



Northern Ireland
Assembly

**COMMITTEE FOR
FINANCE AND PERSONNEL**

**OFFICIAL REPORT
(Hansard)**

**Account NI: Prompt Payment of
Invoices**

18 January 2012

NORTHERN IRELAND ASSEMBLY

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FINANCE AND PERSONNEL**

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Members present for all or part of the proceedings:

Mr Conor Murphy (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Mrs Judith Cochrane
Mr Leslie Cree
Mr Paul Girvan
Mr David Hilditch
Mr William Humphrey
Mr Paul Maskey
Mr Mitchel McLaughlin
Mr Adrian McQuillan

Witnesses:

Mr John Crosby) Department of Finance and Personnel
Mr Paul Wickens)

The Chairperson:

We will now move on to the Department of Finance and Personnel (DFP) evidence session on Account NI and the prompt payment of invoices. The witnesses today are Paul Wickens, the chief executive of Enterprise Shared Services (ESS) and John Crosby, the director of Finance Shared Services (FSS). I invite you to make some opening remarks, and we then will take some questions from Committee members.

Mr Paul Wickens (Department of Finance and Personnel):

Thank you very much. Account NI has been in full operational mode since November 2009, with all services operating effectively. Annually, we process over half a million payments, which are worth around £3 billion. Prompt payment has been of particular interest to the Committee, and I am pleased to report that we are currently making 98% of payments within

30 days and 92% of payments within 10 days. That represents a considerable improvement on performance since we last met the Committee, which was in October 2010. We are also routinely achieving targets for the completion of bank reconciliations and the closure of ledgers.

We welcome the opportunity to discuss with the Committee progress in Account NI. Some members already know the director of finance shared services, John Crosby. We are happy to answer your questions on the prompt payment of invoices through Account NI or any other aspect of shared services.

The Chairperson:

Thank you very much. The Committee has discussed this issue at various times, and we also had a statement yesterday from the Minister on prompt payment that, I think, was broadly welcomed. That statement was about not only prompt payment but the need to ensure that it is reflected down the food chain, if you like, through to subcontractors. You gave figures of prompt payment being made at rates of 98% in 30 days and 92% in 10 days. Are those correct?

Mr John Crosby (Department of Finance and Personnel):

Those are December's figures.

The Chairperson:

The gap that most people have identified is that a lot of the non-departmental public bodies (NDPBs) and arm's-length bodies (ALBs) are not under Account NI's remit. Although we do not know the situation, I suppose the concern is that the quite commendable figures that you present could be masking poor performance from those NDPBs and the arm's-length bodies that spend a substantial amount of public sector funds.

Most people refer to the Department of Culture, Arts and Leisure (DCAL), and I think that 80% of its funding is delivered through such bodies. In essence, that means that, if we are looking at the DCAL figures, we can see and judge only 20% of its spend. That is the more extreme end of a Department's spending, but it reflects the fact that quite a lot of public money is delivered through these bodies. Is there a danger that that is masking poor performance? Do you have any plans to try to take these people under your remit? Do you have any way of measuring their prompt payment performance or the type of commitment that the Finance Minister offered up yesterday, which aims to ensure that prompt payment is reflected through the line of subcontractors as well?

Mr Wickens:

I have a couple of points to make on that. First, we have a memorandum of understanding and a mandate with all government Departments, that is, all the Civil Service departments. That explicitly covers the Departments plus their executive agencies. At the moment, we are making prompt payments to the Departments plus their Executive agencies; we are not making any payments to non-ministerial departments or non-departmental public bodies. There is always a bit of confusion as to what an arm's-length body actually is, even among ourselves at times. In considering what we do and do not cover, at this point in time, we cover only the Departments plus their agencies, not NDPBs or non-ministerial bodies. For example, DCAL's arm's-length bodies do not currently use Account NI. It is up to those organisations plus their sponsoring Department to decide what their policy is going to be. There is no practical reason why they could not or should not use it, but we do not pay anything for those people or do any accounting for them.

The Chairperson:

So, the figures that you are presenting to us as the Finance Committee, which has an overarching view on the public spend throughout all Departments, account for really only 20% of DCAL's spend?

Mr Wickens:

If that is the proportion, then, yes, that is correct. It is just for the Department itself.

Mr Crosby:

The figures that we present include all the invoices that DFP has a role in processing. In my role as director of Finance Shared Services, I handle the invoices for only those Departments and their executive agencies that go through us. We have no role whatsoever in the processing of any other invoices for ALBs.

The Chairperson:

Let me be clear on that. Are you saying that it is not within your remit to try to encourage these other people in and that it is a departmental decision to do that?

Mr Crosby:

That is right.

The Chairperson:

That, then, requires an Executive approach to try to bring NDPBs, arm's-length bodies and all the variety of organisations that may lie there under your system. That way, we can measure their prompt payments and any other issues that the Executive wish to raise.

Mr Crosby:

Historically, and as the name suggests, non-departmental public bodies have a degree of independence. They operate outside the Department, and they have had their own legacy systems and mechanisms developed and designed to suit their own needs. That means that they were not within the original reformed programme that brought in projects such as Account NI. However, we are bringing in the Department of Justice (DOJ), which has decided to bring three of its arm's-length bodies into Account NI. They will be in from 1 July next year.

The Chairperson:

Does that have any implications for their status as semi-independent bodies?

Mr Crosby:

No. However, arm's-length bodies can have separate financial accounting arrangements and requirements, so they do not always fit the mould of the common footprint that we provide to Departments.

Mr Humphrey:

Thank you very much for your attendance today. You said that it is up to the NDPB and the arm's-length bodies in conjunction with the sponsoring Department to make the decision to go into Account NI. I have served on an arm's-length body board, and I know that they can be very vociferous. They can sometimes put their faces against advice from Departments, and there may not always be a meeting of minds. What do we do if we get into a situation where the sponsoring Department's advice is that the arm's-length bodies should do something? What happens if strong characters on the boards of those bodies decide not to do it or refuse to accept the advice?

Mr Wickens:

Ultimately, and unfortunately, that is an issue between the Department and the arm's-length body. We are a delivery organisation, and we are happy to be called in to support or to sell the services, if you like. We are always there to help convince an organisation of the merits of joining a service such as Account NI. Ultimately, however, that type of decision is outwith

our control.

Mr Humphrey:

Of course, it is particularly acute and can become more problematic when the organisation is a North/South body. That is because there are issues when two governments and two auditing organisations are involved. Will we get to the point where we stick to Northern Ireland bodies? Do we get to the point where the Department asks, "Can you advise us on this?" Does the Department have the power to say, "You must"? What happens in a scenario where the Northern Ireland Audit Office, for example, goes into an organisation and makes a bad report that says that the body is very unhealthy, but the advice is still refused?

Mr Wickens:

Again, I think that it is for the Department and the arm's-length body to decide their own position. I do not think that we have a role to play in determining, deciding or enforcing something. That is definitely not part of our remit.

Mr Girvan:

Thank you for the presentation. I have some concern. I appreciate that the figures that we are receiving are very good, and I am glad to see that payments are being made. What mechanism is in place to ensure that invoices that are submitted by a contractor, for example, who is doing work for a government body, make it to your accounting system so that you can check to ensure that it is paid? There is a letter in our papers for this morning's meeting that indicates something different, but, sometimes, contractors send in an invoice that is disputed. However, it is invariably paid, albeit after some major delay or bureaucracy over the issue, where some jobsworth wants to make an issue or to make somebody suffer. I say "jobsworth", because that is sometimes what they are. I know that that has happened; I could probably cite three cases in which it has happened. Someone has taken a dislike to someone else and, therefore, has made their life difficult and nitpicked on certain issues in the contract. Those invoices do not necessarily make it to your table for you to check that they have been paid. They are not all automatically cleared. All the cases that I am talking about were eventually paid at the full cost without the need for additional work. It was merely a matter of the individual's face not fitting and things being made awkward for them.

Mr Wickens:

I will take the last bit first, and John will describe the process, as he has more understanding of it. If there are any specific cases, we are more than happy to deal with them through correspondence. If you want to write to us about those, we will be more than happy to come

back to you on them. I am happy to take on individuals or allegations for you, if you want to bring them to our attention. I will ask John to talk about the process.

Mr Crosby:

I want to make a couple of points. We measure all the invoices from the point that they are first received in government. On our system, we capture the date stamp. Invoices ought to come directly to Account NI. So, if they are submitted by a supplier on the back of a purchase order that a Department has raised, they come directly to us. We are aware that many invoices go straight to Departments. The process in all Departments is to date-stamp the invoice with the date on which it was received. That is the date that we capture on our system, and it is the date that we use for measuring prompt payment.

All the authority to release the money and to verify the invoice is with the Department; it is not a case of Account NI's holding up an invoice. As Paul said, we need to look into the detail of those cases. That is why, historically, the target under the Late Payment of Commercial Debts (Interest) Act 1998 is for invoices to be paid in 30 calendar days. Traditionally, Departments have set targets of 95% or 97% for that. That recognises that there will always be cases that cannot be verified and on which invoices cannot be paid immediately. If you got an invoice with a delivery of some inanimate object, you can say that it has been delivered. However, invoices are often for reports or for work that has been carried out, and the Departments need to do work to verify that that work has been completed to their satisfaction. So, without the detail, it is difficult to say whether the delay was justified or whether the situation is as you suggest.

Mr Girvan:

It is just the mechanism for the receipt of invoices and the date stamped. That is all part of the issue, and I appreciate that ensuring that that happens is part of our traceability.

Mr Crosby:

Yes, and we would capture the date. Again, we are relying on Departments' stamping the invoice on the date that they receive it. That is the date that we capture and that we always use for counting. It is to our disadvantage to do that.

Mr Cree:

Judging by the figures, it seems that what you have covered is very good. However, as the Chair said, there is a big question mark over the other areas that you do not cover. My main concern is about the payment of subcontractors. I do not think that you can do much about

that, but the Minister mentioned new regulations yesterday. I remember that, two years ago when the issue came up, we had a whole raft of protocols and understandings, and contracts were changed to ensure that the subcontractors were being paid. Is there nothing that you can do, given that the invoices that you get are all from main contractors? Do you have no input at all with subcontractors?

Mr Wickens:

We do not even have visibility of the subcontractors. As far as we are concerned, we are paying an invoice to an organisation. We have no idea what contractual arrangements exist in that organisation and what percolates downwards. We are certainly very aware of what was the fair payments charter, because we spoke about that the previous time that we were here at a Committee meeting. The Minister has now said that those will be enforced.

Mr Cree:

It is moving in the right direction. Thank you.

The Chairperson:

Does anyone else wish to ask a question? In correspondence that the previous Committee had with the Department, it said that it was keen to try to bring all bodies under Account NI. Who would have the responsibility for drawing up a business case for that? Would it be you or the Department of Finance? Where would that be pursued? A previous statement said that they are keen to do that, and you can see that we are keen to ensure that there are prompt payments and ways of measuring that. We are also keen to ensure that, as far as the review of the financial process is concerned, there is greater transparency through which we can see how everything is measured and accounted for. So, there is a keenness to try to bring bodies that spend public money into an area of transparency. Is it your role to prepare the case for that, or is that the Department of Finance's role?

Mr Wickens:

I think that it would be an individual Department's role to prepare a business case. We are bringing the Department of Justice on board at the moment, and taking that as an example, we will find that it would have been responsible for preparing a business case, which then needs to receive supply approval through DFP. We will obviously have had some input to that business case and will hopefully have provided some knowledge on the basis of our experience. Ultimately, however, an individual Department would have to prepare and get that business case agreed.

Mr Crosby:

As Paul said, it is for Departments to consider the options. The one agency that we have brought in since full implementation is the Driver and Vehicle Agency. That was a question of the Department of the Environment considering the accounting services options for the Driver and Vehicle Agency and then coming to us to seek indicative prices and so forth. That was then built into its business case, which went to DFP supply. It was then converted into a project, which we implemented successfully last year. When DOJ was considering Account NI, it looked at bringing in a number of its agencies and bodies, and it agreed to bring in nine of those organisations. They are coming in in July, as I said.

The Chairperson:

Thank you very much.