

Appropriation Account 2019

Vote 18

National Shared Services Office

Introduction

As Accounting Officer for Vote 18, I am required to prepare the appropriation account for the Vote, and to submit the account to the Comptroller and Auditor General for audit.

In accordance with this requirement, I have prepared the attached account of the amount expended in the year ended 31 December 2019 for the salaries and expenses of the National Shared Services Office.

The expenditure outturn is compared with the sums

- a) granted by Dáil Éireann under the Appropriation Act 2019, including the amount that could be used as appropriations-in-aid of expenditure for the year.
- b) provided for capital supply services in 2019 out of unspent 2018 appropriations, under the deferred surrender arrangements established by section 91 of the Finance Act 2004.

A surplus of €8.822 million is liable for surrender to the Exchequer.

During the accounting period ending 31 December 2019, the National Shared Services Office operated as a separate civil service office under the aegis of the Department of Public Expenditure and Reform.

The Statement of Accounting Policies and Principles and notes 1 to 6 form part of the account.

Statement of Accounting Policies and Principles

The standard accounting policies and principles for the production of appropriation accounts, as set out by the Department of Public Expenditure and Reform in Circular 27 of 2019, have been applied in the preparation of the account except for the following:

Basis of charge for services

The National Shared Services Office applies a service charge for its HR and pensions administration service. The HR shared services 2019 charge (PeoplePoint levy) has distributed a portion of operational costs on a pro-rata basis among each public sector body served (based on their employee headcount). The remainder is borne by the National Shared Services Office.

There is no service charge for payroll shared services. The method is by way of payroll budget suppression on an Exchequer-neutral basis. As public sector bodies come on-board for payroll shared services, a related budget reduction is applied on their Vote. In 2019 payroll suppression was nil.

Vote restructure

For 2019, Vote 18 was restructured to account for expenditure under four main subheads, which correspond to the high level programmes of the National Shared Services Office.

The four programmes are as follows:

- Programme A – NSSO function
- Programme B – HR shared services
- Programme C – Payroll shared services
- Programme D – Finance shared services

Where appropriate, comparative amounts have been reanalysed to reflect the new structure.

Statement on Internal Financial Control

Responsibility for system of internal financial control

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the National Shared Services Office. This Office was established as a civil service body on 1 January 2018. Prior to this it existed on an administrative basis within the Department of Public Expenditure and Reform.

This responsibility is exercised in the context of the resources available to me and my other obligations as Accounting Officer. Also, any system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely manner. Maintaining the system of internal financial controls is a continuous process and the system and its effectiveness are kept under ongoing review.

The position in regard to the financial control environment, the framework of administrative procedures, management reporting and internal audit is as follows.

Financial control environment

I confirm that a control environment containing the following elements is in place.

- Financial responsibilities have been assigned at management level with corresponding accountability
- Reporting arrangements have been established at all levels where responsibility for financial management has been assigned.
- Formal procedures have been established for reporting significant control failures and ensuring appropriate corrective action.
- There is an independent Audit and Risk Committee to advise me in discharging my responsibilities for the internal financial control system.
- Procedures for all key business processes have been documented.
- There are systems in place to safeguard the assets.
- The Statement on Internal Financial Control for the Department of Finance is also relevant given that the Department of Finance provides finance transaction services on a shared basis to Vote 18.

Administrative controls and management reporting

I confirm that a framework of administrative procedures and regular management reporting is in place including segregation of duties and a system of delegation and accountability. This includes the following elements:

- there is an appropriate budgeting system with an annual budget which is kept under review by senior management
- there are regular reviews by senior management of periodic and annual financial reports which indicate financial performance against forecasts
- a risk management system operates within the Office
- there are systems aimed at ensuring the security of the ICT systems
- there are appropriate capital investment control guidelines and formal project management disciplines.

Procurement compliance

The National Shared Services Office ensures that there is an appropriate focus on good practice in purchasing and that procedures are in place to ensure compliance with all relevant guidelines. The NSSO has reported in the 40/2002 return one contract with a non-compliant spend value in the year of €684,608. This contract did not specify a maximum fee value, however the procurement notice had indicated an estimated contract value. The NSSO continued to procure services under this contract beyond the estimated value, due to a misinterpretation of procurement obligations. When this was clarified, use of this contract ceased.

Internal audit and Audit Committee

I confirm that the National Shared Services Office has an internal audit function with appropriately trained personnel. The National Shared Services Office internal audit unit operates in accordance with a written charter which I have approved. Its work is informed by analysis of the financial risks to which the Office is exposed and its annual internal audit plans, approved by me, are based on this analysis. These plans aim to cover the key controls on a rolling basis over a reasonable period. The internal audit function is reviewed periodically by me and by the Audit Committee. I have put procedures in place to ensure that the reports of the internal audit function are followed up.

Risk and control framework

The National Shared Services Office has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

A risk register is in place which identifies the key risks facing the Office and these have been evaluated and graded according to their significance. The register is reviewed and updated by the Management Board on a quarterly basis. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

The risk register details the controls and actions needed to mitigate risks and responsibility for operation of controls assigned to specific staff.

Ongoing monitoring and review

Formal procedures have been established for monitoring control processes and control deficiencies. These are communicated to those responsible for taking corrective action by management, and the Management Board, where relevant, in a timely way. I confirm that key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies.

Review of effectiveness

I confirm that the National Shared Services Office has procedures to monitor the effectiveness of its risk management and control procedures. The National Shared Services Office's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors and the senior management within the Office who are responsible for the development and maintenance of the internal financial control framework.

Assurance reports on controls at a service organisation

I have put in place an audit process to provide independent assurance on the operation of controls surrounding the delivery of services by the National Shared Services Office. The audits are conducted by independent auditors in accordance with the International Standard on Assurance Engagement (ISAE 3402) *Assurance Reports on Controls at a Service Organisation*.

HR shared services and payroll shared services achieved ISAE Type II certification in 2020 based on testing performed in 2019. This provides me with the assurance that the control objectives were achieved and operated effectively throughout the period under review.

Internal financial control issues

An incident of internal fraud was detected in 2019. A thorough investigation was conducted in accordance with the National Shared Services Office fraud prevention policy. The investigation concluded that a financial loss of €30,519 was incurred over 2018 and 2019. The Office expects to recoup the amount involved in full.

The National Shared Services Office acknowledges that its system of internal financial controls, at that time, did not prevent this from occurring. A comprehensive review of all internal financial controls has been completed to mitigate against any further control failures and to ensure a robust financial control environment is in operation.

Overpayments

Overpayments to client staff, in respect of which the root cause was attributable to the National Shared Services Office, were made in 805 cases (2018: 1,010 cases) with an estimated value of €831,701 (2018: €974,316). This amounts to 18% (2018: 22%) of the financial value of all overpayments and 16% (2018: 22%) of the number of overall overpayment cases. This is a reduction from 2018.

The National Shared Services Office continues to address the overpayments attributable to the National Shared Services Office through process improvement and automation and improved end to end reporting and monitoring.

No other weaknesses in internal financial control were identified in relation to 2019 that resulted in, or may result in, a material loss.

The National Shared Services Office continually reviews and implements recommendations made by the Comptroller and Auditor General and Internal Audit to strengthen the control environment, particularly in the areas of: payroll overpayments; information technology; fraud and vulnerability; travel and subsistence; and superannuation and pensions.

Hilary Murphy-Fagan

Accounting Officer
National Shared Services Office

27 March 2020

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 18 National Shared Services Office

Opinion on the appropriation account

I have audited the appropriation account for Vote 18 National Shared Services Office for the year ended 31 December 2019 under section 3 of the Comptroller and Auditor General (Amendment) Act 1993.

In my opinion, the appropriation account

- properly presents the receipts and expenditure of Vote 18 National Shared Services Office for the year ended 31 December 2019, and
- has been prepared in the form prescribed by the Minister for Public Expenditure and Reform.

Basis of opinion

I conducted my audit of the appropriation account in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the *Preface to the Appropriation Accounts*. I am independent of the National Shared Services Office and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on the statement on internal financial control, and on other matters

The Accounting Officer has presented a statement on internal financial control together with the appropriation account. My responsibilities to report in relation to the information in the statement, and on certain other matters upon which I report by exception, are described in the *Preface to the Appropriation Accounts*.

Non-compliance with procurement rules

The Accounting Officer has disclosed in the statement on internal financial control that there was a material level of non-compliance with national procurement rules in respect of a services contract that operated in 2019.

Implementation of financial management shared services

Chapter 5 of my report on the accounts of the public services for 2019 examines the progress made to date by the National Shared Services Office in delivering the financial management shared services project.

Seamus McCarthy
Comptroller and Auditor General

24 September 2020

Vote 18 National Shared Services Office

Appropriation Account 2019

	2019		2018
	Estimate provision	Outturn	Outturn
	€000	€000	€000
Programme expenditure			
A NSSO function			
<i>Original</i>	26,737		
<i>Deferred surrender</i>	1,168		
		27,905	24,582
B HR shared services		10,414	10,115
C Payroll shared services		12,029	12,243
D Finance shared services		6,884	539
Gross expenditure			
<i>Original</i>	56,064		
<i>Deferred surrender</i>	1,168		
		57,232	47,479
<i>Deduct</i>			
E Appropriations-in-aid		5,740	5,833
Net expenditure			
<i>Original</i>	50,324		
<i>Deferred surrender</i>	1,168		
		51,492	41,646

Surplus

The surplus of the amount provided over the net amount applied is liable for surrender to the Exchequer. Under section 91 of the Finance Act 2004, all or part of any unspent appropriations for capital supply services may be carried over for spend in the following year. €1.024 million of unspent allocations in respect of capital elements of subhead A was carried forward to 2020.

	2019	2018
	€	€
Surplus	9,846,470	3,168,962
Deferred surrender	(1,024,000)	(1,168,000)
Surplus to be surrendered	8,822,470	2,000,962

Hilary Murphy-Fagan
Accounting Officer
National Shared Services Office

27 March 2020

Notes to the Appropriation Account

Note 1 Operating Cost Statement 2019

	2019	2018
	€000	€000
Programme cost	11,285	12,793
Pay	27,783	26,484
Non pay	8,411	7,525
Gross expenditure	47,479	46,802
<i>Deduct</i>		
Appropriations-in-aid	5,833	5,275
Net expenditure	41,646	41,527
Changes in capital assets		
Purchases cash	(5,798)	
Depreciation	4,749	
	(1,049)	(3,293)
Changes in net current assets		
Decrease in closing accruals	(541)	
Increase in stock	(1)	
	(542)	1,852
Direct expenditure	40,055	40,086
Expenditure borne elsewhere		
Net allied services expenditure (note 1.1)	(9,551)	(9,069)
Notional rents	461	445
Net programme cost	30,965	31,462

1.1 Net allied services expenditure

The net allied services expenditure amount is made up of the following amounts in relation to Vote 18 borne elsewhere, and costs borne by Vote 18 in respect of other Votes.

	2019	2018
	€000	€000
Vote 7 Finance	98	98
Vote 9 Office of the Revenue Commissioners	2	—
Vote 11 Public Expenditure and Reform	854	820
Vote 13 Office of Public Works	1,662	1,689
Apportioned cost of shared services for other Votes	(12,167)	(11,676)
Net cost of shared services provided to other votes	(9,551)	(9,069)

Note 2 Statement of Financial Position as at 31 December 2019

	Note	2019 €000	2018 €000
Capital assets	2.1	23,165	23,277
Current assets			
Bank and cash	2.2	32,699	23,688
Stocks	2.3	30	29
Prepayments	2.4	3,194	2,733
Other debit balances	2.5	706	1,092
Total current assets		36,629	27,542
Less current liabilities			
Accrued expenses		650	1,891
Client funding/advance balances	2.6	31,351	22,963
Other credit balances	2.7	1,174	1,040
Net Exchequer funding	2.8	880	777
Total current liabilities		34,055	26,671
Net current assets		2,574	871
Net assets		25,739	24,148
Represented by:			
State funding account	2.9	25,739	24,148

2.1 Capital assets

	IT software and equipment €000	Furniture and fittings €000	Office equipment €000	Capital assets under development €000	Total €000
Gross assets					
Cost or valuation at 1 January 2019	25,856	530	82	15,673	42,141
Additions	324	28	6	4,279	4,637
Cost or valuation at 31 December 2019	26,180	558	88	19,952	46,778
Accumulated depreciation ^a					
Opening balance at 1 January 2019	18,522	272	70	—	18,864
Depreciation for the year	4,682	58	9	—	4,749
Cumulative depreciation at 31 December 2019	23,204	330	79	—	23,613
Net assets at 31 December 2019	2,976	228	9	19,952	23,165
Net assets at 31 December 2018	7,334	258	12	15,673	23,277

2.2 Bank and cash

at 31 December	2019 €000	2018 €000
PMG balances and cash	1,348	725
Other bank account balances	31,351	22,963
	32,699	23,688

2.3 Stocks

at 31 December	2019 €000	2018 €000
Stationery	29	27
IT consumables	1	2
	30	29

2.4 Prepayments

at 31 December	2019	2018
	€000	€000
Software support/licences	2,420	1,947
Hardware maintenance	687	686
Other prepayments	87	100
	3,194	2,733

2.5 Other debit balances

at 31 December	2019	2018
	€000	€000
Travel pass scheme expenditure	136	102
Office of Public Works	27	499
HR service charges	475	467
Other debit suspense items	68	24
	706	1,092

2.6 Client funded payroll bank account

The National Shared Services Office provides a payroll shared service function to a number of Government departments/offices and agencies. An amount of €30.8 million at 31 December 2019 (2018: €23 million) represents money lodged by these client offices to cover funding for salaries over the new year period. €0.5 million relates to the overfunding of pension payments by Vote 12 Superannuation and Retired Allowances. This amount was repaid in 2020.

The NSSO issued total payments of €5.3 billion in 2019 (2018: €4.83 billion).

2.7 Other credit balances

at 31 December	2019	2018
	€000	€000
Amounts due to the State		
Income tax	289	253
Pay related social insurance	282	263
Professional services withholding tax	238	411
Value added tax	72	45
Pension contributions	122	5
Local property tax	3	3
Universal social charge	61	59
	<u>1,067</u>	<u>1,039</u>
Payroll deductions held in suspense	107	—
Other credit suspense items	—	1
	<u>1,174</u>	<u>1,040</u>

2.8 Net Exchequer funding

at 31 December	2019	2018
	€000	€000
Surplus to be surrendered	8,822	2,001
Deferred surrender	1,024	1,168
Exchequer grant undrawn	(8,966)	(2,392)
Net Exchequer funding	<u>880</u>	<u>777</u>
Represented by:		
Debtors		
Bank and cash	32,699	23,688
Debit balances: suspense	706	1,092
	<u>33,405</u>	<u>24,780</u>
Creditors		
Due to State	(1,067)	(1,039)
Client funding/advance balances	(31,351)	(22,963)
Credit balances: suspense	(107)	(1)
	<u>(32,525)</u>	<u>(24,003)</u>
	<u>880</u>	<u>777</u>

2.9 State funding account

	Note	2019	2018
		€000	€000
Balance at 1 January		24,148	24,840
Disbursements from the Vote			
Estimate provision	Account	51,492	
Deferred surrender	Account	(1,024)	
Surplus to be surrendered	Account	<u>(8,822)</u>	
Net Vote		41,646	41,527
Expenditure (cash) borne elsewhere	1.1	(9,551)	(9,069)
Non cash item – capital assets adjustment		—	(2,133)
Non cash expenditure – notional rent		461	455
Net programme cost	1	<u>(30,965)</u>	<u>(31,462)</u>
Balance at 31 December		<u>25,739</u>	<u>24,148</u>

2.10 Commitments

a) Global commitments

At 31 December	2019	2018
	€000	€000
Procurement of goods and services	951	2,743
Capital projects	11,146	12,501
Total of legally enforceable commitments	12,097	15,244

b) Major capital projects

Project	Cumulative expenditure to 31 December 2018	Expenditure in 2019	Project commitments in subsequent years	Expected total spend lifetime of project 2019	Expected total spend lifetime of project 2018
	€000	€000	€000	€000	€000
Financial management shared services	20,289	4,281	11,146	35,716	32,790
	20,289	4,281	11,146	35,716	32,790

Significant variations

An explanation is provided below where projected project cost has varied by more than €500,000 compared to 2018.

Financial management shared services

Increase in expected total spend: €2.926 million

The cost increase of €2.9 million arises from additional works of €3.4 million required for the re-planning phase during 2019, offset by €500,000 commitments which existed at the end of 2018 but where the expenditure did not materialise. A review of overall cost to complete will be conducted in 2020 and is expected to impact the expected total spend over the lifetime of the project set out above.

2.11 Matured liabilities

at 31 December	2019	2018
	€000	€000
Estimate of matured liabilities not discharged at year end	81	139

Note 3 Vote Expenditure

Analysis of administration expenditure

Administration expenditure set out below has been allocated across the programmes, to present complete programme costings.

		2019		2018
		Estimate provision	Outturn	Outturn
		€000	€000	€000
i	Salaries, wages and allowances	32,866	27,783	26,484
ii	Travel and subsistence	324	166	195
iii	Training and development and incidental expenses	1,474	1,346	1,144
iv	Postal and telecommunication services	1,546	614	604
v	Office equipment and external IT services	7,360	5,660	5,161
vi	Office premises expenses	835	625	421
		44,405	36,194	34,009

Significant variations

The following outlines the reasons for significant variations in administration expenditure (+/- 25% and €100,000).

ii Travel and subsistence

Estimate provision: €324,000, outturn: €166,000

Spend in 2019 was 49% under budget. The underspend was primarily in FSS operations (Programme D) due to the delay in the deployment of the Financial Management Shared Services system.

iv Postal and telecommunication services

Estimate provision: €1.546 million, outturn: €614,000

The underspend was primarily in FSS operations (Programme D) due to the delay in the deployment of the Financial Management Shared Services system.

v Office equipment and external IT services

Estimate provision: €7.36 million outturn: €5.66 million

Spend in 2019 was 23% under budget. The underspend was primarily driven by less than planned IT capital spend and by FSS operations (Programme D) due to the delay in the deployment of the Financial Management Shared Services system.

vi Office premises expenses

Estimate provision: €835,000, outturn: €625,000

The 2019 outturn is below budget. This was mainly driven by planned refurbishment works not completed in the year, and lower than anticipated operational costs.

Programme A National Shared Services Office function

		2019		2018
		Estimate provision	Outturn	Outturn
		€000	€000	€000
A.1	Administration pay	8,324	7,130	6,355
A.2	Administration non-pay	6,754	6,167	5,479
A.3	Financial Management Shared Services project			
	<i>Original</i>	11,659		
	<i>Deferred surrender</i>	1,168		
		12,827	11,285	12,793
		27,905	24,582	24,627

Significant variations

The following outlines the reasons for significant variations in programme expenditure (+/- 5% and €100,000). Overall, the expenditure in relation to Programme A was €3.323 million lower than originally provided (including the deferred surrender carried forward from 2018). The variance was mainly due to the following:

A.1 Administration – pay

Estimate provision: €8.324 million, outturn: €7.13 million

The savings in expenditure of €1.2 million was due mainly to unfilled vacancies in the first half of the year, plus a lower than forecast pay bill for Customer Support Services.

A.2 Administration – non pay

Estimate provision: €6.754 million, outturn: €6.167 million

The savings in expenditure of €587,000 was due largely to lower than anticipated spend on learning and development, and facilities.

A.3 Financial Management Shared Services project

Estimate provision: €12.827 million, outturn: €11.285 million

The savings in expenditure of €1.542 million (including the deferred surrender carried forward from 2018) was due largely to delays associated with the development, design and roll out of certain aspects of the project. A review of overall cost to complete will be conducted in 2020.

Programme B HR shared services

		2019		2018
		Estimate provision	Outturn	Outturn
		€000	€000	€000
B.1	Administration pay	9,887	9,422	8,677
B.2	Administration non-pay	527	693	421
		10,414	10,115	9,098

Programme C Payroll shared services

		2019		2018
		Estimate provision	Outturn	Outturn
		€000	€000	€000
C.1	Administration pay	10,890	10,814	10,493
C.2	Administration non-pay	1,139	1,429	1,360
		12,029	12,243	11,853

Significant variations

The following outlines the reasons for significant variations in programme expenditure (+/- 5% and €100,000). Overall, the expenditure in relation to Programme C was €214,000 higher than originally provided. The variance was mainly due to the following:

C.2 Administration non-pay

Estimate provision: €1.139 million, outturn: €1.429 million

The excess expenditure was due largely to unbudgeted bank charges and negative interest charged on balances held, arising from delays associated with the migration of banking services.

Programme D Finance shared services

		2019		2018
		Estimate provision	Outturn	Outturn
		€000	€000	€000
D.1	Administration pay	3,765	417	959
D.2	Administration non-pay	3,119	122	265
		6,884	539	1,224

Significant variations

The following outlines the reasons for significant variations in programme expenditure (+/- 5% and €100,000). Overall, the expenditure in relation to Programme D was €6.345 million lower than originally provided. The variance was due to the FMSS system not going live in 2019 and as a result FSS did not commence operations as planned. FSS staff were redeployed during 2019 to the FMSS project and to other operational areas. The variance was mainly due to the following:

D.1 Administration – pay

Estimate provision: €3.765 million, outturn: €417,000

As the implementation of the FMSS system did not proceed as planned, the operational staff costs envisaged in 2019 were not required. FSS operational staff were redeployed during 2019 to the FMSS project and to other operational areas in the NSSO.

D.2 Administration non-pay

Estimate provision: €3.119 million, outturn: €112,000

Arising out of delays in the implementation of the FMSS system, the anticipated overheads were not incurred by FSS operations.

Note 4 Receipts

4.1 Appropriations-in-aid

		2019		2018
		Estimated	Realised	Realised
		€000	€000	€000
1	HR shared services levy	5,030	5,072	4,454
2	Miscellaneous	170	251	234
3	Receipts from additional superannuation contributions on public service remuneration ^a	540	510	587
Total		5,740	5,833	5,275

Note ^a The 2018 figure refers to pension related deductions. These were replaced by additional superannuation contributions from 1 January 2019.

Note 5 Staffing and Remuneration

5.1 Employee numbers

Full time equivalents	2019	2018
Number of staff at year end	750	746

5.2 Pay

	2019	2018
	€000	€000
Pay ^a	27,695	26,177
Higher, special or additional duties allowance	48	77
Other allowances	66	20
Overtime	466	297
Employer's PRSI	2,494	2,267
Total pay	30,769	28,838

Note ^a The total pay figure is distributed across subheads A.1, A.3, B.1, .C.1 and D.1.

5.3 Allowances and overtime payments

	Number of recipients	Recipients of €10,000 or more	Highest individual payment	
			2019	2018
			€	€
Higher, special or additional duties	8	2	13,002	31,194
Other allowances ^a	6	2	34,156	7,509
Overtime	368	2	10,647	8,169
Extra remuneration in more than one category	3	1	10,442	10,117

Note ^a Other allowances include employers' pension contributions in respect of staff seconded to the NSSO.

5.4 Payroll overpayments

at 31 December	Number of recipients	2019 €000	2018 €000
Overpayments	67	88	124
Recovery plans in place	24	61	57

21 overpayments with recovery plans in place to a value of €6,597 transferred to other Departments in the year (2018: six individuals to a value of €5,872).

Note 6 Miscellaneous**6.1 Fraud and suspected fraud**

	Number of cases	2019 €000	2018 €000
Fraud	1	31	—
Suspected fraud	—	—	—

See further information in relation to this case in the statement on internal financial control.