

## 6 Financial management shared services: implementation progress

- 6.1** In February 2012, the Government decided to implement a shared services model for certain administration functions in the Irish public sector.<sup>1</sup> The National Shared Services Office (NSSO) was set up in 2014 as an administrative office within the Department of Public Expenditure, National Development Plan Delivery and Reform (the Department), but with its own vote (Vote 18). In January 2018, the NSSO officially became a new separate civil service office with its own accounting officer.
- 6.2** There are three strands to the rollout of the shared services model managed by the NSSO — human resources, payroll and financial management. The first two services are operating across a broad range of departments and offices.
- 6.3** The Government approved the business case for the financial management shared services (FMSS) programme in January 2016. The FMSS programme aims to replace 31 different financial management and reporting systems, in use across 52 central government departments and offices, with a single IT system supported by a new finance shared services centre.
- 6.4** Deployment of the FMSS system is currently scheduled to take place across four ‘waves’ of client public service bodies (see Annex 6A). The system went live for wave 1 client bodies in April 2022.
- 6.5** As client public service bodies migrate to the FMSS system, the NSSO will provide a number of finance services to them, including
- support with preparation of financial statements and audit processes
  - accounts payable and receivable
  - master data management
  - fixed asset accounting and asset management
  - general ledger accounting and taxation
  - inventory accounting.
- 6.6** The Comptroller and Auditor General published a report on the implementation of FMSS in September 2020.<sup>2</sup> The report outlined how the FMSS programme had encountered significant delays and had incurred project cost overruns of €10.3 million by the end of 2019.
- 6.7** Also in September 2020, the Government agreed to a proposal from the Minister for Public Expenditure, National Development Plan Delivery and Reform for the continued deployment of the FMSS system
- over an extended timeline to 2025 and
  - with an expanded project budget of up to €115 million including VAT.

<sup>1</sup> A 2008 review by the Organisation for Economic Co-operation and Development (OECD) recommended that the Irish public service should prioritise the 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.

<sup>2</sup> *Report on the Accounts of the Public Services 2019*, chapter 5 Implementation of financial management shared services.

## Focus of this examination

- 6.8** This examination was undertaken to review the progress made by the NSSO in the rollout of the FMSS system under the revised investment plan and extended timeline.
- 6.9** This involved the review of documentation, budget and cost analyses, interviews with relevant staff in the NSSO and the Department, and onsite walkthroughs of the FMSS Oracle financial reporting system and support desk (JitBit) system.<sup>1</sup>
- 6.10** The submission to Government of the original business case for the FMSS noted that the proposed budget excluded VAT. In order to allow for comparison with the business case and with the Comptroller and Auditor General's previous report, the amounts presented here are VAT exclusive unless otherwise noted.

## Timeframe and progress

- 6.11** The original business case for the FMSS programme approved in January 2016 included a plan to deploy the FMSS system to client public service bodies in five waves, to reach full delivery by June 2020 (see Figure 6.1). This was not achieved, and by September 2020 the project was running three years and nine months behind the original schedule, and deployment of the system to wave 1 bodies had not commenced.
- 6.12** While the September 2020 memorandum for Government contained an indicative timeline of the funding requirement per annum over the period 2020 – 2025, it did not include any detailed timeline or key milestones for deployment of the system to each of the waves of client public service bodies by 2025.
- 6.13** The ministerial observations included in the memorandum noted that no timeline of actions was available to public service bodies for the migration to FMSS and recommended that the FMSS programme team should coordinate with the Government Accounting Unit in the Department to provide a single coherent timeline to public sector bodies for
- the implementation of FMSS and
  - the related financial and accounting reforms.

<sup>1</sup> The NSSO's FMSS customer service operates via a ticketing system called JitBit.

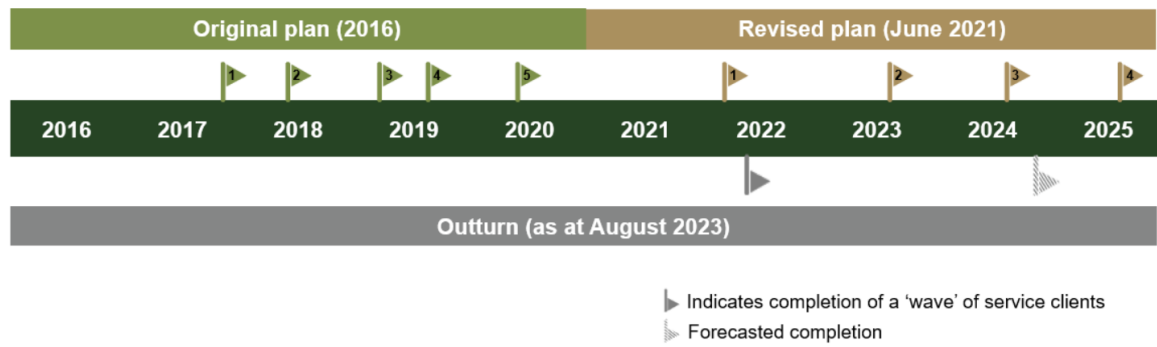
<sup>2</sup> The FMSS Programme Board oversees key decision making and provides advice and support in relation to the programme. FMSS Programme Board members include representatives of government departments and offices at secretary general, assistant secretary and director level.

<sup>3</sup> The system implementation partner is responsible for providing the single financial management system to operate in the FMSS centre and across client public service bodies. This also includes the provision of a managed service for support of the system.

## *Programme Board oversight of timeline*

- 6.14** The minutes of the FMSS Programme Board meetings indicate that, from February 2020, the Board regularly asked for a detailed timeline for the deployment of the FMSS system beyond wave 1.<sup>2</sup> The NSSO stated on each occasion that discussions with the system implementation partner were exclusively focused on wave 1 rollout.<sup>3</sup>
- 6.15** In June 2021, the Head of the FMSS programme presented three scenarios (see Annex 6B) for future wave deployment to the NSSO Management Board. She recommended consideration of consolidation of the original five waves of deployment into four reconfigured waves to be rolled out between Q4 2020 and Q4 2025, with options to conduct system architecture upgrades in parallel.

**Figure 6.1 Comparison of projected and actual timelines, 2016 – 2025**



Source: National Shared Services Office. Analysis by the Office of the Comptroller and Auditor General.

- 6.16** In November 2021, the FMSS Programme Board again asked for an update on the plan for future waves. Despite the Management Board’s consideration of scenarios in June 2021, there is no record that a revised plan for all waves was provided to the Programme Board.
- 6.17** In February 2023, the NSSO provided a high level update on wave 2 to the FMSS Programme Board. An indicative critical path and timeline for deployment of the system to wave 2 was presented to the FMSS Programme Board in July 2023. This update noted the earliest indicative ‘go-live’ date for wave 2 as the end of 2024; and it did not provide an indicative completion date for the remaining waves.
- 6.18** The Accounting Officer has stated that the FMSS Programme Board was kept informed of project progress at all times, and that the focus was on the delivery of wave 1. The NSSO’s best endeavours were applied to provide updates on the planning for future waves, but the project implementation team and the FMSS Programme Board both recognised the priority focus was to ‘go live’ on wave 1. The available resources were therefore prioritised to focus on the wave 1 rollout and its subsequent stabilisation.

***Planned to actual delivery timeline***

- 6.19** Relative to the delivery scenario outlined to the Management Board in June 2021, it appears that the FMSS project is again significantly behind target. While it was envisaged then that wave 2 rollout would be completed by September 2023, the NSSO now forecasts that this will be achieved by end 2024 i.e. a delay of 15 months.

***Wave 1 deployment***

- 6.20** The NSSO’s agreement with the system implementation partner set out a timeframe of 13.5 months for full deployment of the FMSS system to wave 1 public service bodies from a start date expected to be no later than 9 November 2020.<sup>1</sup> The rollout of the system was organised over thirteen phases, a number of which were scheduled to run parallel to each other. The system was expected to go live in Q4 2021.

<sup>1</sup> The NSSO formally agreed the Project Initiation Document (PID) for deployment of the FMSS system to wave 1 client bodies with the system implementation partner on 9 October 2020.

- 6.21** While the deployment process started on schedule, the programme ran into some delays that impacted its overall delivery.

**6.22** The FMSS system went live for wave 1 client public service bodies on 19 April 2022, some four months later than planned. Operational support (after 'go-live') was originally planned to last six weeks, but this was extended to eight weeks, ending in June 2022.

**6.23** All the 2022 appropriation accounts of the eight departments and offices involved in the wave 1 move were produced by the statutory date for submission of the accounts for audit.

### *Views of the Accounting Officer*

**6.24** The FMSS programme experienced some implementation delays, which is not unexpected in a programme of this scale. Wave 1 remobilisation, implementation and deployment were conducted during the Covid-19 pandemic. All meetings and engagements with wave 1 clients were conducted in a fully remote environment as a result. The lack of in-person engagement had a significant impact on the deployment and transition experience of all the public service bodies involved. The time taken to stabilise the service was longer than planned but deemed necessary and appropriate to be able to then move onto wave 2 mobilisation.

**6.25** The NSSO has achieved ISAE Type I accreditation for the FMSS system. The NSSO is now working towards achieving ISAE Type II accreditation.<sup>1</sup>

### *Wave 1 user experience*

**6.26** On 13 July 2022, the Secretaries General of the Department of Finance and of the Department of Public Expenditure, National Development Plan Delivery and Reform issued a joint letter to the NSSO's Accounting Officer reporting that FMSS users within the Departments were dissatisfied with the system's performance and functionality. Two areas of concern, deemed separate from the expected teething problems when launching a new system, were identified

- the new system's reporting ability
- the reduction in staff productivity resulting from the process involved in raising purchase orders and the use of smart forms.

An attachment to the letter set out eleven actions required from the NSSO to address the issues identified by system users.<sup>2</sup>

**6.27** The Accounting Officer stated in a reply on 19 July 2022 that the FMSS system go-live was a success from a delivery standpoint and that some of the issues raised by the two Departments were encountered in the opening weeks of operations and had since been resolved.

**6.28** The Accounting Officer noted that the remaining issues raised were either already being looked at and progress was being made to resolve them, or involved changes to the design that was formally ratified by the Process Design Authority Group in 2019 and would require a costly rebuild of the system.<sup>3</sup> She provided assurance that the NSSO would consider how to further support system users by providing additional, targeted training.

<sup>1</sup> An ISAE Type I report describes the controls in operation in relation to a service at a point in time. A Type II report describes the controls in operation and tests their operating effectiveness over a specified period.

<sup>2</sup> In October 2022, the finance officers and procurement administrators of six of the eight wave 1 client departments and offices also wrote to the NSSO, expressing similar concerns.

<sup>3</sup> The Process Design Authority Group has decision-making authority in relation to the functional and process design of the system rolled out to FMSS client public service bodies.

- 6.29** The Department of Finance manages the Central Fund of the Exchequer (the Exchequer). The Exchequer was part of the planned wave 1 deployment. It was decided that the Exchequer would run both the FMSS system and its existing system in parallel from April 2022 to prove the functionality and reliability of the new FMSS system. While the parallel-run was planned to take place for three months, with an Exchequer go-live date of July 2022, it continued for five months. In September 2022, the Department of Finance made the decision to pause the Exchequer's transfer to FMSS, in particular due to concerns regarding the system's ability to meet its specific reporting requirements.<sup>1</sup> Engagement with the Department of Finance took place to resolve the issues, but the transfer remains suspended.
- 6.30** The NSSO carried out forty updates of existing reports and deployed five new reports between August 2022 and April 2023 in response to issues raised by system users. A number of 'Lunch and Learn' sessions were facilitated by the NSSO between September 2022 and February 2023.
- 6.31** The NSSO commissioned an independent post-implementation review of the first wave of the FMSS programme in September 2022. The review comprised
- the organisation of a series of workshops with key stakeholders and each of the eight wave 1 client public services bodies
  - the production of a written report (the review report) on key actions emanating from the lessons learned from wave 1, including suggestions for organisational design and governance changes or enhancements, for application in future deployments.
- 6.32** Workshops were conducted in Q4 2022. A post-implementation review joint session with wave 1 public service bodies was scheduled to take place on 28 April 2023 and was expected to be the final engagement prior to the finalisation of the review report. Wave 1 clients requested to postpone the session until a draft of the review report was made available to them. As at the end of July 2023, this meeting had not taken place nor been rescheduled and the review report had not been shared or finalised. The NSSO has stated that it met with the reviewer in mid-July 2023 to discuss the draft findings and that the reviewer is in the process of finalising the report.

### ***Deployment of the remaining waves***

- 6.33** In September 2020, the Government approved a revised plan for completion of the FMSS project by end 2025. The NSSO now expects the timeline for full delivery of the FMSS programme to go beyond that date. The NSSO has been engaging with wave 2 clients since late 2022 and expects a formal implementation plan to be in place by end September 2023, and is planning for completion of the wave rollout by end December 2024. The NSSO teams also intends to begin workshops with wave 2 clients from September 2023.

<sup>1</sup> Monthly Exchequer returns are published on the second working day of the subsequent month.

- 6.34** The preparation and finalisation of a PID and implementation plan for wave 2 will take place in parallel with two other work streams.
- Because the contract with the current system implementation partner is due to conclude in September 2024, the NSSO is planning to tender on the open market for a replacement contract.<sup>1</sup> The procurement process is expected to be completed by the end of 2023.
  - The NSSO has made the decision to upgrade the FMSS hardware infrastructure with an anticipated completion timeline of June 2024.
- 6.35** The Accounting Officer has stated that development of wave 1 delivered the majority of the common functionality that will be used by all FMSS client public service bodies, and that the remaining functionality will be substantially delivered in wave 2. As a result, waves 3 and 4 will focus on external system interfaces rather than on core functional build, and consequently deployment of the FMSS system to the latter two waves is expected within shorter timeframes. A planning exercise is underway for waves 3 and 4.

### ***System upgrade***

- 6.36** An Oracle-based infrastructure platform for the FMSS system was agreed by the NSSO and the system implementation partner in September 2016. Guaranteed support for the platform expired in December 2022, with limited support available thereafter.
- 6.37** In April 2023, Oracle submitted a proposal to the NSSO for the supply, installation and configuration of a new version of the platform at a cost of €4.2 million. A note prepared for the NSSO Management Board recommended proceeding with the Oracle upgrade indicating that the limited support being provided by Oracle on the existing hardware infrastructure after December 2022 would have an impact on security patching, add additional cost annually and add risk to the NSSO. The purchase of the upgrade was approved by the Accounting Officer in April 2023.

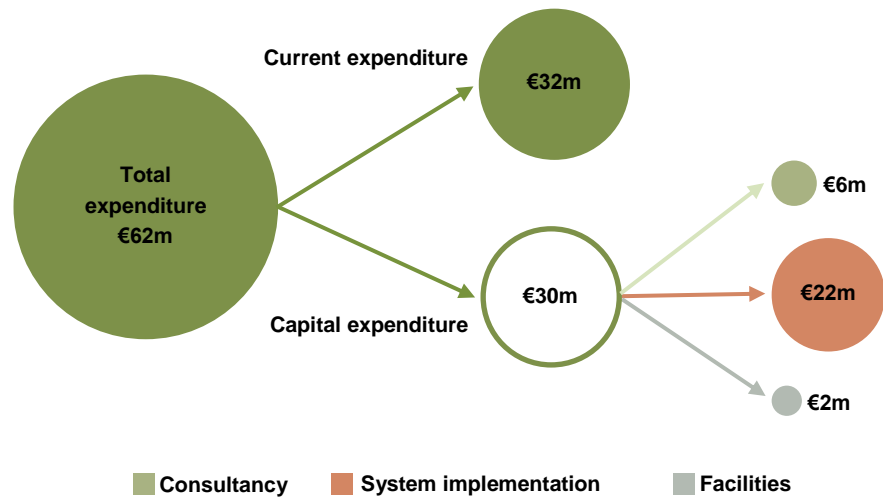
### **Project costs and savings**

- 6.38** The original business case approved by Government in January 2016 proposed a total investment of €47.4 million to support the full deployment of the new FMSS system by mid-2020. This included
- €3.8 million already spent on a baseline exercise, feasibility study and tender process for the FMSS programme
  - €40 million in capital costs
  - a contingency provision of €3.6 million in respect of project risks and the risk of delays.
- 6.39** Total expenditure on the FMSS project to end 2019 was €38.4 million. Following significant delays experienced by the project and the need to develop a new system design, improve governance structures and bridge programme capability gaps, a revised investment plan approved by Government in September 2020 increased the total approved project budget to approximately €95 million.<sup>2</sup>

<sup>1</sup> The original system implementation partner contract included a provision for managed service of the technology platform as well as the technical build of the FMSS system. The NSSO took the decision to separate these two elements and will procure them separately.

<sup>2</sup> The memorandum for Government proposed a revised budget of €115 million, including VAT.

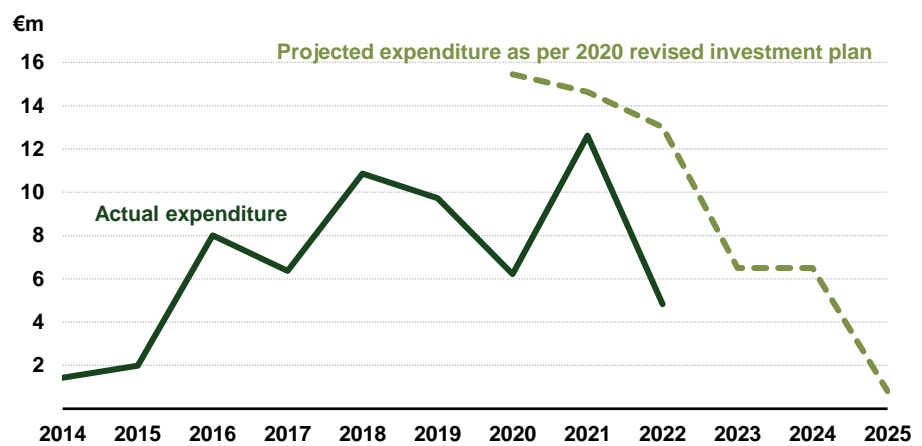
**Figure 6.2 Breakdown of FMSS project costs, 2014 – 2022**



Source: National Shared Services Office. Analysis by the Office of the Comptroller and Auditor General.

- 6.40 As at end 2022, the NSSO had spent €62 million on the programme, comprising €30 million of capital development costs, and €32 million in current spending (see Figure 6.2). Main system maintenance costs paid to Oracle amounting to €1.6 million are not included in the total costs.
- 6.41 Spending on the FMSS project is currently within the allocated budget, although expenditure has been incurred on a later timeline than anticipated in the revised investment plan as a result of delays in the rolling out of the FMSS system to wave 1 client bodies (see Figure 6.3).

**Figure 6.3 Total expenditure on the FMSS programme per annum, 2014 – 2025**



Source: National Shared Services Office; 2020 Memorandum for the Government, Integrated Financial Management and Reporting System for Central Government (“FMSSP”). Analysis by the Office of the Comptroller and Auditor General.

### **Projected costs**

- 6.42** Expenditure by end 2022 was within the allocated budget, with 35% remaining. In July 2023, the NSSO presented a programme finance update to the FMSS Programme Board including an estimated cost to complete wave 2. There is currently no projected cost for the wave 3 and 4 deployments.

### **Anticipated savings and payback**

- 6.43** The original business case for the FMSS programme in January 2016 anticipated savings of €15.4 million per annum once the programme was fully operational. This was anticipated to arise through reduced staffing levels in the FMSS system client bodies' finance units, and lower system costs.
- 6.44** The 2020 memorandum for Government noted that the savings figure had not been revalidated since 2016 but remained relevant. It stated that the savings would be revalidated and tracked as the system was deployed to each wave.
- 6.45** No formal cost benefit analysis was conducted by the NSSO, either to inform the drafting of the 2020 memorandum or since the memorandum was approved by Government in September 2020.
- 6.46** While only wave 1 has been deployed and approximately 65% of the budget has been spent, there is no calculation of savings that have been delivered on the project as at the end of September 2023.
- 6.47** The original business case also set out a projected payback period of 7.1 years based on the original budget. However, by March 2021, the NSSO reported that recouping expenditure on the FMSS programme would take ten years or more.

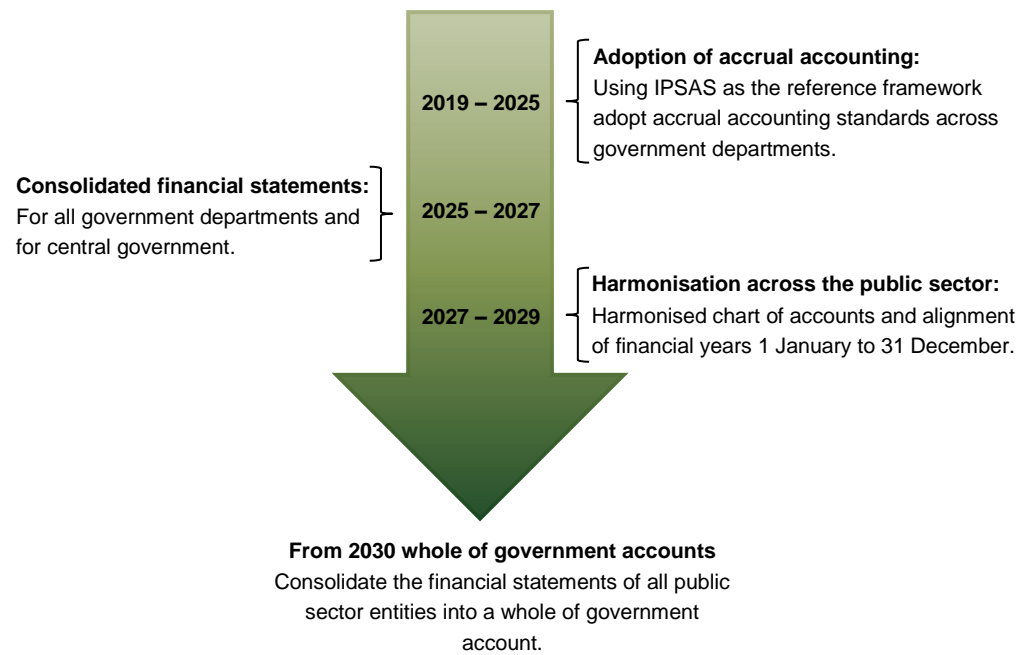
### **Planned migration to accrual accounting**

- 6.48** A 2019 report by the OECD recommended the implementation of public financial reporting and accounting reforms, and in particular of accrual government accounting, in Ireland.<sup>1</sup> The report emphasised the critical importance of delivering the FMSS programme — to scope and on schedule — for the implementation of accrual accounting.
- 6.49** In October 2019, the Government agreed to the transition of central government departments and offices to a new accrual accounting framework based on International Public Sector Accounting Standards (IPSAS).<sup>2</sup> The roadmap approved by Government set out the development and adoption of the new framework over four phases between 2019 and 2025.
- 6.50** The Department considers the adoption of accrual accounting by central government departments and offices as having the potential to contribute to a longer-term project that proposes wider financial reporting and accounting reforms to achieve 'whole of government' accounts from 2030. The Department set out an indicative timeframe of how this could operate (see Figure 6.4).

<sup>1</sup> *Financial Reporting in Ireland*, OECD journal on budgeting, volume 1, 2019.

<sup>2</sup> The European Commission is encouraging member states to implement accrual accounting for public sector bodies, using IPSAS; a suitable reference framework for the development of European Public Sector Accounting Standards.

**Figure 6.4 Proposed phasing of wider financial reporting and accounting reforms**



Source: Department of Public Expenditure, National Development Plan Delivery and Reform (2019)

**6.51** The adoption of the accrual accounting project is running significantly behind schedule. Figure 6.5 details the progress made in developing and implementing the new financial reporting and accounting framework. As at the end of April 2023, the Department was working on completing Phase 2 of the project. This was originally planned to conclude in 2020.

**6.52** The planned 29 accounting standards have been divided into a group of twelve priority standards for early implementation, and 17 ‘non-priority’ standards (see Annex 6C). The Department is planning to introduce nine of the twelve priority standards with effect from 1 January 2024.<sup>1</sup> The remaining standards will come into effect on a phased basis from 1 January 2025 onwards.

**6.53** The Department has stated that detailed work and extensive consultation will take at least a couple of years for the remaining standards to come into effect. The timeline will be reviewed in 2024 following the introduction of the first nine standards.

<sup>1</sup> The standard on employee benefits (CGAS 39) has been split into two: non-pension benefits, and pension benefits. The element relating to pensions is set to be introduced with the remaining standards from 1 January 2025.

**Figure 6.5 Implementation of financial reporting and accounting reforms: adoption of accrual accounting**

Phase	Original timeline	Action	Status
1	<b>2019:</b> <b>Project inception and set-up</b>	▪ Document reform objectives, outcomes and estimated costs.	●
		▪ Define governance arrangements and finalise project organisation and road map.	●
		▪ Establish project governance arrangements/standing group/working groups.	●
		▪ Survey financial maturity and accounting capability across government departments.	●
		▪ Redefine accounting gap assessment/finalise project organisation and road map.	●
2	<b>2019 – 2020:</b> <b>Definition of new framework</b>	▪ Develop a conceptual framework for accounting reform.	●
		▪ Adopt first set of accounting standards (priority standards only).	●
		▪ Identify changes to internal financial controls and develop instructions.	●
		▪ Determine new audit arrangements.	●
		▪ Assess FMSS current chart of accounts.	●
		▪ Pilot the first stage of the new framework in a small number of government departments.	●
		▪ Deliver training on the new accounting standards.	●
		▪ Identify legislative changes required.	●
3	<b>2021 – 2024:</b> <b>Implement new framework</b>	▪ Prepare accounts using accrual accounting standards.	●
		▪ Prepare opening balance sheets using accrual accounting standards.	●
4	<b>2023 – 2024:</b> <b>Intermediary project assessment</b>	▪ Realise a formal post-implementation review.	●
		▪ Review progress to date and validate, or revise plan for completion of the reforms if necessary.	●
5	<b>2025:</b> <b>Finalise implementation</b>	▪ Implement the remaining accounting standards.	●
		▪ Prepare opening balance sheets for all central government entities using the new framework.	●

● Completed    ● In progress    ● Not commenced

Source: Department of Public Expenditure, National Development Plan Delivery and Reform. Analysis by the Office of the Comptroller and Auditor General.

### ***Independent review***

- 6.54** Once the FMSS has been implemented, the NSSO will be responsible for the provision of standardised finance and accounting processing services to central government. It will therefore act as a key enabler for the move to accrual accounting rather than be the accounting standard setter. The European Commission — through its structural reform support service — contracted an external consultant to review the FMSS chart of accounts in 2021.
- 6.55** The review concluded that the FMSS system, once implemented, will be capable of accommodating a multi-dimensional chart of accounts for use with both cash-based and accrual-based accounting systems. It also confirmed that the system has sufficient capacity to cater for an IPSAS-style accounting framework based on International Financial Reporting Standards.

### ***Standing advisory group on government accounting and financial reporting***

- 6.56** The NSSO is part of the standing advisory group on government accounting and financial reporting established by the Department in 2020. The group was set up to provide expert advice on the Department's programme of financial reporting and accounting reforms.
- 6.57** The NSSO stated that its representation on the standing advisory group aims to ensure continued alignment between the FMSS programme and the Department's programme of reforms in relation to all reporting developments.
- 6.58** The standing advisory group consists of academics, accounting experts and key stakeholders, including finance officers from relevant departments. The group met six times between September 2020 and July 2021 to
- review and sign off the *Conceptual Framework for General Purpose Financial Reporting by the Irish Central Government*
  - assist in the development of a financial capacity survey of government departments
  - provide advice and guidance on 29 new Central Government Accounting Standards (CGAS), and associated accounting manuals.
- 6.59** No meetings took place between August 2021 and February 2023. The Department explained that an extensive consultation and preparation process took place during that time, which informed the development of CGAS and accounting manuals that were subsequently presented to the standing advisory group for final review. Meetings resumed in March 2023.

### ***Stakeholder group***

- 6.60** In 2021, the Department set up a stakeholder group consisting of representatives from its own Government Accounting Unit, the NSSO and the Office of the Comptroller and Auditor General. The purpose of the group was to consider the accounting manuals for the CGAS.
- 6.61** The stakeholder group met on four occasions between October 2021 and March 2022 to review the accounting manuals accompanying the priority CGAS. In addition, regular informal communication is taking place between Government Accounting and the NSSO.

## Conclusions and recommendations

- 6.62** The FMSS programme was launched in 2016 with a proposed budget of €47.4 million (excluding VAT) and a four-year timeframe. In 2020, following Government approval, the budget was increased to approximately €95 million and the timeline for completion of the project was extended to 2025. The NSSO was recommended to coordinate with the Department's Government Accounting Unit to provide a single coherent timeline to client public sector bodies for the implementation of FMSS and implementation of financial and accounting reforms.

### *Implementation progress*

- 6.63** The memorandum underpinning the Government decision to increase funding and extend the timeline of implementation of FMSS did not include a detailed schedule of how the NSSO would achieve the delivery of the programme by 2025. It did however include an indicative timeline of the funding requirements per year.
- 6.64** The FMSS Programme Board overseeing the project has repeatedly sought a full project timeline, but the NSSO has not succeeded in presenting one. Its focus was primarily on wave 1 of the rollout, to a small group of client bodies with less complex functionality requirements. That rollout commenced in November 2021 and was completed by April 2022 — about four months after the scheduled completion.
- 6.65** An indicative critical path and timeline for deployment of the system to wave 2 was presented to the Programme Board in July 2023, along with an update on the structure of waves 3 and 4 and their expected timeframes.
- 6.66** The NSSO has stated that it now expects the timeline for full delivery of the FMSS programme to go beyond 2025, with the rollout to wave 2 clients scheduled to be completed by the end of 2024.

### **Recommendation 6.1**

The NSSO should document and formally agree a timeline for the remainder of the FMSS project and share it with relevant stakeholders.

#### **NSSO Accounting Officer's response**

Agreed.

The NSSO presented the timeline and key phases of wave 2 to the Programme Board in July 2023. These timelines and the key phases of work were also shared with wave 2 clients as part of ongoing engagements. The NSSO will continue to progress high level planning for waves 3 and 4 as wave 2 progresses and the detailed timelines for these waves will be communicated as they become definitive. All timelines will be shared with Government Accounting. Learnings from previous government shared service programmes show that programme timelines should be adjusted as required while still remaining within budget.

#### **Timeline for implementation**

Indicative timelines will be shared with waves 3 and 4 clients in Quarter 1 2024 and will be updated as wave 2 progresses.

### ***User concerns with operation of FMSS***

- 6.67** The wave 1 client bodies and accounts required development of the majority of the planned common functionality of the system. The remaining common functionality is planned for implementation as part of the wave 2 rollout. Waves 3 and 4 will require development of additional, bespoke functionality for some of the financial management tasks of the target public bodies.
- 6.68** In the six months after rollout of wave 1 of the FMSS, most of the users formally expressed to the NSSO their dissatisfaction with elements of the system's performance and functionality, especially in regard to reporting functionality and system performance. In September 2022, the Department of Finance paused the transfer of financial management of the Central Fund of the Exchequer to the FMSS due to concerns regarding the system's capacity to meet the Department of Finance's specific reporting requirements for the Exchequer. The transfer remains suspended.
- 6.69** The NSSO acknowledged the users' comments, but noted that some of the issues raised by users were resolved quickly, with the remaining issues either being looked at or involving design changes that would require a costly rebuild of the FMSS system.
- 6.70** In addition to introducing new reports, redesign of existing reports and extensive learning sessions to assist wave 1 clients, the NSSO commissioned an independent post-implementation review of the first wave in September 2022. The reviewer was tasked to set out lessons learned to inform improvements for the rest of the programme.
- 6.71** A final engagement session scheduled in April 2023 between the reviewer and wave 1 users did not take place because the users were not provided with a copy of the draft report. The NSSO only met with the reviewer to discuss the draft findings in July 2023, and the review report has not yet (in September 2023) been finalised.
- 6.72** The commissioning of an independent review of the operation of the FMSS following wave 1 was an important learning opportunity in advance of the planned rollout of the system to other users. However, the delay in finalising that report and in incorporating the lessons learned into future plans is of concern.

### ***Project costs and savings***

- 6.73** The original business case for the FMSS programme anticipated average annual savings of €15.4 million, and a payback period of around 7.5 years. When seeking approval for additional funding and an extended timeline for the project in 2020, the estimated savings were not revalidated. The NSSO has not conducted any formal cost benefit analysis in the light of the experience with wave 1.

### **Recommendation 6.2**

The NSSO should recalculate the 2016 estimated savings anticipated from the project, taking account of the experience from the wave 1 rollout.

### Accounting Officer's response

Agreed.

The NSSO intends to commence a process of revalidating the prevailing central government finance full-time equivalents and non-pay costs in an exercise that will be completed in parallel with the wave 2 engagement. This will be an inclusive exercise with a significant number of stakeholders. As part of this process, the NSSO will also define a framework for benchmarking and tracking the benefits accruing to this strategic programme.

The benefits will be recorded under distinct categories.

- Commercial: straightforward cost savings in terms of headcount, technology costs, etc.
- Strategic: enabling enhanced accrual accounting; supporting fiscal transparency through application of IPSAS accounting principles consistently across central government; supporting agility and responsiveness to emerging reporting requirements; facilitating compliance with eProcurement directives; providing access to centralised data; etc.
- Operational/user experience benefits: efficiencies in operations e.g. shared supplier accounts; easier reporting of spend by supplier/cost type; user experience improvements such as easier approval process; etc.

### Timeline for implementation

The framework for benchmarking and tracking the benefits, including savings, will be developed in 2024 to enable benefits realisation tracking post wave 2 go-live.

**6.74** At the end of 2022, total expenditure on the FMSS programme amounted to €62 million. This represents almost two-thirds of the budget allocated under the revised investment plan. While spending is behind the planned profile, delivery is also behind schedule, and less comprehensive in scope. The NSSO does not have a revised expenditure projection for the complete project. A finance update to the FMSS Programme Board in July 2023 projected costs to complete wave 2 yet contained no projections for waves 3 and 4. However, the Accounting Officer has stated that it is expected the project will remain in budget.

**6.75** The current contract with the system implementation partner is due to conclude in 2024. The NSSO noted that, due to the need to procure and put in place a new system implementation contract, related project development costs may be impacted.

### Recommendation 6.3

The NSSO should estimate the expected costs to completion for all waves of the FMSS project. Any future proposal the NSSO may make to extend its timeline and/or budget should be accompanied by up to date costings and a cost benefit analysis.

**Accounting Officer's response**

Agreed.

The NSSO regularly updates the projected costs to complete wave 2, which includes any impact on the contingency in the budget to determine if the contingency will be sufficient to cover the timeline. These projected costs are presented to all governance fora on a regular basis including the FMSS Programme Board, Audit and Risk Committee and Advisory Board. Once the procurement is concluded for the system implementation vendor, a revision of costings will be made. The NSSO will continue to make every effort to deliver this programme within budget.

**Timeline for implementation**

The expected costs to complete will continue to be part of ongoing reviews, including an overall review post wave 2 go-live.

***Delivery of the parallel accrual accounting project***

- 6.76** A 2019 OECD report recommended the migration of Irish central government accounting systems from the current cash-based system to an accruals basis. The recommendation was accepted by the Government, which in October 2019 directed the development of a new accrual accounting framework based on International Public Sector Accounting Standards (IPSAS), on a phased basis between 2019 and 2025.
- 6.77** The development of the FMSS is a central enabler for delivery of the transition of central government departments and offices to accrual accounting. An independent review of the FMSS system commissioned by the European Commission concluded that the design of the FMSS should be capable of accommodating the planned move to an IPSAS-style accounting framework.
- 6.78** The Department of Public Expenditure, National Development Plan Delivery and Reform is responsible for the setting of the relevant accounting standards. While the standards setting project is behind schedule, the Department has signalled the introduction of nine of the twelve priority accounting standards for all central government departments and offices for the accounting years commencing 1 January 2024. The current plan is that the remaining standards will come into effect on a phased basis from 1 January 2025.

**Recommendation 6.4**

The Department should document and formally agree a timeline for the remainder of the financial and accounting reforms project and share it with relevant stakeholders.

**Department Accounting Officer's response**

Agreed.

The Department is broadly in line to deliver on the Government's decision to bring International Public Sector Accounting Standard (IPSAS) based standards into force for the 46 central government votes by the end of 2025.

The chart shown in Figure 6.5 is based on the original timetable proposed in the 2019 memorandum for Government. However, a number of activities across the phases had to happen concurrently and not in distinct phases as envisaged at the time. The outcome of these activities sees the Department in a position to bring into effect in 2024 nine of the priority Central Government Accounting Standards (CGAS) recommended by the OECD. The Minister for Public Expenditure, National Development Plan Delivery and Reform will be updating Government on the timeline for the phased introduction of CGAS.

#### **Timeline for implementation**

The Department will provide an updated timeframe on the rollout of the financial reporting and accounting reforms for central government votes after the Minister updates Government in Q4 2023.

## Annex 6A FMSS client waves

**Figure 6A.1 Composition of FMSS client waves**

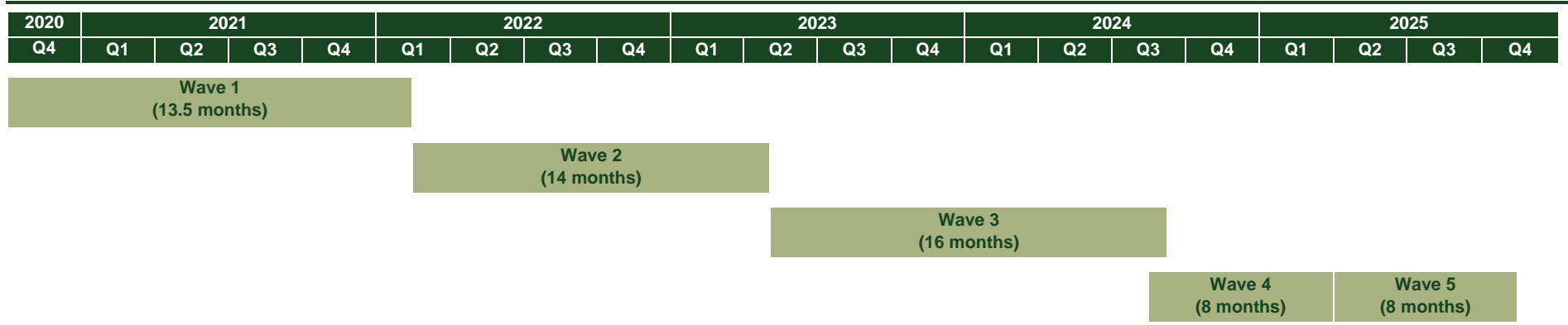
Wave 1	Wave 2	Wave 3 <sup>b</sup>	Wave 4 <sup>b</sup>
<ul style="list-style-type: none"> <li>▪ Department of Finance</li> <li>▪ Exchequer<sup>a</sup></li> <li>▪ Office of the Ombudsman</li> <li>▪ President's Establishment</li> <li>▪ Department of Public Expenditure, National Development Plan Delivery and Reform</li> <li>▪ Office of the Government Chief Information Officer</li> <li>▪ National Shared Services Office</li> <li>▪ Office of Government Procurement</li> <li>▪ Office of the Comptroller and Auditor General</li> </ul>	<ul style="list-style-type: none"> <li>▪ Táilte Éireann</li> <li>▪ National Museum of Ireland</li> <li>▪ Department of the Taoiseach</li> <li>▪ Department of Justice</li> <li>▪ An Garda Síochána</li> <li>▪ Garda Síochána Ombudsman Commission</li> <li>▪ Irish Prison Service</li> <li>▪ Courts Service</li> <li>▪ Policing and Community Safety Authority</li> <li>▪ Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media</li> <li>▪ Department of Rural and Community Development</li> <li>▪ Data Protection Commission</li> <li>▪ Department of Transport</li> </ul>	<ul style="list-style-type: none"> <li>▪ Department of Foreign Affairs</li> <li>▪ Department of Housing, Local Government and Heritage</li> <li>▪ Office of Public Works</li> <li>▪ Office of the Director of Public Prosecutions</li> <li>▪ Oireachtas</li> <li>▪ Central Statistics Office</li> <li>▪ Department of Health</li> <li>▪ Legal Aid Board</li> <li>▪ Competition and Consumer Protection Commission</li> <li>▪ Revenue</li> <li>▪ Tax Appeals Commission</li> <li>▪ National Council for Special Education</li> <li>▪ Law Reform Commission</li> <li>▪ National Library of Ireland</li> <li>▪ State Examinations Commission</li> <li>▪ Irish Human Rights and Equality Commission</li> </ul>	<ul style="list-style-type: none"> <li>▪ Department of the Environment, Climate and Communications</li> <li>▪ Office of the Attorney General</li> <li>▪ Office of the Chief State Solicitor</li> <li>▪ Department of Children, Equality, Disability, Integration and Youth</li> <li>▪ Public Appointments Service</li> <li>▪ Department of Education</li> <li>▪ Department of Enterprise, Trade and Employment</li> <li>▪ Department of Social Protection</li> <li>▪ Department of Defence</li> <li>▪ State Laboratory</li> <li>▪ Department of Agriculture, Food and the Marine</li> <li>▪ National Gallery of Ireland</li> <li>▪ Irish Auditing &amp; Accounting Supervisory Authority</li> <li>▪ Department of Further and Higher Education, Research, Innovation and Science</li> </ul>

Source: National Shared Services Office

- Notes:
- a The Department of Finance took the decision to pause the Central Fund of the Exchequer's involvement in FMSS in September 2022. This transfer remains suspended.
  - b The composition of waves 3 and 4 is still subject to change and will be confirmed at the start of the mobilisation process for each wave.

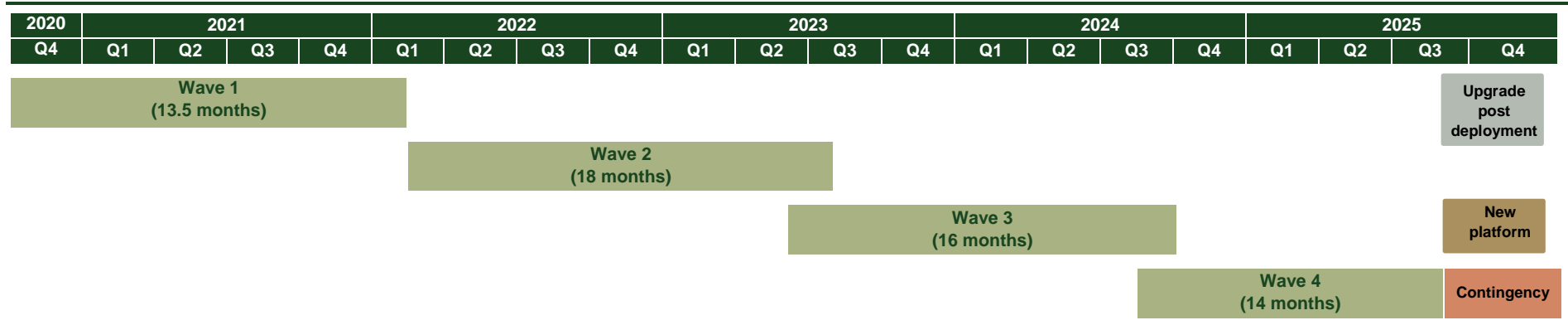
### Annex 6B Scenarios for future waves deployment presented to the NSSO Management Board on 17 June 2021

**Figure 6B.1 Scenario 1: full deployment in five waves and no consideration for system architecture upgrade**



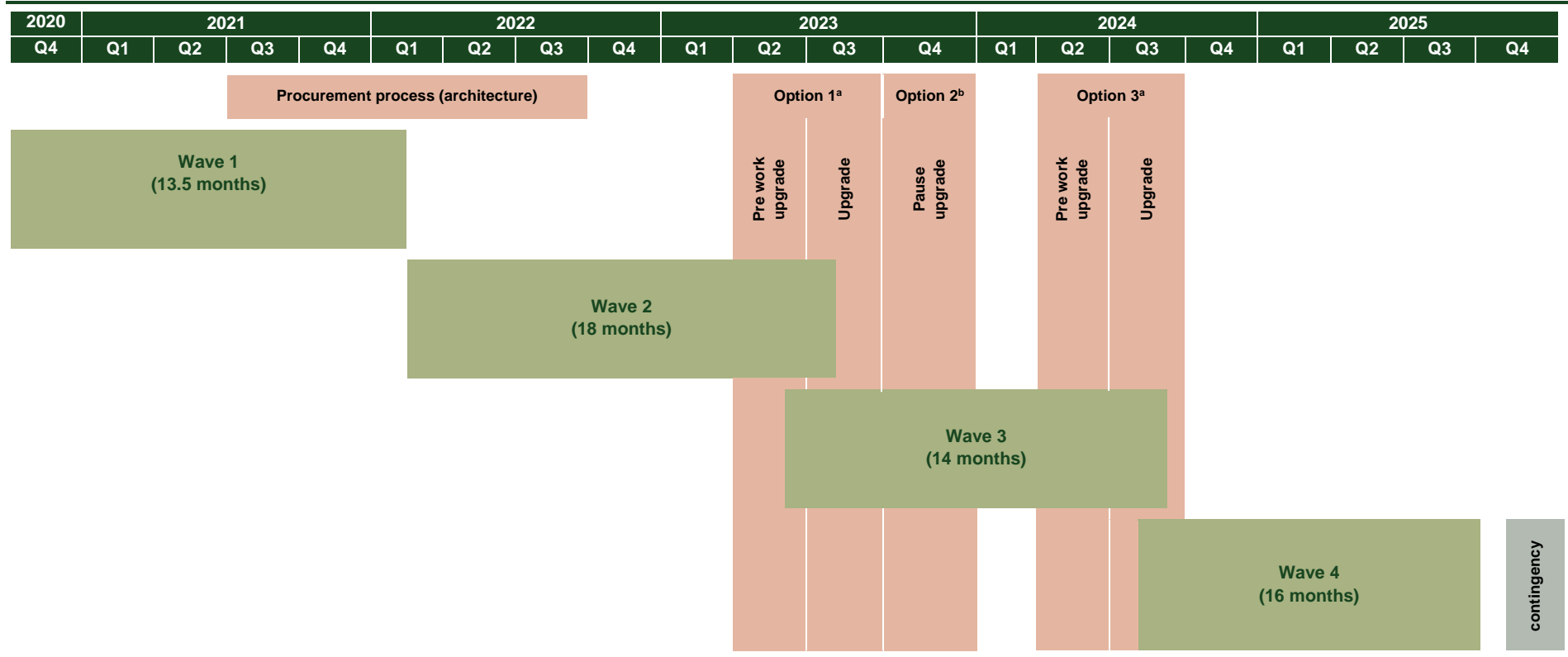
Source: National Shared Services Office

**Figure 6B.2 Scenario 2: four waves and system architecture upgrade post full deployment**



Source: National Shared Services Office

**Figure 6B.3 Scenario 3: four waves and system architecture upgrade in parallel**



Source: National Shared Services Office

- Notes:
- a Options 1 and 3 involve running the design phase of either wave 3 or wave 4 in parallel to the system architecture upgrade.
  - b Option 2 is based on the assumption that the build phase for wave 3 will take place on the new platform in Q1 2024.

## Annex 6C Central Government Accounting Standards

CGAS number	Priority standards <sup>a</sup>
1	Presentation of financial statements
2	Cash flow statements
3	Accounting policies, changes in accounting estimate and errors
12	Inventories
13	Leases
17	Property, plant and equipment
19	Provisions, contingent liabilities and contingent assets
21	Impairment of non-cash-generating assets
26	Impairment of cash-generating assets
31	Intangible assets
32	Service concession arrangements: grantor
39	Employee benefits <sup>b</sup>
CGAS number	Non-priority standards
4	The effects of changes in foreign exchange rates
5	Borrowing costs
9	Revenue from exchange transactions
11	Construction contracts
14	Events after the reporting date
20	Related party disclosures
22	Disclosure of financial information about the General Government sector
23	Revenue from non-exchange transactions (taxes and transfers)
24	Presentation of budget information in financial statements
27	Agriculture
28	Financial instruments: presentation
30	Financial instruments: disclosures
34	Separate financial statements
35	Consolidated financial statements
38	Disclosure of interests in other entities
41	Financial instruments
42	Social benefits

Source: Department of Public Expenditure, National Development Plan Delivery and Reform

Notes: a Standards highlighted in green will be implemented by the Department with effect from 1 January 2024.

b Matters relating to pensions are only set to be brought in with effect from 1 January 2025.