17 The Health Service Executive's integrated financial management system

17.1 Since its establishment in 2005, the Health Service Executive (HSE) has sought to develop a fully integrated financial management system (IFMS). When fully deployed, it is intended that the IFMS will replace multiple legacy finance and procurement systems across the HSE, the Child and Family Agency (Tusla), and 64 other publicly-funded health agencies (see Annex 17A). A single chart of accounts will apply across all the legal entities on the system.

17.2 The IFMS is critical to the HSE's operation and its budgeting and financial reporting. Project delays have occurred, and implementation of the first phase of the project has encountered some difficulties. This examination was undertaken

- to review the progress and costs to date in the rollout of the IFMS in the HSE; and
- to establish the impact of the IFMS on the HSE's financial reporting and other reporting processes, including its reporting to the Department of Health (the Department).

The examination team interviewed HSE staff including end users of the system, reviewed project documentation and undertook an onsite walkthrough of the IFMS.

Origin of the project

17.3 In December 2013, the HSE set up a steering group — the Finance Reform Programme Steering Group — and put a formalised structure in place to deliver financial reform in the HSE. The steering group is responsible for

- managing the delivery of the finance reform programme
- ensuring the required programme budgets are secured and deployed, and
- approving and signing off on key programme deliverables.

17.4 Following its submission of a business case to the Department in May 2014 for a new finance operating model, the HSE submitted a detailed information and communication technology (ICT) business case for the IFMS to the Department in May 2015.[1] The proposed budget for the IFMS set out in the ICT business case comprised €82 million for capital costs and €50 million in recurrent spending for system support over an 11 year period.[2,3]

17.5 In May 2015, the Department (as the project sponsor) recommended this ICT business case to the Department of Public Expenditure, National Development Plan Delivery and Reform (Department of Public Expenditure) for approval. The ICT business case was reviewed under the Department of Public Expenditure's project peer review process and the project was approved to proceed to the next stage in October 2015.[4]

1 The HSE confirmed that the 2015 ICT business case, although marked 'draft', was in fact the final version.

2 The 2015 ICT business case did not state whether the proposed project budget included or excluded VAT. The business case submitted to the Department in May 2014 stated that the proposed capital budget excluded VAT.

3 The capital budget includes both capital and once-off expenditure. For the purposes of this report, both are referred to as capital. It is also assumed for the purposes of this report that all financial reform costs relate to the IFMS.

4 The project was approved to proceed at various stages throughout its lifecycle, including to contract signing, by the Department of Public Expenditure's Digital Government Oversight Unit.

17.6 The ICT business case envisaged that rollout of the IFMS would commence in 2017 with a view to being fully rolled out in the HSE, all statutory and voluntary hospital groups and the HSE's nine regional community healthcare organisations (CHOs), by the end of September 2019. Possible expansion to some 'section 39' organisations was planned from October 2019 to the end of 2020.[1]

17.7 A significant part of the HSE's ICT business case was the stabilisation work to be undertaken to replace ageing and unsupported legacy financial systems. Work on the stabilisation of existing systems in the HSE commenced in 2016 and has continued alongside the development of the IFMS. The stabilised systems will be replaced by the IFMS.

Rollout of the IFMS

17.8 Following a tender process in 2016/2017, the HSE entered into a contract with SAP, the software company, to purchase an 'enterprise resource planning' (ERP) software platform on which the IFMS would be delivered. This type of software is used to integrate the main business processes of an individual enterprise, for example, finance, supply chains and procurement.

17.9 In December 2019, following a separate tender process, the HSE appointed a systems integrator, DXC Technology (DXC) to design, build, test and deploy the IFMS on the platform to the HSE's requirements. A systems integrator specialises in bringing component sub-systems together as one and is expected to lead on many of the IFMS's technical activities. The contracted works were to be delivered in five stages which included the preparation, design, build and test stage; and the deployment (in four stages) of the new system across selected parts of the HSE and three pilot health sector bodies representing the key health sector structures.[2] Each deployment stage included post 'go live' support.

17.10 Following delivery of the system design in 2021, the HSE and DXC agreed to terminate the systems integrator contract. The HSE stated that the project encountered a number of delays and challenges during the design stage, which included the impact of Covid-19 and the May 2021 HSE cyber attack.

17.11 The HSE also stated that based on learnings from the systems integrator procurement process, a number of key changes were made for the procurement of a new systems integrator, which included, *inter alia*,

- revision and expansion of the statement of requirements to include deployment of the IFMS to the entire HSE and all voluntary organisations with annual funding in excess of €10 million
- new design quality assurance requirements to identify and address any potential gaps in the design or functionality of the approved design
- the incorporation of additional and enhanced integration with other HSE systems
- changes in the tender evaluation award criteria and associated weightings.

17.12 Following a new tender process, the HSE entered into a contract with IBM Ireland (IBM) as the new systems integrator in July 2022. In September 2022, the HSE approved the rollout of the IFMS on a phased basis across five planned 'implementation groups', including the three pilot non-HSE agencies (see Annex 17B).

1 Section 39 organisations provide services which are similar or ancillary to services provided by the HSE, and are funded by the HSE under section 39 of the Health Act 2004.

2 The three pilot organisations were the Mater Misericordiae University Hospital (acute), St Michael's House (non-acute) and Western Care Association (section 39).

Implementation

17.13 In September 2022, under the new systems integrator contract, a new implementation timeline was agreed with IBM. This included conclusion of IBM's validation of the existing system design by end October 2022; a build and test phase ending in June 2023; and the first implementation group (IG1) going live with the new system in July 2023.

17.14 The build and test phase continued as planned up to June 2023. However, this meant that there was very little time available for the new users to meaningfully engage with the system before going live. Nonetheless, the HSE decided to 'go live' with the IFMS for IG1 on 3 July 2023 as scheduled.

17.15 The roll out did not run as smoothly as envisaged. Some users felt that they did not have sufficient time to familiarise themselves with the new system, and the extent of new processes required, due in part to the timing of the build and test phase. Consequently, users continued to experience issues with the system after the user 'hypercare' period had lapsed in September 2023.[1] The issues experienced included

- problems with the vendor invoice management system and the processing of invoices for payment, mainly due to missing purchase order or goods received note information, thereby giving rise to a payments backlog[2]
- system, data and operational issues in the National Distribution Centre following the implementation of new extended warehouse management functionality as part of the IFMS, impacting the supply of stock and the delayed provision of backorders[3]
- problems with the transfer of old data to the new system and related adjustments
- the volume of tickets/calls to the help desk had not been anticipated and delays were experienced by users in receiving assistance.

In addition, the criteria for exiting hypercare were focused on the technical aspects of the solution rather than if users were sufficiently trained and experienced to move on from hypercare supports.[4]

17.16 To improve planning for future phase rollouts, the HSE undertook a lessons learned exercise post the rollout of the IFMS to IG1. The lessons learned included the need for

- greater IFMS project team awareness of local ways of working, to understand the practices which need to change and to provide targeted training
- the assignment of clear responsibility for signing off pre-IFMS and post-IFMS data
- improved support structures, for example, helpdesk solutions to be adequately resourced, to provide user support during the transition
- readiness assessments to be considered for future rollouts and review of (contractual) measures for exiting hypercare
- increased face-to-face engagement between the project team and users
- a strong representative governance structure to be maintained for future rollouts.

1 Hypercare is a period of increased user support for the new users of an ICT system.

2 For invoices processed through the IFMS, the invoices are emailed by the supplier to a new designated email address. The system has been designed to automatically review invoices using open text invoice scanning and to match the invoices in electronic format to related purchase orders to enable processing for payment. Invoices are only processed if they match the information included in the purchase order on a line by line basis. Invoices with missing purchase order or goods received note information require manual validation and compliance checks to allow them to be processed in the IFMS.

3 The HSE's National Distribution Centre provides logistics and inventory management to HSE locations nationally.

4 The criteria included, *inter alia*, the completion of knowledge transfer for all live application functionality and application documents and reverse knowledge transfer review. Also, no critical or high incidents identified during hypercare were to be left unresolved, and any unresolved medium and low incidents were to be within agreed limits.

Accelerated rollout

17.17 In October 2023, HSE staff who were members of the Fórsa trade union commenced industrial action which continued to early February 2024. Further rollout of the IFMS was among the work items that Fórsa members were instructed not to engage in. The HSE and IBM used the period of industrial action as an opportunity to undertake additional work on optimising the functionality of the IFMS.[1]

17.18 Following a request from the Department, a plan for the accelerated rollout of the IFMS was developed in February 2024. The accelerated plan now includes rollout of the IFMS across the rest of the HSE in just two groups IG2 and IG3 (see Figure 17.1).[2] The accelerated rollout does not include any section 38 or section 39 organisations.[3]

17.19 The HSE's revised plan is that the IFMS will be fully rolled out and operational within the HSE by the end of 2025. The HSE stated that, at that stage, it is expected that around 80% of annual health expenditure will be processed through the IFMS. Once the HSE rollout is complete, work on the rollout to other health bodies will commence.

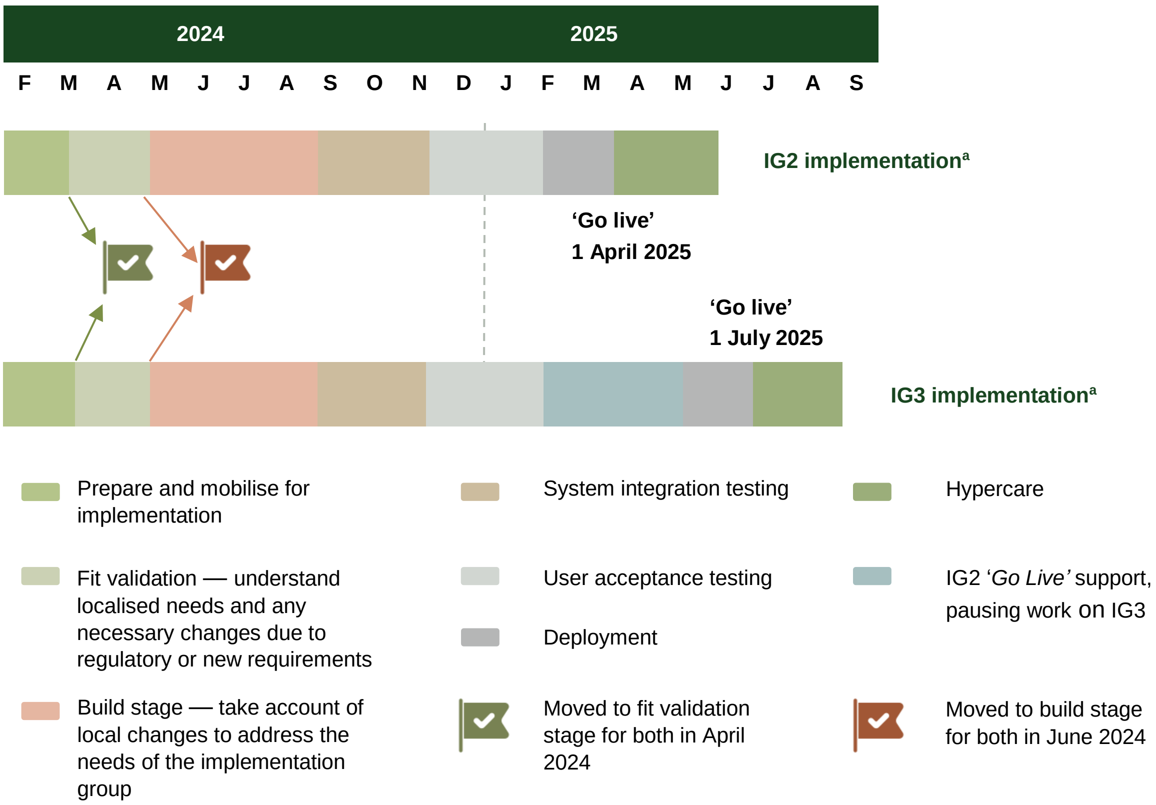
17.20 The accelerated rollout is currently running behind schedule. The HSE stated that while some activities are running slightly behind schedule, this is being managed within the overall plan and it is not expected to impact the overall timeline or the planned 'go live' dates for IG2 (1 April 2025) and IG3 (1 July 2025).

1 IBM was paid €5.5 million (including VAT) for this optimisation work through change control notes 6 and 7 combined (see Annex 17C).

2 The accelerated implementation plan for the IFMS was approved by the HSE Board in March 2024.

3 Section 38 organisations comprise voluntary hospitals and non-acute agencies that provide services on behalf of the HSE and are funded by the HSE under section 38 of the Health Act 2004.

Figure 17.1 Accelerated rollout of the IFMS



Source: Health Service Executive

Note: a Implementation group 2 (IG2) comprises HSE West and North West, and HSE Mid West. Implementation group 3 (IG3) comprises HSE Dublin and South East, HSE South West, HSE Dublin and North East and HSE Dublin and Midlands.

Cost to date in rolling out the IFMS

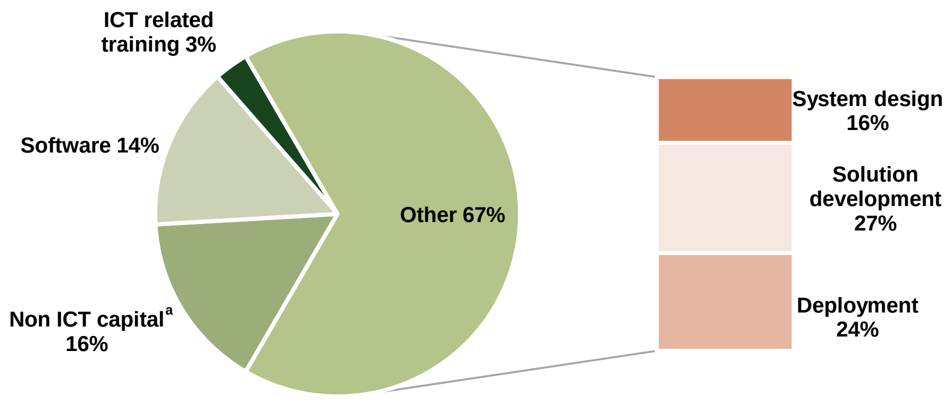
Capital budget for IFMS

17.21 The HSE's 2015 ICT business case to the Department set out the cash costs for the IFMS and how the capital budget funding of €82 million was to be spent over the period 2016 to 2020 (see Figure 17.2). The HSE has stated that

- costs in the business case excluded VAT, and while this was not stated in the 2015 document, an earlier wider business case submitted to the Department in May 2014 stated that the proposed capital budget excluded VAT
- the business case was submitted in line with *Public Spending Code* requirements, at that time.

17.22 The Department has stated that the capital budget allocated to the HSE for the rollout of the IFMS is €82 million, including VAT. However, the Department has not provided a copy of the approval issued to the HSE where this is stated. In late September 2024, the HSE provided the examination team with a copy of the Department of Public Expenditure's delegated capital sanction, dated October 2016, which included €82 million for the new financial system.[1]

Figure 17.2 Breakdown of the IFMS capital budget of €82 million



Source: Health Service Executive *Finance Reform HSE Information and communication technology (ICT) Project business case* May 2015

Note: a Non ICT capital includes a budget for stabilisation — 8% to update the software on old HSE systems facilitating the move to the IFMS; 4% for programme management and 4% on legal advice and commercial management.

17.23 The HSE informed the Department in late 2022 that additional funding would be required, possibly from 2026 onwards, as the IFMS budget approval received in 2016

- was based on work undertaken in 2014 and 2015;
- reflected pre-tender estimates; and
- excluded VAT.[2]

1 *Multi-Annual Delegated Capital Sanction 2016 – 2019*, to the Department of Health, dated 13 October 2016.

2 *Finance Reform Programme Capital Expenditure and Budget Analysis*, November 2022.

System development costs

17.24 The HSE contract with SAP to purchase the ERP software platform to deliver the IFMS was estimated at €34 million (including VAT) over a ten-year period, and includes software and support costs over the contract period.[1]

17.25 The contract with DXC, the systems integrator originally appointed to design the IFMS system, was for €19.1 million (including VAT).[2] This was on foot of a competitive tender competition where the successful bidder's cost offer was significantly lower than those of the other two bids received.

17.26 The contracted cost for stage 1 of the DXC contract (covering preparation, design, build and test) was €10.8 million (including VAT). In 2021, on completion of the system design, and early in the build stage, the contract was suspended and later terminated by agreement.

17.27 Payments to DXC totalled around €9 million (including VAT). This included

- €5.3 million related to the system design[3]
- €2.1 million for a replan due to Covid-19 related delays — of which €1.9 million was charged by the HSE to Covid-19 related expenditure rather than to the project
- around €1.6 million for other work completed up to the termination of the contract.

17.28 The value of the HSE contract with IBM in July 2022 for deployment of the IFMS across the HSE, post 'go live' support, software products and deployment of the system to the voluntary bodies totalled €63 million (including VAT). This included €4 million for IBM to review and validate the original DXC design, to ensure it met the 2022 IFMS requirements, before taking responsibility for building the system based on that design.[4]

17.29 From July 2024, contracted costs will increase for the remainder of the contract, due to the application of indexation based on the consumer price index.[5]

17.30 The contract with IBM includes provision for change requests of which there have been nine between September 2022 and March 2024 (see Annex 17C). The change control notes agreed to June 2024 have increased the value of that contract by €44 million i.e. to a total of €107 million (including VAT). This includes an increase of €20 million for the accelerated rollout of the IFMS across the HSE and €18 million for post 'go live' support.

Capital expenditure outturn (up to June 2024)

17.31 From the start of 2016 to the end of June 2024, the HSE has recognised IFMS-related capital costs totalling €60.2 million (including VAT). This comprises

- capital payments to IBM totalling €42 million for IFMS and the parallel-system stabilisation work
- payments totalling €7 million to DXC (excluding €1.9 million of the Covid-19 delay amount)
- €6.2 million to SAP in respect of the purchase of SAP licences, and
- €5 million to other external suppliers.

1 The contract includes provision for an increase in pricing over the term of the agreement.

2 The fixed price element of the contract was €18.2 million with €900,000 optional post 'go live' support.

3 Changes to the design increased the amount paid by €400,000 to €5.3 million.

4 An updated statement of requirements for the IFMS was prepared by the HSE as part of the procurement for the new systems integrator.

5 The contract provides for price indexation from month 25 of the contract based on an annualised consumer price index.

HSE project costs not capitalised

17.32 The IFMS capital costs recognised by the HSE to date do not include two categories of project expenses.

- The salaries of the HSE's own staff working fulltime on the IFMS project and associated overhead costs are charged as recurrent expenses, rather than as capital expenses.
- Project costs incurred before 2016, for example, the development and review of the business case and other early project costs, are also not classified as capital costs.

The HSE stated that in line with a number of Department of Public Expenditure circulars, internal staff costs are not capitalised for ICT programmes.

Recurrent costs

17.33 The 2015 ICT business case included a budget of €50 million for recurrent IFMS ICT costs over the eleven-year period 2016 to 2026 — €29 million for (SAP) licence costs; and €21 million for managed service costs including the maintenance of systems (existing and to be developed). The HSE stated, that up to end June 2024, around

- €6 million (including VAT) has been incurred on SAP licence support costs[1]
- €15.1 million (including VAT) has been incurred on managed service costs including the maintenance of systems.

However, these amounts, together with €3.6 million in pay costs for HSE staff supporting the IFMS, have been charged as IFMS 'business as usual' costs under the HSE's SAP Centre of Excellence rather than against IFMS project costs. The HSE has stated that all finance reform expenditure, which includes IFMS project related expenditure, is separately identifiable on its accounting systems.

HSE internal staff costs

17.34 The ICT business case capital budget proposed by the HSE included projected costs for an estimated 27.5 whole time equivalent (WTE) staff working on the development and implementation of the IFMS. The HSE has stated that these budgeted costs were for external resources.

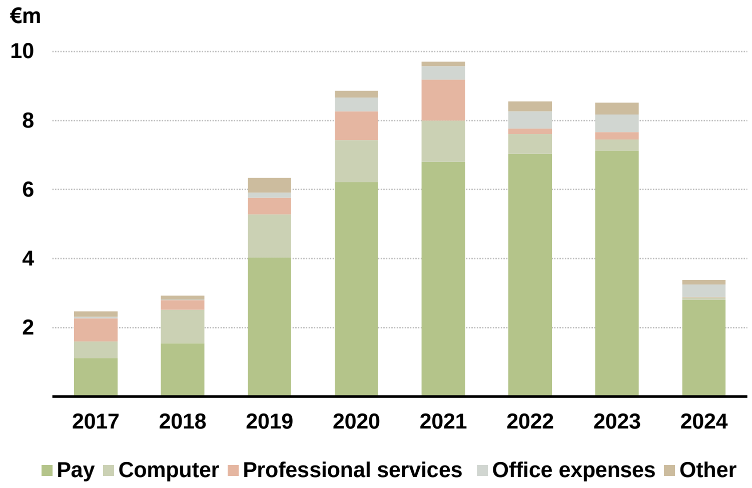
17.35 At 31 December 2023, there were almost 64 WTE staff working on the HSE's finance reform programme, of which, the IFMS is the main element.

17.36 Since 2017, the HSE has charged around €50.75 million for IFMS related pay and overhead costs to the finance reform programme (see Figure 17.3).[2] The HSE stated that between 2017 and 2020, this expenditure was funded from within the HSE's existing budget for each year. Since 2021, the HSE has received an additional annual funding allocation of €10 million from the Department for HSE IFMS related pay and overhead costs.

1 From 1 January 2023, SAP can increase the cost of the support (initially set at a rate of 22% of the value of the licence) by the percentage increase in the consumer price index — to be applied on a non-aggregated basis until 31 December 2025 after which the increase is to be applied on an aggregated basis.

2 Costs incurred in 2016 are not available. Since 2017, IFMS pay and overhead costs are recorded under a finance reform programme revenue budget.

Figure 17.3 IFMS related recurrent costs 2017 to end June 2024



Source: Health Service Executive

Project outturn

17.37 In the Department's 2024 letter of determination to the HSE, issued in November 2023, the Department provided additional once-off funding of €40 million in 2024 to accelerate the rollout of the IFMS, bringing the total ICT budget allocated to €172 million. The budget required to complete the deployment of IFMS to the rest of the HSE and to the 'in scope' health organisations has yet to be developed by the HSE.

17.38 By end June 2024, the HSE had recorded that around €136 million has been spent on the IFMS project.[1] This comprises €60.2 million in capital costs, €50.75 million IFMS project in-house current expenditure, and €24.8 million in current software and operating costs (SAP Centre of Excellence).

IFMS operational issues

17.39 The 2023 audit of the HSE's financial statements noted a number of IFMS related operational issues following the July 2023 implementation of the system for IG1. The issues noted included

- a number of duplicate payments made through the IFMS to suppliers
- delays and difficulties in posting and matching of invoices to goods-received notes
- manual tax clearance checks were required in some instances (checks were intended to be automated in the IFMS)
- delays in paying invoices, particularly part payments for ongoing capital work
- the IFMS not being configured to automatically calculate prompt payment interest.

1 This does not include €1.9 million charged to Covid-19 expenditure.

17.40 In response to the audit findings, the HSE stated that

- a significant number of invoices received from suppliers did not reference an official HSE purchase order or have a goods received note processed which resulted in delayed payment processing
- temporary issues were experienced with migrated data, whereby certain supplier tax numbers either did not migrate across or were invalid
- master data for open invoices older than three months was not initially migrated resulting in delayed payment, for ongoing capital work in particular.

It also stated that, since August 2024, the IFMS can automatically calculate prompt payment interest.

17.41 The HSE further stated that

- Its 2025 annual financial statements (to be published in mid-2026) will be fully produced from the IFMS following the full rollout of the system across the HSE during 2025.
- Other organisations, once on-boarded to the IFMS, will also be able to produce their financial statements from the IFMS.
- The consistent categorisation of cost centres across all entities on the IFMS will also facilitate standardised national reporting of services.[1]
- The IFMS line item matching of invoices to purchase orders will allow it to undertake price/volume reporting by location, whereby it will be able to drill down and establish whether any change in the cost of a product (or service) is due to price and/or quantity increases.
- The IFMS has been designed to provide standardised national reporting of services as well as detailed price and volume variance reporting at unique material or service code level for budget holders.
- The IFMS will allow the HSE — in addition to its existing mandated accrual-based reporting — to carry out cash-based accounting and reporting to better align with departmental vote based reporting.
- It is also expected that, over time, the embedding of the IFMS within the HSE will facilitate better, more timely financial reporting to and forecasting for the Department.

However, the examination team found that there has been no material change in the format of the HSE's reporting to the Department since the initial rollout of the IFMS.[2]

17.42 The HSE stated that the reporting-related benefits of the IFMS will not be fully realised until the IFMS is implemented completely across the entire HSE by mid-2025. In the meantime, it continues to report to the Department on a weekly and monthly basis, in line with the agreed format and timetable for reporting.

1 Each legal entity will be represented on the IFMS by its own SAP company code, which will have its own set of cost centres to reflect the internal organisation of the legal entity and the services that it provides.

2 Financial reports and spending updates are produced using both IFMS and non-IFMS financial systems.

Conclusions and recommendations

17.43 The IFMS — a single national integrated finance and procurement system — will replace the legacy financial management systems in place throughout the Health Service Executive (HSE) and other bodies within the scope of the IFMS.

Project budget

17.44 In 2015, further to the Department of Health's recommendation, the Department of Public Expenditure approved the progression of the IFMS by 2020 on the basis of a budget comprised of

- €82 million for capital and once off costs for the rollout of the system; and
- €50 million in recurrent funding to cover costs incurred on licencing and the maintenance of systems over the 11-year period 2016 to 2026.

The allocated funding is being provided through the Health Vote. A further €40 million was allocated in 2024 for the acceleration of the roll out of the IFMS, bringing the total approved ICT budget to date to €172 million.

Project delays

17.45 In December 2019, following a tender process to identify a systems integrator for the IFMS, the HSE entered into a contract for just over €19 million, with the successful bidder, to design and build the IFMS to be run on a SAP software platform. The successful bid was significantly lower than the other two bids received.

17.46 The HSE's 2015 ICT business case envisaged that rollout of the IFMS — planned on a phased basis — would commence in 2017 with a view to being fully rolled out in the HSE and other Health bodies by 2020. However, the rollout plan has been revised on a number of occasions mainly due to delays associated with project mobilisation; the original systems integrator procurement and related design challenges; Covid-19; the HSE cyber attack and the subsequent change in systems integrator.

17.47 On completion of the system design, which cost €5.3 million (including VAT), and early in the build stage, the HSE and the original systems integrator agreed to terminate the contract in late 2021. A further €4 million was paid to the successor systems integrator to review and validate the previous systems integrator's design to ensure it met the revised IFMS requirements.

17.48 In July 2022, following a new tender competition, the HSE entered into a contract with the current systems integrator for €63 million to cover validation of the first systems integrator's design, deployment of the IFMS across the HSE and the in scope voluntary health bodies, post 'go live' support, and software products.

17.49 The system build and test stage of the IFMS project was completed around the end of June 2023. Notwithstanding the proximity to the launch date, the HSE decided to 'go live' with the IFMS for the first implementation group as planned, in early July 2023.

17.50 The rollout was not without challenges. Limited resources were available to assist staff with the transition to the IFMS and to address issues arising from the extent of changed processes involved. Overall, users found that they had insufficient time to familiarise themselves with the system prior to it going live. The HSE, following a lessons learned exercise completed in February 2024, has identified a number of actions to improve the planning for future rollouts of the system.

17.51 Industrial action over the period October 2023 to early February 2024 further delayed rollout of the system. The HSE and IBM used this time as an opportunity to work on the IFMS, optimising the functionality and providing enhanced supports intended to benefit both the HSE and the system users.

17.52 Enabled by the additional funding of €40 million provided in the Health Vote for 2024 for the accelerated rollout of the IFMS, the HSE now plans to roll out the system across the rest of the HSE in two phases. By the end of 2025, the HSE expects that all of the HSE, covering around 80% of annual health expenditure, will be processed through the IFMS.

Budget outturn

17.53 The 2015 ICT business case presented by the HSE was costed without taking account of the VAT expense, but this was not stated in the business case. A wider business case submitted to the Department in 2014, including provision for the IFMS, had stated that VAT was excluded.

17.54 The Department considers that, in approving the cost proposal set out by the HSE in 2015, it had done so on a VAT inclusive basis.

17.55 The HSE subsequently informed the Department in late 2022 that additional capital funding would be required — most likely from 2026 onwards — to complete the rollout of the IFMS. It noted, *inter alia*, that the €82 million budget previously approved excluded VAT and was based on pre-tender estimates.

Recommendation 17.1

The HSE should develop and provide the Department of Health with a revised project budget setting out the expected future costs (on both a VAT inclusive and VAT exclusive basis) and any funding that may be required to achieve full deployment of the system across all bodies within the scope of the IFMS.

Chief Executive Officer's response

Agreed

The funding required for all approved stages of the project, up to the end of September 2025, has been fully identified.

The approved stages of the project will see the completion of the deployment of IFMS to the entire statutory healthcare system, with the final 'go live' scheduled for July 2025, followed by an intensive post 'go live' support period. The current approved project stage runs to 30 September 2025. Future stages of the IFMS project involve deployment of the solution to voluntary organisations in scope i.e. all section 38 voluntary organisations and section 39 voluntary organisations in receipt of annual funding in excess of €10 million.

The costs and funding required for future stages of the project beyond September 2025 will be developed as part of detailed project planning for the future stages, and submitted to programme governance for approval in early 2025. Expected future costs and funding required for these stages will be provided to the Department of Health as part of the annual estimates process and the ICT capital plan process in Quarter 4 2024.

Timeline for implementation

Quarter 4 2024.

17.56 Over the period 2016 to the end of June 2024, the HSE has spent around €60 million (including VAT) of the capital budget on the development and rollout of the IFMS. Payments to the systems integrators totalled €49 million, while payments to external vendors for stabilisation measures and other programme-related activities amounted to around €11 million.

17.57 While the 2015 ICT business case set out that the cost of an estimated 27.5 whole time equivalent staff working on the development and implementation of the IFMS and supporting infrastructure costs formed part of the capital budget, the HSE has clarified that these costs relate to external, rather than, in-house costs.

17.58 Salaries of HSE staff working on the IFMS project and their overhead costs totalling around €50.75 million to end-June 2024 are treated as a non-capital expense and have been charged against the finance reform programme budget, of which the IFMS is the main element. Other non-capital expenses incurred in relation to the IFMS project totalling €24.8 million have been charged to the HSE's SAP Centre of Excellence allocation.

17.59 Between September 2022 and June 2024, the HSE agreed nine contract changes with the systems integrator, for a total value of around €44 million, increasing the overall value of the contract to €107 million (including VAT). Three changes account for €42 million (96%) of the increase. The largest change (of €20 million) relates to the re-planning and accelerated rollout of the IFMS across the HSE, while a further change (of €18 million) relates to post 'go live' support.

17.60 The HSE has reported that by the end of June 2024, it had incurred a total spend of around €136 million on the IFMS project, including the costs charged to IFMS 'business as usual' areas within the HSE's accounting system.

17.61 While currently the total cost for the development and deployment of the IFMS to all of the HSE and other bodies within scope is unknown, the HSE has committed to developing detailed project planning for the future stages which will be submitted to programme governance for approval in early 2025.

Financial reporting

17.62 The 2023 audit of the HSE's financial statements noted a number of IFMS-related implementation issues. However, the HSE stated that its 2025 annual financial statements will be fully produced from the IFMS following the full rollout of the system across the HSE during 2025.

17.63 Once the IFMS is fully operational the HSE expects the functionality provided will include price/volume reporting and cash reporting on a summary cost centre and regional basis, significantly improving the HSE's financial reporting.

Annex 17A Section 38 and 39 organisations in scope for the IFMS

Figure 17A.1 Section 38 organisations in scope for the IFMS

Acute hospitals

1. Beaumont Hospital
2. Children's Health Ireland
3. Coombe Women's and Infants University Hospital
4. Mater Misericordiae University Hospital
5. Mercy University Hospital
6. National Maternity Hospital
7. National Orthopaedic Hospital, Cappagh
8. National Rehabilitation Hospital
9. Rotunda Hospital
10. Royal Victoria Eye and Ear Hospital
11. St James's Hospital
12. St John's Hospital
13. St Vincent's University Hospital and St Michael's Hospital
14. South Infirmary Victoria University Hospital
15. Tallaght University Hospital

Non-acute health agencies

1. Avista
2. Brothers of Charity Services Ireland
3. Carriglea Cáirde Services
4. Central Remedial Clinic
5. Cheeverstown House
6. COPE Foundation
7. Cork Dental School and Hospital
8. Dublin Dental University Hospital
9. Incorporated Orthopaedic Hospital of Ireland (Clontarf)
10. KARE
11. Leopardstown Park Hospital
12. Marymount University Hospital and Hospice
13. Milford Care Centre
14. Muiríosa Foundation
15. Our Lady's Hospice and Care Services (Sisters of Charity - Dublin)
16. Peamount Healthcare
17. Royal Hospital Donnybrook
18. St Francis Hospice Dublin
19. St John of God Community Services Ltd.
20. St Michael's House
21. St Patrick's Centre (Kilkenny)
22. St Vincent's Hospital Fairview
23. Stewart's Care
24. Sunbeam House Services
25. The Children's Sunshine Home
26. The Galway Hospice Foundation Company Limited by Guarantee

Source: Health Service Executive

Figure 17A.2 Section 39 organisations in scope for the IFMS[a]

1. Ability West Ltd
2. Acquired Brain Injury Ireland (formerly Peter Bradley Foundation)
3. Alzheimer Society of Ireland
4. Bluebird Care
5. Camphill Communities of Ireland
6. Caredoc GP Co-operative
7. Caremark Ireland
8. Centres for Independent Living (CIL)
9. Cheshire Ireland
10. Comfort Keepers Ltd.
11. Enable Ireland
12. Irish Wheelchair Association
13. Jigsaw
14. Kerry Parents and Friends Association
15. Prosper Group
16. Rehab Group
17. St Christopher's Services, Longford
18. St Joseph's Foundation
19. Simon Communities of Ireland
20. Sora Healthcare T/A Irish Homecare
21. SOS (Kilkenny) CLG
22. South Doc GP Co-operative
23. Western Care Association

Source: Health Service Executive

Note: a The organisations listed are currently in scope for the IFMS. It is envisaged that the IFMS will be rolled out to each section 39 organisation in receipt of over €10 million funding from the HSE.

Annex 17B HSE IFMS implementation groups as at September 2022

Implementation Group 1 (East)

CHO6[a]

CHO7

CHO9

Connolly Hospital

Naas General Hospital

St Columcille's Hospital

St Luke's Radiation Oncology Network

HSE Corporate and National Services

National Capital Income and Payments

National Distribution Centre

Primary Care Reimbursement Service

Tusla

Implementation Group 2 (West)

CHO2

Galway University Hospital

Mayo University Hospital

Merlin Park University Hospital

Portiuncula University Hospital

Roscommon University Hospital

St Michael's House (Section 38)

Western Care Association (Section 39)

Implementation Group 3 (South)

CHO 4

CHO 5

Bantry General Hospital

Cork University Hospital

Kilcreene Orthopaedic Hospital

Mallow General Hospital

South Tipperary General Hospital

St Luke's General Hospital Kilkenny

University Hospital Kerry

University Hospital Waterford

Wexford General Hospital

Implementation Group 4 (Midwest and North West)

CHO1

CHO3

Croom Orthopaedic Hospital

Ennis General Hospital

Letterkenny University Hospital

Nenagh General Hospital

Sligo University Hospital

University Hospital Limerick

University Maternity Hospital Limerick

Mater Misericordiae University Hospital

Implementation Group 5 (Midlands and North East)

CHO8

Cavan General Hospital

Louth County Hospital

Midland Regional Hospital, Mullingar

Midland Regional Hospital, Portlaoise

Midland Regional Hospital, Tullamore

Monaghan General Hospital

Our Lady of Lourdes Hospital

Our Lady's Hospital Navan

Source: Health Service Executive

Note: a CHO refers to Community Health Organisations. There are nine CHOs in the HSE. Each CHO operates through primary care networks comprising general practitioners, nurses and allied health professionals.

Annex 17C Change control notes

Change notes[a]	Coverage period	Description	Payment allocation	Amount €000
CCN 1 **3 October 2022**	*3 October 2022 to 30 June 2023*	To provide a support service for a SAP Ariba snap cloud solution until the HSE migrates to the SAP IFMS solution as part of IFMS IG1.	Yes (IFMS Capital)	231
CCN 2 **23 September 2022**		To add an additional sub processor (offshore) for the data processing agreement.	Yes	—
CCN 3 **20 January 2023**	*1 May 2023 to 31 August 2026*	To provide 'go live' application support under a capacity-based managed service model following hypercare. Support is to be provided for each deployment of the IFMS. This service includes technical support for one year and minor enhancements to the system. The change note also included costings for an enhanced level of support for an extended period, if required.	Yes (IFMS SAP CoE Revenue)	17,829
CCN 4 **1 March 2023**		Replanning of delivery of a custom budget planning and forecasting solution.	Yes	—
CCN 5 **14 April 2023**	*May to August 2023 (to allow for payment in August)*	Systems integrator to provide additional training support for IG1 end user training from May to July 2023.	Yes (IFMS Capital)	124
CCN 6 **1 November 2023**	*21 September 2023 to 29 December 2023*	Systems integrator to work on prioritised enhancements to the system during the industrial dispute. This included optimisations for invoice processing, budgeting, reporting in capital and estates. The work also covered extended business supports for the HSE, the provision of user guides and activities to support an accelerated IFMS rollout.	Yes (IFMS Capital)	4,298
CCN 7 **14 November 2023**	*1 January 2024 to 31 January 2024*	Covers continued delivery of approved IFMS enhancements e.g. work on purchasing channels, supplier self-service related functionality and a change to allow cost centres as a selection parameter for financial statements. Business support for HSE shared services and activities to facilitate an accelerated IFMS rollout plan also included.	Yes (IFMS Capital)	1,188
CCN 8 **22 January 2024**	*January to June 2024*	Incremental training services to support the SAP Centre of Excellence unit in the HSE with IG1 related training activities.	Yes (IFMS SAP CoE Revenue)	116
CCN 9 **1 March 2024**	*1 February 2024 to 30 September 2025*	To accelerate the rollout to the remaining HSE statutory organisation in two groups IG2 and IG3. The systems integrator to mobilise regional teams to collaborate with the HSE regional teams to deliver the activities required to enable the rollouts. Establishing at the same time the custom requirements; building and testing the system to be completed for IG2 and IG3.	Yes (Allocation to be determined)	19,994
				43,780

Source: Health Service Executive

Note: a CCN means 'change control note'.