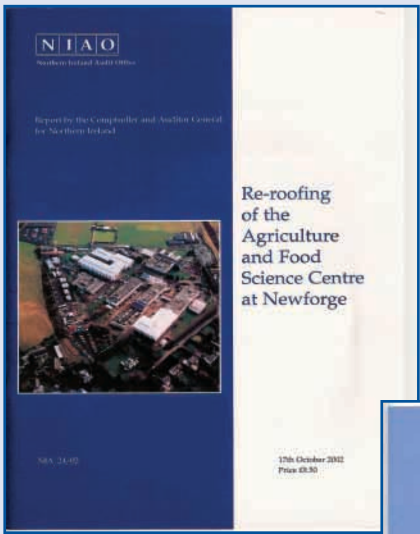
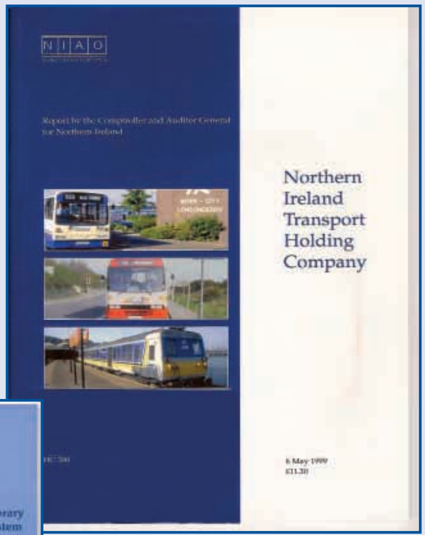
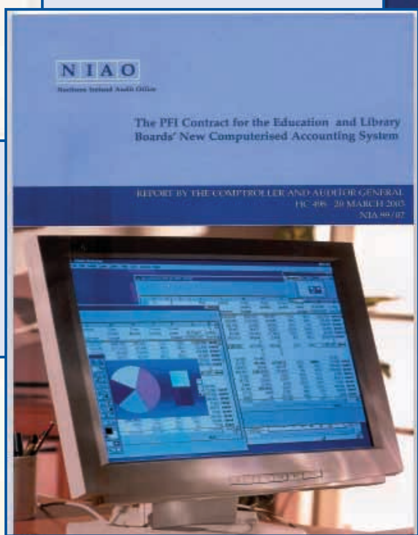
Northern Ireland Audit Office

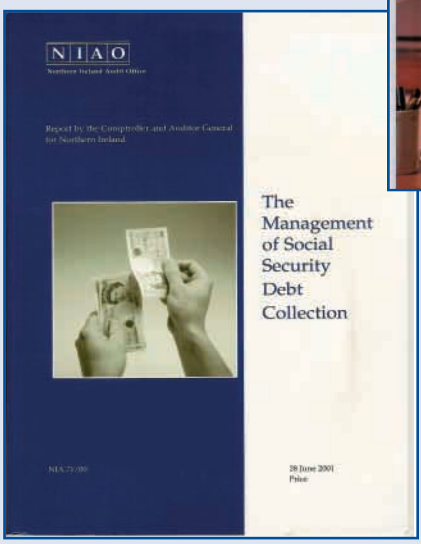
Departmental Responses to Recommendations in NIAO Reports

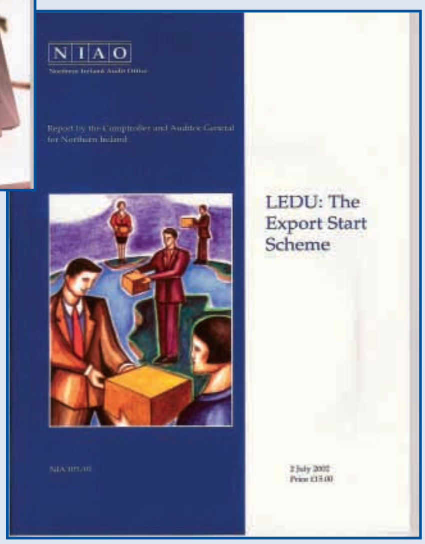
REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
NIA 124/03, Session 2003/04: 26 October 2004











Northern Ireland Audit Office

Report by the Comptroller and Auditor General
for Northern Ireland

Departmental Responses to Recommendations in NIAO Reports

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This report has been prepared under Article 8 of the Audit (Northern Ireland) Order 1987 for presentation to the Northern Ireland Assembly in accordance with Article 11 of the Order.

J M Dowdall CB **Northern Ireland Audit Office**

Comptroller and Auditor General 21st October 2004

The Comptroller and Auditor General is the head of the Northern Ireland Audit Office employing some 140 staff. He, and the Northern Ireland Audit Office, are totally independent of Government. He certifies the accounts of all Government Departments and a wide range of other public sector bodies; and he has statutory authority to report to the Assembly on the economy, efficiency and effectiveness with which departments and other bodies have used their resources.

For further information about the Northern Ireland Audit Office please contact:

Northern Ireland Audit Office

106 University Street

BELFAST

BT7 1EU

Tel: 028 9025 1100

email: info@niauditoffice.gov.uk

website: www.niauditoffice.gov.uk

Departmental Responses to Recommendations in NIAO Reports

During devolution, all reports published by the Northern Ireland Audit Office were examined by the Assembly's Public Accounts Committee. In the absence of a Northern Ireland Assembly, the Westminster Committee has been taking evidence on the main reports but has been unable to include all reports in its programme. In order to have a mechanism to ensure that Civil Service departments formally respond to Audit Office findings and recommendations, a new procedure has been introduced to deal with those reports which are not the subject of a PAC hearing. Under this procedure the Audit Office writes to the Department concerned setting out the main issues and asking for a written response to questions about the progress made since the report was published. The departmental responses are put before Parliament in this report.

This process should ensure that follow-up action is being properly monitored and that public accountability in Northern Ireland is strengthened.

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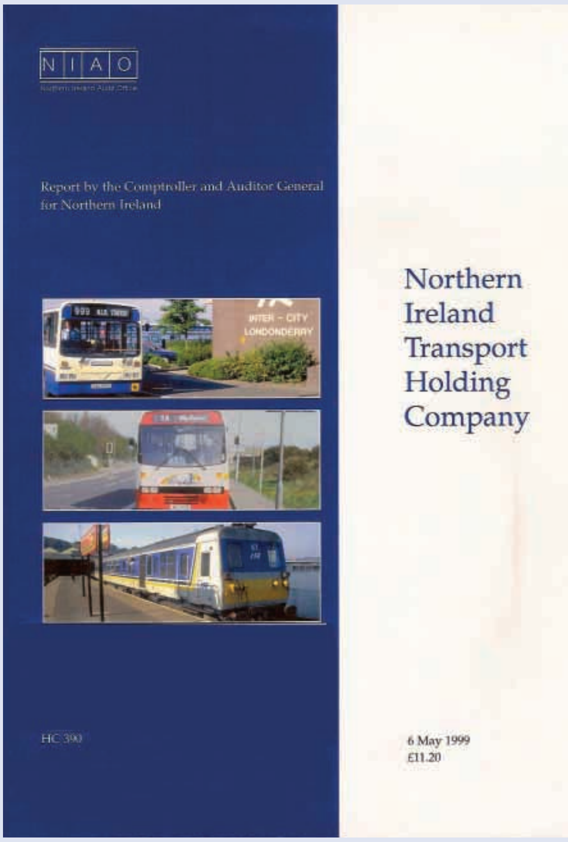
DEPARTMENT FOR REGIONAL DEVELOPMENT

NORTHERN IRELAND TRANSPORT HOLDING COMPANY



List of Abbreviations

DFP	Department of Finance and Personnel
DRD	Department for Regional Development
IA	Internal Audit
NIAO	Northern Ireland Audit Office
NIR	Northern Ireland Railways
NITHCo	Northern Ireland Transport Holding Company
PSA	Public Service Agreement
PSO	Public Service Obligation
RFD	Regulatory Framework Document
The Department	Department for Regional Development

Northern Ireland Transport Holding Company

(Report published 6 May 1999 - HC 390)

Background

This report recorded the results of an examination into the Department of the Environment's (DOE) relationship with the Northern Ireland Transport Holding Company, (NITHCo) the parent company of Ulsterbus, Citybus and Northern Ireland Railways (NIR). The examination focussed on the adequacy of the control and monitoring arrangements in place between DOE (now the responsibility of the Department for Regional Development) and NITHCo.

The report highlights a number of areas where improvements are required which, in the Audit Office's opinion, would benefit both public transport operations and the taxpayer. The areas highlighted in the report include the framework of control, monitoring and accountability; property management; financial targets and performance indicators; and economic appraisal of expenditure.

The following paragraphs detail the key issues arising from our report together with the Department's response to them.

Role of Northern Ireland Transport Holding Company (Paragraphs 2.19 to 2.20)

Question

1. **What plans does the Department have for the future delivery of public transport in Northern Ireland and will there be a continuing role for NITHCo?**

Answer

Current policy is that railway services will continue to be delivered by Northern Ireland Railways. The extent of those services is currently the subject of a consultation process, initiated by Minister John Spellar in May 2004, which will inform Ministers' decisions in the 2004 Budget round.

The future delivery of bus services is under consideration at present, in the light of the proposals published by the then DRD Minister in September 2002 in the public consultation document "A New Start for Public Transport". The Department will be putting forward advice on options to the Minister in the course of 2004.

Policy on the future role of NITHCo will be determined by Ministers as part of the current process.

Provision of Car Parking (Paragraphs 3.15 to 3.18)

Question

2. **NITHCo's control of some 30 per cent of multi-storey car parking in Belfast appears to be a conflict of interest for a company whose main objective is the provision and promotion of public transport. What review has been undertaken of NITHCo's involvement in the provision of car parking and what action has been taken?**

Answer

Following receipt of the NIAO report, the Department examined NITHCo's involvement in its three city centre car parks in the context of a wider property review. It found that there were strategic reasons for continuing involvement in two of the three car parks. Both the 'Great Northern' and 'Donegall Quay' multi-storey car parks were linked to major government policy initiatives aimed at regenerating Belfast. 'Great Northern' forms part of a fully integrated multimodal travel centre which was an important element in the development of office accommodation in the Great Victoria Street area; and the provision of the 'Donegall Quay' car park was a condition set by the Planning Service when the new Laganside bus station was being built to replace the Oxford Street station. The sale of the third car park 'Hi Park' was considered as part of the property review and originally planned for disposal in 2000/01. NITHCo subsequently decided to retain 'Hi-Park' on the basis that, along with the other two car parks, it generated a good long-term yield which was used to fund improvements in public transport services.

In its review the Department found no evidence that NITHCo ownership and management of these three particular car parks resulted in a conflict of interest with the provision and promotion of public transport.

Corporate Plans (Paragraphs 5.3 to 5.5)

Question

3. **It was recommended that the Department should review the process for preparing corporate plans. What was the outcome of this review and have subsequent corporate plans been fully approved before the start of each financial year?**

Answer

The Department revised the corporate planning process as part of a review (commissioned in 1998) of the Regulatory Framework Document (RFD), which governs the relationship between the Department, NITHCo and its operating subsidiaries. The RFD was further updated in January 2001 and January 2004.

Draft Corporate Plans, approved by the NITHCo Board, are submitted to the Department before the beginning of the financial year and are used for working purposes, including monthly monitoring meetings, even before formally agreed. The timing of the Budget settlement and the subsequent stages through which the draft Plans have to go make it difficult to complete the formal approval process by the end of March. The Budget settlement is not available until the end of December, and it is only at that stage that Translink/NITHCo can draft their plan with confidence, writing it to the Budget settlement level. The draft Corporate Plan is then considered and ultimately ratified by the NITHCo Board of Directors before it is submitted to the Department for approval. The Department reviews the draft plan and any queries are resolved in conjunction with NITHCo prior to final approval.

Monitoring and Reporting Performance (Paragraphs 5.10 to 5.11)

Question

4. **What steps has the Department taken to ensure that company performance, including performance against corporate plan targets, is fully reported to Parliament?**

Answer

The Department ensures that NITHCo provides Parliament and the Assembly with an annual statement of its activities through its Annual Report and Accounts. This requirement is reflected in the Memorandum of Agreement with NITHCo which sets out their Corporate Governance responsibilities.

In addition, the Department's Public Service Agreement (PSA) outturns - which include targets that relate to NITHCo - are reported on in the Department's Annual Report and Accounts and these are also laid in Parliament.

Target Setting and Performance Monitoring (Paragraph 6.3)

Question

5. **New monitoring arrangements were to be put in place, which would include more rigorous examination and independent validation of targets. What key financial targets are currently set; what arrangements has the Department put**

in place to validate them; have targets been met in the years following our report; and has performance been formally monitored, reported and published?

Answer

The primary financial targets against which the Department monitors performance are compliance with the public expenditure allocations set under the budgetary process. Financial targets cover performance on capital projects against approved budgets; performance on revenue schemes such as Concessionary Fares and Fuel Duty Rebate; and, for Railways, the average fare per passenger mile. The framework of financial planning and control outlined in the RFD has helped ensure that financial targets have been met in the years following the Northern Ireland Audit Office (NIAO) report. Public transport spending is now monitored under the Resource Accounting and Budgeting framework. Monthly monitoring meetings are held involving officials from the Department, NITHCo and Translink and all financial targets are reported on at each meeting. Group Profit and Loss Accounts and Balance Sheets are reported to the NITHCo Board and to the Department on a quarterly basis. If it looks likely that targets will not be achieved, NITHCo is required to provide the Department with an explanation and plans for remedial action.

The RFD and the associated Dossier of Controls contain a range of performance targets and measures against which NITHCo/Translink is required to report. The Key Performance Indicators detailed in the current NITHCo Corporate Plan relate to punctuality and reliability; Quality Bus Corridors; Passenger Numbers; Fleet Age; and employee numbers. Reports on progress against the targets on service quality are published as leaflets/flyers, in the form of the Customer Charter at stations, every six months. While performance varies somewhat from period to period, by and large the performance targets set have been met.

The Department also requires NITHCo to have an annual public meeting and to provide full disclosure in its annual report.

The new Public Transport Performance Division which was set up within the Department in 2004, is working to improve target validation, performance monitoring and evaluation.

Level of Subsidy to Bus Companies (Paragraphs 6.4 to 6.7)

Question

6. **What action has been taken in response to the recommendation that the Department should establish:**

(i) clear and objective criteria for a minimum standard of service to be provided by the bus companies;

(ii) a sound methodology for calculating the level of subsidy required to allow the bus companies to provide this service.

Answer

The way in which standards of service might be defined and funded formed part of the set of issues covered in the DRD document "A New Start for Public Transport in Northern Ireland" which was issued for public consultation in 2002. The proposed detailed arrangements for implementing the key elements of "New Start" are at an advanced stage of development. In the meantime, action has been taken on a number of fronts. The NITHCo/Translink corporate planning process involves the identification of deliverables and Key Performance Indicators including those which deal with the standard of services in terms of punctuality and reliability. As indicated in the response to Question 5, a new Public Transport Performance Division has been set up within DRD to make further progress on defining service standards and the funding of services at those standards.

Key to the development of a sound methodology to underpin the funding of unprofitable bus routes is the availability of route costings information which was not routinely available within Translink due to the limitations of the ticketing systems and associated software. Between 2001-2004 Translink embarked on a process to replace life expired ticketing equipment, supported by a Management Information System, which can now produce this information and facilitate consideration of 'route subsidy'. In October 2003 the Department introduced a pilot scheme to support uneconomic but socially necessary routes. The pilot covered loss making 'evening and weekend services'. The Department is working closely with Translink and other interested parties to establish clear and objective criteria for service standards and an acceptable methodology for calculating levels of subsidy necessary to provide required services. The Department is awaiting Translink proposals, based on the information from its recent route costing exercise, to facilitate rollout of Bus Operators Grant in the 2004/05 year.

Level of Subsidy to Railways (Paragraphs 6.8 to 6.15)

Question

7. **What action has been taken to ensure that an excessive level of Public Service Obligation payments is not made to Northern Ireland Railways and what has been done to establish performance targets to improve efficiency in areas such as minimum levels of service, fare increases and operational spending?**

Answer

The Department has set performance targets and controls to ensure that Public Service Obligation (PSO) paid to Northern Ireland Railways (NIR) is consistent with government policy on the provision of rail services, and is in accordance with the legislative provisions. This includes a Schedule of Services, which the Department has specified and which it requires NIR to operate. The Department undertakes to meet NIR's operating deficit in running these services, and only these services. It specifies a minimum average fare level per passenger mile, which is reported at the monthly monitoring meetings between the Department and NITHCo. The Department also requires NIR to run the specified services as efficiently as possible through the proper control of costs and the maximisation of its fare and other income. This is monitored on a regular basis, and the controls exercised by NITHCo are reported on in their Annual Report and Accounts. The Department requires NIR to furnish the Department with a report from its statutory auditors which provides assurance that the total amount of subsidy claimed relates solely and directly to providing the specified train services.

Monitoring and reporting against the Corporate Plan is undertaken in both financial and non-financial terms. In the event of an adverse variance arising, NITHCo is required to submit an explanation and to advise the Department of the remedial plans to address the situation. The Department has access to NIR management accounts for the purposes of scrutiny and challenge, and Translink supply detailed analysis and breakdown of PSO movements for monthly monitoring meetings. There is also a formal requirement to report Profit and Loss accounts on a quarterly basis which include a detailed variance analysis.

To help ensure control of operational costs, the Department has subjected new initiatives, which would have long-term revenue implications, to value for money criteria.

Economic Appraisals (Paragraphs 7.1 to 7.14)

Question

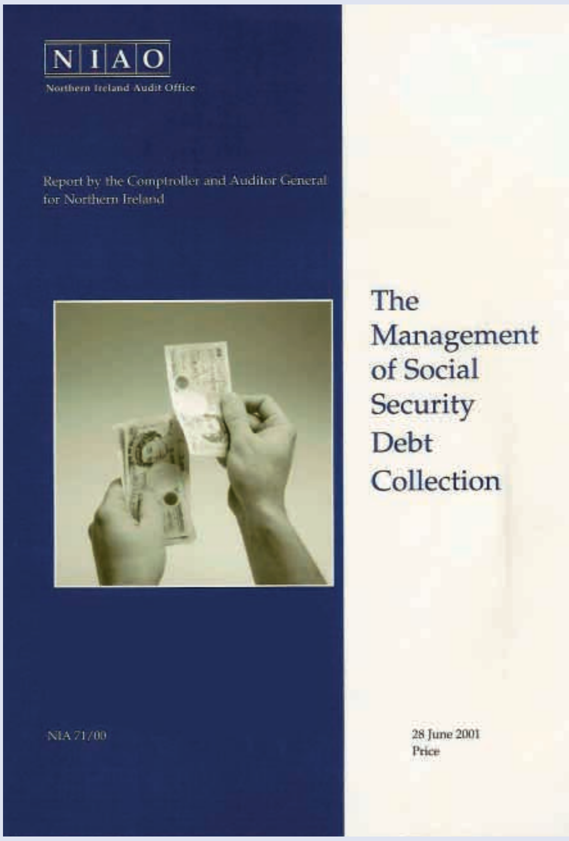
8. **Serious deficiencies were identified in the quality of economic appraisals carried out by the transport companies and in the level of oversight by both the Department and the Northern Ireland Transport Holding Company. What action has the Department taken to ensure that all economic appraisals are carried out to the required standard and in accordance with Department of Finance and Personnel guidance?**

Answer

The review of the RFD in January 2004, and in particular the associated Dossier of Controls, introduced and updated a range of controls with regard to appraisal methodologies which NITHCo/Translink have adopted. In addition the Department's Economics Division has been engaged over the past 2 years on a programme of work with Translink examining samples of all appraisals for projects costing below the £1m delegated level of authority. This work has been undertaken to provide assurance that appraisals are 'Green Book, Appraisal and Evaluation in Central Government' compliant. The Department subjects all Economic Appraisals submitted by Translink for projects on which they wish to draw Capital Grant to a rigorous challenge procedure before the grant is approved. Furthermore, in the case of projects involving estimated expenditure above the Department's £1m delegated limit, appraisals are submitted to DFP for approval.

The control systems used have been developing and improving, and the work carried out by DRD's Economic Branch has given assurance that Translink's appraisals of capital projects have been commensurate with the level of investment involved and are Green Book compliant in terms of methodology. A special exercise which Internal Audit (IA) began before Christmas 2003, to review the Department's oversight of NITHCo/Translink's capital works programme, provided 'reasonable assurance' over what IA views as an evolving system. The Management response to the IA report is currently being prepared but a number of the recommendations made by IA have already been implemented.

THE MANAGEMENT OF SOCIAL SECURITY DEBT COLLECTION



List of Abbreviations

B/F	Brought Forward (in context of checking procedures)
DFP	Department of Finance & Personnel (NI)
DMU	Debt Management Unit (Social Security Agency, NI)
DSD	Department for Social Development (NI)
DWP	Department for Work and Pensions (GB)
IBB	Incapacity Benefits Branch (Social Security Agency, NI)
IT	Information Technology
NIHE	Northern Ireland Housing Executive
RCA	Rates Collection Agency (NI)
SSA	Social Security Agency (NI), 'the Agency'.

The Management of Social Security Debt Collection

(Report published 28 June 2001, NIA 71/00)

Background

The objective of the Northern Ireland Audit Office (NIAO) review was to assess the Social Security Agency's (the Agency) performance in the recovery of outstanding benefit debt since the Report by the Committee of Public Accounts in 1993 (Northern Ireland Social Security Agency: Control of Payments of Income Support, HC 289, 19 May 1993), and the extent to which the efficiency and effectiveness of its debt collection procedures were open to further improvement. Part 1 of the NIAO report provided an overview of the Agency's performance in recovering benefit overpayments; Part 2 looked at the procedures governing write-off of debt; Part 3 examined the effectiveness with which overpayments were being identified and referred for recovery; Part 4 looked at the Agency's general management of the debt collection function.

At the time of our report outstanding social security debt amounted to just over £22 million (at 31 March 2000), having risen by just under 80 per cent in real terms since 1994-95. Over the same period the amount of debt repaid remained fairly constant - around £3 million in 1999-2000. Total benefit paid out over the same period was £16.3 billion. At the 31 March 2004 outstanding debt amounted to £43 million.

The following paragraphs detail the key issues arising from our report together with the Agency's response to them.

Agency response

Introduction

The Social Security Agency ("the Agency") is responsible for the recovery of overpayments in social security benefits. It does this using a number of standalone IT systems in its social security and centralised offices. These systems are the same as those used by the Department for Work & Pensions (DWP) in GB, as Northern Ireland maintains parity with GB in relation to social security matters.

The Agency is looking at new systems which will address weaknesses in the existing procedures by streamlining processes and systems and promote more effective and efficient recovery of debt. It will also facilitate the modernisation of payment mechanisms and greatly improve the level of management information provided. In GB, DWP are proposing to move to 10 Debt Centres by August 2005. It is proposed that NI become the 11th Debt Centre at the end of the GB rollout when DWP colleagues have advised that they will have the capacity to support implementation. It is anticipated that work will be taken forward during the remainder of 2004-05 and 2005-06, with full implementation of the new system from April 2006.

In the meantime, the Agency is actively promoting the identification and referral of all overpayment cases. It is doing this through increasing the focus and priority given to overpayment work by benefit branches, improving communications between operational units and improving the training and procedural instructions for staff.

Part 1 of the Report

On Debt Collection Procedures (paragraphs 1.3 to 1.16)

Question

1. **What action has the Agency taken to strengthen debt collection procedures as recommended in the report and to what extent has this resulted in increased recovery?**

Answer

The Agency has taken the following action to strengthen debt collection procedures:

- August 2001, issued instructions to all staff involved in overpayment work, which clarified the action to be taken when deciding the rates of overpayment deduction

- issues annual instructions to staff in benefit paying branches on the uprated deduction rates to apply

- December 2003, set up a Customer Contact Team within the Agency's Debt Management Unit (DMU). The role of the team, which operated initially on a pilot basis, is to contact customers, normally by telephone, to remind them of their debt and to negotiate an acceptable agreement to repay the amount owed. Early results confirm the effectiveness of this initiative and the intention is to extend the approach throughout DMU's recoveries sections.

All the above actions have contributed to improved levels of debt recovery. The table below details the Agency's debt recovery targets and performance over the last 4 years and shows that the Agency has significantly increased the amounts recovered since 2000-2001 from £3.7m, to over £5m in 2002-03 and 2003-04.

Table : SSA Debt Recovery Targets and Performance 2000-01 to 2003-04.

	2000/01	2001/02	2002/03	2003/04	Totals
Target	£3.7 million	£4.0 million	£4.5 million	£4.5 million	£16.7 million
Recovery	£3.7 million	£4.7 million	£5.5 million	£5.1 million	£19.0 million

On the Cost of Debt Collection (paragraph 1.23)

Question

2. **What steps have been taken to assess the cost-effectiveness of debt recovery, particularly in relation to internal and external benchmarking, and what changes have been made as a result?**

Answer

Due to the limitations of the existing systems, meaningful comparisons with GB ratios are difficult. Priority is being given to the development of the new systems referred to in the introduction and this will enable improved benchmarking.

On the Timeliness of Recovery (paragraphs 1.24 to 1.32)

Question

3. **Since our report, what has been done to eliminate backlogs of referrals from benefit branches to the Agency's Debt Management Unit and to improve the monitoring of deferred recovery cases within the Unit?**

Answer

The backlog of overpayments referred to in the 2001 Report was reduced to normal caseload levels of around 7,000 cases by April 2002. However, the impact of the Welfare Reform & Modernisation Programme, has increased the number of pending overpayments awaiting referral to around 8,000. The introduction of Pension Credit from October 2003 has the potential to increase the numbers of outstanding referrals still further. Additional resources have been deployed to address it.

The Agency has reviewed the overpayment referral process and a new improved process is currently being piloted in two business areas. The Agency also plans to introduce a clearance time target for overpayment work from discovery to decision stage in October 2004. The introduction of the new measure, coupled with the improvements made by the new process referred to above, will increase overpayment identification and referral.

The Agency's Customer Contact Team monitors deferred recovery cases on a weekly basis to ensure regular action on these continues.

Question

4. **What progress has been made to put in place systems to enable the Agency to regularly match benefit records with the information it holds on debtors? And to what extent have improvements in computer systems operated by the Agency considered the need for the integration of debt recovery activities?**

Answer

The Agency is acquiring the same software technology used by DWP, which facilitates regular matching of benefit records with the information held on debtors.

In preparation for the deployment of the new software, the Agency completed an exercise to validate the accuracy of debtor identifier information held. This will enable the Agency to optimize the data matching technology when the software technology becomes available.

On a wider front, the Agency has put forward bids in Budget 2004 to replace the other main IT systems which, if approved, will further facilitate the full integration of debt recovery activities.

On Recovering Debt for other Bodies (paragraphs 1.33 to 1.37)

Question

5. What has the Agency done to establish the cost of operating the Fuel Direct Scheme and what consideration has it given to introducing amending legislation to provide it with the statutory authority to recover the costs of administration from Private Sector Utilities, similar to that in place for the Mortgage Interest Direct Scheme?

Answer

The Department considered introducing amended legislation to provide the statutory authority to recover the costs of administering the Scheme from private sector utilities, but concluded that introducing such legislation would run contrary to Government policy on providing financial assistance to those in greatest need, i.e. that any costs levied on the utilities would be passed onto the customers, thereby leaving them even more disadvantaged.

The Agency is now considering how best to identify the costs associated with the Scheme.

Question

6. What progress has been made on the development of Service Level Agreements with the Rates Collection Agency (RCA) and Northern Ireland Housing Executive (NIHE) as recommended in the 2001 Report?

Answer

Service Level Agreements between the Agency and both the NIHE and RCA are in place and are regularly reviewed. The NIHE Agreement was last reviewed in February 2004, while the RCA Agreement, drawn up in 1998 is currently under review. The target completion date is September 2004.

Part 2 of the Report

On Writing-off Benefit Debt (paragraphs 2.1 to 2.13)

Question

7. **What improvements has the Agency made in relation to the control of documents to support decisions to write-off or abandon debt?**

Answer

Since June 2001, the Agency has had in place, clear guidelines on the control and retention of documents in relation to all aspects of casework. Minor amendments and updates to the guidance are issued when necessary.

Question

8. **In writing-off debts due to customer error and fraud, we recommended that the Agency should render claimants' records "inactive" rather than "closed", thereby enabling it to re-commence recovery action at a later date if appropriate. What has the Agency done to put in place systems that allow for the timely reinstatement of debts and for their recovery from those claimants who have the ability to repay through their benefits?**

Answer

The Agency will ensure that an "inactive" status facility is included as a requirement in the specification for the new system referred to in the introduction.

In the interim, recovery can be "suspended" by way of a manual b/f system and instructions have been issued to staff setting out the circumstances where this applies (eg. customer in hospital or has demonstrated hardship). This means that the Agency can re-commence recovery at a later stage should the customer's circumstances change or improve.

Part 3 of the Report

On Identifying Overpayments (paragraphs 3.1 to 3.9)

Question

9. **The Report recommended that the Agency needed to consider developing systems to improve identification of suspected overpayment cases; ensure priority is given to the task of identification; and improve assistance for staff through guidance manuals and training. To what extent has the Agency developed the appropriate systems and provided improved guidance and assistance to staff? How effective have they been in terms of detecting more overpayment cases?**

Answer

The Agency has taken the following steps to improve local identification and referral processes, prior to the implementation of the new IT system:

- In May 2002, detailed guidance was issued to Income Support & Jobseeker's Allowance staff, setting out a range of common principles relating to overpayment identification, calculation and decision making.

- During 2003 a review of overpayment handling procedures was conducted in the Agency's social security offices and an enhanced process, complete with in-built controls, was developed. The new process is currently being trialled in 2 business areas, where designated staff have been appointed to ensure improved communication between benefit paying branches and the recovery units.

- New procedures were successfully piloted during 2003 in the Agency's Incapacity Benefits Branch. A dedicated team now ensures no cases are closed without action on any outstanding overpayment having been taken. The new arrangements are currently being rolled out to all

Incapacity Benefit sections (3 out of 4 sections operational at June 2004) and will be fully implemented before the end of 2004.

Agency debt management statistics indicate that there were approximately 38,000 cases making up the total debt stock in 2000-2001. The equivalent figure has risen to over 52,000 cases at the end of 2003-2004.

Part 4 of the Report

On Developing a Debt Collection Strategy (paragraphs 4.1 to 4.3)

Question

10. **The Report recommended that the Agency's Debt Recovery Unit should, in setting priorities for action, develop a strategy based around the risk factors which affect the likelihood of debt recovery e.g. size, nature and age of debts. To what extent has the Agency now developed a risk-based debt collection strategy and what assessment has it made of the strategy's likely impact in terms of improved debt recovery?**

Answer

The Agency is committed to the development of an overarching strategy for the management of debt recovery. This is reflected in the specification for the new system as outlined in the introduction.

In the last 6 months, the Agency has been operating a Customer Contact pilot, designed to target delayed recovery cases and other debt areas. Cases are identified according to pre-determined selection criteria, including size, nature and age of the debt. Early results have been positive and ongoing evaluation will inform future decisions on debt strategies.

The Agency completed a review of the procedures involved in handling 'Recovery from Estates' overpayments in November 2002. The main risk identified in the procedures was loss of overpayment revenue through delays in effecting recovery before an estate was distributed. In view of this, it was decided to centralise the Recovery from Estates function. This took place in January 2003 and since then there have been occasions when significant lump sums have been recouped from Estates.

On Management Information Systems (paragraphs 4.5 to 4.19)

Question

11. **NIAO recommended that the Agency should develop a set of key debt collection performance indicators in order to monitor the overall performance of the debt recovery process. What key debt collection indicators has the Agency developed, how are they monitored and what do they show in terms of the current level of debt, debt recovery and debt written-off/abandoned both in total terms and by benefit?**

Answer

During 2003, the Agency made enhancements to its systems to improve the usefulness of current management information provided. The Agency's key debt collection indicators include information on the level of outstanding debt, the actual level of recovery achieved and the numbers and value of abandoned and waived cases, each on a benefit-by-benefit basis. The table at Annex 1 details this information for 6 of the main benefits for 2003-2004. The information is extracted manually from the various systems and monitored on a monthly basis.

The Agency acknowledges the urgent need to further develop its key debt collection performance indicators. This will be included as a requirement in the design specifications for the new system referred to in the introduction.

Question

12. **The Report recommended that the Agency should explore with the Department of Finance and Personnel (DFP) the possibility of an incentive scheme to encourage improved debt recovery, similar to that in GB between the Benefits Agency and HM Treasury. What has been the outcome of the Agency's discussions with DFP?**

Answer

The Agency has developed a business case seeking to benefit from an incentive scheme similar to that operating in GB. Discussions with the Department for Social Development are progressing, with a view to seeking DFP approval as part of the budget process.

Question

13. **What was the level of outstanding debt at 31 March 2004 and how does this compare, in real terms, with the level of debt at 31 March 1995?**

Answer

The level of outstanding debt at 31 March 2004 was £43.3 million, as illustrated in the table at Annex 1. This reflects a real term increase of 218 per cent on the equivalent 1995 figure.

Question

14. **Overall, how does the Agency now assess its management of social security debt collection and what further improvements does it feel are required to enhance its performance?**

Answer

The Agency has consistently met or exceeded the overpayment recovery target in the last 4 years, recovering £19.0 million against an aggregate target of £16.7 million. This is in spite of the priority afforded to recovery of overpayments from income-based benefits as permitted by legislation, whereby, deductions for items such as mortgage or rent arrears, fuel service debts, Child Support maintenance and Social Fund loans, take priority over social security benefit overpayment recovery.

The Agency recognises however, that there is still need for improvement in its management of social security debt collection. Whilst some progress has been made, many of the problems the Agency faces can only be meaningfully addressed by securing a replacement computer system, which fully supports the cost-effective management of debt and takes account of the complete overpayment recovery process. Further work in relation to the development of improved debt recovery strategies and policies will be taken forward alongside the development of the new system.

Annex 1 Table

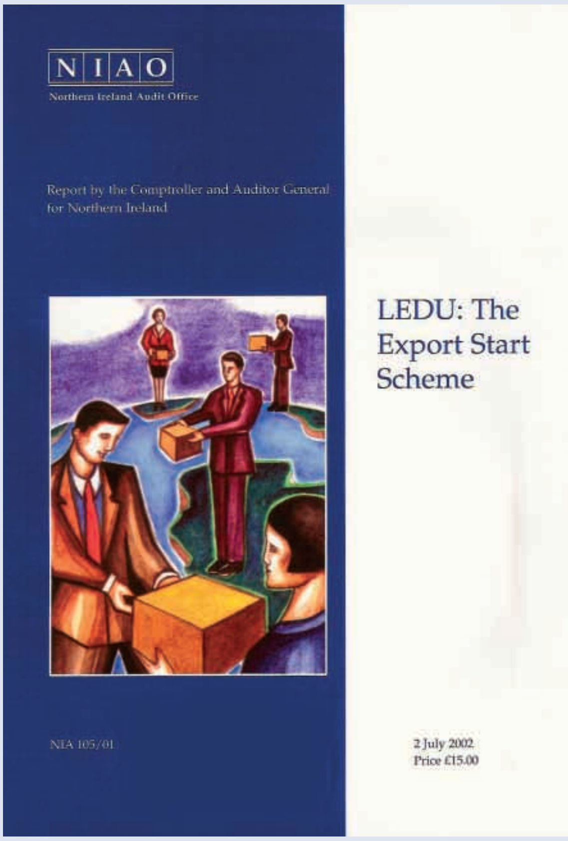
Key Debt Collection Performance Indicators
2003/04

		IS	DLA	RP	JSA(C)	JSA(IB)	IB	Others	Total
Debt Stock	Number	30,759	805	112	849	12,024	2,393	5,162	52,104
	Amount	£33,196,073	£563,953	£130,323	£114,315	£3,425,504	£1,768,809	£4,139,383	£43,338,360
Debt Recovery	Amount	£3,594,244	£114,744	£144,220	£28,271	£431,577	£211,572	£598,740	£5,123,368
Abandoned cases	Number	373	88	29	9	84	24	203	810
	Amount	£419,782	£57,333	£4,826	£258	£3,193	£7,716	£78,612	£571,720
Waived cases	Number	24	0	1	0	0	0	3	28
	Amount	£82,657	£0	£2,402	£0	£0	£0	£9,393	£94,452

IS - Income Support
DLA - Disability Living Allowance
RP - Retirement Pension
JSA(C) - Jobseeker's Allowance (Contribution based)
JSA(IB) - Jobseeker's Allowance (Income based)
IB - Incapacity Benefit

DEPARTMENT OF ENTERPRISE, TRADE AND INVESTMENT

LEDU: THE EXPORT START SCHEME



List of Abbreviations

DETI	Department of Enterprise, Trade and Investment
DFP	Department of Finance and Personnel
Invest NI	Invest Northern Ireland
LASER	LEDU Automated System of Electronic Records
LED	Local Economic Development
LEDU	Local Enterprise Development Unit
NIAO	Northern Ireland Audit Office
NTSN	New Targeting Social Need
PIF	Performance Information Framework

LEDU: The Export Start Scheme

(Report published 2 July 2002, NIA 105/01)

Background

The Local Enterprise Development Unit (LEDU) Export Start Scheme assisted new, export-oriented companies which had growth potential. Between 1992 and March 2001 the scheme provided offers of assistance totalling £20 million to some 600 companies. Our report focused on the project appraisal process, the monitoring and performance measurement of projects and the overall effectiveness of the scheme.

Although LEDU no longer exists, Invest Northern Ireland (Invest NI) continues to provide selective financial assistance to small, export-oriented start-up businesses through its Export Start and Global Start schemes. As with the LEDU Export Start Scheme, support is administered through a framework involving the appraisal, monitoring and performance measurement of projects.

The questions below are aimed at identifying how the lessons drawn out in our report on LEDU have been incorporated into the administration of the successor schemes run by Invest NI.

On the Appraisal Process

Question

1. **NIAO's survey of Export Start companies (paragraph 2.13) indicated significant potential for the displacement of existing businesses and jobs, by new, assisted companies. The report noted at paragraph 2.9 that LEDU's assessments of displacement were carried out at a sectoral level only, rather than specifically for each project. What arrangements are now in place to**

ensure that the potential for displacement is also considered at individual case level?

Answer

Invest NI's Intervention Principles, which were developed during the latter half of 2002, and subsequently approved by DETI and DFP, gave guidance to Invest NI's client executives on how Invest NI might intervene with client companies. The Intervention Principles make it clear that assessing the efficiency criterion relates to the net economic benefits of the project and the displacement effect on other firms in the United Kingdom. Subsequent guidance issued to Invest NI staff about the content of casework submissions clarifies that under the "employment issues" and/or "economic efficiency" sections, there is a requirement to comment on the potential each project has for job displacement, taking account of the size of the project and the likely impact on the United Kingdom economy. The Intervention Principles and Guidance on the content of Casework Submissions have now been incorporated into the Invest NI Operating Manual.

Question

2. **On the assessment of import substitution and export potential, paragraphs 2.17 to 2.24 noted that information was incomplete in a number of project business plans. Also, the degree of challenge exercised by LEDU was not always clear and consistent. What steps have been taken to ensure that all necessary information is obtained and that the challenge exercised through the appraisal process is applied consistently and clearly documented?**

Answer

Invest NI's Operating Manual requires a 'Benefits Analysis' to be undertaken to assess the benefits to the local and national economies arising from the project before a decision can be made to progress the project to further appraisal. The scale of the benefits analysis undertaken is normally commensurate with the likely level of Invest NI support. Invest NI's project appraisal guidelines, which are incorporated in Invest NI's Operating Manual, detail the necessary appraisal elements that should be considered. This approach ensures that staff apply a consistent approach, both to the appraisal process and to the documentation held on the case file. Smaller projects are further reviewed by another member of staff or by a local office casework review committee and scrutinised and approved at the appropriate delegated (higher) level. Larger export starts are subject to a more detailed benefits analysis, and if the conclusion of the benefits analysis is positive, an independent commercial appraisal is undertaken by Corporate Finance, Appraisal and Advisory Division. If this proves positive the casework is then scrutinised and approved by the appropriate delegated (higher) authority. Invest NI's Local Economic Development (LED) Division deals with approximately 95 per cent of export starts. The LED Audit and Control Group employs a 20 per cent Quality Control sampling regime to ensure adherence to the guidelines.

Question

3. **In the 15 projects sampled, NIAO found no evidence on file that the proposed levels of public funding sought had been strongly challenged by LEDU (paragraph 2.29). Also, NIAO's survey findings (2.31 to 2.34) suggested that there may have been a significant level of 'deadweight' in the Export Start Scheme. What measures has Invest NI in place to ensure that only the minimum level of public funds necessary for projects to proceed is provided? Is the consideration of additionality now fully documented in every case?**

Answer

The Invest NI Operating Manual emphasises the requirement to establish the minimum assistance necessary to enable a project to proceed. The Manual also requires that the attendant casework must clearly demonstrate how the additionality arguments have been tested and satisfied. In addition, Invest NI's Local Office Network has introduced a requirement that all Casework must now include an appendix containing confirmation from the promoter/company that the project could not proceed without the proposed minimum Invest NI support. As indicated in the answer to question 2, all casework elements (including the additionality test) are scrutinised and approved by the appropriate (higher) delegated authority. The 20 per cent Quality Control sampling regime also referred to in answer 2, also examines whether the consideration of additionality has been fully documented.

Question

4. **Paragraphs 2.38 to 2.41 noted that there had been only limited analysis of the financial forecasts contained in promoters' business plans and no clear evidence of a detailed assessment and challenge of projected levels of sales, production costs, and jobs. What steps have been taken to ensure that financial forecasts produced by promoters are adequately analysed and tested? Are assessments of project viability now fully evidenced on file?**

Answer

The Invest NI Operating Manual includes clear detailed guidelines on how the commercial assessment section of the casework submission template should be completed for all Export Start cases. The guidelines include a pro forma, which must be completed in all cases and is held on the project case file. This prescribes that the key assumptions, including sales levels, production and/or overhead costs and targeted job numbers must be assessed and commentary provided on the validity of the underlying assumptions and achievability of projects. As indicated in the answer to question 2, all elements of cases are scrutinised and approved by the appropriate (higher) delegated authority.

Question

5. **NIAO's survey (paragraphs 2.42 to 2.45) indicated that a significant proportion of project promoters may have lacked the skills, management/technical expertise and employment history ideally sought by LEDU. How does Invest**

NI ensure that all promoters possess the necessary background, qualities and expertise to successfully undertake a new business start-up?

Answer

Invest NI's casework submission guidelines require comment on ownership and management issues in the Commercial Assessment Section of the submission. Commentary is given on the track record of key individuals, any gaps in the management team and on the overall capability of the management to successfully undertake a new business start-up. This information is subsequently scrutinised by the appropriate (higher) authority before approval is granted.

On Project Monitoring and Performance Measurement

Question

6. **Paragraph 3.4 noted the need for greater consistency in LEDU target-setting and review of performance against targets. What procedures are now in place to ensure that all targets are tracked over time and that differences between planned and actual outcomes are assessed with a view to improving the performance of schemes?**

Answer

When reporting on achievements during 2002/3 against operating plan targets, Invest NI also published information on a new Performance Information Framework (PIF) to integrate and rationalise the performance indicators used in the legacy agencies. Procedures are in place for the collection of information required by the PIF and Invest NI's Annual Report will indicate the number of start-ups assisted by geographical area within Northern Ireland. Key performance targets are also identified at individual project level and grant is released when targets are achieved. The individual company targets align with the scheme objectives.

An external evaluation of the Export Start Scheme has commenced with a view to identifying areas where the performance of the scheme can be improved. The evaluation is due to be completed by September 2004.

Question

7. **Paragraphs 3.7 to 3.11 of the report noted that client data on the 'LASER' (LEDU Automated System of Electronic Records) system was of variable accuracy, completeness and currency. This limited LEDU's ability to properly monitor and assess the overall effectiveness of the scheme. How does Invest NI ensure that the Export/Global Start data on its management information systems are reliable, complete and up-to-date?**

Answer

Following the establishment of Invest NI in April 2002, a review of the client databases operated by Invest NI's predecessor agencies indicated that 'LASER' was no longer suitable for the purpose for which it was originally designed. Data on the databases of Invest NI's predecessor agencies is progressively being transferred to a new Invest NI wide database. Sufficient checks to ensure that information is reliable, complete and up-to-date will be built in to the new system. The system will be operational in the first quarter of 2005.

Question

8. **Paragraphs 3.12 to 3.20 highlighted concerns at the extent to which monitoring information, required under the terms of offers, had not been provided by assisted companies. The report also noted that the required frequency of monitoring visits to assisted companies was not always being met. What steps have been taken to ensure that data is submitted by companies on a timely basis? Is the frequency of monitoring visits now in line with scheme guidelines?**

Answer

To ensure that data is submitted by companies on a timely basis, corporate monitoring pro-formas are in use across Invest NI with arrangements in place to identify when information is due. Appropriate follow up action is taken in respect of information that is overdue.

Monitoring visits are undertaken in accordance with Invest NI guidelines. These require that companies be visited at least annually, with projects carrying a higher degree of risk being monitored on a more frequent basis. Each executive involved in the Export Start Scheme has a monitoring schedule.

The evaluation exercise, referred to at answer 6, will review and comment on the effectiveness of the monitoring arrangements.

Question

9. **The report noted at paragraph 3.23 that the absence of timely reviews, by LEDU, of the causes of business failures meant that an opportunity to identify important lessons was missed. What procedures are in place to ensure that companies which cease to trade, after receiving assistance, are reviewed shortly after closure?**

Answer

An ‘at risk register’ and ‘company closures’ template forms part of the monthly Local Office Network Reporting procedures. Appropriate follow up action is normally undertaken within a month of Invest NI becoming aware of an insolvency situation. Any immediate important lessons learnt are used to improve the current procedures and the decision making process.

On the Effectiveness of the Export Start Scheme

Question

10. NIAO found that, in some projects, the assisted businesses were paying wages significantly below the Northern Ireland average (paragraph 4.16). How does Invest NI assure itself that the businesses it supports pay wage rates which are no less favourable than for similar occupations in the local district?

Answer

Guidance to Invest NI Staff about the content of business plans indicates under the 'Production Inputs' section, a requirement to provide details on wage rates. The 'benefits analysis' guidelines also highlight how, in looking at the employment and job quality implications of the project, comment should be made on the level of wage rates relative to NI wages. The approval process and Quality Control sampling regime referred to in answer 2 ensures that wage rates have been properly addressed.

Question

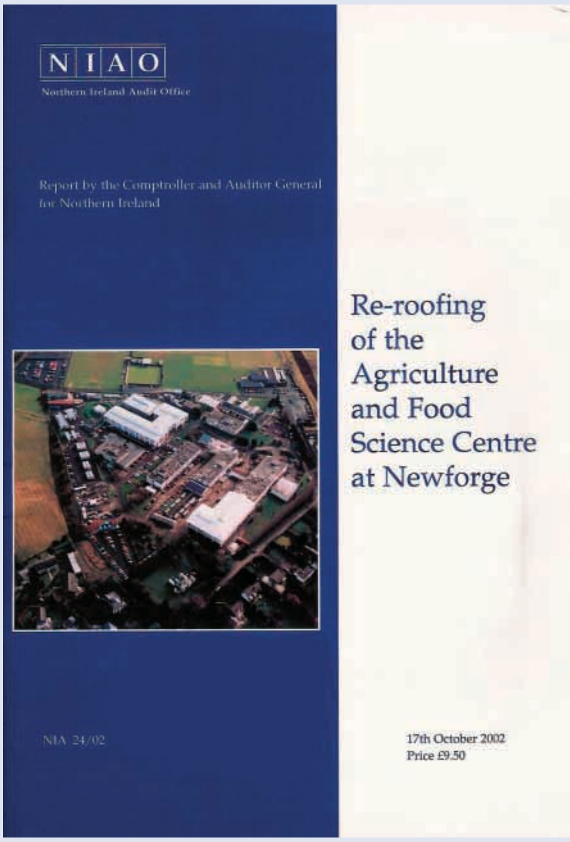
11. Paragraph 4.39 recommended that LEDU monitor a wider range of data to evaluate the effectiveness of Export Start in relation to its 'New Targeting Social Need' policy. Suggested measures included the sustainability of assisted businesses, the number of jobs created and sustained and the extent to which jobs are taken up by people resident in disadvantaged areas. Can you say what progress has been made in this regard?

Answer

Invest NI now has in place an Equality and New Targeting Social Need (NTSN) monitoring system whereby all client companies that have received financial assistance are asked to complete a monitoring questionnaire 12 months after the date of receipt of financial assistance and follow up action is taken in respect of overdue information. This monitoring system extends to the Export Start Programme. The monitoring form gathers key data on all new employees recruited including: residence; previous status (employed, self-employed, unemployed, long term unemployed, from full-time education or economically inactive); age; marital status; with/without dependants; disability; ethnic group. This data enables Invest NI to monitor the effect of its programmes in relation to NTSN areas as well as the extent to which they impact on the range of social categories set out in 'Section 75' of the Northern Ireland Act 1998. The sustainability of jobs created through the Export Start Programme is being assessed as part of the evaluation of the Programme, referred to at answer 6, scheduled for completion in September 2004.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

RE-ROOFING OF AGRICULTURE AND FOOD SCIENCE CENTRE, NEWFORGE



List of Abbreviations

CPD	Central Procurement Directorate (DFP)
DARD	Department of Agriculture and Rural Development
DFP	Department of Finance and Personnel
OGC	Office of Government Commerce
ESU	Economics and Statistics Unit
PFI	Private Finance Initiative
PPE	Post Project Evaluation
PPP	Public Private Partnership
SRO	Senior Responsible Owner

DARD: Re-Roofing of Agriculture and Food Science Centre, Newforge

(Report published 17 October 2002, NIA 24/02)

Background

In 1988, the Department of Agriculture and Rural Development undertook to replace the flat roofs on five buildings at the Agriculture and Food Science Centre, Newforge. Construction Service was engaged to advise the Department and to manage the subsequent construction project. As well as the replacement of the flat roofs, the project involved construction of an extension and separate decant accommodation for staff displaced during re-roofing. Overall, the total cost of the project amounted to some £12.5 million. Due to operational and funding constraints, the project was undertaken in phases, with re-roofing being finally completed in 2000.

The report focused on the Department's handling of the project, against the best practice guidance available, and highlighted a number of areas in relation to project appraisal, implementation and monitoring and post-project evaluation where the management of future capital projects could be enhanced.

The following paragraphs detail the key issues arising from our report, together with the Department's response to them.

On Project Appraisal

Question

1. **Paragraphs 15 to 20 of the report highlighted that a number of key documents were not available for review. What action has the Department taken to ensure that all prime documentation, including investment appraisals and DFP approvals, is retained during the currency of projects and for an appropriate period following completion?**

Answer

Instructions contained in the Department of Agriculture and Rural Development (NI) (DARD) Financial and Accounting Procedures Manual have been updated and the retention period for prime documentation relating to capital projects is now stipulated as a period of not less than 7 years from the date the project is signed off as completed. In the case of PFI/PPP projects, the seven-year retention period starts at the end of the contract. Managers have been instructed to advise staff of this procedure and to ensure that in future file disposal schedules are amended to take account of this requirement.

Question

2. **Paragraph 27 recommended that, where a management decision is to be made which impacts significantly on the outcome of a major capital project, the cost of pursuing that particular action must be assessed and recorded before the decision is finalised. What procedures are now in place to ensure that such decisions are fully costed and properly documented?**

Answer

Since the publication of the report on the Re-roofing of Newforge the Department continuously improved its procedures, training and guidance for economic appraisals. The guidance is in line with Office of Government Commerce guidance and that contained in "Appraisal and Evaluation in Central Government: The Green Book" and "The Northern Ireland Practical Guide to the Green Book: 2003 Edition" and is communicated through the Department's Finance Forum members and at training sessions. In May 2003 a section on Green Book Appraisal was added to the Department's Financial and Accounting Procedures Manual, which can be accessed via the Intranet.

If significant change is likely to be involved in a project, the change control procedure as set out in the guidance will be strictly followed and fully costed and documented.

Question

3. **Paragraph 28 noted that, in line with Treasury Guidance, the investment appraisal of the Extension project should have been linked with the appraisal of the Re-roofing project. What steps has the Department taken to ensure that, in future, where two projects are mutually dependent, they are appraised and justified as a whole?**

Answer

Departmental procedures have been amended to ensure that where two projects are mutually dependent, they are appraised and justified as a whole. The Department's Economics and Statistics Unit (ESU) provides support to project managers through developing and communicating guidance, training, mentoring, quality assurance and scrutinising appraisals. ESU will consider the strategic fit and therefore the mutual dependence of projects when providing guidance on the Terms of Reference for projects and when assessing economic appraisals.

On Project Implementation

Question

4. **Paragraph 33 recommended that consideration be given to the separation of the 'Client Adviser' and 'Project Manager' roles, in order to ensure that advice, independent of the main project team, is available to the Project Sponsor. What was the outcome of the Department's consideration?**

Answer

The Department obtains professional advice, client management and project management services from Central Procurement Directorate (CPD) and others such as the OGC.

In relation to construction projects, under new organisational structures in CPD the establishment of separate Client Adviser and project management groups will ensure that advice, independent of the main project team, is available to the Project Sponsor.

Question

5. **Paragraph 36 of the report noted that the Project Sponsor had not been familiar with the up-to-date Treasury guidance on contract procurement. What arrangements are now in place to ensure that the relevant guidance is brought to the attention of all staff involved in capital projects, on a timely basis? What progress has been made in carrying out a training needs assessment?**

Answer

Departmental guidance is now revised when new Treasury or Central Procurement Directorate guidance is received. The updated guidance is issued directly to all Heads of Branch and to the members of the Finance Forum who are asked to ensure that the information is immediately drawn to the attention of staff involved in capital projects. The Department's Financial and Accounting Procedures Manual that can be accessed through the DARD Intranet is also updated. Staff are notified, by a message on the Outlook opening page, that changes to procurement guidance have been made.

The Department has assessed its Project Sponsor training needs against the HM Treasury Guidance (OGC Achieving Excellence in Construction). In areas where there is or could be a shortfall, CPD as professional advisers, will arrange suitable training and oversight for existing and new Project Sponsors in DARD.

Question

6. **Variations to the re-roofing contract, after commencement, amounted to some £1.6 million. Best practice (paragraph 49) advises that minimising changes to design, after construction has started, is a key factor in successful cost control.**

What measures has the Department put in place to ensure that changes to the project, after works begin, are kept to a minimum?

Answer

Following the publication of the '*The Northern Ireland Practical Guide to the Green Book 2003*' the Department has introduced revised guidance wherein the final design stage of any project is signed-off by the business unit/end user. After a project is signed-off, changes can only be made with the approval of the project sponsor and/or Senior Responsible Owner (SRO), and only if the changes can be accommodated within the scope of the original appraisal and budget. Only essential changes approved by the SRO will be permitted and subjected to a revised economic appraisal, (if necessary). Guidance can be accessed through the DARD Intranet.

On Project Monitoring and Post-Project Evaluations

Question

7. **Paragraph 53 noted that, within the Department, there was an absence of a formal mechanism for the regular reporting, to senior management, of project progress against time and budget. What steps have been taken to ensure that progress is reported regularly to senior management, over the life of a capital project?**

Answer

The progress of projects is monitored at Project Management Committee meetings, which are attended by staff from the sponsor division in the Department and is reported to Senior Management through regular internal management meetings.

Question

8. **Post-project evaluations measure the success of projects against objectives and seek to identify lessons for future application. Paragraph 57 noted that evaluations had not been undertaken on the Re-roofing and Extension projects. What procedures are now in place to ensure that post-project evaluations are carried out:**

- **for all capital projects;**
- **on a timely basis;**
- **independently of those directly involved in the planning and implementation of the project?**

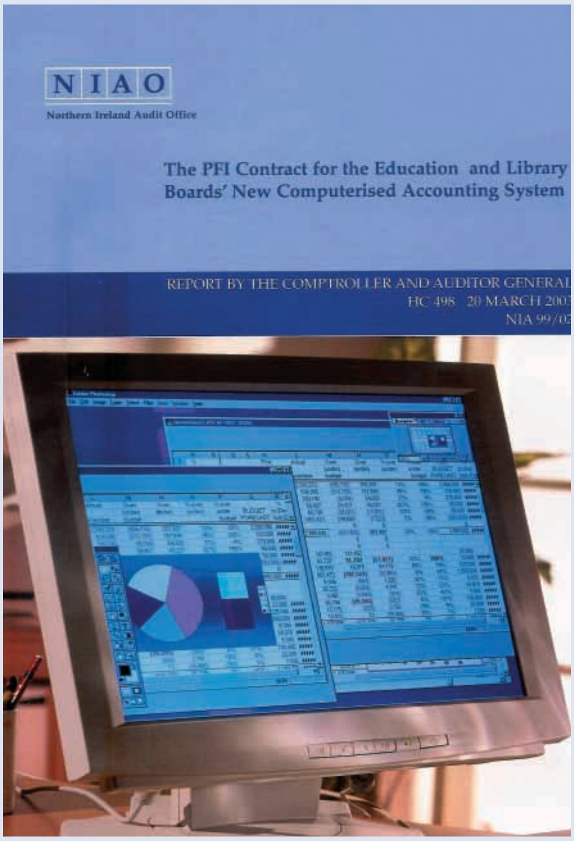
Answer

The economic appraisal prepared for each capital project specifies the Post-Project Evaluation requirements for the project including who will undertake the PPEs and the timescales within which these have to be carried out. From 2004/05 all economic appraisals are recorded on a central database, which triggers when Post-Project Evaluations are required. Those responsible for undertaking the PPE will be identified and will be independent of those directly involved in the planning and implementation of the project, in line with the requirements of '*Economic Appraisal and Evaluation in Central Government: The New Green Book*'.

Staff from the sponsor division attending Project Management Committee Meetings for projects, report progress to DARD management and ensure that a PPE is completed. DARD Economics and Statistics Unit quality assure all PPEs that have to be sent to DFP and a sample of the PPEs for projects not requiring DFP approval. Resource Control Branch monitor the progress of all PPEs going to DFP to ensure that they are completed on time.

Procedures in relation to PPEs are currently being reviewed to further improve our procedures and to ensure compliance with *'The NI Practical Guide to the Green Book' and DAO(DFP) 06/04.*

THE PFI CONTRACT FOR THE EDUCATION AND LIBRARY BOARDS' (ELBS) NEW COMPUTERISED ACCOUNTING SYSTEM



List of Abbreviations

AAP	Accruals Accounting Project
BECTA	British Education Communication and Technology Agency
C2k	Classroom 2000 Project
CCEA	Council for the Curriculum Examinations and Assessment
CCMS	Council for Catholic Maintained Schools
ELB	Education and Library Board
ETI	Education and Training Inspectorate
ETSMG	Education Technology Strategy Management Group
HR	Human Resource
ICT	Information Communication Technology
PFI	Private Finance Initiative
PPP	Public Private Partnership
PUK	Partnerships UK
SIB	Strategic Investment Board
SoPC	Standardisation of PFI Contracts

The PFI Contract for the Education and Library Boards' (ELBs) New Computerised Accounting System

(Report published 20 March 2003, NIA 99/02)

Background

In February 1994 the Department of Education set up an Information System Strategy Executive Committee to consider the future use of information technology across the education services. Among a range of projects, the Strategy concluded that there was a need to introduce new financial management information systems into the five Education and Library Boards to enable them to produce commercial style accruals accounts for the financial year 1999-2000 in line with other government bodies. The cost of implementing what became known as the "Accruals Accounting Project" (AAP), was projected to be £20.2 million at 1998-99 prices.

When the AAP was initiated in the Boards it broke new ground as a major Private Finance Initiative (PFI) project in the Information Technology sector, involving five of the largest Non-Departmental Public Bodies in Northern Ireland. The Report highlights a number of key issues emerging from the introduction of the AAP within the Boards and the lessons which other public sector organisations need to keep in mind when developing and managing relationships with private sector PFI contractors.

The following paragraphs detail the key issues arising from our report, together with the Department's response to them.

Question

1. **Paragraphs 2.9 and 2.13 refer to shortcomings in the appointment of a Project Team and the target for the completion of the procurement phase of the project.**

What action has the Department taken to address these shortcomings in the management of the procurement phase of a PFI project?

Answer

The Department follows Treasury guidance in taking forward the schools Public Private Partnership (PPP) programme, including the various technical notes and the Standardisation of PFI contracts (SoPC) Version 3.

In taking forward the PPP programme for schools the Strategic Investment Board (SIB) provides the Department with policy and strategic advice on all aspects of PPP including the latest industry thinking and best practice. It also offers direct support to projects as and when this is required.

The Department has established a PPP Co-ordination Service to harness the skills and experiences gained in taking forward PPP projects. The Co-ordination Service also provides project management to PPP projects which in turn liaises with Partnerships UK (PUK).

Question

2. **Paragraph 3.13 tells us that, following the abandonment of the payroll and human resources module of the project the Chief Executives assumed responsibility for developing an approach to payroll and human resources based on the existing system. Is the new payroll and human resources system in place yet and what has been the cost to date of this additional work?**

Answer

The new payroll and human resources system is being implemented on a phased basis over 3 years from 2004/05. Belfast is the lead Board; its new monthly payroll has been live since April 2004 and full completion is planned for November 2004. The system will be implemented in the North Eastern and South Eastern Boards in 2005/06 and in the Western and Southern Boards in 2006/07.

The project has a total budget of £1.8m and to date £621k has been expended. There will be no ongoing contract cost for the new system over and above the existing costs.

Question

3. **Paragraph 3.15 points out that the difficulties in implementation of the previous payroll system were not adequately considered in the specification of the new system. What steps has the Department taken to ensure that lessons have been learned and that this situation will not arise again?**

Answer

The Project Board for the new Payroll and HR system which is being implemented from 2004/2005, examined the difficulties encountered with the previous system and, as a result of the lessons learned, ensured that the specification for the 2004/2005 system addressed the issue of multi-jobbers to minimise the number of payroll processing cycles.

The arrangements outlined in the response to question 1 above also help ensure that lessons learned are applied to future projects.

Question

4. **Paragraph 3.17 indicates that the Project Board decided that the Boards required more workstations than originally envisaged for the Accounting Services. Consequently a payment of £2,813,000 was made for an additional 200 workstations to be used for Accounting Services. These were in fact the 200 workstations already in place for Payroll Services. Is the Department totally satisfied that an additional 200 workstations were required for Accounting Services and how did the Project Board get the original requirements for this so badly wrong?**

Answer

The Department is satisfied that the additional 200 workstations were required. The Project Board could not have foreseen the majority of these requirements, which are for Purchase Order Processing and On-line Reporting. The original requirements were drawn up in 1997, when it was envisaged that the financial systems would be required primarily by Finance staff, with the majority of processing taking place centrally and reporting being primarily via paper reports. By the time the additional workstations were being considered, computer systems had developed to the point where it was more efficient to allow budget holders direct access to the system for requisitioning and reporting.

The benefits from the additional workstations include: speed of transmission of information; access to real time information; reduction in manual intervention; quicker processing of documentation; enhanced monitoring of supplier performance; and increased access to and awareness of Board contracts.

Question

5. **Paragraph 3.25 recommends that there should be a more proactive, hands on approach by the sponsoring Department when a new computerised system is being implemented. What steps has the Department taken to ensure a more proactive and formal role in the management of current PFI projects managed by the Boards?**

Answer

In response to the NIAO report, and as a result of the Department's developing knowledge and experience of PPP and PFI projects, the Department has ensured a more proactive and formal role through being represented on the Project Boards of major projects managed by the Boards.

Schools Estate

The Department is represented on all 6 Project Boards currently taking forward PPP projects in the schools estate. Boards for the projects announced in 2004 have not yet been established.

The Department is working with the Strategic Investment Board on the delivery of these projects and this includes the arrangements for the management of the programme.

Classroom 2000 (C2k)

The Department established and is represented on an Education Technology Strategy Management Group (ETSMG) which has overall responsibility for C2k and provides strategic and policy direction to the project. In addition, the Department is represented on the C2k Project Board.

Other bodies are also represented either on ETSMG, the C2k Project Board or both. The C2k Project Board includes representatives from the Inspectorate (ETI); Schools; Council for the Curriculum Examinations and Assessment (CCEA); all the Education and Library Boards; and the Council for Catholic Maintained Schools (CCMS).

ELB Payroll and Human Resource Project Board

The Department is represented on the ELB Payroll and Human Resource Project Board.

The Department's involvement in these projects enables early identification of any areas of concern and ensures that strategic and policy advice is provided at appropriate stages.

Question

6. **Paragraph 4.6 shows that after three years of the contract the cost of external assistance on the project stood at £2.2 million. The original forecast up to the end of this period was only £600,000; and paragraph 4.9 states that we found little evidence of effective control by the Project Board over the nature and scope of the use of consultants during the implementation phase.**

What steps have the Department taken to ensure that in subsequent projects, external advisors work to a clear specification and within an agreed timetable for completion of their work? What was the total spend on consultancy?

Answer

The Department has in place guidance on the use, monitoring and control of consultants. This guidance, which was up-dated and re-issued in May 2004, applies to all contracts for consultancy services both within the Department and its NDPBs.

In conjunction with Central Procurement Directorate (CPD), the Department has established a framework for the engagement of consultancy support for schools projects. Appointments are made on the basis of a consortium to provide all the requisite disciplines and the lead advisor acts in a project management capacity to manage the various consultancy inputs. The Project Manager is required to systematically report to the Project Board and this provides a mechanism for control. Commissions are awarded on a fixed price basis and payments are linked to the achievement of milestones in the project.

Total Spend of Consultancy

The total spend on consultancy was £2,178,953. However, £700k of these total costs was recovered from the contractor as compensation for the additional work caused by their failure to deliver on time.

Question

7. **Paragraph 4.12 states that in any future project the transfer of skills should become a central and deliverable component in consultancy appointments. What steps have been taken to ensure this happens?**

Answer

As a result of the experience gained in the implementation of the Computerised Accounting System, an inter-Board Financial systems team was able to manage and deliver an upgrade of the Financial system from Oracle 10.7 to Oracle 11i.

This upgrade was achieved on time, without any significant problems and entirely without consultancy input. This was done by retaining staff who had been involved in the implementation and who had acquired the necessary skills, and using these staff to manage the overall implementation of Oracle 11i.

The core team also attended training in Oracle 11i prior to commencing the implementation. The core team was augmented by a number of additional staff from within the Boards. These staff were trained internally by the existing team in all elements of managing an implementation, including mapping of business processes, testing and documenting all changes to the system, full regression testing, managing a controlled roll-out and training of end users.

The establishment of the PPP Co-ordination Service, referred to in response to question 1 above, will help facilitate the transfer of skills from the private sector to the public sector through direct support of projects and contact with the consultancy teams, particularly on estates projects.

Question

8 **Paragraph 4.24 tells us that the decision to proceed with the PFI solution was influenced by projected staff, maintenance and software license savings of almost £6 million over the course of the original contract period. To what extent have the specific efficiency savings identified in the business case been realised?**

Answer

Most of the anticipated savings were not realised due to the non-delivery of the payroll element of the project.

However, the new Payroll/HR system, which is currently being implemented, is expected to achieve non-resource releasing efficiency savings of £585k over the 3-year roll out period. In addition, once that system has been fully implemented and processes streamlined, it is expected that further efficiency savings will accrue in the development of improved services and in the production and interpretation of value added management information. These savings cannot be quantified at present.

Question

9. **Paragraph 4.28 indicates that to make the system operationally compliant with the original tender specification, the lead Board is currently taking forward the issue of an improved payroll system, while the new software is expected to meet the requirements for fixed asset accounting. What is the position regarding the payroll system and is the Fixed Assets module now in operation?**

Answer

The new payroll system has been developed using the same Oracle coding structure that was devised for the Oracle financial system. As part of the testing and implementation phase of the new payroll system, a costing interface file from the new "resourcelink" payroll system has been transferred and uploaded into the Oracle general ledger. This process is now being fully automated. As we progress with further implementation, all costing details will be based upon Oracle and, upon completion, the old McDonnell Douglas system and associated costing will become redundant.

Oracle Fixed assets is scheduled for implementation in March 2005 and is currently going through a phased testing process. As an interim measure, a stand-alone Fixed Assets Register is operational in all Boards.

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