

DÁIL ÉIREANN

AN COISTE UM CHUNTAIS PHOIBLÍ

COMMITTEE OF PUBLIC ACCOUNTS

Déardaoin, 1 Feabhra 2018

Thursday, 1 February 2018

The Committee met at 9 a.m.

MEMBERS PRESENT:

Deputy Bobby Aylward,	Deputy David Cullinane,
Deputy Peter Burke,	Deputy Alan Kelly,
Deputy Shane Cassells,	Deputy Marc MacSharry,
Deputy Catherine Connolly,	Deputy Catherine Murphy.

DEPUTY SEAN FLEMING IN THE CHAIR.

BUSINESS OF COMMITTEE

Mr. Seamus McCarthy (*An tArd Reachtaire Cuntas agus Ciste*) called and examined.

Business of Committee

Chairman: We are joined by Mr. Seamus McCarthy, permanent witness to the committee, who is joined by Ms Patricia Devlin and Ms Olivia Somers, senior auditors in the Office of the Comptroller and Auditor General. Apologies have been received from Deputy Mary Lou McDonald.

The minutes of the meeting of 25 January 2018 have been circulated. Are they agreed? Agreed. Any matters arising from the minutes will be dealt with shortly.

The next item is correspondence received since the committee's last meeting. In category A correspondence are Nos. 1049 and 1050, which are the briefing document and opening statement received from Ms Hilary Murphy-Fagan, chief executive of the National Shared Services Office, for today's meeting. This has been published.

In category B correspondence, from Accounting Officers and Ministers and follow up to PAC meetings, we have received correspondence from John O'Sullivan, commissioner of valuation, dated 26 January 2018, which provides a briefing note on the dates of Laois valuations.

One request for follow-up information was made at the meeting last week and the secretariat has followed up on a number of other matters which we should receive in the next two weeks. We will note and publish that.

Category C relates to correspondence from private individuals and any other correspondence. Item Nos. 1038(i) to (ii) was received from an individual dated 23 January 2018 in relation to alleged Tusla misuse of public moneys. A copy of a letter from Tusla to the individual in relation to a report mentioned is attached to it. I propose in the first instance that we write to Tusla for a response to the key items raised in the correspondence. Tusla seems to have written directly to the person on 12 January and the individual who wrote to us has reverted to the committee with further queries. We will ask Tusla for a response in so far as it can give it, as it relates in part to individual staff members.

The next item is No. 1042 received from Deputy Catherine Murphy in relation to the funding model for local authorities and population changes. Does the Deputy wish to speak to the item?

Deputy Catherine Murphy: I should say at the outset that this does not fundamentally refer to local property tax, so I do not believe it falls within the rubric of Government policy. It refers to the allocation of funding to local government, as it relates formally to the local government fund. The information was gathered around 2000 based on what was known as the needs and resources model. It counted what was there historically and the benchmark was that no local authority was to lose out.

There was no future-proofing of the model and no counting of population. There have been several censuses of population since then. The baselines which were set originally around 2000 or 2001 are not very different from what is used now. There would have been changes relating to Irish Water and the associated transfer of staff, resources and liabilities and there was a change last year related to how pensions were calculated, but otherwise the baselines have not

changed. I have examined a number of comparators between counties that are growing rapidly and some that are not growing as quickly. In all cases where there has been a population increase, I have tried to match them with counties of comparable sizes. For example, Mayo has a baseline of €17 million whereas Wicklow has a baseline of €6 million. If one considers how the local property tax, LPT, is impacted by the baseline, one will see that Mayo receives a sizable transfer of funds whereas Wicklow contributes to the LPT fund. In terms of gross expenditure by counties that are not dissimilar, however, Mayo actually has a great deal more money to spend.

Other pairs show the same trends. Where Limerick City and County Council is concerned, the city has a decent commercial rates base. Fingal has the lowest baseline in the country, but it has been the most rapidly growing area. Parts of Fingal did not even exist when the resourcing model was established.

The baseline is influencing how much of the money that must be spent is self-funded, effectively replacing the grants that would otherwise have been paid from the Department of Transport, Tourism and Sport or Housing, Planning and Local Government. The baselines need to be amended and account must be taken of population changes in any calculation if there is to be a fair allocation and value for money around the country.

I wrote to determine whether the committee would consider this matter. What is being examined at the moment is exclusively a revaluation of LPT. Projecting that revaluation forward, the areas with stronger population growth will recover better and, due to the baselines, far more authorities will fall into the self-funded category and will have less discretion with the overall take. The LPT will be undermined by the baselines.

I wrote because I was unsure as to whether this matter fell within our remit, but it is problematic.

Chairman: Before Deputy Connolly speaks, we have scheduled a meeting on the chapter on central government funding for local authorities for 8 March, which seems germane to this topic. Examining the current figures in the Comptroller and Auditor General's report is all well and good, but we need to know where the baseline is coming from, so it is relevant.

Deputy Catherine Connolly: I am glad that Deputy Murphy raised this matter and that it will be discussed on 8 March, but I will balance what has been said regarding rural communities and Mayo's singling out. I do not believe Deputy Murphy meant that.

Deputy Catherine Murphy: Deputy Connolly will see from the table that I did not.

Deputy Catherine Connolly: Yes. Galway County Council is third from the bottom in the league and the second largest county in the country. We had two emergency meetings with departmental officials last week and the week before regarding this underfunding. The officials have put on the record that they do not have money to do the roads. Deputy Murphy referred to falling. Without exaggerating, the roads are falling apart, but Galway is the third last. It is a major problem.

Chairman: Deputy Connolly is referring to central funding but excluding rates from her statement.

Deputy Catherine Connolly: Yes.

BUSINESS OF COMMITTEE

Chairman: Counties' rates revenue can be large or small.

Deputy Catherine Connolly: It is not me saying this either. We were called to an urgent meeting by the acting county manager, such is the situation on the ground. I am just balancing what has been said. Something is amiss.

Deputy Alan Kelly: I have no issue with this.

Chairman: Deputy Kelly might know something about it as the former Minister.

Deputy Alan Kelly: I know a bit about it. While this is not the forum for the discussion, we can get into it in the March sitting. There is capacity for local authorities to raise funding themselves. In many cases, they reduce funding. We cannot ignore the fact that the capacity exists and is often not used for other reasons. There needs to be balance in this argument.

Chairman: We will ask about this topic and about the figures regarding the local authorities that used their discretion over the 15%.

Deputy Alan Kelly: It is pretty easy to deduce.

Chairman: Only a few increased the rate. Laois and Tipperary were among them.

Deputy Alan Kelly: That is right.

Deputy Catherine Murphy: The overall expenditure from all sources gives an indication of-----

Chairman: The scale of it.

Deputy Alan Kelly: That can be discussed.

Deputy Catherine Murphy: I will give the example of Tipperary versus Galway to put the cat among the pigeons.

Deputy Alan Kelly: We are far enough away from each other. It is all right.

Deputy Catherine Murphy: There is quite a large disparity between them. The difference is not exclusively between urban and rural. Sometimes, it is also between rural and rural.

Chairman: We will deal with the chapter on overall funding on 8 March. We will alert the Department to send a detailed briefing note to us on this topic well in advance of that so that we can be well armed with information when the issue is raised.

The next correspondence is No. 1046 from an individual dated 9 January 2018 regarding an alleged co-ordinated sabotage of a research programme focused on developing a comprehensive blueprint for the delivery of acute hospital health care in Ireland. We have received earlier correspondence from this individual, with whom the Department of Health has also been in direct contact. The essential matter appears to be related to policy and not within our remit. I propose that we write to the individual explaining this and that the committee's consideration of the matter is now closed. Is that agreed? Agreed. To be straight up with members, I met this man at my constituency clinic last summer. I was not able to progress the issue because I had difficulty with it. Essentially, it is a health policy issue, so our committee does not have a role. We will write to him with that response.

COMMITTEE OF PUBLIC ACCOUNTS

Next are Nos. 1048(i) and 1048(ii), received from Ms Laura Burke, director general of the Environmental Protection Agency, dated 24 January 2018, providing a response to our request for an explanatory note on an item of correspondence received by us from the Irish Environmental Forum. The correspondence from the EPA refers to a report by the European Environment Agency in 2011 as well as other matters, including the review of the EPA in 2010. The EPA has responded directly to the individual. It attached in our correspondence a letter that it sent to the then Committee on Environment, Culture and the Gaeltacht on 2 May 2013 regarding the same issue raised by the same individual. If an issue arises, it is for that-----

Deputy Catherine Connolly: Might we let that matter stand and revert to it later?

Chairman: The Deputy wants to read it.

Deputy Catherine Connolly: Yes.

Chairman: We will make a note of it and hold it over. That is always in order. I prefer people to be comfortable instead of approving something that they have not had an opportunity to discuss.

Next is No. 1052, correspondence received from the Cork branch of the Teachers Union of Ireland, dated 22 January 2018, inquiring into the roles and responsibilities of the vice-president for finance and administration or secretary-financial controller in institutes of technology. I propose that we write to the Higher Education Authority for a note on this issue. Is that agreed? Agreed.

Deputy Alan Kelly: Is it not a strange request?

Chairman: There must be something behind it. It is a simple letter.

Deputy Alan Kelly: It is pretty obvious what those persons do. If whoever wrote this letter is watching, he or she should outline the real issue. It is obvious that this is not it. The person is pointing us in a direction but not saying what the issue is. We cannot help him or her unless he or she says what it is.

Chairman: The committee will get the information note and perhaps we will forward it to the person. We will consider it when we get the information note from the HEA. That will be our first step.

No. 1054, dated 30 January from Deputy David Cullinane on the statutory responsibility of the Department of Transport, Tourism and Sport and CIÉ with regard to the defined benefit pensions scheme. I believe all members received a copy of this correspondence. Would Deputy Cullinane care to comment?

Deputy David Cullinane: Yes, I met a number of CIÉ workers just after Christmas. Members have received a dossier that came from them also. Some of these questions have been put to a Minister in the Dáil but the unions involved are not content with the answers received. There are issues regarding the underfunding of the pension scheme. There is also an allegation that a ministerial order was disregarded. They are calling for an independent investigation into the governance of the two CIÉ pension schemes. The issues appear to concern governance. They are also seeking funding for independent legal advice. There is a lot contained in the dossier members received. I am seeking guidance from the Chairman as to how or if we can address this issue. If we cannot do it, is there another mechanism by which this matter can be

raised?

Chairman: Pensions comes under the Oireachtas Joint Committee on Employment Affairs and Social Protection as that Minister is responsible for all the pensions. I say this as an observation. I am aware that private pension schemes would not normally be under this committee's remit but if the Deputy feels it is helpful, given that some parliamentary questions have already been asked on the matter, are there specific queries he would like this committee to send to that Department?

Deputy David Cullinane: Maybe I will forward questions. The questions were put that were in the dossier from the trade union.

Chairman: Some have been dealt with.

Deputy David Cullinane: As a member of the committee I will forward my own questions to the secretariat to be sent to the line Minister. Is that the Minister for Employment Affairs and Social Protection?

Chairman: That is the Minister.

Deputy David Cullinane: We will see what comes back from that.

Chairman: Is there a pensions ombudsman?

Mr. Seamus McCarthy: It is the Pensions Regulator.

Chairman: When we get that list we might include the regulator in that line of questions.

Mr. Seamus McCarthy: I understand that in this case, it is a statutory pension scheme rather than just a private pension scheme. There is a difference.

Chairman: There is a statutory instrument behind it.

Mr. Seamus McCarthy: Legislation and statutory instruments.

Deputy David Cullinane: What does that mean with regard to governance and accountability?

Mr. Seamus McCarthy: Basically, in the establishment of CIÉ there is a provision in the Act for the establishment of a statutory pension scheme for CIÉ workers.

Deputy David Cullinane: I understand that but because it is a statutory pension fund does this mean the Committee of Public Accounts would have more of an entitlement to ask questions than if it was not a statutory fund?

Mr. Seamus McCarthy: CIÉ is not amenable to the Committee of Public Accounts. The Department that oversees CIÉ is the Department of Transport, Tourism and Sport.

Chairman: Would the Department of Employment Affairs and Social Protection, which covers trustees, pensions and reviews of pensions have a role? We might end up sending the questions to the two Departments.

Mr. Seamus McCarthy: It would probably be better to send them to the two Departments.

Chairman: Okay.

COMMITTEE OF PUBLIC ACCOUNTS

Deputy Bobby Aylward: As a State body, would CIÉ not be answerable to the committee?

Mr. Seamus McCarthy: No. It is categorised as a commercial State body.

Deputy Bobby Aylward: It gets State money and funds.

Mr. Seamus McCarthy: It does but that is the legislation. I do not carry out the audit of commercial State bodies and by extension, they are not amenable to the Committee of Public Accounts.

Deputy Bobby Aylward: Who appraises their Vote?

Mr. Seamus McCarthy: The committee.

Chairman: The Joint Committee on Transport, Tourism and Sport is the obvious forum to bring in CIÉ to deal with this matter, to an extent. It is on the agenda of this committee, however, and we will see what information we get on it.

Deputy David Cullinane: I assume all members were given this dossier. I was presented with it and I am only seeking guidance as to what to do with it. We will write to the two Ministers, then we will see what comes back.

Chairman: Deputy Cullinane will try to find the answers to the specific questions and whether some have already been addressed, rather than the committee sending on the document and asking for a response. That would be too broad.

Deputy David Cullinane: Okay. Will this committee come back to the issue once we get a response?

Chairman: Absolutely.

The next item on the agenda is reports and financial statements received since the last meeting. We have three reports before us today, the first of which is the accounts of the Marine Casualty Investigation Board for 2016. This is a small operation with a clear audited opinion. The other report is the 2015-2016 accounts for Mary Immaculate College in Limerick, which have a clear audited opinion and attention is drawn to recognition of the deferred pension funding and a standard for all universities and colleges.

The committee has received the financial statement for 2016 from the Residential Tenancies Board, RTB. This organisation maintains the register of tenancies and provides dispute resolution services for tenants and landlords. The turnover of the organisation is €10.2 million. It is clear audited report but the Comptroller and Auditor General has drawn attention to €2.1 million of legal fees where the relevant services had not been procured by way of competitive processes since 2011. Before I came to the committee today I had a quick look at the accounts for the RTB. The expenditure of the year 2016 was €10.3 million and the single biggest cost was legal and professional fees of €2.147 million. The salary costs were only €1.5 million. That an organisation can spend 20% of its total income in one heading without going to a competitive tender, for the last seven years, is utterly unacceptable. The committee will write to the RTB for a detailed note. We will ask for a detailed note, company by company, to provide the total payments that were made in the financial statements of 2016, legal firm by legal firm as the case may be, or the other professional advisers. I am sure we could include valuers also. We will ask why there was not a competitive tendering process in recent times. When we get this information, the committee will scrutinise it further. The scale of this non-procurement relative

to the size of the organisation is extraordinary.

Deputy Bobby Aylward: Is that organisation duty-bound to put that work out for procurement?

Chairman: Yes, it is subject to Government procurement rules.

Deputy Bobby Aylward: Is it not living by the standards?

Chairman: Maybe the Comptroller and Auditor General would like to comment on this. He can see why I mention this.

Mr. Seamus McCarthy: Yes. There is an obligation on the RTB to put a contract that size to tender.

Deputy Bobby Aylward: Then the RTB is in breach of its contract in respect of what it is supposed to do.

Mr. Seamus McCarthy: It is not in breach of contract but it is not compliant with procurement rules.

Chairman: It is extraordinary that this issue concerns the single biggest item in the RTB accounts.

Deputy Catherine Connolly: Is there a breakdown in the accounts as to the nature of the cases?

Mr. Seamus McCarthy: Not that I recall.

Deputy Catherine Connolly: Can we ask for that information also?

Chairman: The nature of?

Deputy Catherine Connolly: The nature of the legal cases taken?

Chairman: We will ask for a comprehensive note giving all the categories of issues covered by this legal spend.

Deputy Catherine Connolly: Yes.

Deputy Catherine Murphy: In fact, the vast majority of cases may not have cost the RTB legal fees. They are done by way of a mediation process. Although that process may have some legal aspect to it, it would be quite useful to see what the client or complaint ratio is and what requires legal attention or not. Any member who has experience of dealing with the kind of issues that go to the RTB finds that it is quite a frustrating process.

Mr. Seamus McCarthy: There is statement on internal financial control in the RTB 2016 report. I can read that paragraph for the committee, which states:

In 2016 the RTB incurred expenditure totalling €2.1 million in legal fees to a firm of solicitors where the relevant service had not been procured by way of a competitive process since 2011. The service wasn't put out to tender in 2016 because substantial legislative change in 2015 and 2016, and our use of insourced legal staff from the firm to work alongside RTB staff, created the risk that we would lose accumulated knowledge by changing supplier at a time when we had significant operational deliverables such as the roll out of

Rent Pressure Zones.

The RTB is aware that this contract does not comply with guidelines and in 2017 intends to publish a request for tender under the Office for Government Procurement's legal services framework.

Chairman: Okay. We will ask whether that was done in 2017 and also about the outcome of that tendering process. It is an explanation, but a weak one to say that the board wants to stick with the professional advisers it has because of changes in legislation. These advisers are almost embedded in the organisation at this stage, they have been working alongside it for so long. We have covered it. We will get the note.

Deputy Catherine Connolly: The note will include a breakdown of the firms and the nature of the cases.

Chairman: It looks as if it is one major firm.

Mr. Seamus McCarthy: It is one firm. That is my reading of it.

Deputy Catherine Connolly: But we can get a breakdown of the cases.

Chairman: Yes, and a breakdown of the type of advice provided.

Mr. Seamus McCarthy: A breakdown of the type of case.

Chairman: Some of it does not seem to have related to disputes at all. It looks as if there are people from the particular firm effectively working with the board permanently and dealing with various issues on an ongoing basis. We will come back to that. That is agreed.

The next item is the current work programme. Members have a copy. We agreed to some of it at the last meeting. When we go into private session I want to talk about the presentation from Brian Keenan on corporation tax receipts. We will talk about that topic in private session in a moment, before the witnesses come in. We will hold that over. On the rest of the programme, there is a full meeting on the topic of public private partnerships, PPPs, alone on Thursday, 22 March. I suggest that we bring in the Department of Education and Skills, Transport Infrastructure Ireland and the National Development Finance Agency, which manages these partnerships. It is a subsidiary of the National Treasury Management Agency, NTMA. There are some smaller PPPs under the remit of the Department of Justice and Equality and the odd other small project, but the two big users of PPPs are the Department of Education and Skills and Transport Infrastructure Ireland. We need a full meeting on PPPs. We will have to rearrange the other items for a later date.

Deputy David Cullinane: I welcome the fact that we will have a full day on PPPs and that the Accounting Officer for the Department of Education and Skills will be in attendance. As the Chairman knows, Carillion has collapsed and the construction of a number of schools is on hold as a result. In advance of that sitting and that hearing, can I ask Mr. McCarthy whether the Comptroller and Auditor General's office has done any work on public private partnerships in the past? Does it have a document that it might be able to present to us? We had some discussion on the issue before in respect of different Departments. When the Departments of Finance and Public Expenditure and Reform were before the committee there was some discussion on whether the processes in place to evaluate the effectiveness and value for money of public private partnerships are what they should be. Obviously that will inform the questions which we

put, but if there were any reports produced or research carried out in the past which would help us it would be useful if they were given to the committee. I am not sure whether any special reports or reporting on PPPs were carried out by the Comptroller and Auditor General's office, but if there were-----

Mr. Seamus McCarthy: There is an overview chapter in last year's report which gives a high-level view of what is under way. I have also drawn attention to some cases in which out-turn was not exactly what was expected. We have not carried out a specific in-depth review of individual projects in recent years but I do want to do some work on that in the future. I believe I gave a note to the committee in the past in respect of the work that had been done and the issues which had arisen from it.

Deputy David Cullinane: Perhaps that report could be circulated again. That would be useful.

Deputy Alan Kelly: I welcome the fact that we will be spending a day on PPPs. It is necessary and timely. Those two areas specifically are the most important in that regard. Can we reverse into the whole issue of national procurement guidelines, tendering and so on in some way? It is a topic which keeps surfacing but which we never delve into. There are issues here in respect of costs to the taxpayer. I do not think they are smooth. They need to be changed. "Tweaked" would not be a big enough word for me; they need to be changed substantially. This one-size-fits-all approach with regard to national procurement rules is not working. It is causing issues in some sectors, especially given the developing economy and the capital plan which is supposed to be announced every week. Given the way the national planning framework is progressing that will not be announced for another year. It is an apt time for us to discuss this issue in this format. The Chairman might come back to me on that.

Chairman: In light of the meeting with the Department of Public Expenditure and Reform we had it in mind to bring in the Office of Government Procurement. We will definitely do that, but we will keep it to a separate meeting. The issue of PPPs is enough on its own.

Deputy Alan Kelly: Absolutely.

Chairman: We will certainly do that.

Deputy Alan Kelly: We need to. Perhaps it is a half-day job rather than a full-day job. The second thing I will mention, so that it can be put on the schedule for some time in late March or early April, is that we must come back to the issue of the IT contracts in an Garda Síochána. Some of the information which has come out is completely contrary to the evidence which we were given in this committee. I have read the transcripts of our committee deliberations on this topic and, frankly speaking, some of the information which has come out in the Dáil, which has come back to myself and other Deputies in replies to parliamentary questions, and which is now out in the public indicates that the scale of this issue is pretty huge. We are dealing with large amounts of money. We are dealing with a certain supplier. This issue needs to be opened up and there needs to be accountability on it not just in respect of what is going on, but also in respect of why we were given certain answers in this room over which I would now have very serious questions.

Chairman: I will come to the Deputy Connolly shortly. The Department of Justice and Equality is down on the work programme for April. Whether this issue is discussed at that meeting or shortly before or after, we definitely have to address it.

COMMITTEE OF PUBLIC ACCOUNTS

Deputy Catherine Connolly: If the Chairman has it listed, that is all I need. I have raised the issue at the previous meeting both in public and private session. I agree with the Deputy that it is a very serious matter. It is on the agenda for April, is it?

Chairman: Yes.

Deputy Catherine Connolly: That is grand.

Chairman: I would like to put on the public record that, in respect of the meeting on PPPs on 22 March, I want agreement that we will have the Accounting Officer for the Department of Public Expenditure and Reform; the Accounting Officer for the Department of Education and Skills, because of the schools; the Accounting Officer for Transport Infrastructure Ireland, which is a big one; and the Accounting Officer or most senior official in the National Development Finance Agency, which is involved in all of those PPPs. We will have a few Accounting Officers here that day. I have one question for the Comptroller and Auditor General. A large proportion of the PPPs entered into in the past, and which are still in place, were in the area of water services under the local authorities. They have now gone to Irish Water. Can we get at that through this committee? They were under the Department but are now under Irish Water.

Mr. Seamus McCarthy: I would say that they have moved from one area outside the remit of the committee to another area outside its remit. I cannot help the Chairman there.

Chairman: Okay. We have made clear who we are going to invite before the committee for that meeting. That ends that. In a few moments we will be inviting in the witnesses for today's meeting but before we get to that there is one item I want to clear in private session.

The committee went into private session at 9.40 a.m. and resumed in public session at 9.45 a.m.

2016 Annual Report of the Comptroller and Auditor General

Chapter 10: Shared Services - Management of Salary Overpayments

Appropriation Accounts 2016

Vote 18 - National Shared Services Office

Ms Hilary Murphy-Fagan (*Chief Executive Officer, National Shared Services Office*) called and examined.

Chairman: We are dealing with the 2016 annual report of the Comptroller and Auditor General, chapter 10, shared services – management of salary overpayments, which is the item specifically mentioned in his report. We will also deal with the appropriation accounts for 2016 and Vote 18, National Shared Services Office. We are joined by officials from the National

VOTE 18 - NATIONAL SHARED SERVICES OFFICE

Shared Services Office, Ms Hilary Murphy-Fagan, chief executive officer, Ms Joan Curry, head of corporate services, and Ms Paula Lyons, head of employee shared services, Ms Lisa Hennessy, corporate governance. Seated behind the delegation is Mr. Matt O'Neill, head of payroll shared services operations, and Mr. Robert O'Toole, head of HR shared services operations.

I remind witnesses and those in the Public Gallery that all mobile phones should be turned off. That means on aeroplane mode and not just on silent mode because if they are only on silent they will interfere with the recording process here in the House.

I wish to advise witnesses of the fact that by virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by the committee to cease giving evidence on a particular matter and they continue to do so, they are entitled thereafter only to a qualified privilege in respect of their evidence. Witnesses are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable.

Members of the committee are reminded of Standing Order 186, which provides that the committee shall refrain from inquiring into the merits of a policy or policies of the Government or a Minister or the merits of the objectives of such policies.

I call on the Comptroller and Auditor General to make a brief opening statement.

Mr. Seamus McCarthy: Thank you, Chairman. The National Shared Services Office was set up in 2014 as an administrative office within the Department of Public Expenditure and Reform. From the beginning of this year, 2018, it has been a stand-alone office with its own Accounting Officer. It is responsible for delivering suitable business services on a shared basis, mainly for other central Government Departments and offices.

The shared services office currently provides two main services: PeoplePoint, which provides a human resources and pensions administration service; and the Payroll Shared Service Centre, which provides a payroll and pension payment service. A shared services financial management system is in development. At the end of 2016, 39 departments had transferred HR functions to PeoplePoint and 43 had transferred their payroll functions to the Payroll Shared Services Centre, PSSC.

The 2016 appropriation account for the Vote for shared services records gross expenditure totalling €36.4 million. There was an underspend in the year of €7.35 million. That was 17% relative to the gross estimate. This was primarily due to delays in planned transfers of staff from departmental payroll centres to PSSC, and delays in staff recruitment. There has been a change in the presentation of the Vote for 2016. In previous years, each of the main shared services was reported on as a separate expenditure programme. For 2016, only a global programme is presented. Pay costs totalling €21.1 million accounted for 58% of the expenditure.

Turning to the chapter on the management of salary overpayments, acting as the agent for the bodies it serves, the shared services office processed payments of €3.2 billion relating to 102,400 employees in 2016. This involved running 2,438 weekly, 1,482 fortnightly and 192 monthly payment runs. It should be noted that the payments made for the bodies concerned are charged back to the relevant appropriation account or financial statements of the bodies concerned, and are not a charge on the Vote for shared services. During the audits of appropria-

tion accounts for 2015, we noted a general increase in the level of salary overpayments being reported. I decided to examine the matter across the board for 2016, focusing on how the shared services office managed and recovered salary overpayments. The examination found that the office notified its client departments that overpayments totalling €4.6 million were outstanding at the end of 2016.

In any large and complex payroll system, it is likely that some salary overpayments will occur, usually because it is necessary to process the payroll to meet pay day commitments before all information that might require a salary adjustment is available. The examination found that late notification was the cause of the overpayment in the majority of cases reviewed. In a sample examined, this mainly occurred because the PSSC were only notified weeks, and, in some cases, months, after an employee should have been put on a zero rate or a reduced rate of pay, for example, due to extended sick leave. There can be late notification by the relevant employer department to PeoplePoint, and-or by PeoplePoint to PSSC. Like any debt, it is important that salary overpayments are managed effectively, and repayment arrangements put in place promptly. In figure 10.2, the chapter presents an overview of a framework for the effective management of overpayments. The examination found scope for improvement in each aspect of this framework.

We found that, at the end of 2016, there were almost 650 identified overpayment cases where the amount of the overpayment had not yet been recorded. The overpayment had arisen more than six months previously in a quarter of these cases. Delays in identifying the value means the recovery process cannot begin, which may ultimately make it more difficult to recover the overpayment. We also identified two ways in which overpayments arose, but which were not being correctly captured by shared services.

Even in cases where the overpayment amount had been calculated, there was evidence of delays in commencing recovery action. At end 2016, there were more than 380 cases with an overpayment value of €1.1 million outstanding for more than a year, with no recovery plan in place. Based on the examination of a sample of cases, the average time taken to issue the first letter requesting repayment was 13 weeks. We also found there was a lack of clarity between the NSSO and the departments being served around the division of responsibility for management of identified overpayment cases.

Recovery of overpayments is often by means of regular deduction from future pay. There is no system in place to identify cases where deductions have ceased but the full amount of the overpayment has not yet been recovered. The examination identified overpayments to four individuals where this had happened.

Overall, it was found that the systems in place did not provide the necessary information to allow for the effective management of overpayments. It was not possible to readily generate an aged analysis of overpayments or to quantify the level of recovery. Extensive manual intervention was required to calculate the amount outstanding at year end and the examination identified a number of errors in this calculation. In addition, the reported year end figure did not include all overpayments, mainly due to a lack of clarity between the NSSO and client departments as to the respective responsibilities for particular types of cases. The chapter makes a number of recommendations to improve systems and recovery processes, and to clarify responsibilities. I am glad that the Accounting Officer accepted all of the recommendations, and will provide an update on their implementation.

Chairman: I thank Mr. McCarthy. I welcome Ms Murphy-Fagan to her first meeting as

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Accounting Officer. She only took over responsibility the other day. I invite her to make her opening statement.

Ms Hilary Murphy-Fagan: I thank the Chairman and the members of the committee for the invitation to appear in my capacity as Accounting Officer for the NSSO, and I look forward to discussing any aspect of the office with them. I am joined by my colleagues, Ms Paula Lyons, assistant secretary and head of employee shared services; Ms Joan Curry, principal officer and head of corporate services; and Ms Lisa Hennessy from the NSSO corporate office. I thank the committee also for the opportunity to make an opening statement. As we have provided the committee with briefing material, I will endeavour to provide a relevant overview in my statement to make best use of the committee's time.

The matters being examined are chapter 10 of the Comptroller and Auditor General report 2016; which is titled Shared Services – Management of Salary Overpayments, and the Appropriation Account 2016, Vote 18, which is the Vote for the NSSO. Before I give an outline of these matters, and as this is my first appearance before the committee as the Accounting Officer for the NSSO, I would like to set out the background of the office and the progress we have made in delivering our objectives in recent years.

The NSSO is a statutory office, established under the National Shared Services Office Act 2017, on 1 January 2018, when it became a separate Civil Service office, under the Department of Public Expenditure and Reform. The NSSO is contributing to the modernisation of corporate administration and professionalisation of these functions across the civil and public service. The office is responsible for shared services provision across the entire Civil Service. This allows Departments and offices to focus on their core purpose of effective front-line service delivery. While each sector in the public service has responsibility for implementing shared services, the NSSO supports the progression of the strategy across the public service by providing advice and guidance on best practice, creating professional communities for learning about shared services standards, policy development and research.

The Chairman will be familiar with MyPay in County Laois, which administers payroll for 28 local authorities and pensions for 15 local authorities, and HAP in Limerick, a housing assistance payment scheme. A new multifunctional shared services centre for higher education is being established in Dublin. Athlone has an administration centre for schools, and SUSI's data centre in Cork and its operation in Dublin administers the grant payment shared service for students. The HBS is the provider of multiple shared services to the HSE and it has plans to consolidate administration further.

The NSSO has two shared services operations in four locations - Clonskeagh, Tullamore, Killarney and Galway - which comprise HR shared services, providing HR and pensions administration services to 34,500 civil and public servants, and payroll shared services, administering payroll, travel and expense, and pension payments to 124,500 civil and public servants. A project is well under way to develop the shared services model for financial management and this will go live in mid-2018. As articulated by Secretary General, Mr. Robert Watt, during previous sessions with the committee, the Government must invest to deliver cost and efficiency benefits, and shared services is an intrinsic part of that transformation of strategy. Since 2012, the Government has invested €32.3 million capital funding in technology, facilities and consulting costs for HR and payroll shared services. While this is still at an early stage of maturity, the savings estimated for HR and payroll shared services to date are €21 million and it is expected to deliver €13 million annually, as these centres are fully established.

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In addition to cost savings and improved effectiveness arising from standardised processes across the Civil Service, other benefits include the following. Payroll shared services has replaced 18 payroll offices around the country that had different licensing and versions of payroll systems with one shared service centre on a single technology platform administering payroll, pensions, and travel and expenses one way across Government. In 2016, payroll shared services made 2.7 million payments to the value of €3.24 billion. This increased to €4.7 billion in 2017 and will increase further in 2018 now that all in-scope public service bodies have transitioned their payroll and expenses to the NSSO. HR shared services responded to 77,466 calls and closed 215,268 cases in 2016. In 2017, this increased to 86,028 calls and 231,289 closed cases. This level of service delivery was acknowledged with the awarding of the CCMA 2015 Shared Services Award to PeoplePoint while the Civil Service Innovation Award went to the PSSC in the same year.

A further €42.7 million is the estimated capital investment required to establish finance shared services. The development of a new finance technology solution for Government is well under way. A single finance technology platform will replace 31 financial management and reporting systems across Government Departments and offices and facilitate transaction processing in the new finance shared services operation in the NSSO. When fully established, finance shared services will deliver a sustainable reduction in the annual cost of Government financial management of approximately €15.4 million annually from 2021 through a reduction in the cost of support for finance technology, and a reduction in the resources required to provide financial management processing.

Since 2014, the NSSO has delivered many benefits for the Civil Service. These include the introduction of one set of standard HR and pension processes, applied consistently, based on common HR policies. These standard processes are eliminating local interpretation and thereby increasing fairness for employees. Civil servants can access HR and pension services through a much wider range of channels, including the first online system, giving them easier and faster access to important information on entitlements and services. For example, the HR portal receives over 300,000 visits per month. HR data analytics are more readily available to management on a Civil Service-wide basis. The first online system for public service travel and expenses claims was introduced, with payments processed within a week. Online payslips are provided to all payees and there is immediate access to payroll information, including downloadable P60 forms. This is a significant change to the hard-copy payslips and paper-based receipts of the past.

Insights gained through shared services informed the development of Government policies, such as absence, leave and the recoupment of overpayments. Improved technology has resulted in automation in several areas, including the updating of personal information, for example annual leave, removing the need for repeated manual entry on the HR system. Almost 1.5 million annual leave updates have been recorded in four years and further automation is on the way. A single definitive source of information can be utilised for many purposes that can help the Government with the implementation of strategic changes and the development of data driven, evidence-based policy formulation. Shared services continues to have a positive impact by creating dedicated specialist teams whose focus is solely on service quality through process improvement, technology and digitisation. Our team is building expertise and competencies in complex large-scale transformation programme management, service and quality management, lean thinking and digital and technology innovation.

As with any organisation on this scale and at such an early stage of maturity, progress has

not been without its issues. It is reasonable to expect that challenges and corrections are needed as part of the set-up and stabilisation period. As with other shared service organisations in the public and private sectors, this has also been the case for the NSSO. We have encountered and solved a number of issues and learned some lessons.

I turn now to address the Comptroller and Auditor General Report 2016, Chapter 10 - Shared Services – Management of Salary Overpayments. I start by thanking the Office of the Comptroller and Auditor General for its valuable assistance in preparing this report to deal with complex issues, which I will now articulate as follows. The committee should note that the Comptroller and Auditor General report accepted the inevitability of salary overpayments, given the scale and complexity of the payments involved and it acknowledged that there are many causes for overpayments. I stress that the NSSO is very aware of its responsibility for the stewardship of public moneys. When any overpayment occurs, the NSSO pursues the recovery of those moneys as soon as possible in a standard way for all staff. In the response to the Comptroller and Auditor General report, it was noted that the value of overpayments in 2016 represents just 0.3% of the pay bill, confirming that 99.7% of the pay bill is being administered effectively. I also welcome that the Comptroller and Auditor General noted in his report that the audits of those bodies did not find any material errors in the payroll charges. Of course we would like to eliminate all overpayments, but we do not operate in a perfect world where every pay impact is notified in time to administer prior to the payroll run. Adjustments to salaries are always needed, be it public or private sector. An overpayment occurs when a staff member is paid more than his or her entitlement. Overpayments to staff of salary, allowances and expenses can and do occur because of late notification, after the payroll closed and the file has issued to the bank for payment.

I confirm that the NSSO agreed to all the recommendations in the report from the Comptroller and Auditor General on the overpayment of salaries to civil and public servants and has commenced implementation of actions required. As well as accepting all recommendations in the report, we outlined that a number of actions would be taken. Since the last quarter of 2017, a monthly report on overpayments issues to each finance officer. This shows the current balance outstanding on plans in recoupment, the value collected on all plans “year to date”, and the list of all active overpayment cases. This provides the finance officer with all the information required. The decision for off pay cases remains with each Accounting Officer. Responsibility for legacy cases is being progressed and a statement on responsibility will be inserted into the service management agreement for 2018. In the Comptroller and Auditor General report it was noted that there was a delay in recovering overpayments. I confirm to the committee that just over €2 million was collected in 2016 and the estimate for 2017 is higher. A revision to the recoupment circular in May 2017 allows for recovery of the full value of an overpayment within a month in circumstances where a staff member has been overpaid for a period of five days or less. This has resulted in a reduction in the time taken to process overpayments.

The reform of sick leave in the public service, while creating significant savings and standardisation of administration and elimination of legacy issues, has meant that staff are reaching sick leave thresholds earlier which increases the risk of a pay adjustment not being notified in a timely manner. Shared services is reliant on employees and managers notifying sick leave on the first day of occurrence. Late or delayed notification results in overpayments. Regular communications were issued by the NSSO to Civil Service staff to notify them of their obligations and an intensified information campaign is also planned for 2018 with local HR. Following a comprehensive analysis of the root cause of overpayments in 2017, a review of pay impact processes in the NSSO including greater automation is under way. This will help to reduce and

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eliminate any delays in the NSSO. Furthermore, internal organisation changes are planned for the end of the second quarter of 2018 to centralise the calculation of overpayment values, in order to shorten the time taken to agree the recoupment plan and start to recover the money. Consequently, I believe the NSSO will reduce the number and value of overpayments further in 2018.

On the appropriation account published in 2017, I welcome the clear audit opinion given by the Comptroller and Auditor General in respect of Vote 18 for shared services, which is subject to review today. Since the NSSO was established on an administrative basis in 2014, I have worked to ensure that the NSSO operates effectively and efficiently and that the use of public resources is scrutinised and optimised to ensure best value for money for the Exchequer.

Notwithstanding that, there is an issue with under-expenditure in the Vote. The reasons relate mainly to the ongoing project work we are delivering. These projects are very significant. The NSSO is leading a very significant transformation programme across Government. There is a balance between maintaining the project pace within an acceptable level of risk while ensuring delivery and value for money. Our best attempt to forecast may require adjustment if a risk arises. In 2016, the underspend was declared and surrendered to the Exchequer in a timely manner. We are aware that, for 2016, there was a significant underspend as set out in the Comptroller and Auditor General's report. As an office, we are very conscious of ensuring we set realistic forecasts and adjust as soon as possible on an ongoing basis, consistent with public financial procedures.

Shared services contribute to the modernisation of the civil and public service. They create capacity to build a clear strategy for HR, payroll and finance and improve the capability and professional skills of our staff. By operating a single standard way of working, the NSSO is able to contribute strategically and respond quickly to new and emerging requirements such as when a new Government Department is created. Shared services are about standard processes supported by self-service technology. It is a balancing act, investing to reduce costs and demonstrating efficiencies and improvements while at the same time changing responsibilities and accountabilities. While making these changes, issues such as overpayments are amplified by the centralisation of data and the transparency that shared services bring to such matters.

Before I conclude, I acknowledge and thank my staff who have really got behind this major change programme and worked hard and long hours to deliver it. Without their dedication and focus, the NSSO could not have achieved these milestones reached so far. I also thank past members of the shared services steering board and programme boards for providing their support and time to assist the delivery of this ambitious programme of change. I am confident that further improvements currently underway will result in a positive impact on managing overpayments more effectively. I will answer any question the Chairman or members of the committee may have.

Chairman: I thank Ms Murphy-Fagan for that opening statement. We have a list of speakers. I have one quick question. It is 1 February. Have all the P60s for last year been made available to those 124,500 people?

Ms Hilary Murphy-Fagan: I believe so. I have no reason to believe otherwise.

Chairman: That is fine. The speakers will be Deputy Alan Kelly, who will have 20 minutes, followed by Deputy Bobby Aylward, who will have 15. Deputies Marc MacSharry, David Cullinane, Catherine Connolly and Catherine Murphy will have ten minutes. I call Deputy Kelly.

Deputy Alan Kelly: I welcome the witnesses. I think it is their first time here. From a general point of view, it is a first for us too. I have a number of questions. In Ms Murphy-Fagan's contribution, she said that the organisation and its process is pretty new. She said a number of lessons have been learned but did not outline what they are. What are they, in order of priority?

Ms Hilary Murphy-Fagan: Having implemented two of the three major programmes, we have learned and done well with strong governance for the programmes and delivery of the change. One of the biggest lessons was the impact of the change and the requirement to support the change management in each public service bodies, PSBs, and to support users with the system. While we have communicated and developed communication materials that were disseminated in various PSBs, we have learned that we need to do even more of that in the future. We have taken that lesson as it relates to financial management shared services and really increased the level of engagement, communication and awareness for financial management. That has been a big lesson because there is an impact on the end user when one moves to a shared services model, particularly with the difference in responsibilities and accountabilities because they change when one moves to a shared services model.

The second lesson is that we have robust business cases in every case. That was a requirement for the Government to make a decision to implement this change. We did not start the benefits management and tracking as early as we could have. We now track our benefits which I was able to insert into my opening statement. When it comes to financial management, we will have a benefits statement which will be signed and agreed with each Accounting Officer before we start the transition to the final shared services. We will make sure that we monitor that. A last point, despite the best attempts, efforts and experience of my staff and the competencies and capabilities they have gained in the past year, is that with any large-scale transformation programme, while there are significant benefits, there are also risks. We have to consider how we manage those risks and look for certain risks that maybe, with the wisdom of hindsight, we could have dealt with sooner. We will certainly look at that in the future.

Deputy Alan Kelly: Ms Murphy-Fagan has led me to my next question. What are the office's top three risks?

Ms Hilary Murphy-Fagan: Any shared services organisation is a major data processing service and the National Shared Services Office is no different. We are a major data processing service for the rest of the Civil Service. We hold a lot of data. We have a huge level of focus on data protection and security. It is not just on our IT systems but through training, heightened awareness and a culture of really strong data protection of all of our staff. We have induction training for our staff and mandatory training twice a year for all our staff but we still manage to have a small number-----

Deputy Alan Kelly: Ms Murphy-Fagan must be reading my questions because my next question was about data protection.

Ms Hilary Murphy-Fagan: I have not. Protection of data is of the utmost importance because of the nature of the work we do.

Deputy Alan Kelly: Does the office have regular meetings with the Data Protection Commissioner?

Ms Hilary Murphy-Fagan: We have had very regular engagement with the Data Protection Commissioner's office, which has reviewed all of our procedures and policies and has

made recommendations which we have accepted and implemented. We are also preparing, as are all Government Departments, for the general data protection regulation, GDPR, which will come into effect in May this year. We are well advanced with that.

Deputy Catherine Connolly: What were those letters?

Deputy Alan Kelly: GDPR.

Ms Hilary Murphy-Fagan: The general data protection regulation.

Deputy Alan Kelly: Everyone is subject to that this year.

Chairman: We are all meant to know about it by this year.

Ms Hilary Murphy-Fagan: We are advanced in our implementation of that.

Deputy Alan Kelly: It is probably a risk for us here.

Ms Hilary Murphy-Fagan: It is, without a doubt, for all Government Departments and offices. That is the second risk I would flag.

The third risk relates to maintaining the support for end users for the change as we change how service is delivered. We have very robust service management in place with all of our client bodies. In 2017, we had 88 service management meetings. We constantly monitor and report on our performance against service level targets. We have a service management agreement in place with each body. We monitor our customer service through satisfaction and we have a complaints procedure that we monitor for complaints as well but, as with any service organisation, and particularly at our very early stage of maturity, we can always do better. My team, my staff, work really, really hard. I am pleased with the level of progress but we are not there yet.

Deputy Alan Kelly: In relation to the overpayments, in 2014 there were 1,374 cases of overpayments involving €2.35 million. Two years later, overpayments amounted to €4.6 million. Ms Murphy-Fagan stated overpayments will reduce in 2018 but they have the opposite trajectory. Given such a trajectory, why is Ms Murphy-Fagan confident that she will be able to turn the ship around? What has changed?

For example, I was contacted by somebody on a matter of no real issue in which there was a very small sum involved. Before the last election, there was a private secretary who, obviously, received an allowance for that role. Two years later, he was contacted to pay back a small amount of money. That is not the issue. The issue was it took two years. He did not even realise he was overpaid. In fact, he was only contacted recently.

Ms Hilary Murphy-Fagan: In response to the Deputy's first question, it is important for the committee to understand that we were only setting up the shared service centre in 2014-2015 and we only finished the final transitions to the HR shared service centre in 2016. The data is not comparable in that we were servicing a much smaller number of client bodies in 2014 than at the end of 2017. For the Departments that transitioned later during that phase, they themselves continue to manage their overpayments and they also had their payrolls - they themselves were processing payrolls and administering payroll. When one looks at the data, I can understand the question. However, it is a moving target because the number of bodies we service is different now.

Deputy Alan Kelly: Will it continue being a moving target as more organisations sign up?

Ms Hilary Murphy-Fagan: We have completed the transition of all the in-scope bodies at this stage. In HR, we finalised that at the end of 2016. In payroll, we have just completed the transitions for all of the in-scope bodies in November of 2017.

Deputy Alan Kelly: What happens if there is a dispute as regards overpayments? What percentage of overpayments go to dispute? What is the process for dealing with disputes?

Ms Hilary Murphy-Fagan: Prior to 2014-2015, there was no policy or recoupment circular as such in place for the Civil Service. One was implemented then. Then, in May of 2017, further revisions to that were made, following the experience from the NSSO of recovering the money and following feedback from the client bodies and the staff who received overpayments themselves. That has brought a number of clarifications which is helping to eliminate any disputes because it is very clear on what the responsibility of the NSSO is and what the responsibility of the individual employee, if he or she received an overpayment, is.

Deputy Alan Kelly: Would Ms Murphy-Fagan give an example of someone disputing a moderately significant amount of money? What is the process because most of viewers do not know how that pans out?

Ms Hilary Murphy-Fagan: I might pass that question to my colleague.

Ms Paula Lyons: When an overpayment is identified, when the value is confirmed the first step is for the shared service to contact the local HR of the individual to establish if it is in order to proceed with recoupment of the overpayment because there could be circumstances that would say that that should be put on hold, including, perhaps, critical illness at that point in time. Assuming that the local HR agrees that the recoupment should proceed, there is then a notification process to the individual. There are two letters that issue to the individual in that regard which provide an opportunity for the person, I suppose, if he or she has a query on the amount or a question around the speed or otherwise of the recovery plan, to engage with shared services. It does afford that opportunity for engagement by the individual to agree the recoupment plan. Our policy is for 8% of gross pay to be recouped within a 12 month period at the outset. Most of our overpayments fall within a band of €1,000 or less. I suppose the incidence of dispute within individual cases probably is relatively low but it could happen.

Deputy Alan Kelly: If, hypothetically, they were reducing my wages by €1,000, what if I said that there was an agreement with the manager in relation to a top payment or whatever? There is a dispute and the employee is not backing down because he or she believes that local management have not honoured something. What happens? Where does the call come?

Ms Paula Lyons: As Ms Murphy-Fagan indicated, there is a recoupment circular that both shared service and the local HR are-----

Deputy Alan Kelly: I know. Ultimately, there has to be a call made here somewhere. There is legislation in relation to how one can deduct somebody's wages. One cannot actually just do it. What happens?

Ms Paula Lyons: There is not a circumstance where we cannot proceed with a recoupment at some point in time. The local HR, in conjunction with their staff employee, make the ultimate decision because it is their staff member but everybody is bound by the same regulation.

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Deputy Alan Kelly: Under the Payment of Wages Acts, one cannot make a deduction. Obviously, there are legal issues here. Ultimately, shared services will have to make the deduction. If local management tells shared services to make the deduction, is that all shared services needs?

Ms Paula Lyons: It is ultimately a local HR decision. As I stated to the Deputy earlier, the first step is to go to local HR to agree.

Deputy Alan Kelly: Who do I chase when I still have a grievance? Do I chase shared services or local management?

Ms Paula Lyons: For a staff member who has a grievance, I suppose it is their local HR that is their communication point. We are administering the shared services operation.

Deputy Alan Kelly: I need to move on because there are a number of other questions I need to get through.

There seems to be an issue with legacy payment and, I think, Ms Murphy-Fagan will acknowledge, some confusion. The CSO and the PRA have shown that up. What process is in place to deal with the issue of legacy recoupment because it seems to be a significant issue? There is confusion over who is doing what.

Ms Hilary Murphy-Fagan: Thankfully, that confusion has gone away because we have clarified what the responsibilities are. Certainly, there was confusion at a point in time, particularly for the bodies that transferred earlier. Those cases came across to the NSSO. For Departments that transferred more recently to us, first of all, we have clarified in the service management agreement exactly what the responsibilities are in relation to legacy cases. Second, for those cases that may be sitting with a payroll office in a Department if they are transitioning in, they are clear that it is their responsibility to calculate the value of the overpayment. Given that earlier I stated that all of the Departments in scope have now transitioned in to us, the issue of legacy cases is a very small one at this stage. We have a small number of legacy cases.

Deputy Alan Kelly: Among the organisations that use Ms Murphy-Fagan's service, is there absolute clarity on who does what and how this is now being administered? Has a circular been issued?

Ms Hilary Murphy-Fagan: It is in the service management agreement. I believe there is clarity around who does what.

Deputy Alan Kelly: Ms Murphy-Fagan is very positive about that.

Ms Hilary Murphy-Fagan: I believe that is the case.

Deputy Alan Kelly: Okay. I am sure they will be watching in here. If they have a disagreement, they will come to us.

I have a few more issues. On the procurement of goods and services, these are high users of procurement of outside services. Had the Comptroller and Auditor General no worries about procurement practices regarding IT, legal, accountancy?

Mr. Seamus McCarthy: If there was a substantial issue on non-competitive procurement, we would expect the Accounting Officer to be disclosing that in the statement on internal financial control.

Deputy Alan Kelly: The reason I ask is I would like to go into this a little regarding IT services. How many staff are working in IT?

Ms Hilary Murphy-Fagan: We do not provide IT shared services from the NSSO. That is a service that is provided from the Office of Government CIO which is part of the Department of Public Expenditure and Reform.

Deputy Alan Kelly: Can we go through it? Could Ms Murphy-Fagan outline it to the committee because we have certain experience inside here and I need to deal with this? On the use of IT contractors, would she outline the volume of IT contractors? Can she give a sample of the scale of these contracts and the range - from low to high - of who provides services to the office? The committee has encountered a number of organisations where contracts are being rolled over rather than re-tendered. I presume the National Shared Services Office is very dependent on outside organisations and tenders.

Ms Hilary Murphy-Fagan: First, I believe we are fully compliant. We rely on a number of IT and technology providers for our core business.

Deputy Alan Kelly: What is the total number of staff of the office?

Ms Hilary Murphy-Fagan: Currently, it is 770 staff.

Deputy Alan Kelly: The office does no IT internally, or is it minimal?

Ms Hilary Murphy-Fagan: It is absolutely minimal.

Deputy Alan Kelly: There must be a huge number of external contracts.

Ms Hilary Murphy-Fagan: IT shared services are provided as a shared service from the Office of the Government CIO. We have a service management agreement in place with that office. It provides services to us, for example, regarding the Government network and help desk IT shared services for common business applications such as Microsoft. It provides help desk support for being able to use one's computer. Where we take responsibility is with all the software applications we use. The hosting of all our applications is provided by an IT shared service from the Office of the Government CIO. Our infrastructure or servers sit within two existing Government data centres. The Office of the Government CIO provides the infrastructure support and the disaster recovery testing, which is a requirement we carry out regularly. That is all internal.

Externally, we have application management support through a number of providers. On the HR side, BearingPoint Ireland is in contract and is the managed service provider for HR. Payroll is a different system.

Deputy Alan Kelly: I wish to know about tenders. Will the witness provide a spreadsheet of all IT suppliers, tenders, dates, values and so forth?

Ms Hilary Murphy-Fagan: That is readily available.

Chairman: That is a request from the committee.

Ms Hilary Murphy-Fagan: Yes.

Deputy Alan Kelly: Before coming to this meeting I spoke to a number of union representatives who represent members who work in the office. To be honest, it was not a good experi-

ence in that they felt many of the staff were demoralised in respect of a number of issues. I will outline them to the witness and she can respond because, obviously, we must have both sides of the equation. They had difficulty explaining a number of issues for many of the people the office serves. There were issues relating to overpayments, delays and mistakes with pension payments, which had not happened previously, delays of two to three months with the payment of increments, which had not happened previously, delays with leave applications, particularly applications for parental leave for some reason, and mistakes and misunderstandings regarding starting pay when people get promoted or moved. A specific issue raised with me, which is quite unique, relates to the early shutdown of payroll before Christmas, which meant some people on lower wages did not get the overtime payments they were depending on for Christmas. Another relates to delays in issuing P60s. The Chairman asked about that earlier, probably for the same reason. Does the witness wish to comment on those issues? Are they accurate?

Chairman: Is Deputy Kelly referring to the 134,000 or the internal staff of the organisation?

Deputy Alan Kelly: It is both. The 134,000 have issues with those six matters and the people working in the office find it difficult to explain why they cannot provide a better service for the 134,000.

Ms Hilary Murphy-Fagan: First, my office has regular engagement with the unions and meets them regularly. Obviously, as another stakeholder I would always welcome any evidence they might be able to provide regarding how we could improve our service. I said at the outset that this is a very large-scale shared service operation and it is still relatively immature. Second, service is utterly important to us. It is our reputation and we are constantly striving to improve it. We have a very strong governance process. We have a customer services group which has representation from HR managers and finance officers from the various Departments we service. My colleague, Ms Lyons, is on that customer services group and it is chaired by the chief human resources officer for the Civil Service because shared services are part of that HR strategy. The group meets monthly to look at what the top issues are. Service management meetings are held very regularly to examine what issues are arising for staff or management, to understand the root cause of those issues and to see how we can improve those. We keep a log or record of everything. We look at what issues we are able to resolve and close and what issues remain open. It is really quite a robust system around service management. We report on our performance against service targets so it is very transparent. We do not hide anything. It is very transparent for everybody on how we are doing.

Deputy Alan Kelly: I have raised the issues so I will move to my next questions. In an effort to be helpful, does the witness think she has enough staff?

Ms Hilary Murphy-Fagan: We are staffed based on the business cases that were approved by the Government. It has been a busy period given that we have been starting up and establishing two shared services centres. We are now moving into a new phase-----

Deputy Alan Kelly: Does Ms Murphy-Fagan think she needs more staff? Is the office adequately staffed?

Ms Hilary Murphy-Fagan: I believe so as we move into the stabilisation.

Deputy Alan Kelly: Does she believe the training processes in place are working or could they be improved?

Ms Hilary Murphy-Fagan: We have some robust training programmes in place such as in respect of induction, specialist skills training on processes and procedures, job aids and check-lists and training support for people carrying out the work. We have certification training for our payroll staff. That is provided by the Irish Payroll Association. There is certification training for our HR provided by the personnel development association. We have training on lean six sigma on project management. We have a very wide range of training support as well as management training because some of our managers are new managers.

Deputy Alan Kelly: Could it be improved?

Ms Hilary Murphy-Fagan: Always. It is like communication.

Deputy Alan Kelly: I wish to make a suggestion to the witness based on listening to people and experience. Given the number of people the office is dealing with, we are bound to get information from them. When one centralises a system such as this, particularly with regard to HR, it is a system and process where one must follow rules and logic. I am a former IT manager so I understand the process by which it all must work. I had to centralise systems in my time. When one is dealing with HR issues and financial payments, particularly HR issues, there seems to be an almost impersonal element to it that needs to be flagged or dealt with in some way from one occasion to the next. I suggest that some pathway is created whereby individuals who have a personal or a once or twice in a work career issue, instead of just being identified as a case number, have a way in which the issue can be pushed up the line and processed relatively quickly through the HR functions and the organisations. I have heard that cases involving an exceptional issue are not being dealt with quickly enough. The witness might accept my suggestion. Trust me, I am hearing that from the people to whom I have been talking.

I have a final couple of questions. One of them is somewhat out of left field. Obviously, there are capital outlays relating to where the office is going in respect of the financial management of bodies. Financial management is going to be the third leg of the organisation. Personally, I believe the office should consolidate what it is doing first. Moving into that space is probably the right thing to do. I have rolled out massive large-scale projects in a previous life. The NSSO needs to bed down and then move on again.

As regards underspend, it would be preferable for an organisation such as the NSSO not to have an underspend, given the scale of its operations, because it will be fighting for money for the financial management leg of its work. Why was there a significant underspend?

Ms Hilary Murphy-Fagan: I agree with Deputy Kelly that it would be preferable for us not to have an underspend, which was due to two key factors. The first is that a plan for the transition migration of a payroll into my office is only a plan and, as we get deeper into the preparation and level of readiness for transfer, things may arise such that we have to change the sequencing of Departments. A Department may have to come ahead of one that was in the original plan, and that is always open to change, or things may have to be slowed down to ensure we manage any risks we identify. A delay of transition or migration creates an underspend on our vote because we do not recruit the staff we intended to or transfer staff to our office who were doing that work previously, for example. However, the corollary is that where we have an underspend, that pay bill spend is on the corresponding Vote and, therefore, is neutral overall but it shows up in my Vote if we have a delay.

On the capital expenditure side, the underspend is primarily due to the very large finance shared services programme. Approximately 50% of the capital cost has already been spent for

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that programme but there have been delays. Having followed due process in respect of procurement, there was an initial delay in finalising the contract with the provider or system integrator, which delay had a knock-on effect in respect of our Estimate for the following year, which had already been created. It is not a matter of an overall overspend but rather is more of a timing issue because we will actually spend-----

Deputy Alan Kelly: Underspend. Overspend would be a different issue.

Ms Hilary Murphy-Fagan: Sorry. Underspend. My apologies.

Deputy Alan Kelly: As regards moving to financial shared services, the underspend does not overly concern me because of the scale of the project but the NSSO will be getting into an area which is quite dynamic and many of the management processes with which the witnesses will be dealing will end up being dealt with by this committee if they fail. The responsibility as to how that happens and the break-off point between the organisation and the service provision by the NSSO needs to be very clearly defined because one could end up with a “who is blaming who” situation.

The service that is provided in the Chairman’s constituency, which I opened while Minister-----

Chairman: I have a photograph of Deputy Kelly opening that service.

Deputy Alan Kelly: The Chairman will have to dig it out.

Deputy Bobby Aylward: Deputy Kelly is reminding us he was a Minister.

Deputy Alan Kelly: I hope Deputy Aylward has the same pleasure some day.

Deputy Bobby Aylward: Maybe not.

Deputy Alan Kelly: Where will the responsibilities of the NSSO stop? The shared services section of the HSE mirrors the work of the NSSO in regard to that massive organisation. Do the witnesses envision the NSSO being responsible for shared services for these three areas across the whole public service in ten years?

Chairman: The other big groups are separate.

Deputy Alan Kelly: Yes.

Ms Hilary Murphy-Fagan: The Deputy can rest assured-----

Deputy Alan Kelly: I must insist on a yes or no answer for historical purposes.

Ms Hilary Murphy-Fagan: I am very clear on the scope of my office and have no accountability for shared services strategy or implementation in those sectors.

Deputy Alan Kelly: I appreciate Ms Murphy-Fagan currently has no such accountability but would she like to so have in the future? Does she believe that shared services across the public service, including teaching, health and local authorities, should be under one organisation in view of the level of investment in the NSSO?

Ms Hilary Murphy-Fagan: I would probably suggest that-----

Deputy Alan Kelly: I ask Ms Murphy-Fagan not to avoid the question, please.

Ms Hilary Murphy-Fagan: -----it is a decision for Government and is a matter of policy. Before we do anything, it has to make sense. A very detailed feasibility and cost-benefit analysis is carried out.

Deputy Alan Kelly: Is it possible?

Ms Hilary Murphy-Fagan: For a shared services environment to be effective in terms of service delivery one must have commonality of policy and terms and conditions to create the standard processes and technology. That is fundamental to a working shared services model.

Deputy Alan Kelly: It is not yet possible.

Ms Hilary Murphy-Fagan: I think probably Deputy Kelly-----

Deputy Alan Kelly: I ask Ms Murphy-Fagan to meet the trade unions within the next four weeks to deal with the issues I requested be addressed. I would appreciate if that were done.

Ms Hilary Murphy-Fagan: My office is always welcome-----

Deputy Alan Kelly: I ask Ms Murphy-Fagan to contact them, please.

Deputy Bobby Aylward: I welcome the NSSO to the committee. Was it set up in 2014 and legally set up in 2016?

Ms Hilary Murphy-Fagan: The office was established four weeks ago.

Deputy Bobby Aylward: Four weeks ago. Before that, what system was in place to carry out the work for which the NSSO is now responsible?

Ms Hilary Murphy-Fagan: In regard to pay, 18 payroll offices were embedded within Departments throughout the country, all of which administered their payroll in different ways.

Deputy Bobby Aylward: The NSSO has taken that over and is now responsible for the payroll of those 18 Departments.

Ms Hilary Murphy-Fagan: The payroll administration that was done heretofore by those 18 offices is now done by my office.

Deputy Bobby Aylward: Is this about efficiency and savings?

Ms Hilary Murphy-Fagan: It is about service effectiveness as well as cost savings.

Deputy Bobby Aylward: The Comptroller and Auditor General's examination of the issue found that the systems in place in the National Shared Services Office do not provide the necessary management information to allow for effective management of overpayments. At the end of 2016, there were 388 cases, at a value of €1.1 million, outstanding for more than a year with no recoupment plan in place. In addition, the reported year-end figure does not include all overpayments. Has Ms Murphy-Fagan any comment on those three findings?

Ms Hilary Murphy-Fagan: Things have moved on and improved since the observations of the Comptroller and Auditor General. Since the last quarter of 2017, a report goes out to the finance officers which shows the balance outstanding by employee, the amount recouped in the current year by employee and looks at the period for the recoupment amount. We had to examine and test the required information on the technology to ensure we were able to produce that

type of report. That report is now working but we are looking to improve it further by providing more information. A pilot project is planned for this quarter regarding the addition of more features to that reporting in order that the management information is available.

Deputy Bobby Aylward: Were these teething problems in getting set up and going?

Ms Hilary Murphy-Fagan: I think so. The committee must understand that it has been a very busy few years for my staff because until now we have not had any period of business as usual. I often liken the migration coming in from various Departments to trying to redesign a runway while the plane is coming in to land. Only now that the migrations have finished do we have the opportunity to attend to continual improvement. I always welcome hearing about issues because we can only improve when we are aware of them. I am confident we will work through those that have arisen.

Deputy Bobby Aylward: I wish to address overpayments because that is of concern to all members. Late notification of requests for payment reductions was one of the main reasons for the majority of overpayments. Officers appointed at a grade of assistant principal or higher are entitled to 30 days annual leave but PeoplePoint is currently allocating 32 days leave to them. Those officers at a grade of assistant principal or higher are being paid for two extra days of annual leave and that should be rectified without delay. Why is that? That does not sound-----

Ms Hilary Murphy-Fagan: Following the report, we did a detailed analysis around that finding. Prior to 2011 for staff at those grades, the entitlement was for 32 days. That has changed to 30 days. Our detailed analysis has demonstrated that a small percentage, not a large percentage, had been given more annual leave than they were entitled to. It was approximately 4% to 5% and less at principal officer grade. The National Shared Services Office, NSSO, has been in contact with those staff and local human resources to rectify that. It applies to a small number of people.

Deputy Bobby Aylward: What kind of money is involved?

Ms Hilary Murphy-Fagan: If somebody had an extra annual leave day, it would be equivalent to a day's pay. In this case, we are looking to rectify the annual leave balance. We have already done that on the system. It was done straight away. We now need to focus on where we recover those balances where people had too much. We do that in a very collaborative way with the individuals involved.

Deputy Bobby Aylward: Is the figure for overpayments accurate for the end of 2016? It seems like a lot of money, although perhaps not relative to the amount of money handled by the office.

Ms Hilary Murphy-Fagan: We handle a lot of money.

Deputy Bobby Aylward: It sounds like a lot of money to the ordinary Joe Soap.

Ms Hilary Murphy-Fagan: It is a lot of money. I want to ensure the committee is clear about this. That money is being collected and a recovery plan has been put in place. It is being repaid so it is money coming back. It is not lost and it is being collected.

Deputy Bobby Aylward: What system is used to get back the money? If a person is overpaid by an amount, does he or she repay it in one go? Is it taken from wages over a period?

Ms Hilary Murphy-Fagan: A similar question has been asked and I am happy to let Ms

Lyons give more detail.

Ms Paula Lyons: It is done through salary recoupment and in agreement with the individual after correspondence as to what is the overpayment value. It would generally be an agreed amount per pay cycle. Most of our overpayments are of a value of less than €1,000, so it would generally be recouped within 12 months.

I wish to assist on the matter of annual leave. A certain number of those cases were found to be correctly entitled to the level of leave because of arrangements on secondment for various organisations. Local human resource personnel confirmed that a certain percentage were correct. As Ms Murphy-Fagan indicates, the other cases are recouping through annual leave arrangements the excessive annual leave.

Deputy Bobby Aylward: Is there ever a problem with individuals airing the case that they were not overpaid? Has the office had to use legal methods to get money back from some people or do they all accept it?

Ms Hilary Murphy-Fagan: We are civil servants and we understand that when something like this arises, it is not ideal. We try to work with everybody to recover the money. If a dispute arises, as Ms Lyons mentioned, we work with local human resources and the individual involved to try to resolve it.

Ms Paula Lyons: Since last year there has been an improved system for overpayments of less than five days. It is by what is called auto-recoupment, so there is no negotiation process. That was introduced in July last year and it accounts for 36% of overpayments recouped. The ability to recoup more quickly will become a feature for us with that improvement.

Deputy Bobby Aylward: It is easier to prevent overpayment than recoup it.

Ms Paula Lyons: Absolutely. Part of what we do now is to focus on how to prevent overpayments happening in the first place. This concerns awareness of what late notification can mean. As we mentioned, we intend to re-run a campaign with individual employees and within our shared service centre. There will a full process review of any procedures that are pay-impacted to ensure we reduce any cause of delay or error within our own shared service operation.

Deputy Bobby Aylward: That is the next question. What reasons are there for the significant delays in quantifying and recording these overpayment cases?

Ms Paula Lyons: Initially, the overpayment value must be calculated. This perhaps links to the Deputy's question about whether somebody has a dispute on the amount of overpayment, as we must be able to show the calculation of how the overpayment amount was arrived at. We know we have had delays in reaching those values and that is one area of improvement we are working on. We are seeking to centralise how we calculate those values to speed up the process internally. Once the value is identified, we are into the process I outlined earlier of going back to a local HR person to confirm that the recoupment is in order for proceeding and notification with employees. There is a two-letter notification process with employees. We are very much focused on how to cut out any of the delaying steps along the way.

We have much improved internal reporting. Ms Murphy-Fagan referred to reports going externally to our client base, but within our own walls, we have significantly improved reporting for ourselves for management information. On a weekly basis we can see how cases are moving through the system and at each stage, from value assessment through to notification and

a recoupment plan being put in place, along with the targeting of possible delays. We can give the committee assurance on what we have done since the results of 2016 and through 2017 in terms of sharpening and improving our process.

Deputy Bobby Aylward: In the Comptroller and Auditor General's examination there is a note of €50,000 to four individuals, with payroll deduction recovery plans being put in place. These deductions had not taken place by the end of 2016.

Ms Paula Lyons: It would not be appropriate to get into individual case details.

Deputy Bobby Aylward: There were four of them. I am not talking about individuals.

Ms Paula Lyons: There can be various reasons. One potential reason might be somebody going off pay. The person might have reached the threshold of sick leave and pay has been stopped. There are two thresholds in this example, with one reducing the pay by half and the other taking a person off pay.

Deputy Bobby Aylward: This is bigger than the €1,000 mentioned by the witnesses. The €50,000 figure is a much bigger figure than the average mentioned a few minutes ago. That is why I am asking about it.

Ms Paula Lyons: Those are clearly larger cases. I am just trying to explain why they may not be in repayment at a particular point. It might have to do with the status.

Chairman: Does a person not go to what is called the pension rate of pay after the expiry of sick leave?

Ms Paula Lyons: It would not happen in every case. A decision is taken with local HR and a temporary rehabilitation rate can be paid after the thresholds of sick leave have otherwise been exhausted. It is a decision taken in conjunction with local HR.

Chairman: Surely it is consistent across the board for all public servants?

Ms Paula Lyons: It is dependent on circumstances. We know we have off-pay cases and they are still counted within the overpayment amounts. We would not be in a position to recoup them immediately. As I mentioned earlier, there can also be cases on hold for reasons advised by local HR.

Deputy Bobby Aylward: The Comptroller and Auditor General took samples of 20 legacy cases. An amount of €62,700 relates to the Department of Agriculture, Food and Marine and an amount of €78,600 relates to the Department of Employment Affairs and Social Protection. This is not small money. It is big money.

Ms Paula Lyons: Yes. Our position is we will attempt to recoup all moneys where we can. As I said, there may be circumstances where we cannot do so. I do not want to get into the individual detail of cases but there may be reasons why, at a point in time, a recoupment could be in a stalled state as opposed to being actively recouped. I reiterate for the reassurance of the committee that we are very much focused on a weekly basis on reviewing exactly where cases are at for different statuses and ensuring they are moving forward. The only legacy cases relate to Departments that would have migrated within 2017 where values are still outstanding for those cases.

Deputy Bobby Aylward: Did the Comptroller and Auditor General report make the office

aware of what is happening? Did the witnesses know before the report? Was it a good job that we have the Comptroller and Auditor General to keep an eye on things?

Ms Paula Lyons: The report was very useful and, as Ms Murphy-Fagan stated, we very much welcomed it. Our own awareness around reporting, both externally and internally, significantly improved during 2017, which gives us a better view of where delays are happening. The other improvement since the end of last year is that all payrolls are now within shared services, so we have an end to end view and are better able to target delay or error compared to payrolls that are still with parent Departments.

Deputy Bobby Aylward: Who is responsible for pursuing legacy cases? Who takes on that role? Is that the role of the witness?

Ms Paula Lyons: The responsibility for establishing the value of the case remains with the Department where the overpayment occurred. A recoupment plan will then be put in place through shared service because all payrolls are within our shared services office.

Deputy Bobby Aylward: I want to move on to surplus to be surrendered. How does that come about? Deputy Kenny spoke about surplus surrender as well. Is there a surplus to surrender every year? How does that happen?

Ms Hilary Murphy-Fagan: It is programme expenditure and capital expenditure related to the actual set up of the shared service centre. We put a plan in place and scheduled Departments to migrate to us at certain times each year. We have completed all the migrations at this stage, so we are talking about this after the fact. The surrender, in terms of HR and payroll, will not happen again because all the Departments have now transitioned across to us. However, from time to time we have to review the plan to make sure that the pace is correct and to make sure that there are no risks. If there is a bigger risk we may have to change the sequence and bring a different Department forward instead. We may have planned to take in a Department and transfer the staff who carried out the work in that Department to us, but if the sequence changes we do not take those staff in. We planned for that in our forecast. That might create an underspend on the pay bill. However, the corresponding Department will still have to pay those staff. That is why I say that we do not pay them, but those staff may still be paid.

We may delay recruiting staff, if we do not need them until a certain date, because of the change in the plan. We may not get the staff in on time, which would create an underspend in the pay bill. At the end of each year, before the start of the next year, we try to give our very best estimate of the level of work, the timing of it and the transitioning. From time to time that has had to change for risk management purposes. That is now complete for HR and payroll.

Deputy Bobby Aylward: Does the witness think this will be a recurring event every year?

Ms Hilary Murphy-Fagan: It cannot be recurrent for HR and payroll because they are completed and the programme expenditure is finished for them. We are obviously starting into finance shared services. The first wave of Departments will come to us in the middle of this year.

A Deputy asked what lessons have been learned from a risk management point of view. We make sure that we have very robust programme management. Both Accounting Officers - myself and the Accounting Officer for the relevant Department - have to sign off on gateway controls each and every month before we go live. If for any reason something significant arises which would create a risk for us to proceed then we may have to stall, but at this stage I have no

reason to believe that we will not go live and on time this year, as planned. The Department of Public Expenditure and Reform, the Department of Finance, the Comptroller and Auditor General, the President's establishment, the Exchequer accounting and superannuation accounting is all coming to us mid-year, and represents the beginning of our finance shared services centre. My office will be a customer of the finance shared services centre as well.

Deputy Bobby Aylward: Is the surplus paid back at the end of the year to the Exchequer?

Ms Hilary Murphy-Fagan: We pay it back to the Exchequer, but we know what the total programme cost is going to be. It is a timing issue more than anything. We do our very best to try to forecast what we need. Like everyone else we have to put in our bid for it, but sometimes even our best guess and our best knowledge might result in a change of plan. It is a timing issue.

Deputy Bobby Aylward: I note that total receipts are €5.338 million, including €4.714 million in respect of a PeoplePoint levy that we charge our public bodies. What is the rationale for this levy and how is it calculated?

Ms Hilary Murphy-Fagan: All the public service bodies that receive HR services from us pay a fee per capita, that is, per unit cost. It is calculated on the basis of the total cost of the HR shared services centre. We pay a percentage - in fact, the majority percentage is paid by the National Shared Services Office, NSSO, Vote, and a proportion of the cost of the pay bill and a proportion of the operational expenses are paid by the participating bodies on a fee basis. We notify each Government Department or public service body when they are carrying out their budgeting process each year to let them know what the fee will be. It amounted to 25% recovery of the costs, but this has increased to 35% recovery.

Deputy Bobby Aylward: What is the reason for the levy? Does it make people more efficient or make them more aware?

Ms Hilary Murphy-Fagan: They are receiving a service, and every service has a cost. If a client wants new services or non-standard services there is a cost involved. We have a service management agreement in place that clearly defines what services we provide, who is responsible for what, what we do and what the client body does. This two-way agreement ensures that participation and engagement continues with the client bodies.

Deputy Bobby Aylward: There were redundancy payments totalling €51,393 paid to two staff members under the voluntary redundancy scheme. Why is the NSSO offering redundancy if it is looking for more personnel?

Ms Joan Curry: I do not want to comment on the case, but the two individuals were part of a group of people who were transitioning from the Department of Agriculture, Food and the Marine into the payroll shared service. In the course of that transition there was an arrangement made between their union and the Department of Agriculture, Food and the Marine that they would be available to take the voluntary redundancy. They had transitioned to the NSSO and were now on our payroll so it was agreed that we would process the administrative arrangements around that redundancy and then make a recoupment request to the Department of Agriculture, Food and the Marine. That happened after year-end, so the cost is represented in our 2016 account, with the subsequent recoupment to appear in later accounts.

Deputy Bobby Aylward: If a person leaves the Department of Agriculture, Food and the Marine - there are two people in this case, and we will not mention their names - and transfers

to the NSSO does he or she get a redundancy payment? Did I hear that incorrectly?

Ms Joan Curry: The Deputy heard it incorrectly.

Deputy Bobby Aylward: Can the witness explain it again please?

Ms Joan Curry: I am not aware of the circumstances around the redundancies and I do not think it is appropriate for me to comment on the particular circumstances. They are between the Department of Agriculture, Food and the Marine, HR, the two individuals and the unions involved. It just so happened that they were part of a group of staff who transitioned to our payroll shared service, and in the implementation of that transition there were obviously some arrangements going on in the background that we may or may not have been aware of. From an administrative point of view, and because it was transcending year end, the redundancy payment was processed through our payroll, with a subsequent request to the Department of Agriculture, Food and the Marine for the recoupment.

Deputy Bobby Aylward: These two people are finished work now. I misunderstood and thought that they had received a redundancy payment in the Department of Agriculture, Food and the Marine and then went to work with the NSSO.

Ms Joan Curry: No, that is not what happened.

Deputy Bobby Aylward: I do not see anything in the report about legal costs. Does the NSSO have any legal costs? Most of the bodies we see in this committee have legal costs.

Chairman: This is a record for us.

Deputy Bobby Aylward: That is a first. We spoke earlier about the fact that 20% of costs for many organisations are legal costs.

Ms Joan Curry: We have none.

Deputy Bobby Aylward: The NSSO has none. Fair play to it.

Deputy Marc MacSharry: I thank the witnesses for their presentation. I was in and out of the committee room but I was watching the discussion on a monitor.

It was outlined to Deputy Kelly that all the NSSO's IT and data services are outsourced. Is that correct?

Ms Hilary Murphy-Fagan: Not all of them. Some of the common IT services are provided by the Office of the Government Chief Information Officer, CIO, which is an internal IT shared service provider.

Chairman: Can the witness explain CIO to viewers who do not understand that term?

Ms Hilary Murphy-Fagan: I refer to the Government Chief Information Officer. His office provides common IT shared services for a number of Departments, including my own. We have a service management agreement in place. The services he provides are infrastructure support services. He provides network services, common help-desk services for business applications. My office pays third parties to manage the applications on which we run our business. Not everything in our office is outsourced. The support to my HR system, including payroll, is through a third party. That is correct. We have a managed service contract in place.

Deputy Marc MacSharry: Are these private sector providers?

Ms Hilary Murphy-Fagan: Yes, both of them are.

Deputy Marc MacSharry: Are there any financial data protection risks in this?

Ms Hilary Murphy-Fagan: Of course that is the case with all third parties. We have covered this clearly with them already, and also in preparation for general data protection regulation, GDPR. We have confidentiality agreements in place with them. They are very aware of their responsibilities. We have to be satisfied in relation to their data protection protocols, procedures and security, including cybersecurity because that is another large risk for our office. They provide assurance to us and then we maintain, monitor and ensure they understand exactly what they can and cannot do and what their responsibilities are as it relates to the work that they do on our system relating to software development.

Deputy Marc MacSharry: Is there a policy around that risk? Is there a risk register or policy in the event that there is a breach?

Ms Hilary Murphy-Fagan: Yes, we have a risk register and a very strict protocol and procedure if there is any breach whatever.

Deputy Marc MacSharry: In the event one of the third parties left a laptop on the DART, what would happen?

Ms Hilary Murphy-Fagan: If a third party had a laptop-----

Deputy Marc MacSharry: Say the third party had a laptop with whatever data was on it.

Ms Hilary Murphy-Fagan: We have certain protocols that prevents third parties from accessing our data. In certain circumstances, third parties do software development in the background for us. If they are on our system, if they are accessing our records - and remember, they have no authority to change any record for us, they are purely supporting applications-----

Deputy Marc MacSharry: Obviously, there would be sensitive details, perhaps financial details, belonging to people.

Ms Hilary Murphy-Fagan: Yes, and that is all covered by their confidentiality agreement with us. We are very clear about what the protocols are around that.

Deputy Marc MacSharry: So we will not read of a case where, as happened on a number of occasions with the health service or with banks, someone left a laptop somewhere.

Ms Hilary Murphy-Fagan: They cannot download our data. They have no authority to download our data onto their systems. That is the first point. They must come onto our system and even then, we are very clear as to matters such as what their security is, who is coming on to our system and what their competency is to come onto our system. It is managed very robustly.

Deputy Marc MacSharry: So it would not be a case of working on data relating to payees or anything like that.

Ms Hilary Murphy-Fagan: That would be our work, not the work of the third party.

Deputy Marc MacSharry: Okay, that is grand. Has the office an internal audit department?

Ms Hilary Murphy-Fagan: Heretofore, it was part of the Department of Public Expenditure and Reform's internal audit function. Since our separation from the Department, the NSSO has its own internal audit function.

Deputy Marc MacSharry: How many work in it?

Ms Hilary Murphy-Fagan: There are currently two staff but we also have an internal audit service provision through third-party agreements, which come in to carry out a full control testing in our operational sites. We currently have contracts with two firms. They come in and carry out controlled tests on a random selection of cases. They effectively carry out the internal audit for us in our operations.

Deputy Marc MacSharry: That is not really internal audit, is it?

Ms Hilary Murphy-Fagan: It is internal audit. It is very important that all our controls are tested and that I provide a letter of assurance to the other Accounting Officers and that when I do so, it is on the basis of the result of that test. By having a professional firm carry out that test, it gives another level of assurance around the internal audit and the control environment. We have very robust controls and I am pleased to inform the committee that just recently, the HR shared service centre has achieved an ISAE 3402 level of certification of audit standard which is a very high level of audit assurance, which I can pass on to the Accounting Officers.

Deputy Marc MacSharry: Super. Of the two staff members, are either accountants?

Ms Hilary Murphy-Fagan: Both are accountants.

Deputy Marc MacSharry: Both are accountants.

Ms Hilary Murphy-Fagan: In fact, my head of internal audit previously worked in the Office of the Comptroller and Auditor General for six years.

Deputy Marc MacSharry: Fantastic. I see Mr. McCarthy nodding in agreement that it is normal to have an internal-external auditing process, is that the case?

Mr. Seamus McCarthy: It is not unusual to have one. For instance, I think this committee has previously heard about the internal audit function for the institutes of technology, which is contracted out.

Deputy Marc MacSharry: That is contracted out. Are we allowed to know the names of the companies?

Ms Hilary Murphy-Fagan: We are most likely to go to tender for the business again. At present, the incumbent provider for the HR shared service side is Deloitte and the provider for the payroll shared service side is Mazars.

Deputy Marc MacSharry: Does the office have an in-house legal team?

Ms Hilary Murphy-Fagan: No.

Deputy Marc MacSharry: Why is that?

Ms Hilary Murphy-Fagan: It is Civil Service so we do not have any need for that.

Deputy Marc MacSharry: If something pops up, legally, then what happens?

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Ms Hilary Murphy-Fagan: The Office of the Attorney General or the Office of the Chief State Solicitor will be involved.

Deputy Marc MacSharry: So the office is able to call on them.

Ms Hilary Murphy-Fagan: That is correct. We are a Civil Service office.

Deputy Marc MacSharry: Has the office ever procured legal advice externally?

Ms Hilary Murphy-Fagan: No, we have had no reason to procure external legal advice.

Deputy Marc MacSharry: Are there any actuaries on the staff of the office?

Ms Hilary Murphy-Fagan: No. Remember, our office is in administration. We are administering policies so we would have no reason to have an actuary on our staff.

Deputy Marc MacSharry: We touched on risk earlier. Is there a separate risk committee?

Ms Hilary Murphy-Fagan: Since 1 January, when my office was established, we have been in the process of putting in an audit and risk committee. A chair and members have been appointed. They will meet for the first time in February.

Deputy Marc MacSharry: Part 10.5 mentions that the NSSO engaged an independent firm of accountants to conduct an assessment of its control system. Is that what Ms Murphy-Fagan was referring to?

Ms Hilary Murphy-Fagan: Yes, that is what I was referring to.

Deputy Marc MacSharry: That is Deloitte. Looking at the when original control system was being designed - it was set up in 2014, is that correct?

Ms Hilary Murphy-Fagan: It commenced service provision in 2013. In 2014, all the controls were reviewed, tightened and improved, as one would expect.

Deputy Marc MacSharry: Who advised on that externally on that occasion?

Ms Hilary Murphy-Fagan: Accenture was the adviser for the original establishment and design of the shared service centre. That was the contract that was in place.

Deputy Marc MacSharry: Has the office used Accenture since then? I know that it is currently Deloitte and the office is going to go to tender. Has Accenture been involved since then?

Ms Hilary Murphy-Fagan: It has had no role. Once the contract was complete for the establishment of the HR shared service centre, it was the implementation partner for that. It has had no role since then. That contract expired.

Deputy Marc MacSharry: Okay. According to something I read, there will be a total of 950 working in this-----

Ms Hilary Murphy-Fagan: When the final shared service is established.

Deputy Marc MacSharry: That process has started. Has Ms Murphy-Fagan any data regarding the numbers for the reduction of staff across Departments, whose work the office has assimilated?

Ms Hilary Murphy-Fagan: Some of the cost saving is different from effectiveness. Looking at the cost saving side of the business case, those costs primarily arise from either savings on technology and the IT side, bearing in mind that there are 31 financial management and reporting systems across all the bodies that we will provide finance shared services to on one single platform. All those systems are currently being maintained. When finance shared services goes live, the savings will come partly from the savings on the IT and technology side and also by savings in the numbers of staff required to carry out the finance administration. Those staff will be reabsorbed within their own Departments to do different work and other work.

Deputy Marc MacSharry: So there have been no staff reduction because there has been redeployment.

Ms Hilary Murphy-Fagan: That is correct. On finance shared services we have not started. On the HR side, through the benefits realisation assessment, we were able to establish that we have made savings. Staff who previously carried out that work have been redeployed to do different work. If the Department had a new resource requirement, instead of going to recruit somebody, those staff could move in and fill those positions. The staff are redeployed either to new roles or to existing roles elsewhere.

Deputy Marc MacSharry: That is fantastic in theory. Does it work in practice? Has the Office of the Comptroller and Auditor General done any work in this area?

Mr. Seamus McCarthy: Sorry, Deputy-----

Deputy Marc MacSharry: Has the Comptroller and Auditor General done any analysis of the benefits? The Minister said at the time that when the financial end of it was set up-----

Mr. Seamus McCarthy: No.

Deputy Marc MacSharry: -----it would save approximately €15 million a year. What kind of savings have been achieved from the work that has already been done?

Mr. Seamus McCarthy: No, I have not done any work on that. It is something that I would certainly consider doing in the future. I suppose the expectation would be that an organisation that prepares a business case would, at a suitable period, reflect and report on what has been achieved. I think the Accounting Officer has previously mentioned that the benefits are being monitored as they arise.

Ms Hilary Murphy-Fagan: That is correct. Under the leadership of the Civil Service head of HR, a review was done last year to do an analysis of the cost savings that have been achieved to date. Obviously, we have presented that as an efficiency saving in our opening statement.

Deputy Marc MacSharry: The NSSO is in eight different locations.

Ms Hilary Murphy-Fagan: Our offices are in four locations. We also have additional locations. We have operations in Clonskeagh, Galway, Killarney and Tullamore. Other work is carried out in the smaller offices. Our operations are primarily in four locations.

Deputy Marc MacSharry: I have seen a list that includes a few additional locations.

Ms Hilary Murphy-Fagan: For example, my office is listed as a location. That is the office of the CEO and the corporate office.

Deputy Marc MacSharry: Would the NSSO be better off if everybody was in one location?

Ms Hilary Murphy-Fagan: I think there would be risks associated with that from a business continuity point of view. It is important. We benefit from having our multifunctional operations in different locations. If an issue or a risk arises - for example, if the building is not accessible for some reason - we are able to carry out our functions in a different location.

Deputy Marc MacSharry: If there was an earthquake-----

Ms Hilary Murphy-Fagan: When we looked at this in the original design back in 2012, 2013 and 2014, we looked at international best practice for size and scale of a single shared service operation. We are in compliance with that.

Deputy Marc MacSharry: Is everybody else in numerous locations as well?

Ms Hilary Murphy-Fagan: We have finance and payroll-----

Deputy Marc MacSharry: I am just thinking about property costs or whatever. Property costs of €360,000 have been mentioned.

Ms Hilary Murphy-Fagan: Our HR and pensions functions are all in a single building in Clonskeagh across five floors.

Deputy Marc MacSharry: Yes.

Ms Hilary Murphy-Fagan: Our finance and payroll functions are co-located in a single building. There are multiple functions in the same building.

Deputy Marc MacSharry: So there is a consistency to what is operating in the various locations.

Ms Hilary Murphy-Fagan: Very much so.

Deputy Marc MacSharry: All right.

Ms Hilary Murphy-Fagan: Okay.

Deputy Marc MacSharry: People like accountants tend to put stuff under the heading of “training development and incidental costs”. I note a figure of €812,000 in this case. Can we get a list of what is accounted for under that €812,000 sum? It does not have to be today.

Chairman: The committee will make a formal request.

Deputy Marc MacSharry: Yes, if that is okay.

Chairman: Yes.

Deputy Marc MacSharry: I am sure it is all perfectly fine. In some instances, it is not. I would like to mention another issue that comes up. I know we are all in a modern world now. The NSSO deals with pensions for retired civil servants. Some of them may be of a particular age. They might not have the level of computer literacy needed to print off P60s and payslips. Do elderly people have the option of continuing to receive payslips and other information in hard copy?

Ms Hilary Murphy-Fagan: Obviously, modernisation is part of what we are trying to do. All of our pensioners have online payslips. A significant proportion of them access their online payslips.

Deputy Marc MacSharry: I did not ask that. I know that.

Ms Hilary Murphy-Fagan: We wrote to all the pensioners before we changed over to bring them under the remit of the NSSO to advise them about the change. At the start of every year, the pensioners get a payslip. If there are any changes, they will get another payslip to advise them of what are those changes.

Deputy Marc MacSharry: Is that in the post or online?

Ms Hilary Murphy-Fagan: It is online. There is also a contact centre where our pensioners can call in. Our pensioners frequently call in to us if they have any queries.

Deputy Marc MacSharry: Okay.

Ms Hilary Murphy-Fagan: We are able to talk them through-----

Deputy Marc MacSharry: Is the answer to the question “No”?

Ms Hilary Murphy-Fagan: I am just-----

Ms Paula Lyons: I will take that.

Deputy Marc MacSharry: Sure.

Ms Paula Lyons: Most of our pensioners, in fact-----

Deputy Marc MacSharry: I know that.

Ms Paula Lyons: Yes.

Deputy Marc MacSharry: I know most-----

Ms Paula Lyons: The piece of paper-----

Deputy Marc MacSharry: We all know silver surfers and they are great. If someone wants to get this documentation in the post, does such a facility exist?

Ms Paula Lyons: Most of them are receiving paper as a result of being asked at the time of migration.

Deputy Marc MacSharry: So that is still being done.

Ms Paula Lyons: They have the option of going online.

Deputy Marc MacSharry: Great.

Ms Paula Lyons: There is both.

Deputy Marc MacSharry: That is great.

Ms Paula Lyons: To clarify, new pensioners are going online. Recognition is given to people who had been in receipt of paper payslips. The Deputy’s point about people not-----

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Deputy Marc MacSharry: A new pensioner will probably have been in a role in which he or she was using a computer.

Ms Paula Lyons: Exactly. That is the rationale.

Deputy Marc MacSharry: We hope.

Ms Hilary Murphy-Fagan: The plan was always to transition.

Deputy Marc MacSharry: I have two more questions. Does the NSSO have a disclosures policy?

Ms Hilary Murphy-Fagan: We are already covered by the public disclosures policy.

Deputy Marc MacSharry: Have there been any disclosures?

Ms Hilary Murphy-Fagan: My office was established four weeks ago.

Deputy Marc MacSharry: Right.

Ms Hilary Murphy-Fagan: I have had no disclosures in that period.

Deputy Marc MacSharry: Has the office not been operating at some level since 2014?

Chairman: The office was under the Department until it became a separate function with a separate Vote-----

Deputy Marc MacSharry: Right. It would have gone to the Department.

Chairman: -----and a separate Accounting Officer.

Deputy Marc MacSharry: I will leave it there. I thank the witnesses very much.

Chairman: Thank you, Deputy MacSharry. The next speaker is Deputy Cullinane.

Deputy David Cullinane: I welcome Ms Murphy-Fagan and her team. I wish her the best of luck in her new role as CEO of this new organisation. Although the new organisation has been up and running for just four weeks, the office has been in place for some time, albeit under a different Department. When exactly was it established?

Ms Hilary Murphy-Fagan: The date of establishment was 1 January 2018.

Deputy David Cullinane: Before that, when the office was under the-----

Ms Hilary Murphy-Fagan: It was a division within the Department of Public Enterprise and Reform.

Deputy David Cullinane: I ask Ms Murphy-Fagan to explain what was that division. How was it separate from the new office?

Chairman: Ms Murphy-Fagan might also explain why the separation took place, if she can.

Ms Hilary Murphy-Fagan: The shared services strategy and plan was developed in 2012. There was a very small project team in 2013, when the operation started to deliver services in Clonskeagh in Dublin, but staff numbers started to grow when payroll services commenced at the end of 2014. As we expanded the service offering to new Departments, the number of

staff working in shared services increased. Shared services is a specialism that requires clear accountability for all the people who receive the services and the Departments that are served. It also requires clear funding arrangements, a very strong customer focus and a continuous improvement focus on operations and technology. I suppose that is different from the business of the Department of Public Expenditure and Reform, which is primarily a policy Department. The NSSO is more than twice the size of the Department of Public Expenditure and Reform. We always envisaged that when the shared services centres got up and running, it would not make much sense to stay within the Department in light of the lack of synergy. We are the administration office.

Deputy David Cullinane: I understand that. I am trying to be clear on this. There was a shared services strategy plan in 2012.

Ms Hilary Murphy-Fagan: That is when it was developed.

Deputy David Cullinane: When exactly was the division developed? Was that in 2012?

Ms Hilary Murphy-Fagan: It was established on an administrative basis in 2014.

Deputy David Cullinane: The division was dealing with payroll at that stage.

Ms Hilary Murphy-Fagan: No, it was dealing with everything under the shared services Vote. We set up a Vote in 2014.

Deputy David Cullinane: I understand that. The plan was developed in 2012 and the division was established in 2014. Now we have a separate office which is not under the Department of Public Expenditure and Reform and of which Ms Murphy-Fagan is the Accounting Officer.

Ms Hilary Murphy-Fagan: Correct.

Deputy David Cullinane: It has been up and running for four weeks.

Ms Hilary Murphy-Fagan: Correct.

Deputy David Cullinane: When the Secretary General of the Department of Public Expenditure and Reform, Mr. Robert Watt, announced the shared services strategy plan, he said there would be savings of €50 million. Can Ms Murphy-Fagan give the committee a breakdown of how much exactly has been saved since the 2012-14 period, when the plan was drawn up and the division was established? How much has been saved for the taxpayer, year on year, since the plan started to be put into action? Would Ms Murphy-Fagan have a breakdown for each year from 2012 up to now?

Ms Hilary Murphy-Fagan: We have a breakdown and I can provide that to the committee.

Deputy David Cullinane: Perhaps Ms Murphy-Fagan will give us the headline figures.

Ms Hilary Murphy-Fagan: That is the headline figure on savings to date. Savings arise when the service is up and running, when staff transfer to me to carry out their work, when staff who used to do that work are redeployed or the technology costs are reduced as a result of the creation of my office.

Deputy David Cullinane: I understand. I am just looking for the figures for the moment if Ms Murphy-Fagan has them.

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Ms Hilary Murphy-Fagan: At this time and given that we have just concluded all of the migrations, the savings estimated for HR and payroll stand at €21 million.

Deputy David Cullinane: Where does that figure come from?

Ms Hilary Murphy-Fagan: The savings have arisen from-----

Deputy David Cullinane: I mean who came to the figure of €21 million? Is that a Department of Public Expenditure and Reform figure, an NSSO figure or does it come from somewhere else?

Ms Hilary Murphy-Fagan: It is an analysis that was carried out when my office was part of the Department of Public Expenditure and Reform. It was carried out by the HR policy unit looking at the cost of the paybill of staff carrying out the work of shared services.

Deputy David Cullinane: There was a unit within the Department of Public Expenditure and Reform which came to the figure of €21 million.

Ms Hilary Murphy-Fagan: No. It was done on an annual basis.

Deputy David Cullinane: Who did it? Was it in-house or external?

Ms Hilary Murphy-Fagan: It was probably a combination. I would have to get the Department-----

Deputy David Cullinane: Did Deloitte provide a report?

Ms Hilary Murphy-Fagan: In fairness, I am starting to get into territory where I am not comfortable. I would probably need to come back and give the Deputy some clarity on that in writing, if I can.

Deputy David Cullinane: There is no need to be uncomfortable because this was announced with great fanfare. No one disagrees with the concept and logic of shared services offices and streamlining and professionalising services. We were told a €50 million savings figure would be achieved and I am trying to understand how much has been saved up to now. Ms Murphy-Fagan says it is €21 million and I am just asking where that figure has come from. As such, there is no need to be uncomfortable. They are very straightforward questions.

Chairman: It is the Department that has come up with the €21 million, not the NSSO.

Ms Hilary Murphy-Fagan: I am reporting it on the basis of annual savings made and I have added it up over the four years when HR operations and the payroll have been live. That number comes to a total of €21 million. One cannot make the savings until the centres are fully established and the people who used to do the work and the technology spend that used to be associated with it go away. It is a matter of timing.

Deputy David Cullinane: Ms Murphy-Fagan is quoted in a newspaper report from December 2015 as saying that savings in the Civil Service alone come to €34 million a year.

Ms Hilary Murphy-Fagan: That is savings in the Civil Service. There were also savings across sectors in November.

Deputy David Cullinane: Why is that different? Earlier, I asked for the saving and it was €21 million. Where does the €34 million come from?

Ms Hilary Murphy-Fagan: Finance has not yet commenced services.

Deputy David Cullinane: As such, the €34 million has not been achieved yet. It is an estimate.

Ms Hilary Murphy-Fagan: It is too early, absolutely, but I have no reason to believe we are not on track to achieve what we intend to.

Deputy David Cullinane: Was there a Deloitte report that underpinned some of those figures or did this come from the Department of Public Expenditure and Reform alone?

Ms Hilary Murphy-Fagan: In each separate shared service, a detailed business case was developed and the detailed business case looked at the current cost of administration and what the savings would be if it moved to a shared service centre. Those business and feasibility cases were carried out by the Department of Public Expenditure and Reform with the assistance of third parties such as Deloitte.

Deputy David Cullinane: I understand that but what we had in 2012 was a statement from the then Accounting Officer that there would be a €50 million saving. In December 2015, Ms Murphy-Fagan said there would be a €34 million a year saving. It is now €21 million albeit there is still more work to do and finance has yet to be transferred. I understand that. Obviously, however, we have a job to do to understand how effective the office will be, exactly how much is being saved and whether we are getting value for money. How many members of staff are there?

Ms Hilary Murphy-Fagan: There were 770 at the end of 2017.

Deputy David Cullinane: Were all of those people seconded from different services in Department or did the office have to recruit?

Ms Hilary Murphy-Fagan: Some were external recruitment and some were civil servants who transferred, applied or were promoted into my office.

Deputy David Cullinane: As such, we have more civil servants.

Ms Hilary Murphy-Fagan: We have more civil servants carrying out this work and the people who used to do that work in those Departments are either working for me - some of them came across if they wanted to work with me - and some are doing different work.

Deputy David Cullinane: I would have imagined that if we were looking at saving money and streamlining services, we would have fewer staff not more. What I see is that we have set up a new unit and have more staff and more costs. I am trying to establish how we have saved money in the circumstances. I assume from what Ms Murphy-Fagan is saying that there may have been people in the line Departments who were formerly responsible for payroll or HR and who are now reassigned to other duties. Is that what happened?

Ms Hilary Murphy-Fagan: The number of staff carrying out the work in my office is lower than the number of staff who used to carry out that work when it was done by all of the individual bodies. That is where the savings arise. In total, I have fewer staff.

Deputy David Cullinane: However, there are more civil servants in the system. That is the point. Ms Murphy-Fagan had to take on more staff to work in her office. Those who were doing the work previously may be doing something else now, but there are still more civil ser-

vants. In that scenario, how are we achieving a saving?

Ms Hilary Murphy-Fagan: We have fewer staff carrying out the work that my office does than were previously doing it. That is the first thing. The second thing is that the grades of staff carrying out the work is aligned with what the organisation needs. As such, we have the right level of staff with the right skills and capabilities carrying out the work in my office.

Deputy David Cullinane: I have here a Deloitte report which is an examination of shared services in the Irish public service and internationally. This report cites where money could be saved and how much, which is why I asked whether there was a Deloitte report. Who commissioned the report? Was it the Department of Public Expenditure and Reform?

Ms Hilary Murphy-Fagan: That is correct.

Deputy David Cullinane: Did it host a conference on shared services around that time or shortly afterwards?

Ms Hilary Murphy-Fagan: No.

Deputy David Cullinane: Did Ms Murphy-Fagan personally speak at a Deloitte conference or event on shared services?

Ms Hilary Murphy-Fagan: The Department of Public Expenditure and Reform held its first shared services conference for the public service in November last year. That was the first public service shared services conference it had.

Deputy David Cullinane: Was there a Deloitte conference or event on shared services at any time?

Ms Hilary Murphy-Fagan: There are events on shared services because it is-----

Deputy David Cullinane: Did Ms Murphy-Fagan speak at any event organised by Deloitte?

Ms Hilary Murphy-Fagan: I spoke at an event in Vienna with other countries on shared services.

Deputy David Cullinane: Who hosted the event?

Ms Hilary Murphy-Fagan: I cannot recall. I will have to come back to the Deputy.

Deputy David Cullinane: I ask Ms Murphy-Fagan to come back to us. I draw her attention to a report by the Comptroller and Auditor General's office in Britain and one from the Home Office because they have gone down this road. In fact, in the article from December 2015 which I referred to earlier, Ms Murphy-Fagan said Ireland was behind the curve on shared services. What did Ms Murphy-Fagan mean by "behind the curve"? I will then ask about the reports from the UK.

Ms Hilary Murphy-Fagan: The OECD carried out a report in 2008 on Ireland and its recommendation was for the expansion and acceleration of shared services in the Irish public service. It said that relative to other countries, Ireland was behind the curve. That was in the OECD report.

Deputy David Cullinane: How exactly were we behind the curve?

Ms Hilary Murphy-Fagan: It was in terms of the utilisation and establishment of shared services. That was in the OECD report.

Deputy David Cullinane: Ms Murphy-Fagan used the terminology in her own opening statement on the modernisation of corporate administration and professionalism. I do not have a difficulty with the use of the word “corporate” but it suggests something that is not normally used in the world of public services. I am looking then at what happened in Britain where the services were put into a shared service office to centralise HR, payroll and related services and that was then outsourced and, in essence, privatised. It became profitable to do it then. Once one has set up a unit like that, has shared services and does what Ms Murphy-Fagan says she wants to do, namely modernise corporate administration, the next logical step for some is to outsource and privatise the service. Is that something that could be envisaged in this State if we follow the logic of what happened in Britain? I am trying to understand Ms Murphy-Fagan saying we are behind the curve while looking at what has happened in most European countries. Where these service offices were set up, almost all of them were outsourced over time.

Ms Hilary Murphy-Fagan: If my comment is there, it is around the use of shared service models. I was not referring to outsourcing.

The Deputy is asking me to comment on a policy matter that at some point of time in the future but that is not necessarily within my own-----

Deputy David Cullinane: I am not asking Ms Murphy-Fagan to comment. I am making an observation from my own perspective. I think I am being logical when I say that if this has happened in other European member states, and in fact one newspaper report states: “Government, SSCL and arvato, which is the company that got the contract, are all to blame for shared services centres failing to achieve value for money.” So far from achieving savings in Britain, it cost them more and eventually the government privatised them.

The reason that I raise this is that it is a matter for policy makers. Obviously it is a matter for the Minister. I am not going to put Ms Murphy-Fagan in the position to comment on policy. We have come through a number of meetings where services have been outsourced and there is an arm’s length between us who hold those who spend taxpayer’s money to account and Accounting Officers. The Accounting Officers will tell us that there is a service level agreement.

Chairman: That way, I too would be particularly happy that this is not being outsourced. It is being totally handled by the public service.

Deputy David Cullinane: The Chairman would understand my suspicions that it could potentially happen down the road, but obviously that is not a matter for Ms Murphy-Fagan. I am just making an observation, which I think is relevant, given what has happened elsewhere.

I thank Ms Murphy-Fagan for her answers

Deputy Catherine Connolly: Ar Lá Fhéile Bríde is iontach an rud é go bhfuil cothro-
maíocht bhan sa seomra seo faoi dheireadh. Comhghairdeas. On St. Brigid’s Day we have arrived at gender equality.

Chairman: There is no equality there.

Deputy Catherine Connolly: I would call it gender equality when we have four women witnesses at the front table for the first time in the two years. I also acknowledge the two gentle-

men at the back. The witnesses are very welcome. Congratulations on a clear audit.

It was interesting to read this document. To put it in context, there was talk that all of the in-scope organisations are on board now. Am I correct that there was a scoping exercise that looked at which organisations and Departments were willing to come on board?

Ms Hilary Murphy-Fagan: The feasibility study looked at whether shared services made sense or not and whether this was something the Government wanted to do. A business case was developed and looked at all of the central Government Departments, and any bodies under the aegis of the central Government Departments that may have been utilising their technology or their application. When I speak about the scope of bodies, that is set out in each single business case for HR, payroll and for finance shared services. Then the business case went to Government for a decision.

Deputy Catherine Connolly: Under that scoping exercise, the decisions were made, but how many Departments and organisations were to come on board?

Ms Hilary Murphy-Fagan: In the case of HR services, it was 40 bodies; and in the case of payroll it was 52 and in the case of finance shared services it was 48.

Deputy Catherine Connolly: I have read Chapter 10 and I see that 39 Departments have transferred to PeoplePoint, the HR shared services so that is one short of 40.

Ms Hilary Murphy-Fagan: That is correct.

Deputy Catherine Connolly: What body is missing?

Ms Hilary Murphy-Fagan: It is the Houses of the Oireachtas.

Deputy Catherine Connolly: Why has the HR service in the Houses of the Oireachtas not come on board?

Ms Hilary Murphy-Fagan: Neither the HR or payroll services has transferred across to PeoplePoint yet. We have looked at the service requirements of the Houses of the Oireachtas with senior management in the Oireachtas. There are service requirements that at this time we do not think we can support from our HR shared services centre with the technology we have. There is also a significant body of change and change management that would need to be done within the Houses of the Oireachtas before we would be confident that we could provide a level of service.

Chairman: I think Ms Murphy-Fagan is saying that because people work so long and hard in the Oireachtas, it is a special case.

Deputy Catherine Connolly: I see the figure for payroll functions to be administered by shared services is 52. The Comptroller and Auditor General's report states that 43 have transferred.

Ms Hilary Murphy-Fagan: That was the figure then but as of now all the remaining Departments and bodies have transitioned in.

Deputy Catherine Connolly: They all have come in.

Ms Hilary Murphy-Fagan: That is correct.

Deputy Catherine Connolly: Will Ms Murphy-Fagan clarify that this new system is based in four locations and a number of other offices, including the CEO's office but all the offices are rented?

Ms Hilary Murphy-Fagan: The OPW has allocated these offices to us.

Deputy Catherine Connolly: Who is paying the rent for the office accommodation? This is a constant confusion.

Ms Hilary Murphy-Fagan: The OPW. We do not pay rent. We are using existing buildings that were already in State use.

Deputy Catherine Connolly: That is great. My next comment is on PeoplePoint. PeoplePoint is the human resources and pensions shared service centre for the Civil Service. Then there is payroll shared services, which pays out the pensions. Have all the organisations Ms Murphy-Fagan has mentioned bought into both of those services?

Ms Hilary Murphy-Fagan: Yes.

Deputy Catherine Connolly: Are they all on board both systems?

Ms Hilary Murphy-Fagan: They are all on board both systems.

Deputy Catherine Connolly: Of the Departments and bodies Ms Murphy-Fagan has mentioned.

Ms Hilary Murphy-Fagan: Yes, that is correct. All the Departments and bodies that were in scope.

Deputy Catherine Connolly: My colleagues made valuable points on the savings of money. Is Ms Murphy-Fagan in a position to comment on that other than what she has already said?

Ms Hilary Murphy-Fagan: I do not think I can explain any further. Each business case was evaluated on its own merit. If it did not make sense it did not go ahead. In fact there was one service area that was looked at with the Department of Finance for banking shared services, and we did a feasibility study but we found that the cost benefit did not stack up so we did not proceed with it. In each case we look at what services could be in the scope and if those services could be provided in a shared services environment with technology, what would the service quality be and what would be the cost savings to the taxpayer if we proceeded. In each and every case, we go through that process. It is a very rigorous, robust evaluation process.

Deputy Catherine Connolly: I presume that at the end of this year there will be an evaluation done by some independent body to establish the savings achieved.

Ms Hilary Murphy-Fagan: We will certainly look at that.

Deputy Catherine Connolly: Is there a plan to do that?

Ms Hilary Murphy-Fagan: Yes. It is important for the committee to understand that the savings arise only when the centre is established, because that is when it is at its optimum efficiency.

Deputy Catherine Connolly: It is established.

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Ms Hilary Murphy-Fagan: We are now in year one

Deputy Catherine Connolly: At the end of year one, would it not be very appropriate to do an analysis?

Ms Hilary Murphy-Fagan: We even monitor it ourselves internally from a benefits realisation point of view. We will carry out an analysis.

Deputy Catherine Connolly: So by this time next year - and I hope we are all here - Ms Murphy-Fagan would be able to tell us what savings have been made.

Ms Hilary Murphy-Fagan: We certainly intend to carry out an evaluation.

Deputy Catherine Connolly: The Comptroller and Auditor General's report comments on a number of specific items and states that at the end of 2016, there were 388 cases outstanding for more than a year with no recoupment plan. Is that being dealt with?

Ms Hilary Murphy-Fagan: That has changed during 2017.

Deputy Catherine Connolly: Tell me how it has changed. Who can tell me how that has changed? Have the 388 cases been dealt with? Have they all had recoupment plans put in place?

Ms Hilary Murphy-Fagan: I will ask Ms Lyons to deal with that.

Ms Paula Lyons: The total picture at the end of 2016 was 1,982 cases.

Deputy Catherine Connolly: Not the figure of 388 cases.

Ms Paula Lyons: I think the figure of 388 referred to cases that were more than one year old.

Deputy Catherine Connolly: That is right. At the end of the year there were 388 cases, at a value of-----

Ms Paula Lyons: I referred earlier to a much more robust reporting process that we have where we are looking at cases for 2017, 2016 and before that date to know where everything is at. We can see all the cases going through the process.

Without going into individual cases, there could be some of those cases - - - - -

Deputy Catherine Connolly: I accept that and there are always cases and we have to bring humanity into it. I am asking factual questions. Of the 388 cases identified at the end of 2016, how many have been dealt with? Has a recovery plan been put in place? There was no recoupment plan in place for that identified number.

Ms Paula Lyons: I would have to come back to the committee with a breakdown of those cases.

Deputy Catherine Connolly: That is important, not that I want to zone in, and I realise in the overall scheme it is a smaller fraction and I put it in context. However, at the same time, a lot of the changes that have been mentioned here today have I think sprung from the analysis by the Comptroller and Auditor General. That is to be welcomed and the office has taken on board all the recommendations. However, I wonder how robust the scheme is, this wonderful new IT

system, when it did not identify this itself.

Ms Paula Lyons: It is probably worth mentioning the existence of an overpayments working group that was established in 2015-----

Deputy Catherine Connolly: I have read all that.

Ms Paula Lyons: The only reason I am bringing it up is that there was a number of recommendations arising from the group, which commenced activity prior to the Comptroller and Auditor General's report. The report by the Comptroller and Auditor General focused on the need for action and activity in particular areas. Reporting was one area that the overpayments working group had recommended along with a more robust root cause analysis of what causes overpayments. That work had started ahead of the Comptroller and Auditor General's report. Certainly, the report as it related to 2016 was relevant in that context as well, in highlighting where areas are needed-----

Deputy Catherine Connolly: The root analysis report has been completed.

Ms Paula Lyons: There was a very significant review which dropped the root cause analysis to a more granular level.

Deputy Catherine Connolly: What is Ms Lyons's prediction for this time next year? Will there still be 388 cases with no recoupment plan for over a year? Will that be dealt with and gone?

Ms Paula Lyons: It is very difficult to make a commitment in terms of particular cases because we do not know what the circumstances of the case might be into the future. I certainly think the management of overpayments in terms of ageing and activity related to it is something that is very much in focus for us. Our reporting mechanisms have strengthened that now to be able to focus on such cases.

Deputy Catherine Connolly: Another fact identified was 648 case management system overpayments for which no value had been recorded.

Ms Paula Lyons: I mentioned earlier that the establishment of the value is the first step in confirming an overpayment and-----

Deputy Catherine Connolly: Could Ms Lyons just explain to me how this happened?

Ms Paula Lyons: The delay was in the system. What we are looking at is a reorganisation internally to centralise the calculation of values. It has been a distributed function within our payroll shared services centre. We recognise that it can cause delay where it is spread across a number of different functions. We intend to centralise it so that we reduce and eliminate delay in the calculation of values. That is key to the recoupment process commencing. Until a value is confirmed, the recoupment process cannot commence.

Deputy Catherine Connolly: Absolutely, that is just common sense. We do not need an IT system to tell us all that. There has to be a value before it can be recouped.

The weakness identified was the IT system as I understand it - the Chairman is shaking his head. I will just put my question. It showed a snapshot in time as opposed to the history. For example, cases were closed and nobody knew if the repayments had stopped or not. The snapshot in time was a problem. It was not giving an overall picture. I would have thought that as

the office went for a very expensive IT system, one should be able to see that.

Another thing is the confusion. Ms Lyons has told me the confusion is gone. Certain Departments thought the office was looking at the legacy cases and other Departments thought it was their role, for different reasons. That confusion is gone, is it? They all know what they are doing now. Going back, then, to the snapshot in time, the IT system required a lot of physical inputting of data. Can Ms Lyons clarify whether that has changed?

Ms Paula Lyons: There are a couple of points there. One is picked up by what the Deputy referred to earlier in terms of improved reporting, looking at where cases are in terms of status and balances outstanding. That will improve that picture and it will be an improvement for finance officers to be able to track as well.

The other thing to remember is that not all the payrolls were within the shared service centres. The reconciliation between what was being recouped in a Department and not necessarily through a payroll that was being administered by the shared service caused another layer of reconciliation challenge. Now we have all the payrolls within the shared service so we have a better view end to end. We would, therefore, be able to see where a recoupment stopped and why, and to follow it up fairly quickly. The situation in 2016 certainly presented more challenge in trying to manage it as an end to end process. The full migration of payrolls will improve that.

Deputy Catherine Connolly: I asked too many questions together and I apologise. On the cases that were closed - I am reading from the Comptroller and Auditor General's report on page 148 - in 2016, 4,419 overpayment cases with a value of €4.4 million were closed. However, due to the limitations on the information available, the examination cannot quantify how much of this amount had been recovered at the year end.

Ms Paula Lyons: We know that there was €2 million recovered in 2016. That is the figure that we can confirm was collected. The reconciliation between that amount and the amount of €4 million - the link between individual cases is where we are trying to get to in terms of our reporting function.

Deputy Catherine Connolly: How were those cases closed, then?

Ms Paula Lyons: "Closed" means closed to recoupment. It is a piece of terminology in our case management system.

Deputy Catherine Connolly: Was much written off, then?

Ms Paula Lyons: No, not written off. "Closed" means it moved into the recoupment process. We know from our collection that €2 million was collected in 2016.

Deputy Catherine Connolly: I misunderstood the word, then.

Ms Hilary Murphy-Fagan: It is complex but we do not write off.

Deputy Catherine Murphy: I welcome the witnesses. When we get to this point in the meeting, a lot of the questions will have been asked. I am generally supportive of shared services and consolidation rather than fragmentation. It always comes with a health warning, however. We want it to be effective as well. Some of the examples Ms Lyons has drawn attention to where there is consolidation, such as the likes of the housing assistance payment, HAP, shared service centre in Limerick - I think it should have been left out. Sometimes they do not work very effectively.

There is a customer services group and obviously that gives some sort of indication of how well the service is working. Who is in that group?

Ms Hilary Murphy-Fagan: A number of HR managers from different Government Departments are on it. We also have a number of finance officers from different Government Departments.

Deputy Catherine Murphy: Is that employees?

Ms Hilary Murphy-Fagan: Employees participate in a different way. Every time we provide a service through a case, there is a link when the case is completed asking the employee to state what his or her experience has been like. We get feedback through that survey. We also have a complaints procedure. We prefer to hear that we are doing well - and we get feedback to say we are providing a very good service - but in those cases where we do not satisfy or make people happy, we have a complaints procedure which is used. However, the volume is very small. I think last year I looked at 80 complaints into the HR shared service centre, of which 50 were upheld and 30 were not. We also have the contact centres so staff can call in if they are not happy. They can give the case reference. They can also talk to somebody on the phone who is really quite knowledgeable about the issues to see can we help them.

Deputy Catherine Murphy: Prior to this, they would have gone into somebody within their own organisation.

Ms Hilary Murphy-Fagan: They might have. If they were physically located in the same building, they might have gone down the corridor and handed in a piece of paper and asked for something to be done for them. It is the model of shared services, I suppose, in that we are very much part of the Civil Service. We are civil servants providing this service to everybody. We are just remote. People cannot see us but we actually have people coming to visit our offices on a very regular basis. Our doors are open to showing people what our offices look like.

Deputy Catherine Murphy: In respect of the staff who have migrated over, that would obviously have been done on a voluntary basis. The office is not necessarily getting people who were in the HR sections of the various Departments. Would that be the case?

Ms Hilary Murphy-Fagan: In the case of HR, that is correct. It was a greenfield site in Clonskeagh in Dublin. It opened its doors in 2013, a time when there was a lot of pressure on resources everywhere. A decision was taken that we would recruit on a voluntary basis from the Civil Service.

Deputy Catherine Murphy: Roughly what proportion of the 770 would have come from the human resources, HR, unit in the various Departments?

Ms Hilary Murphy-Fagan: Our payroll operations are in buildings in Galway, Killarney and Tullamore where payroll operations already existed. The staff who used to do the payroll there transferred across when their work transferred to us.

Deputy Catherine Murphy: What kind of ratio are we talking about in terms of HR and payroll?

Ms Hilary Murphy-Fagan: I understand from the analysis it is approximately 60:40, with 60% from the Civil Service and 40% new recruits.

Deputy Catherine Murphy: Presumably those Departments would have retained a HR

function.

Ms Hilary Murphy-Fagan: There is always a local HR function or a local finance function. The emphasis and focus of that function changes. When we take the administration away, it frees up those HR people to focus on business issues and more strategic HR issues rather than being involved in transactional processing.

Deputy Catherine Murphy: Is that included in the business case?

Ms Hilary Murphy-Fagan: Absolutely, yes.

Deputy Catherine Murphy: Sometimes the remoteness can cause problems but Ms Murphy-Fagan reckons that is covered, for example, if people say they received too much, that stops some of the problems later on, including for themselves.

Ms Hilary Murphy-Fagan: Anybody can contact us online, through our website. There is a contact telephone number and we provide a full telephone service, Monday to Friday. A person can also contact their local HR or their line manager who is pivotal in a person's relationship with their employer and that does not change. The line manager still approves certain things so if I want to apply to take parental leave, I would put that message online and the system will automatically route it through workflow to my line manager who will give approval. The decision-making stays always with the Department. We are not the decision-makers, rather we do the administration.

Deputy Catherine Murphy: There were 648 cases of overpayment where no value was recorded. It was estimated that would be possibly an additional €650,000. Is it still the case that by not putting a value on them, the National Shared Services Office, NSSO, cannot put a repayment plan in place? Have the ones that do not have a value been resolved?

Ms Paula Lyons: There are now 66 cases awaiting valuation.

Deputy Catherine Murphy: Are they fairly recent?

Ms Paula Lyons: They are related to the same figure. That is 66 remaining of the figure the Deputy quoted.

Deputy Catherine Murphy: What was their value? Do the witnesses know what is the total value?

Ms Hilary Murphy-Fagan: No, we would have to come back to the Deputy with that.

Deputy Catherine Murphy: Please do. There were 20 legacy cases in the Department of Employment Affairs and Social Protection with a combined value of €78,000 and 11 had a recruitment plan in place at the date of transfer. There was no evidence of management of recovery since then. Has that changed?

Ms Hilary Murphy-Fagan: It has changed.

Ms Paula Lyons: Those are cases that transferred in with the Department of Employment Affairs and Social Protection. The Department's payroll migrated last October and any cases agreed for recoupment would have transferred in as part of that. Anything remaining is with the Department for the calculation of value.

Deputy Catherine Murphy: Was the specification for the information technology, IT, sys-

tem that the NSSO uses for the effective management of overpayments tweaked or is it robust enough? Sometimes when a system is put in place things arise that were not expected and when it works, it needs to be tweaked. Did the financial management system require alterations?

Ms Hilary Murphy-Fagan: We have not gone live with the financial management system for finance shared services. That will go live in mid-year. The technology we are using in our HR and payroll shared services are the systems we used previously but they have been reconfigured for a shared services environment. We have had to get our service providers to do some development work on the system for building a robust report, which we now have and is available. The report is taking data from two different systems and it is a bit more complex but we think we are nearly there with it and we are providing the information now that we were not able to provide previously.

Deputy Catherine Murphy: Who carries the cost of that development?

Ms Hilary Murphy-Fagan: My office carries the cost.

Deputy Catherine Murphy: What kind of cost was involved?

Ms Hilary Murphy-Fagan: It was a nominal cost. It would not have been significant.

Deputy Catherine Murphy: Very often there is a fragmented approach to building IT systems, starting small and then building on to it rather than starting with a bigger platform. Was that the case here?

Ms Hilary Murphy-Fagan: It was not the case for HR, and in fact the system we are using is a very old system. We are looking at the next generation of technology that will give much more self-service functionality to users of the system. The technology landscape is moving to mobile devices and the cloud. We know we will have to upgrade and change the systems we have today, as users demand different things. The system we are using is a HR management system that was procured in 2004. Each Department used it previously but we have reconfigured it to work in a shared services environment. We did not put in new technology for HR. We had to put in technology for document management, case management, the contact centre, and the telephony system but the core HR system was not new.

When it came to payroll, most of the payroll offices were already using a similar system albeit on different versions. We deployed the latest version with self-service technology features. That is the system we are using in the payroll but it is different. They are not one and the same.

Deputy Catherine Murphy: Has the NSSO done a business case on what technology is required to bring it through to today? It can be future-proofed in so far as that can be envisaged.

Ms Hilary Murphy-Fagan: Future-proofing is where we are at.

Deputy Catherine Murphy: If the office gets the self-service aspect functioning fully, will that reduce staff costs for delivery of the service?

Ms Hilary Murphy-Fagan: We are not there yet. The easier it is to use, the better the experience for the user. That is what we are trying to do. There is a technology steering group in place and Ms Lyons, the Government Chief Information Officer, CIO, the head of HR for the Civil Service, several other senior managers from Departments and I participate in it. The head of enterprise IT in the NSSO is on that group. We are only starting to consider what we have today and what we need for the future, to see where the gap is and what we need to do. It is too

early to analyse what the future will bring but we did a business case for all the costs we have spent to get to this point and that was part of the business case that went to Government for the decision to proceed.

Deputy Catherine Murphy: What kind of costs are involved?

Ms Hilary Murphy-Fagan: We have finished spending money to establish the HR shared service centre. The total technology costs, including all the extra systems were approximately €6 million.

Deputy Catherine Murphy: Is there a potential saving from that investment?

Ms Hilary Murphy-Fagan: Probably not from that investment because we have centralised the management the service partner who runs and manages the system for us is directly managed by my office. Therefore, other Departments are not pulling from the same service provider. We now manage the contract and we manage the requirements that go into the service provider. We pay on delivery. It is a very effective way of working.

Deputy Catherine Murphy: My final question is on staff. Obviously, going into a new environment is sometimes not what people envisage. Recruiting staff is an issue in the first instance, and continuity in the delivery of services requires staff retention. Has there been an issue with staff retention or applications to move back to Departments? What is the scenario?

Ms Hilary Murphy-Fagan: The answer is that it depends. In Dublin, we probably we have a higher turnover of staff than in the other locations.

Deputy Catherine Murphy: On what scale?

Ms Hilary Murphy-Fagan: It is not unusually high but we do have some turnover. I cannot give the Deputy the 2016 figure. On the 2017 figure, I think some 5% of staff left us during the year to go outside the Civil Service. Other staff moved because they got promoted to other roles, either within our office or in other Departments across the Civil Service. Those are 2017 data. I do not actually have the data in front of me. We do have a level of churn but that is also not unusual for our business. The Civil Service had a level of churn also so we just monitor the situation. We have a staff forum at which we meet staff and listen to their views on how we can make the office an even better place to work. We try to listen to what we can do to improve it.

Chairman: I have a few questions.

The balance of overpayments outstanding at the end of 2016 was €4.6 million.

Ms Hilary Murphy-Fagan: That has been effectively covered. That represents recovery plans in respect of which there is repayment.

Chairman: What is the comparable figure for the end of 2017 approximately?

Ms Hilary Murphy-Fagan: The Chairman knows that, because we are still-----

Chairman: I knew I did not see the figure anywhere.

Ms Hilary Murphy-Fagan: I do not want to mislead the committee. We are still finalising things at this point in time.

Chairman: I am going to ask Ms Murphy-Fagan to come back with that figure.

Ms Hilary Murphy-Fagan: My expectation is that it will be similar. I expect that we will have slightly reduced the number of incidents but it is too early to be specific.

Chairman: There are smiles all round on the witnesses' side of the table.

Ms Paula Lyons: Let me be of assistance. The Comptroller and Auditor General's report had flagged this. At the point in time when the €4.6 million was reported, it was reported in terms of overpayment recoupage by the shared services office. What were not included, obviously, were payrolls that had not yet migrated. The estimate was somewhere around €7.5 million in total based on the Comptroller and Auditor General's report.

Mr. Seamus McCarthy: If one totals the overpayment values across the appropriate accounts-----

Chairman: Where was the value put on the overpayments based on the calculation made?

Mr. Seamus McCarthy: Each appropriation account would be reporting a figure. The total for these is €7.5 million. There are a number of big exclusions, or overpayments-----

Chairman: At the end of 2016.

Mr. Seamus McCarthy: -----that were not within shared services.

Chairman: To be fair to Ms Murphy-Fagan, she may, when sending us the note, put comparable figures with comparable figures. To an extent, the €4.6 million highlighted when the figures came out was only part of the picture. It relates only to overpayments the NSSO was processing.

Ms Hilary Murphy-Fagan: Correct.

Chairman: In fact, the figure across the public service and Civil Service was approximately €7.5 million.

Mr. Seamus McCarthy: Yes, €7.5 million on the appropriation accounts.

Chairman: It is a substantially higher figure. The figures are all in now so the witnesses will be able to give us very soon a figure for 2017. I believe Ms Murphy-Fagan has already said she calculated the level of overpayments and the figures for the plans, and that she sent the details to each of the organisations. Does she have that figure?

Ms Hilary Murphy-Fagan: I am not trying to be difficult.

Chairman: But she does have it.

Ms Hilary Murphy-Fagan: It is just because there were so many moving parts. I would not want-----

Chairman: But she will be able to give us that figure.

Ms Hilary Murphy-Fagan: Yes.

Mr. Seamus McCarthy: I will outline one of the areas where there may be a continuing difference. The Department of Education and Skills reports a figure for overpayments that includes teacher overpayments, but it will not be included in shared services.

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Chairman: All we will be talking about is the 124,000 people. We are fully conscious that the figure we are going to get excludes the HSE, which has 105,000 or 110,000 people. It excludes up to 90,000 Department of Education and Skills staff and it excludes the 30,000 to 40,000 in local authorities.

Ms Hilary Murphy-Fagan: I will list for the committee, when we give the number to it, the Departments that are covered. Would that be clearer?

Chairman: Could we have a breakdown of the overpayments by organisation? The NSSO must have it because it must report back. We are interested in determining which Department is the biggest source of the problem and whether that Department has a problem getting its stuff to the NSSO. I am sure the NSSO is on top of it but we have not go there today. This committee needs to drill down below the headline figure.

Ms Hilary Murphy-Fagan: Again, I just want to be clear. Given that we are all in the process of finalising the appropriation accounts for 2017, I would not want to produce information that is incorrect. I ask the Chairman to bear with us until we get that to the committee.

Chairman: Hold on. We cannot wait until 30 September.

Ms Hilary Murphy-Fagan: I am conscious that-----

Chairman: I want to be given an estimate. Everyone gives an estimate, which is subject to verification, after the end of the year. I believe Ms Murphy-Fagan has said she has already sent information to the Departments. She is reasonably confident about what has been produced. I am sure she had a health warning on her statement and that it was not absolute. Could she just outline what her office has done because it has produced some information?

That leads to my next question. Given that the office will be getting its Estimate of expenditure approved for 2018 any day now, I expect that, in calculating that figure, the NSSO should be able to estimate what it believes the figure for outstanding payments will be at the end of 2018. I am now moving on much further. If one is coming in to get the group of Votes for the Department of Public Expenditure and Reform next month, this month or on another occasion, it is logical to be asked about this. I refer to where one is looking for the Estimate figure for the office for the coming year - the Estimate for its Vote. A level of overpayments will be in place for last year and one will have to know, in one's working papers, the estimated figure for 2018. That is relevant to the Vote the office requires. Therefore, I presume it will be possible for the office to give us some estimate. I stress that it will be an estimate. Ms Murphy-Fagan spoke about planning. In my opinion, one cannot calculate one's Estimate for this year properly if one has not estimated where one believes one will be at the end of December. Am I jumping the gun?

Mr. Seamus McCarthy: The point is that the overpayments are other people's money.

Ms Hilary Murphy-Fagan: Yes.

Mr. Seamus McCarthy: It is all of the Votes that total to this figure. Any collections will be to the credit of the relevant Vote. For instance, the Department of Finance could have an overpayment figure recorded in its appropriation account. It is handling other people's money.

Chairman: Even though we have all these shared services, one has to dig back through the 50 or 60 Votes to find out the overpayments outstanding at the end of the year. Is that not what

Ms Murphy-Fagan is saying?

Mr. Seamus McCarthy: It is a separate note in each of the 40 or so appropriation-----

Chairman: Has anyone got the notes? If not, I might ask the liaison officer to tot up those figures for us.

Mr. Seamus McCarthy: That was the point I am making in paragraph 10.46. When one total those notes, based on the 40 appropriation accounts, the figure one gets is €7.5 million.

Chairman: For the end of 2016.

Mr. Seamus McCarthy: But the Departments that the NSSO is dealing with were notified with the amounts we have on record that are due for collection, the total being €4.6 million. Therefore, there is a discrepancy and there is a reconciliation process. It should be for every Department to understand that, if a figure is being put into the appropriation account that is different from the figure from the NSSO, one must be able to reconcile them.

Chairman: Do the witnesses see where I am coming from? We have only a bit of the picture.

Ms Hilary Murphy-Fagan: This is where shared services can create a benefit because before this, there was no single aggregated figure since the overpayments were managed individually by Departments in their appropriation accounts. We collect the money but it still comes under individual appropriation accounts.

Chairman: The NSSO is an agent.

Ms Hilary Murphy-Fagan: I am an agent and it will not appear in my accounts because it is not money in my account. I am not the Accounting Officer for those amounts.

Chairman: The €4.6 million overpayment that has been reported is the only one reported to the Comptroller and Auditor General's office. The broad figure is €7.5 million across the public service, including the HSE, education and local authorities.

Mr. Seamus McCarthy: It does not include the HSE because it is no longer a Vote as of 2016.

Ms Hilary Murphy-Fagan: So that is not within my remit.

Chairman: No, and Ms Murphy-Fagan probably wants to keep it that way for a while. Let the HSE look after its own affairs for the time being anyway.

She said that the office deals with auto-recruitment directly if it is less than five working days. Does the office have to go through local HR to put that in place?

Ms Paula Lyons: No. It is-----

Chairman: Once the office gets the figure, it goes through.

Ms Paula Lyons: Exactly. It cuts out that step.

Chairman: I am going at this from the point of view of the 124,000 users, not HR. Does the NSSO communicate with the users directly rather than with HR where the communication could get stuck in the system if somebody is on holidays and has not opened his or her email?

Ms Paula Lyons: Yes.

Chairman: Does the office get calls directly from users saying, “My pay looks a little different”? Perhaps there has been a salary change such as an increment that did they know about or the increment was late and they are wondering how the arrears were calculated.

Ms Paula Lyons: Yes.

Chairman: That is good. The NSSO is a large employer with 700 employees and that number will reach 1,000 when the finance management function transfers to it. What quality control system is in place relating to output by staff? Is there a rule of thumb that one person should be able to process X hundred per week? How does Ms Lyons know who is efficient or inefficient in the organisation?

Ms Paula Lyons: A case management system manages the flow of cases and that data are available to the managers of the individual functional areas. They are able to distribute cases on the basis of expected productivity and measure and manage then if that productivity is not being achieved.

Chairman: That is step one in doing something about a query but at least-----

Ms Hilary Murphy-Fagan: We also have a quality management system in place. Service quality and accuracy is fundamental to our business. Under our system, dedicated people take random cases that are closed every week and test 5% of all cases to check for accuracy, and whether they were processed correctly, whether all the procedural steps were taken, and whether they were uploaded to the correct document or system. That is an important measure for us because it tells us about the quality of the service we provide. Earlier I mentioned the ISAE 3402 international assurance standard of quality, which is the internal audit control test. Our quality management data are consistent with what the external tests show and, therefore, we have a constant, reasonably high level of quality. I do not say we fail to make errors but we have a fairly consistently high level of quality, which is important because our staff work hard on that

Chairman: I acknowledge the issue of suppressed posts does not come under Ms Murphy-Fagan’s remit and she may be unable to answer this question but she may be able to provide general information. If a Department or an office transfers the function to the NSSO and 30 of its staff were involved in payroll and HR services, how do we know some of those posts have not been suppressed? Some staff, for example, may be redeployed but if there is no redeployment and there is no work in the Department, some posts could be suppressed. It is not up to the NSSO to check on the suppressed posts but this is one way of knowing whether the savings happen. If the NSSO takes on numbers, there should be a reduction somewhere else.

Ms Hilary Murphy-Fagan: It is outside my remit to talk about what happens in any area other than my own. However, in some cases, the staff who used to carry out the work transfer to my office. We take them and the budget for them comes with them. Where staff used to do that work in a location and they cannot, or do not want, to transfer or it is a remote location such as Dundalk to Galway, we would look at the original pay bill for them and work out how many staff are still in that payroll function. If staff have moved, we would ensure a reconciliation was done.

Chairman: Staff go on full pay for three months sick leave and I referred to a pensionable rate of pay earlier. Public servants sometimes go on low payments and remain in the system.

Ms Murphy-Fagan said the office does not come across this much. Am I using the wrong terminology?

Ms Hilary Murphy-Fagan: It is different terminology. The sick leave circular in 2014 introduced temporary rehabilitation remuneration. It replaced the pensionable rate of pay and----

Chairman: Is it a different figure?

Ms Hilary Murphy-Fagan: It is in the 2014 circular and it is slightly different but it means it has to be calculated if somebody has hit their sick leave threshold. It also has to be assessed as to whether it applies. Every time somebody hits their sick leave threshold, there is a great deal of calculation to check what is the impact on his or her pay.

Chairman: Would it depend on a person's years of service? Is the pensionable rate of pay calculation related to the years of service?

Ms Hilary Murphy-Fagan: I can come back to the Chairman on what is involved in calculating the rate.

Chairman: Can Ms Murphy-Fagan send the committee an information note because it is complex? People often ask us what rate they will be on at the end of their six months sick leave? I do not seek exact figures.

Ms Paula Lyons: It is comparable to what was previously the pensionable rate of pay but we can provide clarification on that.

Chairman: With regard to security, Ms Murphy-Fagan said it would not be a good idea for everything to be in one building in case something happened the building. If something happened in one of the big offices in Dublin or Killarney where many of the payments are processed, that would create an enormous strain. Is the information available to other offices, for example, if one office goes down?

Ms Hilary Murphy-Fagan: Yes.

Chairman: I would have thought users should be able to check their payslips on a smartphone. Can that be done?

Ms Hilary Murphy-Fagan: One can access one's payslip remotely. One can go on the Internet and access it.

Chairman: Through a smartphone?

Ms Hilary Murphy-Fagan: Yes.

Chairman: If staff are on holidays, they can check whether their overtime payment went through, for example.

Ms Paula Lyons: Yes, one of the benefits of the payroll shared services system is that it is Internet facing and is so accessible for many.

Ms Hilary Murphy-Fagan: But not on the HR side.

Chairman: So people can check whether their pay went through

Ms Hilary Murphy-Fagan: Yes.

Chairman: Do many use that?

Ms Hilary Murphy-Fagan: I saw figures for the number of people using it. It was around 300,000. We have all moved on with technology. People are looking at their payslips-----

Chairman: They are checking their bank accounts that way. I presume they should be able to check their payslip. Obviously, there is security and they can only get in so far.

Ms Hilary Murphy-Fagan: Absolutely. It is a great feature. Similarly, they can go online and claim travel and other expenses if they have them.

Chairman: Do they not have to be authorised by somebody else?

Ms Hilary Murphy-Fagan: They do but it automatically routes through the technology. It checks who the applicant's manager is to approve it and what is the limit. An alert is automatically sent saying, "You are the manager. Can you approve this?" The receipts are scanned so the manager is then accountable for approving the payment. Once the manager approves it, it comes to my office for the payment to be administered.

Chairman: Moving on to sick leave, an onus could be put on an employee on sick leave to notify the NSSO. Many of the overpayments related to people who had been on sick leave and who had not provided medical certificates. The office probably does not do it now. I know the manager. A lot of the overpayments are due to people being out on sick leave and certificates did not come. I know that it would be a responsibility. I know if one is sick in bed one cannot do so but, for some absences, it might be a much speedier way. Like what the office has been done with travel expenses, if it could do the same with overtime. I mean if somebody submits a claim for overtime he or she can give it straight to the office once it is authorised and, possibly, notify the office of absences as well. Where is the office on that aspect?

Ms Hilary Murphy-Fagan: I can answer or my colleague can do so.

Ms Paula Lyons: Part of the regulation of sick leave is around how absence is reported. In the circular governing sick leave the person must make a personal contact with their manager by a certain time. By going down a self-service route that might actually undermine what otherwise is trying to be achieved in terms of managing sick leave so we would have to look at it in that context. Certainly, the development of self-service and automation is very much in hand.

Chairman: Is Ms Lyons saying travelling expenses can possibly go through that or it is going through it?

Ms Paula Lyons: It does.

Ms Hilary Murphy-Fagan: It does already.

Ms Paula Lyons: It does.

Ms Hilary Murphy-Fagan: It is all-----

Chairman: Does anything else other than travel and expenses go through?

Ms Hilary Murphy-Fagan: Overtime.

VOTE 18 - NATIONAL SHARED SERVICES OFFICE

Ms Paula Lyons: Overtime.

Ms Hilary Murphy-Fagan: Yes, overtime.

Ms Paula Lyons: Yes.

Chairman: I mentioned overtime.

Ms Hilary Murphy-Fagan: Yes, and then all of the documents. P60s obviously.

Chairman: Can one download them?

Ms Hilary Murphy-Fagan: Yes. They are all electronic documents.

Chairman: We have had an interesting and helpful meeting. I ask members to agree to dispose of Chapter 10, shared services – management of salary overpayments, the appropriation accounts for 2016 and Vote 18 – National Shared Services Office. Is that agreed? Agreed.

On behalf of the Committee of Public Accounts, I thank all of the witnesses here today from both the National Shared Services Office and the Office of the Comptroller and Auditor General. We will now adjourn until our next public meeting on Thursday.

Deputy Catherine Murphy: I would like to raise a point before we adjourn.

Chairman: We are about to adjourn so the Deputy can comment now.

Deputy Catherine Murphy: I want to comment on the management of the meetings.

Chairman: Does the Deputy want to raise her issue after we finish this meeting?

Deputy Catherine Murphy: Yes. That is all right.

Chairman: Fine. We will now adjourn until our next public meeting on Thursday, 8 February at 9 a.m. where we will meet the Department of Rural, Community and Development to discuss Chapter 7 of the Comptroller and Auditor General's report on dormant funds. We will also be joined by representatives from the Department of Children and Youth Affairs, the Department of Justice and Equality and the Department of Health, as well as the National Treasury Management Agency to discuss the Dormant Account Fund.

The witnesses withdrew.

The committee adjourned at 1.15 p.m. until 9 a.m. on Thursday, 8 February 2017.