

5 Implementation of financial management shared services

- 5.1** The Government decided in February 2012 to implement a shared services model for certain administration functions in the Irish public sector.¹ The National Shared Services Office (NSSO) was set up in 2014 as an administrative office, with its own vote (Vote 18), within the Department of Public Expenditure and Reform (the Department). In January 2018, the NSSO officially became a new separate civil service office, with its own accounting officer.
- 5.2** There are three strands (or projects) to the rollout of the shared services model managed by the NSSO — human resources (HR), payroll and financial management.
- 5.3** Prior to the implementation of shared services, each public service body was responsible for administering its own payroll, human resource and finance functions. Typically, a number of clerical and administrative staff in each body were assigned responsibility for administering these specialist functions.
- 5.4** While potential salary cost savings were identified as a significant benefit to be delivered by a shared service model, the potential for some non-financial benefits was also recognised. For example, the change to financial management shared services is expected to facilitate the move to accrual accounting and, by utilising standardised structures, to facilitate comparability and enhance financial control and performance through significantly improved financial information. The NSSO also expects that the project will facilitate fiscal transparency and could deliver other benefits through central management and skills development in areas including cyber and data security and procurement management.
- 5.5** Over €32 million has been spent on developing the capacity and subsequently delivering the administrative functions for HR and payroll shared services.
- The HR shared service was the first to be established and began supporting its first wave of clients in 2013. Today, it services over 38,000 civil servants in 42 central government departments and offices. The NSSO has listed the key services provided as pension administration, pay adjustments, increments and employee schemes, organisational structural management, document management, leave and absence administration, and recoupments and training.
 - Payroll shared services have also been provided since 2013. The NSSO currently provides payroll services to 145,000 payees in 54 public sector bodies, including 60,000 pensioners. The key services provided include weekly, fortnightly and monthly pay runs, administration of pay and remuneration, and pension administration.
 - In addition, the NSSO's customer relations and support services function provides service management support to clients, support to individual customers by way of contact centres (including helpdesks supporting the Department's eProbation, ePMDS and OneLearning services), data protection monitoring and guidance, quality assurance and overall audit co-ordination with the NSSO's Employee Services Division.

¹ A 2008 review by the Organisation for Economic Co-operation and Development (OECD) assessed the preparedness of Ireland's public service for meeting upcoming economic and social challenges. The report recommended that the Irish public service should prioritise development of integrated and shared services. *Ireland: Towards an Integrated Public Service*, OECD public management review, June 2008. The implementation of shared services was a key element of the 2011 *Public Service Reform Plan*.

- 5.6** The project to implement a financial management shared services (FMSS) model aimed to replace 31 different financial management and reporting systems in use across 48 Government departments, offices and agencies with a single financial IT system supported by a new finance shared services centre.
- 5.7** To the end of 2019, a total of €38.4 million (excluding VAT) had been spent by the NSSO on the FMSS system. The business case for the project was approved by Government in January 2016.
- 5.8** The FMSS system was originally expected to 'go live' in the middle of 2018. As of September 2020, the system has yet to be delivered. As a result of design issues that had emerged, the deployment of the system was paused in July 2018. In November 2018, a design review process was initiated. As this work had not been envisaged in the original business case, significant additional costs have been incurred in resolving system design issues and getting the project back on track. This report examines the progress made to date relative to the original plan, and reviews the arrangements now in place to complete the development.

Accounting Officer comments — scale of shared services

- 5.9** The aims of implementing a shared service model in the civil service are to modernise the HR, payroll, accounting and finance functions; to move transactional processing activities away from government departments to a specialist centre that transacts, automates and improves data quality, processing and management information more efficiently and effectively; and to enable strategic capability and better decision making locally across each function.
- 5.10** The FMSS is a large scale and complex programme that will transform the finance function as it did payroll and HR, moving transactional activity to shared services, addressing existing legacy system issues and eliminating the significant manual effort required to meet reporting requirements. It will also allow the finance function retained in Government departments and offices to focus more on financial management rather than transactional activities.
- 5.11** Rather than just being an IT project, it involves the fundamental redesign and standardisation of how data is mapped, recorded and controlled; and the redesign, standardisation and automation of end-to-end finance and accounting transactional processes that commence in the finance unit in the government department through the shared services centre to the production of standard accounts and management information for the annual appropriation accounts and central finance reporting for Government, underpinned by technology.

The FMSS system plan

- 5.12** Unlike the HR and payroll shared services which were substantially built on existing common software already in use, the FMSS project envisaged the design and building of a whole new system to be deployed across the civil service.
- 5.13** The project aims to consolidate the provision of a range of financial services onto one single platform, including
- accounts payable and receivable
 - fixed asset accounting and asset management
 - general ledger and inventory accounting
 - ensuring compliance and controls
 - transactional audit reporting
 - preparation of financial statements.
- 5.14** The NSSO expects that when the project is complete, it will provide financial management services for all of central Government utilising a single common chart of accounts, standardised accounting processes and a single integrated financial management system. It envisages that it will deliver a centralised approach to eProcurement and will support enhanced strategic decision-making capability through access to better cost information.

Project appraisal

- 5.15** At the outset, the Department established a Programme Board for the FMSS project. This comprised a chairperson, the FMSS Programme Director (an NSSO official), assistant secretaries from six public sector bodies and representation from the Office of the Government Chief Information Officer and the Office of Government Procurement. The role of the Board was to provide advice and management support, and to oversee decision making.
- 5.16** A May 2013 baseline report commissioned by the Department found that the annual cost of financial services across 48 public sector bodies was €36.6 million. The report estimated that there was potential to reduce operating costs by between €6.4 million and €14.6 million a year, through the delivery of more efficient and effective financial activities, including the introduction of a shared service model.¹
- 5.17** A range of inefficiencies were identified with the existing arrangements including
- there were multiple systems in use across the civil service with some bodies using proprietary accounting systems that had been customised for their unique needs
 - there were large variations between organisations in the cost to process simple financial transactions such as an invoice
 - there was duplication across finance and IT departments
 - the alignment of staff grades was not optimal particularly in transaction processing.

¹ The potential savings solely related to the introduction of a shared service model were not quantified.

- 5.18** Based on a feasibility study conducted by the Department, the preferred solution was to establish a shared services centre using a single financial management system across three locations.¹ The NSSO subsequently issued a request for tender for the provision of a single financial management system.
- 5.19** An updated business case for the FMSS was prepared for Government in December 2015, with the estimated project costs brought up to date to reflect the bid submitted by the successful tenderer. At that point, €3.8 million (excluding VAT) had been spent on the baseline exercise, feasibility study and tender process for the project. The business case outlined that a further €40 million (excluding VAT) would be required in capital costs, plus a contingency provision of €3.6 million (excluding VAT) in respect of project risks and delay risks.²
- 5.20** Accordingly, the business case proposed a total investment of €47.4 million including the €3.8 million already spent and the contingency provision. This was to support deployment of the new FMSS system across five 'waves' of client bodies, with a completion date in the middle of 2020. The projected payback period for the project was just over 7 years (see Figure 5.1).

Figure 5.1 Summary of December 2015 business case approved

	Existing (pre-FMSS)	Expected (post-FMSS)
Staff (full-time equivalent)	564	419
Annual cost to deliver service	€46.5m	€31.1m
Annual saving		€15.4m
Total implementation cost (ex VAT)		€47.4m
Projected payback period		7.1 years ^a
Expected completion date		Q2, 2020
Net present value (NPV) over 15 years		€53.2m

Source: NSSO

Note: a The projected payback period relates to the anticipated €43.6 million additional spend. The payback period increases to 9.5 years when the €3.8 million already spent is included.

¹ The other options considered were to retain the existing systems (i.e. the 'do nothing' option), to outsource the function to an external shared services provider, or to establish a shared services centre using a number of different financial management systems.

² Whereas the business case for the FMSS did not specify whether the budget for the project was inclusive or exclusive of VAT, the submission to Government noted that the €40 million budget excluded VAT. For comparison with the business case, the FMSS figures will be presented as VAT exclusive.

- 5.21** The FMSS project, as outlined in the business case, was approved by a Government decision in January 2016.
- 5.22** Due to the difficulties of incorporating requirements for processing EU funding, the business case provided for an option to exclude the Department of Agriculture, Food and the Marine (DAFM) from the scope of the project. When the project was approved, a decision on whether to include DAFM in the scope of the project was deferred. Excluding DAFM would reduce the costs of the project by an estimated €3.6 million but would also reduce the projected annual savings by up to €3.3 million, and significantly extend the payback period.

- 5.23** The business case also included a sensitivity analysis which outlined the potential impact of median and worst case scenario risks, such as a 25% increase in cost, or a two-year delay in implementation (see Figure 5.2). The variables were shown individually. The business case did not show the potential overall impact on the implementation costs or the net present value, should a combination of the downside risks materialise.
- 5.24** The Accounting Officer has stated that the business case did not reflect all the challenges the programme could face, given the highly complex nature of streamlining and simplifying the long established local financial processes from 48 public sector bodies onto a single platform with standard processes. She stated that the business case did, however, envisage the potential for delays on the project and an associated increase in costs.

Figure 5.2 Sensitivity analysis in business case for FMSS system

Potential adverse variations in assumptions	Potential impact on		
	Project cost €m	Annual savings €m	Payback period years
Increase of 25% in implementation cost	+ 10		+ 0.8
Two year extension to implementation timeline	+ 11.6		+ 2.9
Rate of retirements/leavers reduced to 1% of roles	+ 1.4		+ 0.1
Increase of 25% in number of staff (FTE) required to operate FMSS	+ 0.7	- 3.4	+ 1.2
Increase of 25% in number of staff (FTE) required to operate retained functions		- 3.2	+ 1
Rate of continuous improvement reduced to 1%		- 1.5	+ 0.1
Increase of 25% in recurring technology costs		- 1	+ 0.4

Source: NSSO

- 5.25** The appraisal process implemented by the NSSO was assessed against requirements in the Department of Public Expenditure and Reform's *Public Spending Code* (see Figure 5.3). The appraisal process was generally compliant with the requirements. The need for the project was established through a baseline report, and a number of potential options to meet that need were subsequently explored in a feasibility study. The business case approved by Government included updated costings reflecting the outcome of the procurement exercise. However, a formal project brief was not prepared for the FMSS project.
- 5.26** A project brief should define all of the design requirements for a project. While extensive design requirements were set out in the request for tender, there have since been several changes to those requirements.
- 5.27** The NSSO has stated that the changed specification requirements arose because the subsequent working group process was unable to agree on the standardisation necessary to support a successful deployment. Shortcomings in relation to the specification of requirements are considered later in this report.

Figure 5.3 Compliance with *Public Spending Code* key appraisal requirements

Key requirements	Assessment ^a
Was an adequate strategic assessment process completed for the project?	
Was an adequate preliminary business case prepared?	
Was an adequate planning process undertaken leading to the preparation of the project brief?	
Was the tender strategy adequate?	
Was an adequate updated business case incorporating the results of the tender process prepared?	

Source: Analysis by the Office of the Comptroller and Auditor General

Note: a  = requirement met.
 = requirement partially met.
 = requirement not met.

Project progress to date

- 5.28** Implementation of the FMSS system was expected to be fully complete in all of the departments within the project scope by the end of June 2020. Implementation was planned to take place over five waves. The NSSO assigned each of the target future clients of the FMSS system to a specific wave for deployment.

Timeline

- 5.29** Figure 5.4 compares the actual project timeline to the milestones set out in the December 2015 business case. The project is currently running three years and nine months behind the original schedule. A working FMSS system has not yet been delivered.
- 5.30** The Accounting Officer has stated that changes are not unusual on a programme of this scale and complexity. She stated that the potential for delays of up to two years was anticipated in the original business case.

Project cost

- 5.31** The total project cost (including contingency) anticipated in the December 2015 business case was €47.4 million (excluding VAT). This was expected to cover the cost of the entire project including the design, building, testing and full deployment of all five waves.
- 5.32** To the end of 2019, the NSSO has spent €38.4 million (excluding VAT) on the FMSS project.¹ It estimates that the actual project expenditure for 2020 will be €15 million (excluding VAT).

¹ The cumulative project expenditure inclusive of VAT is over €45 million.

Figure 5.4 Comparison of planned and actual timelines

Timescale	Planned	Actual	
2016	Q1	Finalise contract with system implementation (SI) partner.	
	Q2		
	Q3	Complete chart of accounts. Design of single FMSS.	SI contract signed.
	Q4		
2017	Q1	Complete initial build of FMSS.	
	Q2		
	Q3		
	Q4	Complete wave 1 deployment.	
2018	Q1		
	Q2	Complete wave 2 deployment.	
	Q3		Entry into user acceptance testing delayed; and project deployment paused.
	Q4		System design triage commenced.
2019	Q1	Complete wave 3 deployment.	
	Q2		External consultant review of governance structures issued to Programme Board.
	Q3	Complete wave 4 deployment.	
	Q4		
2020	Q1		
	Q2	Complete wave 5 deployment.	
	Q3		Chart of accounts completed. Design specification for FMSS agreed.

Source: NSSO

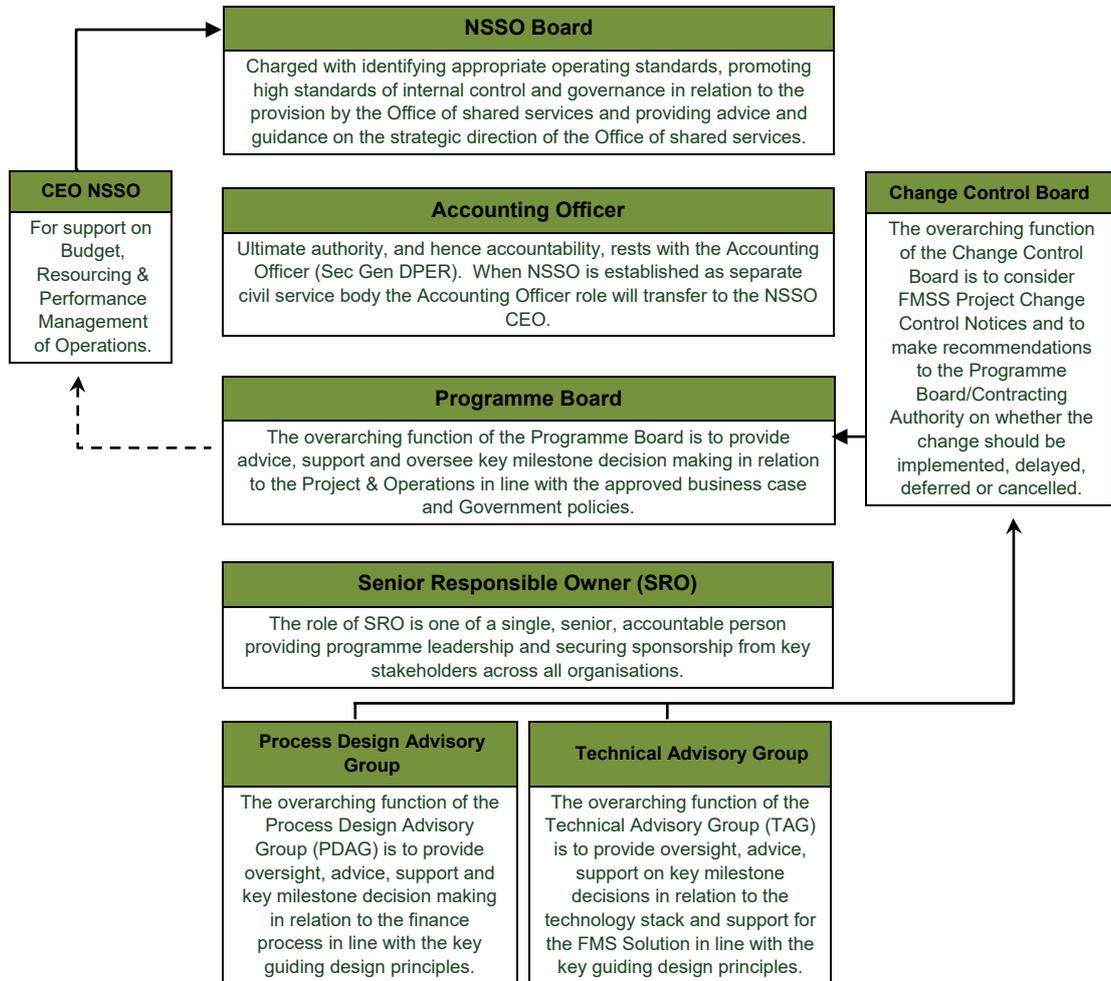
- 5.33** A Government decision in September 2020 approved the continued deployment of the FMSS system over an extended project timeline to 2025. It also approved additional funding, bringing the total approved budget for the project to €115 million, including VAT.
- 5.34** The Accounting Officer has stated that the NSSO is working through a process with the system implementation partner to agree a remobilisation plan for the implementation of the solution and deployment to the first wave of clients. She stated that due to the nature of the programme, significant up-front expenditure was required to establish the base infrastructure including hardware, software and licensing costs for all deployment waves.
- 5.35** A review by an external consultancy firm¹ of the critical areas of concern in relation to the FMSS project presented in February 2019, identified significant project cost overruns, with the cumulative spend to that point at approximately 70% of the total agreed project budget. The consultant reported that the project was essentially still in the design phase, and proposed that completion of the original scope was likely to require an order of magnitude of spending significantly beyond the original budget estimate.
- 5.36** The NSSO has estimated that €10.3 million (excluding VAT) of the project expenditure to the end of 2019 related to additional costs not envisaged in the business case. Much of that expenditure was potentially avoidable. The planned entry of the project into the user acceptance testing phase did not occur in July 2018. Between then and December 2019, the NSSO incurred significant costs in reviewing and amending the system design, reviewing the operational effectiveness of governance structures and capacity within the project team, and resolving contractual issues with the system implementation partner. The €10.3 million additional costs included project team expenditure, amounts paid to the system implementation partner for design 'triage' and maintenance, and amounts paid to the external consultant for reviews of various aspects of the project.

¹ A summary of the key conclusions of the review is presented in Figure 5.6.

Project governance and management systems

5.37 The governance arrangements established for the FMSS project are summarised in Figure 5.5.¹

Figure 5.5 Governance arrangements for the FMSS project 2013 to 2017^{a,b}



Source: NSSO

- Notes:
- a From January 2018 (when the NSSO was established as a separate office), the structures changed. The Chief Executive of the NSSO (CEO) was appointed Accounting Officer and no longer reports to the NSSO Board, which is now an advisory board only.
 - b The SRO (Programme Director) reports into the CEO. The Programme Board has been given decision making authority on aspects of the project, whereas previously it operated in an advisory capacity only.

5.38 Overall responsibility for the project in the initial stages was with the Secretary General of the Department, as the then Accounting Officer for the NSSO. This responsibility transferred to the Chief Executive of the NSSO once it was established as a stand-alone body in January 2018.

¹ A chart setting out the current governance arrangements is included at Annex 5A.

- 5.39** In addition to the Programme Board, the governance structure included the following elements.
- **Project team** — A project team was set up to undertake the baseline study. After a subsequent feasibility study, the team was intended to consist of 20 full-time civil servants including a project manager, technology lead, deployment lead and organisation lead to support the operation of the project. Appointing staff to these positions was considered to be on the critical path to the project's success. However, resourcing the team proved difficult and some roles were filled by engaging contract staff.
 - **External support to project team** — A procurement exercise was undertaken to engage an external team to assist the project team in the management and delivery of the project. This involved providing assistance across all areas of the programme, including the evaluation of tenders, the establishment of the FMSS, advice and support in leading working groups, and support services after the system began operating. The contract with the selected service provider was signed in August 2014.
 - **Advisory groups** — To assist the project team, a process design advisory group and a technical advisory group were established. The Accounting Officer has stated that the purpose of these groups was to provide functional design advice and leadership necessary to drive and support the significant change required across the civil service for this major transformation, and oversight of the design implementation.

Reviews of project governance and feasibility

- 5.40** The governance structure was reviewed by the Programme Board in 2016 to ensure it was suitable for the design and build phase. In early 2018, an external consultant was engaged to provide an independent assessment of the feasibility of the plan for the FMSS to 'go live'. The consultant was later engaged to provide two additional assessments on aspects of the project, each of which identified inadequacies in governance processes (see Figure 5.6).
- 5.41** In November 2018, as recommended by the external consultant, the NSSO commenced a system design 'triage' process to identify gaps in the system design. This required the design to be brought back through the working groups to be reassessed and to investigate the issues relating to potential gaps. The consultant also recommended an approach to provide a rapid response to design gap issues.
- 5.42** The Accounting Officer has stated that the system design triage process reviewed the end-to-end functionality compared to the original request for tenders requirements, and subsequent events such as data protection/GDPR; changes in the banking arrangements for the Paymaster General and reporting reform, and in the context of viability for future use and maintenance. It was considered important that this process should include engagement with subject matter experts from the public sector bodies. The NSSO stated that the financial management and reporting environment is not static and that the request for tenders could not take into account all the extra future requirements.

Figure 5.6 Key findings of reviews of the FMSS project conducted by external consultant**May 2018 — Report on the feasibility of the plan to go live**

The report noted that the project was at high risk and made recommendations including the need for

- enhanced governance structures
- improved project management practices
- technical design completion
- readiness confirmation by the public sector client bodies
- support with readiness monitoring.

February 2019 — Report on critical areas of concern

The issues noted in the report included

- Agreement with the system implementation partner on a practical and commercial way forward was absent.
- Significant new system design requirements were emerging from the triage reviews — this indicated significant confusion over the requirements to support the user community and what was built by the system implementation partner.
- The NSSO was unable to exit the design phase due to a failure of programme governance. The consultant concluded that the existing governance forums would be unlikely to be able to resolve the design issues without major intervention.
- There were significant gaps in the programme organisational structure — deficiencies were noted in key areas such as technical teams and functionality/process areas.
- Because the programme was essentially still in the design phase, the consultant noted that completion of the original scope of the programme was likely to require an order of magnitude of spend beyond the original case.
- The business case had not taken into account factors such as the benefits of avoided capital cost of upgrading the system or the avoided cost of achieving accrual accounting for central government departments and offices.

May 2019 — Report on the project governance structure

The report included four key findings

- There was a lack of evidence of design sign-off.
- There was a lack of decision-making legitimacy and uniform understanding of the decision process.
- There were gaps in key roles, capability and conflicts due to dual roles held in some cases.
- There were gaps in operational effectiveness of design forums.

The report made four recommendations to improve the governance structure

- Reset and document the design authority and decision path and share it widely so that it is universally understood and accepted.
- Address the gaps in roles, capabilities and conflicts within design forums.
- Address the operational effectiveness of design forums and ensure the correct composition of members.
- Commence robust and rigorous programme decision-making tracking.

- 5.43** In February 2019, the external consultant recommended a pause in the project to allow the Programme Board to take stock and review the critical issues. In addition to identifying significant design issues, the consultant recommended that enhancements to the governance model be implemented. In particular, the process design advisory group would be reconstituted as a decision-making authority to provide an efficient and appropriate mechanism for design decisions for a programme of this breadth and complexity. The review also emphasised the importance of securing the total commitment of client bodies for the design changes, so the project proceeded through an extensive engagement process with the full complement of working group members and finance officers.
- 5.44** A review of Programme Board minutes indicates that resourcing of positions within the project team and weaknesses in the governance framework have been problems since the outset of the project. Gaps in key roles such as the programme management officer and the lack of a 'senior user' — a person with a core business interest in the system when operational, and with the authority to specify how it should function — were identified as having affected the efficient progress of the project. The bringing in of contracted staff and staff loaned by departments for roles on the project team were identified as having led to increased costs.
- 5.45** While the NSSO attempted to implement appropriate project governance structures, in practice these did not function as envisaged because they lacked decision-making authority. The Programme Board minutes show that the Board met on a regular basis and discussed a range of relevant issues, and that a project risk register was maintained. However, there was no process in place to officially sign off on decisions during the design phase. The project initiation document was never formally completed or signed off.
- 5.46** The external consultant concluded that a failure in governance and decision making for the design process of the programme was the reason for the inability of the project to move on from the design phase. Key changes made include the strengthening of the roles and terms of reference of the technical advisory group and the process design advisory group and of the role of a senior user on the project.
- 5.47** The Assistant Secretary in the Department of Public Expenditure and Reform with responsibility for government accounting has now been appointed as a senior user for the programme, with responsibility for input to ensure the design supports current and future government accounting policy. The current governance arrangements for the project are outlined at Annex 5A.

Specification of project requirements

- 5.48** The original approved concept for the FMSS system envisaged that all of the relevant financial processes would be performed on a single financial management system, accessed by both NSSO staff and staff from the client organisations. Common and standard business processes were to be implemented except where there was a clear and justifiable reason for doing otherwise.

- 5.49** A feasibility study for the project identified a need for a detailed process to identify specific business requirements which would not be met by standard system functionality. The requirements analysis was to be performed as part of a system design phase prior to procurement/implementation of any new system. The Programme Board aimed to have all the requirements built into the request for tenders and to contractually bind the system implementation partner to deliver the requirements. The key stages of the specification of project requirements are set out in Figure 5.7.

Figure 5.7 Key stages in specification of FMSS project

Date	Action
August 2014	Report to the Programme Board states that process maps and business requirements had been completed and signed off by all working groups on the project.
November 2014	Draft request for tenders developed. The draft request for tenders was subject to a peer review process which was coordinated by the Office of the Government Chief Information Officer (OGCIO). In addition, the request for tenders was reviewed by the process design advisory group, the Chief State Solicitor's Office (CSSO) and the Office of Government Procurement (OGP).
December 2014	Approval to issue the request for tenders was delayed as the CSSO, OGP and the OGCIO raised concerns in relation to the clarity of the requirements, inclusion of commercial clauses and the cost and complexities with respect to recording EU funding. Separately, the peer review process raised concerns in relation to the risks of the project due to the size and scale, concerns in relation to the change management element and the requirements of the system.
March 2015	Draft request for tenders approved by the Programme Board following amendments to address the issues raised.
April 2015	The request for tenders was issued six months later than planned.

Source: NSSO Programme Board minutes

- 5.50** The final request for tenders set out a range of requirements under four headings (see Annex 5B). The key features envisaged in the request for tenders included
- common finance processes tailored to the needs of the Irish civil service, automated where practical, with maximum reliance upon standard system functionality and with a continued focus on a strong financial control environment
 - one-time data capture and a single, consistent data set across all related processes with full and dynamic integration of all the modules of the system
 - the ability to meet new and emerging reporting needs through both cash and accruals based accounting
 - a flexible, sustainable and scalable solution that can respond to changes in the scope of services and/or customers' demands, and the evolving needs of the public service.

Customisation

- 5.51** Prior to the commencement of the FMSS project, it was noted that the majority of the financial management systems then in use had been customised to meet individual requirements of departments and offices. In total, an estimated 3,680 separate customisations had been made to the systems in order to provide the functionality required. About three quarters of the customisations were made by the Department of Agriculture, Food and the Marine.¹
- 5.52** The need for customisation has been a feature of the FMSS project from the start.
- Customisations to the request for tenders requirements were notified to the system implementation partner during the design phase. By June 2017, the Programme Board had been notified of 193 customisations accepted by the system implementation partner. The level of customisation required outside of the request for tenders requirements were reported as being due to the passage of time since the requirements specification exercise in 2015 and to the scale of the project.
 - In September 2017, when the project was being moved to the build phase, it was reported to the Programme Board that there were 238 further requirements which needed to be dealt with through additional customisation. Subsequently, the system implementation partner had indicated that it was not in a position to meet the complete wave 1 deployment planned for June 2018.

Common chart of accounts

- 5.53** A key aspect of the FMSS project was the need to introduce a common chart of accounts which would be used by all in-scope public sector bodies, and would enable both consolidation and transparency. A chart of accounts is a listing of all of the accounts and account codes that an organisation has identified as required for recording transactions in its general ledger. The account codes are generally broken down into function and/or by divisions in an organisation. The account codes in a standard business financial management system are generally designed to support the recording and reporting of income, expenditure, assets and liabilities.
- 5.54** Government departments and offices deliver a range of public services and, in addition to normal commercial/business revenues and expenses, provide different types of funding and support to individuals and organisations. This includes a wide and diverse range of grant payments. As the FMSS is intended to operate on a single technology platform, and to provide transparency of reporting, the system can only have a single standard chart of accounts.
- 5.55** Minutes of the Programme Board meetings indicate that discussion of the potential problems with the requirement for a single chart of accounts to be produced for the FMSS was first recorded in April 2013.

¹ The Department customised its SAP financial management system in order to comply with European Union regulations for making payments under the Common Agricultural Policy.

- 5.56** A working group was established to consider and develop a chart of accounts. This work ran concurrently with the development of the request for tenders, with a view to having an agreed structure when a system implementation partner was appointed, and in good time for design. In June 2016, it was envisaged that the chart of accounts would be finalised by the end of 2016. However, work on the chart of accounts continued and was still ongoing throughout the design of the system. The chart of accounts was re-examined in detail as part of the design triage process and was finalised in 2020. However, the mapping of the chart of accounts to allocate the existing account codes used by individual public sector bodies to the standard FMSS codes has not been completed.
- 5.57** The Accounting Officer has stated that it was a major challenge for the design team to achieve agreement on a single common chart of accounts, as various public sector bodies have their own non-standard charts of accounts on their existing legacy systems. The target departments and offices were strongly of the view that a continuing granularity would be necessary to support their data analytics and reporting requirements.

Management of system implementation partner contract

- 5.58** Two responses were received to the request for tenders. During the evaluation, one of the bids was deemed non-compliant due to a technical issue. Following a delay, the process continued and the remaining bidder was awarded the contract.
- 5.59** Following further delays, a contract for an Oracle-based technology solution was signed between the NSSO and the system implementation partner in September 2016. The contract was for a specified fixed price over a four-year term. The maximum amount due to be paid under the contract is €30.4 million (excluding VAT). However, the fixed price does not include any change control notes which may be required. These are paid for in addition to the fixed price contract value. The key elements of the contract are set out in Annex 5C.
- 5.60** The contract provides for a change control procedure to facilitate any increase/decrease or change in the scope of the system or any changes in the timing of the project. In the event of a proposed change, the system implementation partner prepares a draft change control note which includes an analysis of the impacts, costs and risks associated with the change. Each change can then be accepted, delayed, deferred or rejected. The cost of the changes reflects the proportional effort based on the project plan or a rate card (cost per day per type of employee required) set out in the contract. A dispute resolution procedure is included in the contract to allow for any disputes over the contract terms or change control notes.
- 5.61** The contract with the system implementation partner stated that a schedule of deliverables for each phase would be mutually developed and agreed between the parties and included within the draft project initiation document (PID) for each wave. A PID for the first wave of the project was drafted but never formalised.

5.62 The project did not progress as envisaged.

- A dispute arose early in the contract term over whether the contract price included an analysis phase to establish if the request for tenders requirements could be optimised with Oracle's experience of providing financial management solutions. This was not factored into the draft PID but the project team were of the view that this phase was provided for in the contract. The matter was referred to a formal dispute resolution process as provided under the contract. This dispute continued throughout the work on the project.
- User acceptance testing had been due to commence in July 2018, in advance of the deployment of the system for the first wave of clients in September 2018. However, the Programme Board noted that an integrated FMSS system had not yet been developed. As a result, the Programme Board and the project team decided to pause the planned deployment of the system.¹
- After the deployment of the system was paused, the NSSO stopped paying the system implementation partner under the original contract terms as the fixed milestone payment did not apply. As set out in the contract, elements of work not included in the original milestones are paid for under the change control note agreement. While the deployment was paused, the system implementation partner was paid through the change note system for its continued involvement in the project. A negotiation under this process took place with the system implementation partner to keep a downsized team on site to facilitate the work related to design triage.
- The NSSO paid €17.1 million (excluding VAT) to the system implementation partner between the start of the contract and the end of 2019.² The Accounting Officer estimates that around €12 million of that sum relates to work envisaged in the contract. The remaining €5.1 million is classified as additional work including design triage (€3.1 million), dispute resolution (€1.4 million) and the cost of changes to request for tenders requirements (€0.6 million).

¹ The NSSO has stated that there was no contingency in the plan if user acceptance testing was moved and therefore the September go-live was no longer possible. The re-planning activity undertaken by the NSSO after the deployment was stalled highlighted the need for a greater level of analysis of the issues and therefore a design triage phase was initiated.

² The amount paid including VAT is €21 million from the start of the project to the end of 2019 with €8 million being classified as additional work.

5.63 Discussions are ongoing with the system implementation partner but to date, no formal plan has been agreed for the completion of the project. The Accounting Officer has stated that the programme is progressing towards the signing of a PID for remobilisation and deployment of the FMSS system to wave 1 clients.

Conclusions and recommendations

- 5.64** The project to implement the FMSS system is a complex and challenging one. It aims to replace 31 different financial management and reporting systems in use across 48 Government departments, offices and agencies with a single financial IT system supported by a new finance shared services centre. Unlike the HR and payroll shared services which were substantially built on existing common software already in use, the FMSS project envisaged the design and building of a whole new system to be deployed across the civil service. This has turned out to be significantly more challenging than originally envisaged. As a result, the project is very significantly behind the original schedule, and costs are likely to be very significantly in excess of the amount projected when the project first received Government approval in January 2016.
- 5.65** The business case for the FMSS project projected total expenditure of €47.4 million (excluding VAT) and delivery of the completed project by June 2020. The NSSO had spent €38.4 million (excluding VAT) on the project by the end of 2019, and anticipates expenditure of a further €15 million in 2020.
- 5.66** A Government decision in September 2020 approved the continued deployment of the FMSS system over an extended timeline to 2025 with additional funding which brings the total approved budget for the project to €115 million, including VAT.
- 5.67** The first wave of client bodies was planned to commence using the system in mid-2018, but the system is not yet ready for deployment.
- 5.68** A substantial element of the work on the FMSS project was contracted out to a system implementation partner, following a competitive tendering process in 2016. A fixed price contract with a value of €30.4 million (excluding VAT) was signed with the partner firm in September 2016.
- 5.69** Disputes have arisen between the NSSO and the system implementation partner in relation to implementation of the project and work was interrupted in July 2018 when the planned deployment of the FMSS was paused. Design triage and governance review processes commenced in late 2018 have now been completed with a revised design specification prepared and an agreed chart of accounts signed off in 2020. The NSSO is currently negotiating with the system implementation partner with a view to agreeing a revised plan for remobilisation and deployment of the system to the first wave of public sector bodies.
- 5.70** The NSSO has estimated that expenditure totalling €10.3 million (excluding VAT) representing just over one quarter of total expenditure up to the end of 2019 had not been envisaged in the business case cost estimate. Much of that expenditure related to reviewing and amending the system design and to multiple reviews of various aspects of the project and was potentially avoidable.

Recommendation 5.1

The NSSO should work with the system implementation partner to agree revised costings for the remaining phases of work, along with an associated timeline for key milestones.

Accounting Officer response

Agreed.

A revised budget and indicative timeline is now approved by Government. The planning for the remaining phases of work is underway with the system implementation partner.

- 5.71** A 2019 OECD review included a number of recommendations aimed at modernising the accounting frameworks for government departments and offices. This includes a move to accrual accounts and ultimately the production of 'whole of government' accounts. The report identified the successful implementation of FMSS as a key enabler in the modernisation project and noted that the delivery of that project in line with the project scope and schedule would be critical in the implementation of accrual accounting. The accounting modernisation project envisages project inception and set-up in the period 2019 – 2020 and the definition of the new framework in the period 2020 – 2023.

Recommendation 5.2

The NSSO should ensure that the revised design specification satisfies the key requirements of the intended client base and will be capable of catering for known future requirements such as the move to accrual accounting.

Accounting Officer response

Agreed.

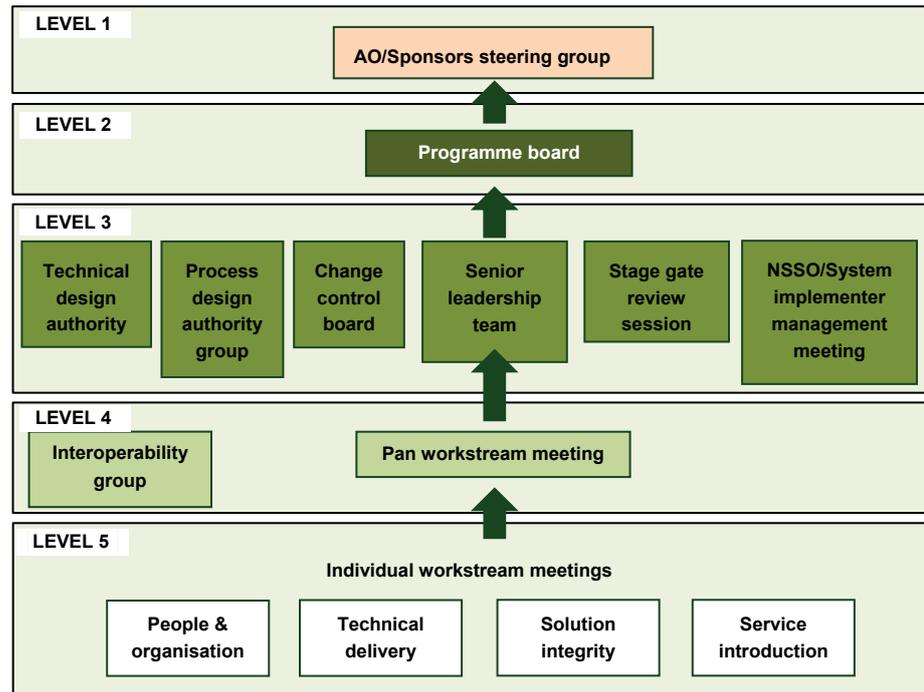
The NSSO has completed an extensive design review process, engaging with government departments and working group representatives during the course of the lengthy review process.

The NSSO is now finalising a revised implementation plan for deployment to wave 1 clients.

The NSSO is also engaging closely with advisors to the Department of Public Expenditure and Reform, including the Assistant Secretary in that department with responsibility for government accounting, in relation to the accruals accounting and fiscal transparency reform programme, with a view to ensuring that the project design will cater for all public sector accounting standards in relation to accrual accounting.

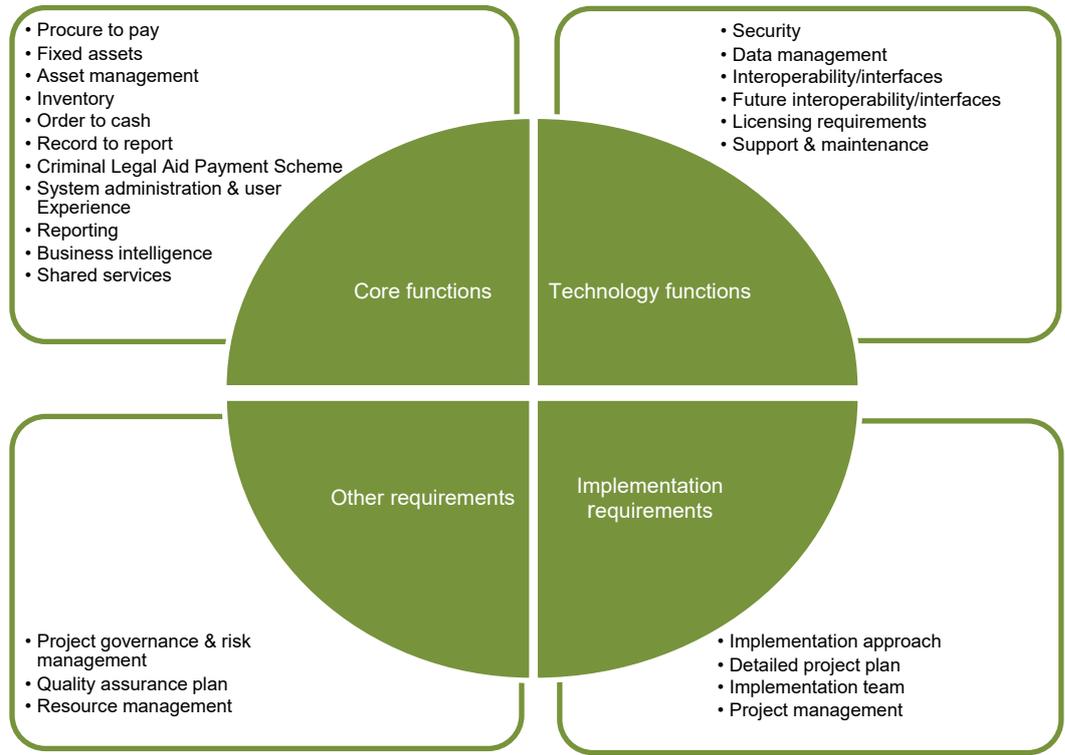
These actions are essential to the success of this programme. No additional actions are proposed at this time.

Annex 5A FMSS project governance arrangements



Source: NSSO

Annex 5B Request for tenders requirements



Source: NSSO

Annex 5C Key elements in the contract to deliver the FMSS

Phase	Components
Mobilise & install	A short phase where the contractor mobilises its team, initiates the project, installs the hardware and software, and establishes the managed service provision arrangements.
Design	Involves the design of the common footprint and the required configurations and customisations to effectively translate the request for tender requirements into a comprehensive and fully documented solution design. This phase commences with a conference room pilot (or equivalent) to support a fit-gap analysis for the system.
Build	Involves the build of the common footprint for the system and its customisation to the specification required by client bodies in the first deployment wave. A build phase will precede each subsequent wave for the configuration and customisation of the solution to the specification required by client bodies in each wave.
Test	Involves testing of the build of the common footprint for the system and the customisations for client bodies in the first deployment wave. A test phase will precede each subsequent wave for the testing of the configurations and customisations of the single FMS required by client bodies in each wave.
Training	Involves all activities related to training, including creating a strategy and plan, developing a user evaluation process, developing training materials, managing training logistics and preparation for end user training.
Deploy	Involves preparation for go-live, readiness assessments, data migration, end-user training, cutover activities and post go-live support to ensure successful deployment of the system to client bodies.
Stabilise & project closure	Involves transitioning from end of deployment to handing over to normalised support arrangements.

Source: NSSO. Pages 63 and 64 of the NSSO contract with the system implementation partner.

