs

KPI	% Target	% Achieved as at March 2010	% Achieved as at March 2011	% Achieved as at March 2012
Invoices paid within 10 working days	Maximise	61	84	93
Invoices paid within 30 calendar days	97	82	96	98
Close main accounting records (General Ledger) by month end+9 days				in 10 out of 12 months (Note 1)
Ensure that data for monthly General Ledger reports is available for users month end +10 days		Not reported against as it follows from decision to close the General Ledger after 9 days		
Lead time from scan into workflow within 4 days	100	98	78	no longer captured
Percentage of BACS to Cheques	Maximise	82	82	93
Travel and Subsistence claims paid in 8 days	92 (95 WEF 12/13)	100	100	99
Travel and Subsistence claims successfully paid first time without reference to claimant	90	93	94	94
Percentage of Bank Accounts reconciled within 7 days of month end	100	96	100	91
Journal requests uploaded within 2.5 days	100	90	100	100
Service Desk incidents resolved by 1st line staff	70	68	78	76
Incidents resolved within SLA timescale	95	87	97	98
Upload 97 per cent of valid approved catalogues within 3 working days of receipt from Central Procurement Division or Departments.		Not reported against in Operational Report		
Maintain a satisfactory or better audit rating against the Internal Audit programme		Not reported against in Operational Report. However, Account NI did not receive less than satisfactory audit report ratings in the periods ending March 2010 – 2012.		

Source: NIAO based on DFP documents

Note 1: The General Ledger is intentionally left open longer in December and March to facilitate preparation of 9 month and 12 month accounts.

3.11 While there are no KPIs focusing on the cost of the service provided, we consider that the number of KPIs that Account NI is monitoring is sensible and realistic and the KPIs used to monitor quality and timeliness are in line with industry standards. We found that Account NI is broadly meeting its targets, with notable progress over time, demonstrating real improvements in performance (see **Case Study 1 at paragraph 3.27**). However, we note that:

- a number of targets are insufficiently challenging. For example, the 2012-13 target for reimbursing staff travel expenses is that 95 per cent of claims should be paid within 8 working days (up from a 92 per cent target in 2011-12). However, actual performance in 2011-12 was 100 per cent in all but one month; and

- one key indicator, the 10 day prompt payment measure, has no performance target attached.

3.12 Account NI recognises the benefits of closing the main accounting records (General Ledger) earlier and had originally set a target of 'end of the month plus 6 days'. This was extended to 'end of the month plus 9 days' as the earliest date on which departmental Finance Directors could agree. Account NI subsequently proposed to trial earlier closing (end of month plus 6 days) between August 2010 and December 2010. Departmental Finance Directors did not support the Account NI proposal and the trial was suspended.

3.13 In November 2012, NIAO reported[30] on the prompt payment performance of a range of public sector bodies, including NICS departments (Account NI), Health and Social Care Trusts, Education and Library Boards and Local Councils. The report noted that NICS departments (Account NI) have improved their performance against the 10 day prompt payment target – from 81 per cent in 2010-11 to 89 per cent in 2011-12. This is significantly better than the other public bodies reviewed.

Account NI does not benchmark its performance against comparable organisations. NIAO commissioned a benchmarking exercise which showed that Account NI compares well on quality and timeliness but significantly less well on cost

3.14 Benchmarking performance against other organisations represents good business practice, as it enables an organisation to thoroughly understand its business and provides the opportunity to identify improvements which can drive efficiencies.

3.15 The Office of Government Commerce ICT Services Model Agreement and Guidance[31] recommends the inclusion of arrangements for a benchmarking exercise during the lifetime of a contract. Account NI told us that it has conducted site visits, attended conferences and undertaken informal benchmarking. However, it has not conducted formal benchmarking of its services because its

30 The C&AG's General Report on Financial Auditing and Reporting 2012, published 6 November 2012.

31 ICT Services Model Agreement and Guidance, version 2.3, is aimed at significant ICT enabled services contracts in central government. It is recommended good practice and embodies Efficiency and Reform Group's procurement policies and standards.

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unique nature has made it difficult to identify suitable benchmarking partners[32].

3.16 We appreciate that obtaining information on an exact like for like basis is difficult in any benchmarking exercise. In our view, Account NI does offer services comparable to the private sector and other public sector bodies, making it suitable for benchmarking. Therefore, we commissioned consultants to benchmark Account NI against suitable comparators. The comparators used were obtained from an international database which holds details of a large range of shared service centres (the American Productivity & Quality Centre (APQC) database). Within the APQC database, there are 146 different measures that can be selected to benchmark a shared service centre's performance. The five measures we used address the cost and efficiency of the services provided by Account NI. The results are shown in **Figure 6**.

Figure 6: Benchmarking Account NI's financial year 2011-12 against the APQC database

Measure	Description	Account NI	Bottom Performer	Median Performer	Top Performer
Accounts Payable costs per transaction	The costs of the Accounts Payable function in the year divided by the number of invoices processed in the same period – giving the cost per processed invoice.	**£9.73**	£9.40	£5.22	£2.75
Accounts Payable transactions processed per employee (FTE) per annum	The number of invoices processed each year divided by the number of FTE staff members in the Accounts Payable team – giving the average number of invoices processed by each team member in the year.	**11,298 invoices**	5,455 invoices	9,581 invoices	16,486 invoices
Percentage of invoices matched to a purchase order	The number of invoices matched to a purchase order in the year divided by the total number of invoices processed in the year.	**71%**	35%	72%	90%
Cycle time in days from receipt of invoice until payment is transmitted	The number of working days between an invoice being date stamped on receipt, until the payment is generated.	**7 days**	40 days	29 days	17 days
Days to close General Ledger	The number of working days taken to complete the accounts, after which no adjustments will be processed.	**9 days**	8 days	5 days	3 days

Source: NIAO consultants

32 It was considered unique in terms of size, the software product set developed, the operational model, the diversity in size of the customer base, requirements peculiar to the public sector, for example the 10 day Prompt Payment Initiative, and the autonomy of individual departments.

3.17 In terms of the effectiveness and timeliness of payments processing, Account NI performs to a very high standard. However, the cost of processing payments is high when considered against comparators. Steps which could be taken to improve performance through reducing transaction costs, increasing transactions processed, and increasing automation, are outlined below:

- Account NI cost per transaction, at £9.73, is higher than the APQC's bottom performer (£9.40)

  By bringing its performance into line with the bottom performer, assuming invoice numbers remain constant, savings of £246,000 per annum could be achieved. This would require Account NI to reduce its costs by three per cent. In order to align itself with the median performer (cost per invoice of £5.22), assuming invoice numbers remain constant, Account NI would have to cut its costs by 46 per cent. This would generate savings of approximately £3.4 million per annum. Performance could be improved if departments and Account NI, working together, analyse their major cost areas and review their internal processes. They should aim to reduce the level of manual intervention and increase the level of automation.

  DFP told us that the £9.73 figure for Account NI comprises £2.05 of costs directly attributable to the transaction processing cost per invoice and £7.68 of overhead costs. The £7.68 figure includes a significant allocation of Account NI's overheads which, DFP told us, may not accurately reflect the proportion actually consumed.

- Account NI transactions processed per team member (11,298 per annum) is well above the median level (9,581) but 45 per cent below the top performer (16,486)

  If Account NI was able to streamline its processes to a level that matched the top performing comparators, it could achieve an annual saving of £476,000 (reducing staff numbers from 66.8 to 45.8 FTEs). Alternatively, Account NI could, with its current staffing levels, process an additional 346,568 transactions each year. Performance could be improved by examining ways to automate the approval process, by identifying and removing bottlenecks, and by working with suppliers who continue to issue invoices to departments rather than directly to Account NI.

- Account NI can match 71 per cent of invoices directly to a purchase order, in line with median performers but significantly less than top performers (90 per cent)

  If Account NI staff can readily match invoices to purchase orders,

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without reference to the purchasing department, less time is required to process a transaction, fewer transaction processing staff are required and ultimately processing costs are reduced. Problems arise if departments fail to, or are slow to, input purchase orders to the system. Performance in this area can be improved by identifying underperforming departments and addressing any training needs.

- Account NI allows 9 working days before closing the General Ledger, as agreed with departmental Finance Directors; the bottom performing comparators take 8 days, top performing organisations take only 3 days

  Faster closing of accounts can improve the overall efficiency and effectiveness of an organisation's finance function. However, a balance has to be struck so that the accuracy of accounts is not adversely affected. Performance in this area could be improved if departments move towards a target of 8 days in the first instance, and thereafter work towards achieving the median performance of 5 days.

3.18 NIAO invited four large public bodies in Northern Ireland (Northern Ireland Water, Belfast City Council, the Northern Ireland Housing Executive and Invest NI) to provide performance data on their own transaction processing; the results are shown at **Figure 7**. The performance measures used were those developed for our benchmarking exercise (**Figure 6**) and the results are consistent with the outcome of that exercise. Again, in terms of the effectiveness and timeliness of payments processing, Account NI performs to a very high standard but its cost per transaction remains the highest.

Figure 7: Benchmarking Account NI's Performance against other NI Public Bodies for financial year 2011-12

Measure	Description (Note 1)	NI Water	Belfast City Council	NIHE	Invest NI	Account NI
Accounts Payable costs per transaction	The costs of the Accounts Payable function in the year divided by the number of invoices processed in the same period – giving the cost per processed invoice.	£3.91	£4.82	£2.94 (Note 2)	£7.76	**£9.73**
Accounts Payable transactions processed per employee (FTE) per annum	The number of invoices processed each year divided by the number of FTE staff members in the Accounts Payable team – giving the average number of invoices processed by each team member in the year.	7,765 invoices	10,541 invoices	9,313 invoices (Note 2)	5,547 invoices	**11,298 invoices**
Percentage of invoices matched to a purchase order	The number of invoices matched to a purchase order in the year divided by the total number of invoices processed in the year.	89%	84%	82%	74%	**71%**
Cycle time in days from receipt of invoice until payment is transmitted	The number of working days between an invoice being date stamped on receipt, until the payment is generated.	15 days (for 10 day payment terms) (Note 3) 32 days (for 30 day payment terms)	14.9 days (Note 4)	7 days (Note 5)	4.8 days	**7 days**
Days to close General Ledger	The number of working days taken to complete its accounts, after which no adjustments will be processed.	8 days	6 days	3 days	3 days	**9 days**

Source: NI Water, Belfast City Council, Northern Ireland Housing Executive, Invest NI, and Account NI.

Note 1: Each of these bodies has its own policies and procedures for processing invoices which may vary from those used by Account NI.

Note 2: These figures exclude 425,100 interfaced transactions from the Repairs System but include the 9,203 payments generated.

Note 3: In 2011-12 NI Water based its 10 day prompt payment figures on 10 calendar days rather than working days.

Note 4: Belfast City Council's system can only monitor payments on the basis of calendar days; it has amended its figure to working days.

Note 5: Northern Ireland Housing Executive's figures reflects Note 2 above, adjustment to the Rates Relief payments to match the payment date received from the Land and Property Service and a manual adjustment for calendar days to working days, time delay incurred from supplier invoice generation to receipt by NIHE and BACS processing times.

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The planned project benefits were not well considered and have proved difficult to substantiate, although DFP claims most have been achieved

3.19 The intended project benefits have been developed and amended since first set out in the OBC in 2003. **Figure 8** shows the anticipated benefits set out in the 2006 FBC; Account NI has claimed that most of these have been delivered.

Figure 8: Account NI claims most anticipated benefits have been achieved

Planned FBC Benefits (June 2006)	Account NI status
Monetary Benefit	
1. An initial efficiency of not less than 25% on the current staff levels	Partially delivered (Note 1)
Non-Monetary Benefits for Shared Service Centre	
2. More accessible and efficient services	Delivered
3. Increased level of service to all stakeholders	Delivered
4. Customer service focus	
5. Re-engineered business processes to maximise efficiency	Delivered
6. Creation of standardised report suites and report registers for NICS	Delivered
7. Increased flexibility	Delivered
8. Improved accessibility to information by appropriate internal and external customers	Delivered
9. Better recruitment and retention levels	Delivered
10. Structured career development path for staff	Delivered
11. Better staff morale	Delivered
Non-Monetary Benefits for NICS	
12. Improved knowledge sharing across NICS	Delivered
13. Centralisation of services	Delivered
14. Rationalise support services	Measurement ongoing
15. Use of e-procurement in Accounting Service Programme solution	Partially delivered
Non-Monetary Benefits for Departments	
16. Whole of Government Accounts	Delivered
17. Common chart of accounts	Delivered
18. Re-engineered business processes to maximise efficiency	Delivered
19. Improved decision making	Delivered
20. Standard of data held on the financial system	Delivered
21. Staff development	Delivered
22. Departmental finance teams	Delivered

Source: NIAO based on DFP documents

Note 1: This benefit was monitored by DFP's Reform and Delivery Unit (see Footnote 34).

3.20 Our review of the non-monetary benefits listed in the FBC, and the subsequent benefits realisation measurement exercises and supporting documents, show that:

- for 16 of the 21 non-monetary benefits, there is insufficient documented evidence to support the delivered status, at the point at which it was claimed;
- 17 of the 21 non-monetary benefits are not SMART[33] - that is, they are not specific, measurable, attainable, realistic and timely;
- for 12 non-monetary benefits, the Account NI team failed to establish baseline data for the benefits, we consider this could have been done for 16 benefits. For example, for the **increase in flexibility** benefit, Account NI stated that it intended to conduct comparisons on accessibility to information pre and post implementation but no baseline data was collected to facilitate this comparison;
- for 13 benefits, the Account NI team had not completed the expected comparisons, external benchmarking or surveys at the time the benefit was claimed as delivered. For example, for the **centralisation of services** benefit, Account NI stated that it intended to review business processes and services used before the shared service centre was in operation, to create baselines and set benchmarks – the review did not take place; and
- 10 benefits are not being subjected to ongoing measurement. For example, under the **structured career development path of staff** benefit, although Account NI implemented an extensive training and support programme as it is subject to NICS human resource policies, it could not develop a structured career path for its staff separate to that applied to civil servants as a whole.

3.21 It was intended that the FBC benefits would be monitored and updated throughout the project and beyond, until the final Benefits Evaluation. Account NI did not routinely monitor and report on the progress of the 22 benefits as they were being monitored by DFP's Reform and Delivery Unit[34]. However, during the December 2011 Post Project Review, Account NI reviewed the 2006 FBC's Benefits Realisation Plan as a one-off exercise, concluding that "*Account NI has successfully delivered the full range of non monetary benefits set out in the business case…*".

3.22 In 2008, DFP's Reform and Delivery Unit consulted with the departments and established the need for the benefits approach to be simplified. As a result, the existing benefits were amalgamated into four end-benefits (**Figure 9**). Then in 2009, ESS commissioned the Northern Ireland Statistics and Research Agency (NISRA) to gather baseline information

33 SMART is a commonly used mnemonic which denotes objectives or performance measures which are specific, measurable, attainable (or achievable), realistic and timely (or time specific).

34 The Reform and Delivery Unit within DFP was responsible for working with departments and business areas to enable business transformation and for monitoring and reporting on the reform benefits for departments.

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which was used to set targets and collect and analyse the information from departments.

3.23 ESS told us that the four end-benefit measurement exercise had been reported to the Permanent Secretaries Group on a regular basis, with the final update in October 2012 (see **Figure 9**). ESS has claimed three of the four benefits as substantially achieved, on the basis that:

- Benefit A: Financial Management - the 50 per cent satisfaction rating represents a significant improvement against the baseline of 33 per cent; the target was 56 per cent;
- Benefit B: Customer Satisfaction – the final satisfaction rating of 80 per cent significantly exceeds the 58 per cent target;
- Benefit C: Processing Costs – in reducing costs by £1.4 million a year, Account NI has achieved more than two thirds of its target of £2 million a year; and
- Benefit D: Supplier Satisfaction – as satisfaction rates are 66 per cent, Account NI has exceeded its target of 64 per cent.

In our view, only two of the four benefits (B and D) have achieved their planned target.

Figure 9: Satisfaction Rates for Key End Benefits monitored over time

	Key End Benefit	Baseline	2009		2010		2011		2012	
			Target	Actual	Target	Actual	Target	Actual	Target	Actual
A	greater assurance in financial management	33% (2007 - 2010) (Note 1)	-	-	-	-	56%	50%	-	-
B	increased customer satisfaction	37% (2007 - 2009) (Note 1)	47%	45%	-	-	-	-	58%	80%
C	reduced / contained costs of financial transaction processing	95 FTE staff savings £32.5m savings (Note 2)	-	-	£2m	-	£2m	-	£2m reduction 66 FTEs	£1.4m reduction 45 FTEs
D	increased supplier satisfaction	57% (June 2010)	-	-	-	-	64%	66% (June)	-	-

Source: NIAO based on DFP documents

Note 1: 'NICS' figures have been produced by averaging the departmental baselines, targets and results.

Note 2: This is the expected departmental transaction processing staff reduction, expressed in Full Time Equivalents (FTE) and expected savings over the 12 year contract.

3.24 DFP considers that NIAO's assessment of the four end-benefits exercise does not recognise the challenging targets set by Account NI which were inevitably more difficult to achieve. DFP does not agree with NIAO's findings as stated.

3.25 Overall we found that, for most benefits, baselines were not established prior to the introduction of Account NI, the monitoring of benefit realisation was inconsistent and, at times, the data collected was not robust or reliable. The responsibility for monitoring benefits was at times unclear and was allocated across the departments and branches within DFP.

Departmental satisfaction with the Account NI Shared Service Centre has increased over time

3.26 Account NI's services to user departments are delivered under Service Level Agreements (SLAs). These were in place from the point at which departments were integrated into the Account NI system, reassessed six months after commencement and reviewed thereafter by mutual agreement or at least once a year. In addition to the SLA process, Account NI has developed a series of information channels to gather feedback from its stakeholders, for example departments, Contract Management Group[35] and Finance Services Board[36].

3.27 Account NI has effective guidance and procedures in place for recording and responding to customer complaints. The number of complaints is small, about 30 per year, with the feedback used to improve the processes, where appropriate (see **Case Study 1**).

Case Study 1 - Changes to Account NI processes following complaints received

Account NI received a complaint from a Department which wanted to transfer the authority to undertake certain functions on the Account NI system from one member of staff to another to cover a short absence. The Department found that it was required to submit its request to the Account NI Service Desk daily. Account NI responded to and closed this complaint in seven working days.

As a result of this feedback, the Account NI System Administration team introduced a new process and form for managing short term absences. The impact of the new process has saved time in the departments and in Account NI.

Source: NIAO based on DFP documents

3.28 Prior to 2009, Account NI gathered customer satisfaction information in monthly Customer Satisfaction Scorecards, with the results published in its Operational Report. Since 2009, quarterly data has been collated and analysed by NISRA. Therefore, Account NI has limited independent data on departmental customer satisfaction rates prior to July 2009.

35 The Contract Management Group which includes representatives from Account NI and BT, addresses day-to-day contract management.

36 The Finance Services Board is responsible for the strategic direction for Account NI and supporting the ongoing development of the services provided.

Part Three:
Performance of Account NI

3.29 The NICS Departmental satisfaction surveys conducted by NISRA show that, as the system has bedded down, departmental customers' satisfaction has increased and has now stabilised (**Figure 10**). The Account NI Shared Service Centre appears to be meeting most of the needs of users. We found that the dissatisfaction levels reduced markedly after the initial bedding-in period. However, in some areas, dissatisfaction is still relatively high and increasing. We note that there remains a significant level of dissatisfaction with the reliability and performance of the report writing function (24 per cent were dissatisfied in 2010, 13 per cent in 2011, rising to 16 per cent in 2012).

Figure 10: NICS Departmental Satisfaction with Account NI increased initially and has now stabilised

	Very Poor & Poor %	Neutral %	Good & Very Good %
Overall satisfaction with Account NI			
2008	-	-	42
2009	-	-	47
2010	20	37	42
2011	11	34	54
2012	11	34	55
Overall access to Account NI			
2010	23	39	38
2011	17	36	47
2012	16	36	47
Overall reliability and performance of report writing function			
2010	24	38	38
2011	13	31	56
2012	16	36	48
Overall service management			
2010	18	28	54
2011	10	24	66
2012	11	21	68
Overall reliability and performance (Note 1)			
2010	16	46	38
2011	nil	49	31
2012	16	33	51

Source: NIAO based on DFP documents

Note 1: In 2010 and 2011 'Overall reliability and performance' was categorised as having 'little or no impact', 'some impact', or 'significant or major impact'.

3.30 NIAO sought the views of key users of Account NI by conducting a survey of Finance Directors within the departments and their arms length bodies. Overall, the responses show this group are generally satisfied with the service provided by Account NI; their responses are summarised at **Figure 11**.

Figure 11: NICS Finance Directors' Responses to NIAO's Questionnaire

We asked Finance Directors what benefits they found from being part of the Account NI Shared Service Centre	We asked Finance Directors if they had to tailor systems or spreadsheets to supplement the services, processes and information provided by Account NI
All eleven departmental Finance Directors responded to our questionnaire. Six stated that they are experiencing faster ledger closing for the preparation of Resource Accounts; five had already achieved faster closing before the transfer to Account NI. Eight agree or strongly agree that management information has improved. Ten have experienced improved speed and quality of response from the Account NI helpdesk. Eight agree or strongly agree that their suppliers are paid more promptly, helping increase the 30 day reporting percentage.	Nine find it necessary to supplement the services provided by Account NI and have difficulties with the design and running of ad hoc reports. Finance Directors added that: • most departments have developed in-house reports; • current budgeting processes have to be maintained off-line; • there is limited reporting capability to capture expenditure against contracts; • most would like budget templates, an interface to the DFP budgeting system and supplementary spreadsheets to develop forecasts and profiles; and • overall, they want a better reporting tool, including management information reporting to aid decision making, in a user friendly format, with graphs and drill down functions.

Part Three:
Performance of Account NI

We asked Finance Directors about any difficulties experienced with the Account NI Shared Service Centre	We asked Finance Directors how the Account NI Shared Service Centre should develop in the future
Only three agree that there has been a loss of control for the full finance function. No-one found that Account NI system availability / down time has had a significant impact on departmental business. Only two found the turnaround time for queries too long.	Ten agree or strongly agree that Account NI should be used to maximise the benefits of collaborative procurement. Eight agree or strongly agree that the budgeting and estimate setting process should be more closely aligned with Account NI. Six agree that Account NI should have a stronger mandate to drive commonality, consistency and promote best practice, with four departments disagreeing and one strongly disagreeing. Nine agree that Account NI should be deployed more in the delivery of benefits at a corporate level across NICS.

Source: NIAO

External Supplier satisfaction with the Account NI Shared Service Centre is increasing over time

3.31 Since 2010, NISRA has completed an annual survey of suppliers and contractors receiving payment through the Account NI Shared Service Centre. Views have been sought on the suppliers' experience of dealing with Account NI, satisfaction with the service delivered and what improvements might be made.

3.32 Based on limited data available we found that, overall, supplier dissatisfaction rates are relatively low (see **Figure 12**). However, we note that Account NI's good performance on the prompt payment of invoices (see **Figure 5**) is not reflected in the views of suppliers. In 2011, almost a quarter of suppliers were dissatisfied or very dissatisfied with how promptly payments were made (23 per cent, falling from 33 per cent in 2010). The reason for this apparent discrepancy is unclear and would be worthwhile investigating. DFP has suggested a number of factors which could explain this discrepancy, including:

- suppliers do not distinguish between payments made by Account NI and those made by other public bodies performing less well against the prompt payment target;

- the concern may relate to late payment of subcontractors by prime contractors, over which Account NI has no control; and

- the current economic climate and falling value of public sector expenditure is likely to affect suppliers' views.

3.33 There was an increase in dissatisfaction rates relating to both ease of contact and staff knowledge, which indicates that some improvement may be required in how Account NI communicates with suppliers.

3.34 ESS did not undertake a survey of suppliers in 2012. It told us that it hopes to establish a centralised internal unit to provide more timely feedback for service users in future.

Figure 12: Suppliers' satisfaction with the Account NI Shared Service Centre is increasing over time

	Dissatisfied & very dissatisfied %	Neither %	Satisfied & very satisfied %
Ease of contact by telephone			
2010	8	37	56
2011	18	17	65
Ease of contact by email			
2010	<5	>5	68
2011	13	17	70
Payment service received was prompt			
2010	33	22	45
2011	23	18	59
Overall service management			
2010	18	28	54
2011	10	24	66
Account NI staff knowledgeable			
2010	11	37	53
2011	18	20	62

Source: NIAO based on DFP documents

Conclusions and Recommendations

3.35 Given the primary purpose of a shared service centre is to drive down service costs, we found it surprising that Account NI's KPIs are primarily focused on cycle times and quality, with none to monitor cost. Account NI has also not formally benchmarked its services against comparable organisations, in order to determine if the service is cost effective and to identify areas for improvement.

3.36 We recommend that, in order to drive efficiencies and a cost focus, Account NI should include a number of cost related KPIs in the monitoring of Account NI.

3.37 We recommend that, as a priority, Account NI should establish suitable comparators and routinely benchmark its performance against them.

3.38 KPIs used by Account NI to monitor quality and timeliness are in line with industry standards. A small number, however, are insufficiently challenging.

3.39 We recommend that Account NI and departments review the KPIs used to monitor quality and timeliness to ensure that, while attainable, they are also challenging.

3.40 Account NI does not have sufficient evidence to demonstrate that the non-financial benefits of the Project, most of which it claims to have delivered, have actually been achieved. NIAO considers that monitoring of benefit realisation has been poor, with confusion between Account NI, Business Support Unit (formerly the Reform and Delivery Unit) and the departments as to who should be tracking them.

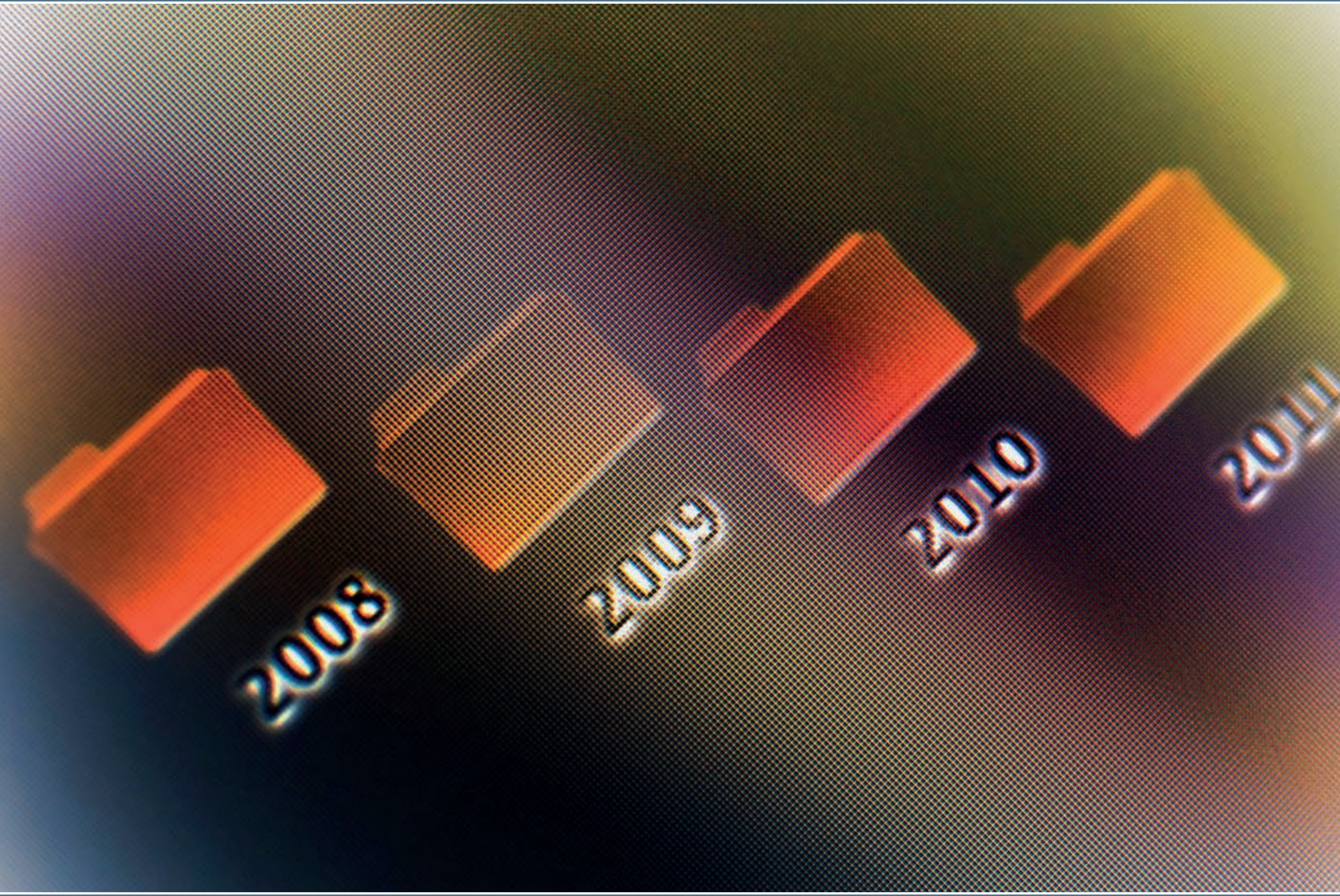
3.41 We recommend that, in future projects, departments take the following steps to improve the identification, measurement and monitoring of projected benefits:

- establish baselines for expected qualitative benefits;
- ensure benefit definitions are SMART;
- measure benefits based on reliable data;
- ensure proposed benefit measurement methodologies are employed in practice;
- produce and retain evidence supporting progress against planned benefits; and
- continue measuring and tracking projected benefits until they have all been realised.

3.42 Only one financial benefit was attached to the Project at the outset: a reduction in transaction processing staff leading to a potential £43.1 million saving. Staff efficiencies required to provide that level of saving have not been achieved. In 2009, and again in 2011, ESS commissioned NISRA to measure the retained finance staff in the departments. However, the results were incomplete and inconclusive because there was no departmental consensus on the definition of 'Transaction Processing Staff'. Nor have ESS and departments sought to establish whether the wider staff efficiencies within departmental finance functions have been achieved.

3.43 We recommend DFP undertakes a review of the current structure of departmental finance functions. This should determine the appropriate level of retained transaction processing staff, establish the extent to which the other staff support Account NI processes and revisit the value for money assessment of the Project in light of additional information obtained.

Part Four:
Project Governance and Developing Account NI in the Future



Part Four:
Project Governance and Developing Account NI in the Future

4.1 This Part addresses project governance and contract management. It also considers the extent to which Account NI and departments are exploiting the potential benefits of the system to bring about improvements in financial management within NICS.

Appropriate governance and accountability arrangements were in place

4.2 The Account NI Project procurement and implementation has been managed through structured governance arrangements which have:

- documented discussions and decisions;
- reacted decisively to delays and changes to the Project timescale;
- actively sought to reduce the staff shortages and skills gaps;
- created working groups to support the Board;
- sought and taken on-board advice from professional advisors; and
- evolved through the different phases of the Project.

4.3 Each of the bodies within the governance structure had agreed formal arrangements, which set out reporting lines, roles and responsibilities. However, a few issues regarding governance were highlighted in the early stages of the Project. An October 2004 Procurement Phase Lessons Learned report found:

- delays in getting consensus to the corporate vision;
- it was often difficult to get consensus across departments and, on key decisions, departmental priorities tended to prevail;
- the Board acted by consensus rather than by majority vote and at times appeared to be too democratic;
- the Senior Responsible Officer (SRO) had to spend significant time with Board members at several key decision points, in order to get agreement; and
- the Board often had to consider an enormous amount of papers and information at short notice.

4.4 In our view, appropriate controls were in place to monitor the performance of the Account NI Project during design, procurement and implementation. The governance has evolved to meet the different phases of Account NI.

Major reviews of the Account NI Project have been fair and balanced and recommendations have been implemented

4.5 The Account NI Project underwent the following detailed evaluations:

- Post Project Review (PPR) of the procurement stage;
- Lessons Learned from the procurement stage;
- Lessons Learned from each group of departments introduced to Account NI;
- seven OGC Gateway Reviews or similar (see footnote 8); and
- PPR of the implementation stage.

4.6 The Account NI Project's evaluations:

- were used to make revisions to work in progress;
- contributed to the Fellows[37] Report and its update, published on the DFP Programme and Project Management web portal;
- were included in the annual report on lessons learned from NICS Gateway Reviews, produced by DFP's Central Procurement Division and published on the "Successful Delivery" web portal; and
- were used by the SRO to present lessons learned to the Central Procurement Division hosted P3O[38] Management Group.

4.7 We consider that the Account NI Project was subjected to appropriate review and evaluation during and following implementation, and lessons learned have been widely shared. In our view, this approach demonstrates good practice.

Procedures are in place to monitor the contractor's performance and ensure delivery is in line with the contract

4.8 PAC's 2009 Report (see **paragraph 1.5**) recommended that DFP ensures all NICS departments have access to sufficient staff with appropriate skills to contract manage the provision of shared services centres.

4.9 The Account NI contract with BT was signed in June 2006 for a period of 12 years with a total contract value of £54 million (excluding the cost of subsequent programme changes) (see **paragraph 1.3**). BT is responsible for designing the system, and for providing and maintaining the technology supporting the system.

4.10 We found that Account NI has established procedures and put structures in place for monitoring BT's performance that are in line with the terms of the contract (**Case Study 2**).

37 The Fellows Report was sponsored by the NICS Oversight Board and summarises key strategic management lessons from programmes and projects. It was followed with a further report published on the web portal in which key strategic lessons were extracted and analysed in detail, producing a senior management checklist.

38 P3O, the Portfolio, Programme and Project Office, is hosted twice a year by CPD, bringing together practitioners to share their experiences.

Part Four:
Project Governance and Developing Account NI in the Future

Case Study 2 – Contract Management Skills Transfer to Account NI Management Team and Contract Manager

Throughout the procurement phase, the Account NI legal consultant provided core legal support and professional advice to the Accounting Service Programme Board, Management Team and the Procurement Evaluation Team. As the Project moved into the implementation phase, the legal advisors provided advice, support and contract awareness training to the Management Team and Contract Manager on residual and ad-hoc issues that arose post contract signature, as detailed in the "request for consultancy support" business case.

Expertise gained by the legal consultant was transferred in the main to the Contract Manager using 'on the job' coaching and through Contract Awareness sessions to Account NI's Senior Management. Therefore, as the Account NI Project progressed through implementation and roll-out, the Contract Manager's reliance on the legal consultant diminished in line with experience gained, resulting in the reduced need for consultancy support in this area.

Source: NIAO based on DFP documents

4.11 Account NI has developed structured contract management processes and has enforced penalty clauses and conditions in line with the contract. For example, in 2011-12 the contractor incurred penalties ranging from £nil to £873 a month because the system had been unavailable to users for brief periods.

The Account NI contract does not allow for expansion beyond the NI departments, their agencies and arms length bodies. However, some bodies not included in the original plans have been added

4.12 In March 2008, DFP assured the Committee for Finance and Personnel that it was keen to pursue opportunities to provide the NICS shared services to other public sector bodies. However, in January 2007, DFP had come to the view, that it was not possible under EU procurement law to expand Account NI beyond the NI departments, their executive agencies and any related non-departmental public bodies (NDPBs) as only these bodies had been specified in the contract notice published in the Official Journal of the European Union in February 2004.

4.13 There are currently 30 organisations on Account NI. There are a further 45 executive NDPBs which have not joined Account NI[39] but could do so under the terms of the existing contract (see **Appendix 4**). These range from very small bodies with a low level of transactions to larger organisations such as Invest NI. Other bodies which did not join Account NI are the eight NDPBs due to be replaced by the planned Education and Skills Authority. While departments were required to use Account NI, NDPBs were not and no sanctions or penalties are imposed on those who choose not to do so. Account NI was designed to cope with changes in its workload, has successfully introduced new customers, and removed one customer (**Case Study**

39 Joining Account NI is subject to a wide range of other factors including: existing contractual arrangements/investment; the degree of fit; impact on integrity of the Account NI common footprint; network security; multi currency requirements; and the viability of migrating, from both a cost and timeline perspective.

3), while maintaining the service for existing customers.

Case Study 3 – Agri-food and Biosciences Institute's decision to leave Account NI shared service and implement an in-house financial management system

In March 2011, the Agri-food and Biosciences Institute (AFBI) announced its intention to leave Account NI from 1 April 2011. AFBI said its decision to implement an in-house financial management system did not imply any criticism of the service provided by Account NI. Its Chief Executive thanked Account NI for:

- the high level of support provided to AFBI as it migrated to an in-house financial management system;
- Account NI's agreement to continue to provide an interface with HR Connect, for payroll purposes; and
- the offer of continued availability should AFBI decide to return to Account NI in the future.

AFBI's decision was motivated by its unique financial management needs which required:

- a method for managing revenue, as almost 25 per cent of its revenue is derived from non grant-in-aid;
- a job costing module, for effective financial management; and
- an efficient solution to the management of VAT.

Source: NIAO based on Departmental documents

4.14 Our analysis found that with each new client added, the setup cost per user is reducing (see **Figure 13**). In a March 2012 report[40], the National Audit Office (NAO) established a setup cost per customer for five shared service centres examined. This has also been provided for comparison.

Figure 13: The cost of adding new customers is reducing over time

Account NI shared service centre	Number of core customer users (FTE)	Set-up cost per customer user (£)
Initial Account NI implementation	15,304	1,776
Driver and Vehicle Agency	496	5,242
DOJ	5,250	3,012
Public Prosecution Service	550	2,181
5 GB shared service centres	**210,000**	**3,100**

Source: NIAO based on DFP documentation and NAO's 2012 report

40 Efficiency and reform in government corporate functions through shared service centres, March 2012.

Part Four:
Project Governance and Developing Account NI in the Future

4.15 ESS is turning its focus towards the renewal or replacement of the contracts for the major IT systems and infrastructure currently underpinning shared services. Work on the strategy framework paper to manage this process commenced in November 2012. DFP has indicated that expansion of the Account NI boundary will be considered as part of a review of the programme, ahead of any decision to award a new contract. This review commenced in February 2013.

An independent report concluded that departments were undertaking unnecessary checks and manual processing, undermining staff efficiencies achieved through Account NI

4.16 In January 2011, Account NI's strategic partner (BT) commissioned a review of current performance against qualitative and quantitative measures of service performance. It found:

- improvements in staff efficiency had been negated by laborious manual verifying and matching in Account NI, due in part to the lack of adherence to standardised processes;
- shadow organisations in the retained finance function re-check work performed by Account NI; and
- a pre Account NI 'local operating model' may still exist in departments, which has led to multiple work practices and different services provided to each department.

4.17 We asked Account NI what action had been taken to address these specific concerns. It told us that it has no authority over departmental operating models. However, it has sought to raise the profile of the inherent capability of Account NI with the Finance Services Board and the ESS Strategy Board and, in so doing, has initiated a programme whereby best practice is identified and promoted. Indicators of best practice have been included in the SLAs and are discussed with departments.

4.18 The 2011 review and a March 2012 follow-up have informed a number of other improvement initiatives which have been progressed separately by Account NI. These include:

- a renewed focus on best practise in procurement, with the establishment of a working group;
- a renewed focus on best practise in reporting, with the establishment of a working group; and
- revisions to the SLAs to include best practice indicators.

Departments are encouraged to improve performance through monthly internal benchmarking and support meetings

4.19 Account NI has recognised its role in identifying and monitoring best practice and facilitating communication between stakeholders. It seeks to inform stakeholders of smarter ways of working, although ultimately this is the responsibility of individual departments.

4.20 Account NI appoints an Account Executive to act as the main point of contact with departments, to help deal with any operational issues that arise under the SLAs. Each department nominates a Business Manager to act as its formal contact, to facilitate the resolution of problems and meet with the Account Executive to review performance and agree corrective action.

4.21 Account NI also provides a monthly 'Account NI Operational Report' to all the departmental Finance Officers, containing achievement against the KPIs and NICS department comparators. Provision of comparative performance information helps promote good practice.

Departments do not support a potential move which would see Account NI charge them for its services

4.22 Account NI had planned, from April 2011, to charge departments, agencies and NDPBs for its services based on the volume of transactions. In March 2012, the Permanent Secretaries Group requested that the decision to opt for notional[41] or hard[42] charging be developed into a business case that would consider the value for money of each approach.

4.23 Responses to our questionnaire showed no support for hard charging among the nine departments responding. In follow-up discussions, departmental Finance Directors told us that progressing with this approach would require:

- improved transparency and visibility of the cost of the IT system, the services, the cost drivers and the charges to other departments;
- Account NI services to be benchmarked against GB and the private sector, with recognition that the departments are committed to the Account NI system until 2018;
- consideration to be given to the possibility that hard charging would not drive efficiencies and would introduce an administrative burden;

41 Notional charging is a technique whereby a customer is informed of what the charge would be for the service used, although no actual funds change hands.

42 Hard charging fees for public services should be charged at cost.

Part Four:
Project Governance and Developing Account NI in the Future

- that Account NI learns the lessons arising from previous introductions of hard charging for services in NICS; and
- the facility to challenge and withhold payments, when appropriate.

4.24 In our November 2012 report on Property Asset Management[43], we noted that notional charging does not conform to modern standards of financial management. The report expressed our view that the introduction of hard charging ensures that departments and public bodies are fully aware of the cost of services used and enables them to challenge service providers to improve efficiency.

Account NI is beginning to act as a strategic enabler for NICS efficiencies

4.25 The Account NI FBC recognised the potential to realise savings, not only from the rationalisation of staff within departments but also from enhanced financial and management reporting, more efficient compliance with procedures, and a programme of continuous improvement. Account NI has made progress in developing the profile and pursuing the business benefits of the Account NI Shared Service Centre, through partnering with departments to encourage them to act as intelligent customers and to enable them to deliver greater value for money.

Conclusions and Recommendations

4.26 DFP found that it was not possible, under EU procurement law, to expand Account NI beyond the NI departments, their executive agencies and any related NDPBs. However, there are 45 executive NDPBs which have not joined Account NI but who could do so under the terms of the existing contract.

4.27 We recommend that public bodies outside Account NI should be required to demonstrate they are at least as efficient as the shared service centre; if they cannot, they should be required to join (see footnote 39).

4.28 We also recommend that DFP ensures the next contract for the NICS's shared finance function, following the end of the current contract in 2018, allows for expansion beyond NICS departments and their arms length bodies.

4.29 A 2011 review concluded that departments were unnecessarily duplicating work undertaken by Account NI and this is likely to have increased costs. Account NI is addressing the review's findings through its Continuous Improvement process.

43 Property Asset Management in Central Government, published 13 November 2012.

4.30 We recommend that Account NI and the departments jointly establish a Working Group to identify duplicate work processes and make recommendations as to how they can be eliminated. We also recommend that departments and Account NI should establish a process, for example by commissioning an independent review, which would ensure compliance with any recommendations and which would measure the resulting efficiencies.

4.31 The introduction of hard charging for shared services ensures that public bodies focus on cost and enables them as service users to challenge providers to achieve efficiency savings. However, responses to our questionnaire show that, if charging for the Account NI services is to drive efficiency and improve value for money, customers require openness and transparency in the financial and performance information provided to them.

4.32 We recommend that, in introducing charges for shared financial services, customers are provided with the financial and performance information they will require to achieve efficiency savings.

Appendices:

Appendix 1:
(Paragraph 1.2)

Account NI Customers

Departments	Agencies	Arms Length Bodies
Department of Agriculture and Rural Development	Rivers Agency Forest Service	
Department of Culture, Arts and Leisure		
Department of Education		
Department for Employment and Learning		
Department of Enterprise, Trade and Investment		Health & Safety Executive NI
Department of the Environment	Driver and Vehicle Agency NI Environment Agency	
Department of Finance and Personnel	Land and Property Services NI Statistics and Research Agency	NICS Pension Scheme
Department of Health, Social Services and Public Safety		
Department of Justice Public Prosecution Service (designated as a non-ministerial government department)	NI Courts and Tribunals Service NI Prison Service Compensation Agency Forensic Science Northern Ireland Youth Justice Agency	Probation Board NI Criminal Justice Inspectorate Legal Services Commission
Department for Regional Development, including Roads Service		
Department for Social Development	Social Security Agency	
Office of the First Minister and Deputy First Minister		

Appendix 2:
(Paragraph 1.4)

Account NI Development, Procurement and Implementation Timeline

Date	Event
November 2000	Accounting Services Review commissioned
March 2001	Accounting Services Review Business Case finalised
November 2001	Accounting Services Review findings approved by the NI Executive
Spring 2002	Accounting Services Programme established
April 2002	External advisers appointed
September 2002	Gateway 1 (Account NI was subject to a Gate 1 Peer Review, as the Gateway Review process had not at that stage been formally adopted in Northern Ireland. The review was not conducted by OGC and no status rating awarded)
October 2002	Prior Information Notice in OJEU issued
November 2002	Gateway 2 (The Procurement Strategy was awarded a red status meaning that to achieve success the project team should take action immediately)
October 2003	Outline Business Case approved
January 2004	Formal Programme Notice in OJEU issued
March 2004	Invitation to submit Outline Proposals Methodology approved
April 2004	Four of the five bidders invited to submit outline proposals
June 2004	OGC conduct mid-Gate procurement progress review
July 2004	• Invitation to Negotiate methodology approved • Invitation to Negotiate issued to three companies • OGC independent mid-Gateway Review. The SRO requested a short independent review during the procurement phase to provide assurance that the agreed strategy was being followed, and that the Programme could proceed successfully to the next stage. No status rating was awarded.
October 2004	Companies submit formal proposals
December 2004	Preferred bidder selected
March 2006	• OGC conduct Gateway 3 (investment decision) Review. The project was awarded an amber status meaning the project should go forward with actions on recommendations to be carried out before the next Gateway Review of the project • Implementation phase commences • Minister approves submission on potential affordability gap of £12 million over project life
May 2006	Full Business Case approved

Appendix 2:
(Paragraph 1.4)

Date	Event
June 2006	12 year contract signed. Project to be rolled out June 2007 to October 2008
October 2006	Permanent Secretaries Group informed that project is at risk
December 2006	Contractor gives notice that the June 2007 'go-live' date is unachievable
October 2007	OGC conduct Gateway 4 (Readiness for service) Review. The Project was awarded an amber status meaning the Project should go forward with actions on recommendations to be carried out before the next Gateway Review of the Project.
December 2007	• System 'go-live' • DFP/OFMDFM integrate with Account NI
July 2008	DETI/DEL integrate with Account NI
October 2008	OGC conduct Gateway 4 (Readiness for service) Review (this is a second stage 4 review). The Project was awarded an amber status.
November 2008	• DSD/DHSSPS integrate with Account NI • 10 day Prompt Payment Initiative introduced
April 2009	DARD/DOE/DCAL integrate with Account NI
July 2009	DRD/DE/Roads integrate with Account NI
October 2009	Contract Performance Point (solution acceptance)
April 2011	Driver & Vehicle Agency joins Account NI
June 2011	OGC conduct Gateway 5 (Benefits Realisation) Review. The Project was awarded an amber status.
December 2011	• Post Project Review for the implementation phase conducted • Revised Full Business Case produced
July 2012	Department of Justice and its agencies join Account NI

Appendix 3:
(Paragraph 1.9)

NIAO Study Methodology

Interviews

We conducted structured and semi structured interviews with staff in Account NI, ESS, and DFP.

Document review

We reviewed documents including those describing project implementation, evaluations, governance arrangements, operational and contractual information and performance monitoring information.

Benchmarking Account NI's performance

We commissioned consultants to obtain benchmarking comparators and review Account NI's own performance data and information against these external comparators.

Questionnaire

To obtain feedback from key customers of the service, we provided a questionnaire to the Finance Directors within the departments (except for the Department of Justice, which did not join Account NI until July 2012), agencies and the arms length bodies using the Account NI system (**Figure 14**), and summarised and analysed the 16 responses received.

During the completion of the questionnaire we met with DFP's Finance Director and selected and interviewed five other Departmental Finance Directors based on their responses (DCAL, DETI, DARD, DOE, and DSD). These interviews were to gain a better understanding of some of their responses and to add to our understanding of the Account NI system.

Appendix 3:
(Paragraph 1.9)

Figure 14: NIAO Issued Questionnaires to all Account NI Customers

Department of Agriculture and Rural Development

Department of Culture, Arts and Leisure

Department for Employment and Learning

Department of Enterprise, Trade and Investment

Department of Finance and Personnel

Department of Health, Social Services and Public Safety

Department of the Environment

Department for Regional Development

Department for Social Development

Driver and Vehicle Agency

Forest Service

HSC Pension Scheme*

Land and Property Service

Northern Ireland Environment Agency

Northern Ireland Statistics and Research Agency

The Office of the First Minister and the Deputy First Minister

Principle Civil Service Pension Scheme (NI)*

Rivers Agency

Social Security Agency*

Teachers' Superannuation Scheme*

Roads Service*

** Figures included within the sponsoring departments' returns*

Appendix 4:
(Paragraph 4.13)

Potential Customers - NDPBs not using Account NI

Departments	Executive NDPBs	Advisory and Tribunal NDPBs
Department of Agriculture and Rural Development	Agri-Food and Biosciences Institute (Note 1) Agricultural Wages Board for Northern Ireland Livestock and Meat Commission for Northern Ireland Northern Ireland Fishery Harbour Authority	Drainage Council for Northern Ireland
Department of Culture, Arts and Leisure	Arts Council of Northern Ireland National Museums and Galleries of Northern Ireland Northern Ireland Library Authority (known as Libraries NI) Northern Ireland Museums Council Sport Northern Ireland	
Department of Education	Council for Catholic Maintained Schools Belfast Education and Library Board North Eastern Education and Library Board South Eastern Education and Library Board Southern Education and Library Board Western Education and Library Board NI Council for the Curriculum, Examinations and Assessment Staff Commission for Education and Library Boards Youth Council for Northern Ireland Middletown Centre for Autism Ltd	Exceptional Circumstances Body NI Special Educational Needs & Disability Tribunal
Department for Employment and Learning	CITB ConstructionSkills NI (formerly Construction Industry Training Board) Labour Relations Agency Ulster Supported Employment Limited	Fair Employment Tribunal Industrial Court Industrial Tribunals
Department of Enterprise, Trade and Investment	General Consumer Council for Northern Ireland Invest Northern Ireland Northern Ireland Tourist Board	
Department of the Environment	Local Government Staff Commission for NI Northern Ireland Local Government Officers' Superannuation Committee	Council for Nature Conservation and the Countryside Historic Buildings Council Historic Monuments Council
Department of Finance and Personnel		Northern Ireland Building Regulations Advisory Committee Statistics Advisory Committee

Departments	Executive NDPBs	Advisory and Tribunal NDPBs
Department of Health, Social Services & Public Safety	Health and Social Care Regulation and Quality Improvement Authority NI Fire and Rescue Service Board NI Practice and Education Council for Nursing and Midwifery NI Social Care Council	NI Clinical Excellence Awards Committee Poisons Board
Department of Justice	Police Service of Northern Ireland Northern Ireland Police Fund Northern Ireland Policing Board Office of Police Ombudsman for Northern Ireland Royal Ulster Constabulary George Cross Foundation	Advisory Committee on Justices of the Peace Independent Assessor for Police Service of Northern Ireland Recruitment Vetting Northern Ireland Law Commission
Department for Regional Development	Northern Ireland Water Limited	
Department for Social Development	Charity Commission for Northern Ireland NI Housing Executive	Charities Advisory Committee Disability Living Allowance Advisory Board for Northern Ireland
Office of the First Minister and Deputy First Minister	Commissioner for Children and Young People Commission for Victims and Survivors for Northern Ireland Economic Research Institute of Northern Ireland Limited Ilex Urban Regeneration Company Limited Northern Ireland Judicial Appointments Commission Strategic Investment Board Limited	Planning Appeals Commission Water Appeals Commission

Note 1: Agri-Food and Biosciences Institute left Account NI on 1 April 2011 (see Case Study 3 at paragraph 4.13)

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Title Date	Published
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The Agri-Food and Biosciences Institute (AFBI)	12 September 2013
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