



Northern Ireland  
Assembly

**Public Accounts Committee**

# **OFFICIAL REPORT (Hansard)**

**Inquiry into Use of External Consultants  
by Northern Ireland Departments: Follow-  
up Report**

**8 February 2012**

# NORTHERN IRELAND ASSEMBLY

## Public Accounts Committee

### **Inquiry into Use of External Consultants by Northern Ireland Departments: Follow-up Report**

**8 February 2012**

**Members present for all or part of the proceedings:**

Mr Paul Maskey (Chairperson)  
Mr Sydney Anderson  
Mr Michael Copeland  
Mr John Dallat  
Mr Alex Easton  
Mr Paul Girvan  
Mr Ross Hussey  
Mr Mitchel McLaughlin  
Mr Adrian McQuillan

**Witnesses:**

Mr Richard Pengelly	Department of Finance and Personnel
Mr Stephen Peover	Department of Finance and Personnel
Mr Paul Wickens	Department of Finance and Personnel

**Also in attendance:**

Mr Kieran Donnelly	Comptroller and Auditor General
Ms Fiona Hamill	Treasury Officer of Accounts

**The Chairperson:** Today we are addressing matters raised by the Audit Office report, 'Use of External Consultants by Northern Ireland Departments: Follow-up Report'. Does any member wish to express an interest? Are there any consultants among us?

Mr Stephen Peover, the accounting officer of the Department of Finance and Personnel, is here to respond to the Committee. Also with us are Fiona Hamill, the Treasury Officer of Accounts, and Kieran Donnelly, the Comptroller and Auditor General (C&AG). You are all very welcome. Mr Peover, I will pass over to you to introduce your team.

**Mr Stephen Peover (Department of Finance and Personnel):** On my right is Mr Pengelly, whom you have probably met many times. On my left is Paul Wickens, chief executive of enterprise shared services (ESS).

**The Chairperson:** Thank you. I remind the witnesses that, although they should give a full account in their answers, they should keep them succinct and to the point so that we can get through the matter today. Mr Peover, the Committee produced a report on the use of external consultants in February

2008, which identified a number of key issues and outlined recommendations for improvement. We can see from the C&AG's follow-up work that things have improved somewhat since our last report. Perhaps you could tell us to what extent you think the previous scrutiny of this Committee has helped to drive down the consultancy spend and improve compliance along with good practice.

**Mr Peover:** I think that that is a fair comment. You will have seen the latest compliance report that was published today. That adds to the materials already in the Northern Ireland Audit Office (NIAO) report.

**The Chairperson:** I appreciate that, but we are here to talk about the C&AG's report. There is not a true read-across. Maybe it is just coincidence that the compliance report was released this week, or maybe I am a cynic; but we are here to discuss the C&AG's report. A member will touch on that matter later in the session.

**Mr Peover:** That is fine. All I wanted to say was that it shows that the trend is still continuing. We have seen a downward trend in the use of consultants and we have seen better compliance with the guidelines for the employment of consultants. The figures speak for themselves. The figures in the report show that there has been a substantial percentage reduction, in absolute terms, in the spending on consultants by Departments. In the case of the larger projects, very few — and most recently none of them — do not comply with the guidelines. So, we are cautiously confident that the situation is improving on foot of the report and the guidance that has been put in place since the report was issued.

**The Chairperson:** Is it coincidence that the compliance report was —

**Mr Peover:** The Committee was keen for us to get the compliance report out as quickly as possible. It has been done in 10 months this time, whereas in previous times it was 15 months and 19 months. Our aim is start the process after the resource accounts material is available and to try to complete it within the financial year.

To some extent, it is a coincidence that it is available now. The timing of this hearing was a matter for the Committee. Kieran and I were talking about this before: in a sense, it does not matter to us whether the report is published now or next week or whether it was published a couple of weeks ago. It just happened to be ready and the Minister gave us clearance on Monday morning, so we released it. I would not tend to rely on it, but it does contain interesting information.

**The Chairperson:** Fair enough.

Appendix 1 on page 44 of the C&AG's report lists the 17 recommendations contained in the Committee's 2008 report. How many of them have you fully implemented? To what extent has overall practice in this area improved?

**Mr Peover:** I have not counted them, so I will have to go through them one-by-one in my response.

The first recommendation was about the cost doubling and looking like it was out of control. The cost is on a very significant downward trend. The figures for the current year are down to £16 million or £14 million, depending on whether you count the Department of Justice in or out. There has been real pressure from the Committee and from us to control consultancy, which has led to the implementation of guidelines and to control by departmental accounting officers and departmental boards. That shows in the outcomes. So, that recommendation has been taken forward substantially.

The second recommendation is to develop in-house consultancy resources. We have developed our in-house consultancy capacity. There are 25 consultants in the business consultancy service, who are undertaking roughly 100 projects a year. There is guidance to the Departments, which requires them to consider the use of internal consultancy first. The consultants are significantly skilled. We have eight people who are certified management consultants, under the professional guidelines for consultancy, which is unusual in Northern Ireland. We have resources in systems thinking and in business continuity. So, a lot of work has gone on to develop in-house resources. The centre for applied learning (CAL), which is on Paul's side of the ESS, is the single resource for NICS training.

There is a process in place to identify training needs, gross those across the Departments, and work with CAL to deliver the programmes that Departments need.

As regards recommendation 3, there are databases in each Department, which we draw from in DFP, rather than having a single database. We think that this is an effective way to operate. There is another database of projects within Departments.

Recommendation 4 states:

*"departments must ensure that they give comprehensive and consistent information on consultancy expenditure in response to requests from elected representatives."*

That was a cause of concern to the Committee before. The central database should hold information in a consistent format. There had been difficulties in separating external consultancy from professional services generally, and the consultancy co-ordinators in the Departments and in my Department have been working together to provide clearer definitions. There is guidance that will be implemented by Account NI from April this year, which should provide for the consistent reporting of all of that type of expenditure in future.

As far as Departments are concerned, we monitor that through our interaction with them through our Supply divisions and through our test running in the compliance reports. So, there is better and more consistent information than there was in the past. The only point I would register is that when members ask questions, sometimes those questions are slightly different, and they demand an answer to the question that has been asked, and not some other question. So, occasionally, if somebody asks for a particular piece of information, they will hopefully get the right information in response. If someone else asks another question asking for slightly different information, they may get a different response. However, hopefully the two are capable of being reconciled.

Recommendation 5 is that DFP produces an annual compliance report. That is being done, and we are trying to reduce the time for the production of those reports so that they are produced in the financial year after the one to which they relate. In relation to Northern Ireland Water, we do report on that company's use of consultants. It is included in our figures, although it was not covered in the C&AG's report. The status of Northern Ireland Water is an interesting, almost philosophical, problem. Discussions are continuing about its status. In fact, I have a meeting with the permanent secretary of DRD next week to talk further about how we manage it. Northern Ireland Water is included in our system of reporting on consultancy.

The next recommendation was that public officials should avoid the perception of a conflict of interest and that appropriate controls should be in place. Again, we have given guidance to Departments on the sorts of controls that should be involved, with departmental boards, audit committees, and so on, getting involved in the monitoring of consultancy spend. The report also recommended that Departments must complete business cases. The guidance is what it is. We monitor the larger projects, and are satisfied with the quality of the larger business cases that we get. Our test drilling shows that some of the smaller projects still do not have adequate business cases. That is a matter that we draw to the attention of accounting officers, and my Supply colleagues write to accounting officers on the foot of the compliance exercise to draw their attention to that.

The report also states:

*"Procuring consultancy by non-competitive tendering makes it difficult to demonstrate that value for money has been achieved."*

Single-tender actions, or direct-award contracts, are still a feature of departmental action, largely in relation to smaller contracts. In our view, there will always be some single-tender actions in the system. As regards consultancy, the guidance requires such contracts to be cleared by the permanent secretary and, more generally, by accounting officers. In DFP, we meet every week as a senior management team, and if there are any direct-award contracts to be considered we will consider them as a group and then I, as accounting officer, will challenge them, sign them off or take the appropriate action. Those are the sorts of controls that are in place. The Committee feels that these should be

the exception rather than common practice. They now make up around 18% of cases — one in five at the most. It is up to Departments to have systems in place that allow them to test whether it is appropriate to have a single-tender action.

Recommendation 12 of the report states that the Committee advocates the use of COPEs: so do we. There is a requirement for those awarding contracts to do so under a service level agreement with a COPE and to follow the COPE's guidance. Larger contracts should be negotiated through the COPEs.

The next recommendation states:

*"The Committee recommends that the Central Procurement Directorate takes the lead in developing improved contracts".*

There has been a whole lot of work on contracts. There was guidance issued on things such as single-tender actions. There is continuing guidance, and the COPEs provide guidance to Departments on an individual basis as well.

We encourage post-project evaluations, which we monitor through the compliance reports. It is getting better. It is still not perfect but is improving.

The next recommendation relates to databases of post-project evaluations and disseminating performance information. On that business about consultants being removed from framework agreements and so on, there is now provision, under guidance by the CPD, for a certificate of unsatisfactory performance, and for people to be debarred from competing for future contracts. It has not been used yet, but it is available.

Recommendation 16 is:

*"Post-project evaluations should offer the potential to recover fees from a consultant who has not performed."*

If there has been a failure of performance there is the potential to debar, and there may be, depending on legal advice, the possibility of recovering fees.

The last recommendation is:

*"Framework Agreements should, wherever possible, be used in the procurement of consultancy."*

We agree with that, and there is guidance. There is a framework contract in place, and Departments are expected to procure from those contracts.

In general terms, we think there has been a fair bit of action on foot of the Committee's recommendations last time. This is demonstrated in a practical way by the improving position outlined in the compliance reports.

**The Chairperson:** Thank you for that, Mr Peover. Other members will delve into some of the other aspects, but I want to take you back to recommendation 2. I think you said that there are 25 people working on in-house consultancy: is that across the Civil Service or in DFP?

**Mr Peover:** It is the central unit. Departments may have their own internal units as well, but the central specialist consultancy service in my Department consists of 25 people. We have recruited five in the recent past, which brings the number up to 25.

**The Chairperson:** So, that is 25 people, and they do around 100 projects per year — an average of four consultancy cases per person.

**Mr Peover:** Yes. To emphasise the point; people do not use the service because it does not cost them anything. We charge for the service. Our satisfaction rating shows that 100% of people are either very satisfied or satisfied with the product they get from the internal consultancy service.

**The Chairperson:** So, other Departments have to pay for it?

**Mr Peover:** Yes.

**The Chairperson:** There were 20 consultants, and there are now 25. Is the money for the five coming from income generated by the service?

**Mr Peover:** People move in and out, but we have actually recruited people, including some from the private sector in the recent past.

**The Chairperson:** I am trying to work out why the workload has increased. You said that there are 100 projects per year: what was the average number per year before our report in 2008?

**Mr Peover:** I will need to check that. I do not have that figure in my head.

**The Chairperson:** That would be a useful figure for us to have in order to see how we have gotten to the stage in which there is a reduction in costs. What was the intake then? What were they carrying out prior to our report in 2008?

**Mr Copeland:** Now that you have 25 consultants, what is the cost of providing the service? I am not talking about the cost less what people pay to use it, but the cost of the provision of the 25 people at their desks, wherever they may be. I would be interested to see that cost.

**Mr Peover:** Again, I do not have that figure to hand, but it is 25 times the daily rate multiplied by 200 or so. I could work it out if I had a calculator, but I will get you the proper figure.

**Mr Copeland:** If we looking at some of the figures that have been spent in the past, they were getting up around £8 million or £9 million, so I am curious to see how much we are getting the 25 consultants for.

**Mr Peover:** On average, those staff are more senior, so it probably costs £40,000 a year, which, on average, amounts to around £25 million. Richard is the accountant, so I will check with him.

**Mr Copeland:** It costs £25 million to deal with 100 cases.

**Mr Peover:** Yes, but I will get you an accurate figure for that.

**The Chairperson:** You have taken us through all 17 recommendations. In your view, does much more need to be improved, and, if so, how are you going to do that?

**Mr Peover:** It is one of those continuously improving areas. I do not want us to rest on our laurels. We have done a lot in response to the Committee's report and in response to trying to tighten up on this area of expenditure generally. The compliance reports show that things are better but that there is further work to be done. I am not sure whether that further work will make a substantive difference to the outcomes. In some cases, it may be that pieces of documentation are not produced at the right time or to the right depth, but that may make no difference to the outcome. The decision might still be the same, but there is always scope for further improvement. We will keep pressure on Departments and carry on with the compliance reporting. We will carry on engaging through our Supply divisions with Departments to point out any deficiencies we see in practice, and we will refine guidance as necessary.

Account NI has been working on guidance on the classification of expenditure to make that more consistent. The Committee raised that point on a previous occasion. Therefore, it is a never-ending story. It is not going to be perfect, but we will keep working at it.

**The Chairperson:** Will you explain to us what additional things you are going to do to make those improvements?

**Mr Peover:** The first one will be the changes to Account NI in respect of the classification of expenditure. To explain that a bit further, the compliance report is not just a one-off event. In other words, it is not just a document that arrives at the end of the year and that we send out to people. As the process of the test drilling goes on during the year and we get returns from Departments and query things, Richard's staff will engage with departmental finance directors and others challenging what appear to be failings in respect of departmental performance throughout the year. That process will continue, and we will continue that engagement.

Accounting officers then get a formal copy of the compliance reports in which we identify the failings in Departments, so they can see where their Department has fallen down. They are expected to handle that properly through the channels of their departmental boards and Audit Committees. We will carry on working in those areas. If people come to us and say that the guidance is not clear or ask what something means, we will develop the guidance. The guidance on single-tender actions, for example, took us quite a long time to get out. The reason for that was that we went back and forward to Departments trying to clarify what exactly they should be doing, what they were responsible for, and who should do what. That process continues, and, as people gain experience of applying the guidelines in practice, there may be further queries that we will need to refine. There are no yawning gaps that I can think of in the guidance, and the Account NI classifications of expenditure will help. It is one of those things. It involves constant maintenance and charting up bits when we find that something is unclear or not absolutely satisfactory in the operation of the guidance.

**The Chairperson:** Before I bring the next member in, I remind the officials to turn off any electrical devices that they have, because they are interfering with the recording. That goes for people in the Public Gallery as well, if they have any.

**Mr McQuillan:** Case study C on page 28 of the report indicates that the contract for Account NI lasted for seven years, at a cost of £9.6 million. How many PwC staff were working on the delivery of that project? What role did they perform, and how did that differ from the role of members of the Civil Service who were working on the project?

**Mr Peover:** At a maximum, there were 33 PwC staff involved. That is not 33 full-time equivalents. It is 33 people; some worked part time and some worked for some of the time. The maximum number was 33. There were two reasons for that. First, it was a novel type of project, involving major change for the Civil Service, and we did not have sufficient internal skills to manage it. We needed people from outside with specialist skills to be involved. The second, more regrettable reason is that we had hoped to have significant numbers of our own staff seconded to Account NI to help us in the development process. The senior responsible officer at the time made repeated pleas to permanent secretaries, finance directors and finance officers for the secondment of staff without a huge amount of success. That is regrettable, but I can understand it.

**Mr McQuillan:** Was that because the staff did not want to move?

**Mr Peover:** No, the Departments did not want to release them. I think the staff may have been quite happy to move to get a new learning experience. In a sense, I understand why the Departments did not want to release them, because they are focused on the delivery of their own business and the underpinning of that through their own corporate services, whether it is HR or finance. They had to manage the legacy systems through to the point of handover to Account NI. It is like a football team. If I came to you and asked for your two best players to set up another team, you might be a bit reluctant to let them go. The Departments were reluctant to let them go, and it was not until the latter end of the contract, when we were starting to get more of our staff in, that they were able to ramp the PwC consultants down. That is a matter of regret. We would have preferred not to have to rely to that extent on external consultants to support us in that project. On the other hand, Paul, what is the total value of the Account NI project?

**Mr Paul Wickens (Department of Finance and Personnel):** It is £175 million over 12 years.

**Mr Peover:** If we did not do our bit of it, we would face the risk of penalties from the contractors for delaying them. It was a big contract, with quite a lot of consultancy support. There should not have been as much consultancy support, and we should have had more of our own staff involved, but I have

some sympathy for Departments. Indeed, I was in one of those Departments at the time, and I did not have many staff. We took our services from DRD — I was in DOE at the time. I would not have wanted DRD officials coming to me in DOE and saying that they were sorry but they could not do my accounts as quickly as I would like because they had just sent two or three of their best staff off to Account NI. There are divided loyalties in the system, but it is a pity. It would have been better if we had had more of our own staff. That explains the extent of the involvement of PwC.

**Mr McQuillan:** Did that leak into the seven years as well? Did that add to it?

**Mr Peover:** I am not sure that the seven years can be attributable to that lack of skills. I was worried about talking about this when I came to the Committee today, because it is quite a difficult project to talk about. It is a long project — as you said, it lasted seven and a half years — and there were different phases to it. For me to explain to the Committee how we got from April 2002 to September 2009 would require me to read the script that I have here, which is about 10 pages long, and explain all of the different stages of the process. I suspect that if I did that you would think that I was trying to blind you with detail. What I will say is that, if we were doing it again, we would not do it in that way.

We would have tried very hard to force some of our own staff into the project sooner. We would have probably retendered the contract in the middle, though that is an arguable issue because so much expertise had been built up by that stage that going out to the market again might have threatened the continuity.

It was a big, complicated project. I do not think anybody at the outset appreciated quite how complicated and innovative it was. The original proposal developed through Deloitte, rather than PwC, for the accounting services programme was a rather more constrained idea. As it went along, it developed into a shared service for the 12 Departments, which, in those days, was 11. That had never been done before anywhere in the UK and maybe even wider afield.

**Mr Wickens:** Not in the public sector.

**Mr Peover:** It was a novel thing for us to do. Departments had a number of different systems, and they did things slightly differently. It took a lot of work to try to get some streamlining, uniformity and consistency. It would be easy for me to say that it could have been done quicker, but I was not there at the time. I was not making the decisions, and it is hard for me to second-guess the decisions that all our predecessors took. However, it is possible that it could have been done quicker. If we could have devoted more resources to it, we would rather have done that, but the decision at the time was that people would not be released, so we were stuck with getting on with it.

At every stage along the way, all the requisite approvals were sought from permanent secretaries, Ministers and Supply. If I read you the 10-page script, which would bore you witless, it would show that, at every stage of the process, we went back and got clearance at the appropriate stages. In that sense, we think that it was managed appropriately, but we will never really know whether it could have been done more effectively or cheaply. Possibly.

**Mr Copeland:** Is it possible for us to get a copy of the 10-page script?

**Mr Peover:** Certainly. It would be useful to have a proper chronology of the whole thing.

**Mr McLaughlin:** I can understand that perhaps the issue of the skills transfer was not foremost in a contract that was initially projected to cost less than £1 million, but that grew to £9.6 million. When we consider how the cost and term of the contract just grew exponentially, will the records demonstrate if, at any stage, people asked whether they would have been better putting their own staff in there and developing their skills?

**Mr Peover:** The answer is yes.

**Mr McLaughlin:** Does the record show that that issue was considered at the time?

**Mr Peover:** Yes, it does. There were repeated attempts by the senior responsible officer for the programme to get Departments to second staff to Account NI to help out, and that happened to some extent. It is not as if we were wholly reliant on PwC. There were 33 PwC staff involved, and there was



a core of our own staff. As the process went on, we got more of our own staff in. So it was not just a contract managed by consultants.

**Mr McLaughlin:** I noted that explanation and agree with you. I can understand why other Departments were reluctant to lose people, but, given the significance of the project — and I am a strong supporter of it — did it occur to people that maybe they should do an external trawl to see whether they could find the people who they needed elsewhere if people could not be released from their existing complement?

**Mr Peover:** That was considered. However, it was a project, which had an end date. It was not expected to be seven and a half years, but it did have an end date.

**Mr McQuillan:** It kept moving, just.

**Mr Peover:** Yes, it kept moving. There was a core of staff in Account NI that we always expected would run the service in the long term, and, for the purposes of development, more staff were brought in. If we had recruited permanent staff, we would have been left with a cadre of people who were recruited for the purpose of the project, but, when the project was over, what would we have done with them? They would have been specialist staff with accountancy backgrounds. So there was a fine balance between trying to make sure that we got our own resources in without bringing in people for whom we would have no long-term use.

The project actually demonstrated an example of considerable skills transfer for the staff who are now in Account NI. Since the project phase ended, and we are now in implementation, Paul's people have brought on the Driver and Vehicle Agency, which was formerly two agencies — Driver and Vehicle Licensing Northern Ireland (DVLNI) and the Driver Vehicle Testing Agency (DVTA) — with two different accounting systems, both of which were different from Account NI. They have now been brought on to Account NI, and the Department of Justice and the Public Prosecution Service (PPS) are being brought on as well. That is being done without using external consultancy support; we are doing it ourselves. So those skills have now been acquired by Paul's staff. Do you want to say anything about that, Paul?

**Mr Wickens:** I will pick on up on the question about trawling for people. In 2007, there was a trawl, and some external resource was brought in at that point. I think there were three or four senior finance staff who came in at that point and provided the bedrock for taking the thing forward. At that point, and from that point onwards, we had all the PwC consultants reporting to at least a grade 7 in the team. So, it took us until 2007 to get there, but once we got to that point, at least we were able to take full control or better control.

**Mr Peover:** This is a slightly pre-emptive strike, but you mentioned the under £1 million at the start and the £9.7 million at the end. There is a nice symmetry: it was £970,000 to start with and finished at £9.7 million. As you will have seen in the reports, we do not accept, in a formal sense, that this was a cost overrun.

**Mr McLaughlin:** I would love to see you on 'Nolan' talking about that.

**Mr Peover:** If it I have anything to do with it, you will not see me on 'Nolan'.

**Mr Copeland:** It is a radio show.

**Mr Peover:** That is right, you will not hear me on Nolan.

In the document, the Audit Office guidance as to what counts as cost overrun is quoted. There is a clause in that guidance about whether there is provision for extension in the contract. And there was provision. The contract was initially competitively tendered for three years, with provision for an extension for six-monthly intervals. So there was provision for extension. Looking back on it, the way I would characterise it is as I said earlier: this started off as a fairly limited concept in some senses. Nobody really had any appreciation of how it could be developed, and it did develop along the way. It was still the same project. It was still trying to bring together a new accounting system for the NICS, but it developed in a different sort of way. That explains the escalating cost and the time taken.

Formally speaking, in our terms, it did not overrun on costs because there was provision for extension in the contract. What that suggests to me is that we did not have a clear concept at the outset of exactly what we wanted. Would we do it differently? As I said in response to Mr McQuillan, you like to think that you would be clearer about what it was you wanted. However, we are talking about 11 years ago, and I do not think that anybody had a clear idea of what the potential was at that stage. We know better now.

**Mr McQuillan:** Surely nobody would have imagined that it would develop into a seven-year contract costing £9.6. In your wildest dreams, you could never have thought it would have developed into that.

**Mr Peover:** We did not dream of it. We had a three-year contract with the extensions. I do not think that we expected four and a half years of an extension. It is a bit like having an extension that is bigger than your house. It did develop. It became a different beast: it was an elephant rather than a horse.

**Mr Copeland:** How much had been spent at the end of the three year period?

**Mr Peover:** I would need to check. The first phase of the contract came to about £2.2 million. Is that right?

**Mr Wickens:** By March 2005, we had spent £972,000. Then, by March 2006, we had spent, I think, £2.2 million.

**Mr Copeland:** So the growth and the value of the contract was proportional to the passage of time. In other words, the more time passed, the more expensive it became, and the more rapid the growth became.

**Mr Peover:** Well, not quite, I think. There was a renegotiated contract. What date was that, Paul?

**Mr Wickens:** That was June 2006.

**Mr Peover:** That was for £5.2 million, if I remember rightly, and there was a slight extension to it. So there was a major element after June 2006. I would not want to claim that it was proportional to the value of the original contract.

**Mr Copeland:** There is something in this that troubles me in some way. We talk about £1 million, £2 million, £900,000, or, as you just said, £5.2 million, and that is perhaps the top end of the scale, whereas, as some people around this table will know, there has been a practice recently of using stopwatches to apportion time to children who are in need of special educational intervention. It is essentially a matter of control. How are we capable of exercising control to the precision of a stopwatch in apportioning educational special requirements for children, yet, at the top end, we can commit ourselves to a three-year contract costing £971,000, and end up, seven years later, with a good value job at £9.6 million? It really grabs me in the guts somewhere. There is something not quite right in the attitude that we have to the way in which we oversee. It may well be good value, I do not know, but I spent a long time doing contracting, and, if I was pretty sure I was getting a contract for £9.6 million, I would have found a way of bringing people in to do it. I would have thought that it was a very good contract, given its duration and size.

**Mr Peover:** The original contract was competitively tendered, and tendered on the basis that extensions would be available. All I can say is that, at each stage, when we were considering either an extension or the renegotiation of the contract, it was subject to the internal approvals processes that were relevant at the time. Ministers had a look at it, CPD gave us advice — the Central Procurement Directorate, sorry; I should not use initials — and the Departmental Solicitor's Office gave us advice on the legalities of the contract. It was subject to value-for-money scrutiny. Those who were involved in making the decisions at each stage along the way, whether to extend or renegotiate, did go through the processes of challenge at the time, and the decisions were made. In a sense, it is hard to know now whether they were the right decisions.

**Mr Copeland:** The key words there are "relevant at the time". I take it that what was relevant at that time would no longer be relevant at this time.

**Mr Peover:** I think I said earlier that we would probably do it differently now. We would find different ways of doing it. You can offset against the £9.7 million at least £1.4 million of our own staff costs — probably more than that — that we would have had to incur to get the project going. It is not £9.7 million net; it is £9.7 million gross. As we were using a large number of their staff as substitutes for our own, it would have cost us something anyway. It is very difficult to be clear about whether it might have been managed better. All I can say is that it was managed in accordance with the processes, procedures and guidance that were in place at the time. It was checked against the Central Procurement Directorate guidance. It was given repeated once-overs by legal advisers, and we were satisfied that we had complied with legal and other requirements.

**Mr Copeland:** And there were no stopwatches involved.

**Mr Peover:** Not that I can recall. I am disappointed about the stopwatches in special education. I spent 14 years in the Department of Education, including being responsible for special educational needs, and I do not remember us buying stopwatches at the time.

**Mr Hussey:** Perhaps a stopwatch might have been useful when you see that somebody went from £971,700 to finish up with £9.6 million. The stopwatch was certainly going very fast. In the report, we have a reference to emerging case law. What was that emerging case law? From what I read in the document, you certainly had an element of leeway with the first extension to 50% of the original contract value. You do not need a calculator to work out that 50% of £1 million is £500,000. Never mind a stopwatch or a calculator — you can work that out with a biro. I cannot understand how it got that far. What was the emerging case law that led to that?

**Mr Peover:** The experience gained through the other big contract that we were involved with, Workplace 2010, was that, when you were operating within the envelope of the original contract, schedule 14-something to the European law did not apply and the regulations did not apply. That 50% restriction applied only if you were tendering for new services on top of something that you had already tendered for. There was a fair bit of toing and froing over that, but the legal advice at the end of the day was that that did not apply to the contract, the scope of which did not really change. Our understanding of what was involved changed, but the scope of the contract did not change. That is what raises the issue of whether we should have gone out to competitive tendering again at some point during those seven and a half years. Those of us sitting here would say that we probably should have.

**Mr Hussey:** I think anybody sitting here would say that you certainly should have. When you see something suddenly go from an initial costing of nearly £1 million to nearly £10 million, I am no accountant, but even with my limited capabilities, I would have worked out that something was out of kilter.

**Mr Peover:** It did not suddenly go up; it was a long process. As I said to your colleagues earlier, when decisions were being made at each stage about what to do next, appropriate approvals were sought and legal and procurement advice was taken. The next step was gone in to on the basis of that advice.

**Mr Hussey:** The appropriate advice may have been taken, but I wonder why no one at any stage said that the original costing of £1 million is spiralling out of control. As a layman, I would have thought that, if an initial figure of £1 million is given to me, and that suddenly becomes £10 million, that does not add up. Again, legal advice was given — professional advice. Surely somebody with an accountancy background would have said, "Hold on, this is spiralling out of control and the costs are going totally haywire."

**Mr Peover:** I do not want to repeat myself, but, the concept of the project expanded as we went along. The original £972,000 award of contract was for what was envisaged at the time, but even then the people who had engaged in it had the foresight to realise that it was not necessarily the end of the story because there was the provision for extension of the contract at six-monthly intervals. They may not have known what more needed to be done, but they knew that more would need to be done. That is why there was provision for extensions. I do not think anybody had an idea that it would take seven

and a half years, although not all of that is attributable to the contract. There are lots of reasons why it took so long. However, I think they understood that the £972,000 was not the end of the story. We were not going to get a project delivered for less than £1 million.

**Mr Hussey:** You certainly did not get it delivered for less than £1 million; you got it delivered for nearly £10 million.

**Mr S Anderson:** Did I pick you up right when you said that the original tendering process was given with the knowledge that extensions may have been required?

**Mr Peover:** Yes.

**Mr S Anderson:** How do you tender for a contract that may require extensions without going out to retender? If I was getting a contract to build a home for myself, I would show the contractor the build I wanted and ask for a price. How can you give extensions without retendering? Is that not giving the original successful contractor an open chequebook and an encouragement to seek extensions? I think they would feel, as an ongoing process, that it was an open chequebook and they would go in for another extension and another, especially if they find out that you are not going to retender. You also said that, maybe in hindsight, you should have retendered. With such figures that are eight or nine times the original amount, why was it not retendered?

**Mr Peover:** All I would say is that the original contract allowed for extensions, so everybody who competed for that contract competed on the same basis: that the initial contract value was whatever, plus the option for extensions. There were a number of phases to the project: an initial phase; a development phase; and the implementation phase. Were there any other phases?

**Mr Wickens:** The procurement phase.

**Mr Peover:** Obviously, yes, there was the procurement of the system, not of the consultants. There were a number of phases to it. What I was saying about what we would have done in hindsight was that, at the point when we got to the renegotiated contract and were allowing another contract for £5.2 million, that might have been the point at which we would go out to tender again. That is not to say that the same people would not have got the contract. They had been involved with it very closely over a long period of time and knew it inside out. We were dealing with hard-nosed private sector people who were tendering for the substantive contract worth £175 million. We needed quality support and advice to make sure that we got good value out of that contract and we did not slip up and let them penalise us for it. They may well have been successful again, but, looking at it now, I would like to think that we would go for competitive tendering at that point of the renegotiated contract. Apart from that, all I would say is that controls were exercised. I do not want to give the impression that people just wrote blank cheques for consultants. The staff involved with the project monitored the spend, so did Supply, Ministers and the senior officials in the Department. At each stage, a case was made that further expenditure was needed. We did not just say, "Here is the chequebook; write your own cheques for us." It was a monitored and managed process.

**Mr S Anderson:** You say that, in hindsight, things would maybe have been done differently. Is that an admission that what we have here was not carried out in a proper and correct manner?

**Mr Peover:** No, it is not. I stand on the point that I made. At each stage the appropriate approvals were sought and people went through the right approval processes. They took legal advice and procurement advice and satisfied themselves that what they were doing was right. All I am saying is that, looking back at it now, in the middle of it, nobody knew that it was going to take seven and a half years; nobody knew that it would take so much money. With the benefit of hindsight, to satisfy ourselves, the Committee and the public that all the expenditure was managed as tightly as possible and that there was proper competition, it would have been nice to have had that reassurance at the midpoint. It was not done; but that does not mean that I think anything was done wrongly or that there was any mis-practice. Few of us would not do things differently with the benefit of hindsight.

**Mr McLaughlin:** You repeatedly told us that those extensions were managed and that you took advice from the Central Procurement Directorate, the centres of procurement excellence and the Departmental Solicitor's Office. You also said on a number of occasions that, if you were doing it now, you would do it differently. My question is how much we have learned since, given the extensions turned out to be so expensive. Are you indicating that there was, in this instance, a post-project evaluation (PPE)? If there was, what lessons brought you to the conclusion that you should have done it differently? What mistakes did you identify? Can we have a copy of that report?

**Mr Peover:** Yes, you can have a copy of the report. I do not think that it identifies mistakes in that bit of the process. What it demonstrates is that the Account NI project was delivered and the benefits that we expected to flow from it did indeed flow. What I am saying to you about looking back is that it is such a big contract that, for us as a group and our colleagues as a management team in the Department, it would have been desirable to take the opportunity of a break point, retendered and see what would have happened. It may not have changed anything at all. I am not saying that it would have.

**Mr McLaughlin:** Is that your view now, or was that the conclusion of the PPE?

**Mr Peover:** No, the PPE was not really looking at those sorts of issues. It was looking at the delivery of benefits from the project. We were spending £175 million over 12 years or whatever and we needed to satisfy ourselves that, first of all, we delivered what we wanted, got what we wanted, are getting a quality service and the benefits that were projected from the project are being realised. That is what the PPE is about. It is not a PPE about the consultancy; it is about the project as a whole. I am very happy to let the Committee have a look at a copy of the report. It is quite heavy going to read and detailed, but it is helpful.

**Mr McLaughlin:** Nevertheless, I am interested. I am certainly interested in the lessons learned, because they might tell us something about the questions asked.

**Mr Peover:** The two main lessons that I would learn from the consultancy aspect of this project is that we should have got more civil servants into the project sooner, and we should have taken the opportunity of that midpoint renegotiation, perhaps to go to tender again. I am not sure that it would have made any difference, but it would have satisfied me, you, the Committee and others that we had put the thing to the test. Beyond that, I do not think that I would change much.

**Mr McLaughlin:** How long after the contract ended was the post-project evaluation carried out?

**Mr Wickens:** The post-project report for Account NI is a fairly recent document. Post-project evaluations were also done for the consultancy contracts themselves, and that was towards the end of 2009, I think.

**Mr McLaughlin:** So there was sufficient time for people to stand back from their proximity to the daily management in order to ask questions about whether it was, in fact, value for money, whether it was done in the proper way and whether it was something that absolutely should not be done again. Are you saying that the post-project evaluation did not address those issues?

**Mr Wickens:** The biggest thing to come out of the post-project report for Account NI was the fact that we are continuing to live within the overall tolerances of the £175 million. That actually included the biggest bulk of what we paid for our external consultancy. If you leave aside the first couple of million pounds that was spent with PwC, you will see that the remainder of what was then spent with it was done so within the £175 million cost envelope.

**Mr McLaughlin:** It is possible that we are actually having a parallel conversation here. We are not talking about the operational success or otherwise of Account NI. We are talking about the delivery and the development of it and the fact that there is a dispute about the whether it was a cost overrun. If it walks like an overrun and quacks like an overrun, it is an overrun as far as the public are concerned, given the significance of these factors. Was the post-project evaluation concerned with the development from the first contact until the sign-off sum seven years later at £9.6 million or with the operational effectiveness and efficiencies that were being delivered through Account NI?

**Mr Wickens:** The biggest part of the post-project report for Account NI was to do with Account NI as an overall vehicle. The separate post-project evaluation for the consultancy exercise would have looked specifically at those things. From memory, there were two separate ones done for the two major chunks of the work that were provided. Again, those can all be provided to you.

**Mr McLaughlin:** Well then we seem to have two new reports that we should have an interest in, and we request to see those.

**Mr Dallat:** Very briefly, who was in control during those seven years? Who was driving this gravy train? Was it you or PricewaterhouseCoopers?

**Mr Peover:** It was the Department.

**Mr Dallat:** Certainly anything that I have heard so far this afternoon tells me that PricewaterhouseCoopers designed a gravy train and you were just a mere passenger on the footplate.

**Mr Peover:** I would not accept that.

**Mr Dallat:** You are not accountable to the public. You do not have to be elected; we do. People will be listening in on this and looking for some explanation that is plausible about how a £900,000 contract became £9.6 million with no tendering. Will you tell me how I sell that to the public? You have not sold it to me?

**Mr Peover:** I do want to repeat what I said. The original contract was not for £972,000. It was for £972,000 plus the possibility of extensions. At each stage along the way when further extensions or renegotiation were required, they were done on the basis of advice from procurement professionals and legal advisers, and were washed through the approval systems, both at official and ministerial level.

**Mr Dallat:** If it was right then, would it be right today to do that?

**Mr Peover:** Yes, of course it would be right.

**Mr Dallat:** That surely makes a total and absolute nonsense of the procurement exercise. It demolishes all the messages that are going out from Ministers and the Assembly that the small and medium-sized businesses have a future in tendering for work with the Assembly, based on what you just told me.

**Mr Peover:** I do not think so.

**Mr Dallat:** This document that mysteriously appeared on your website in the last few days basically sets out the tests for a good procurement. It mentions an appraisal of the range of options. Was that done beforehand?

**Mr Peover:** Yes.

**Mr Dallat:** Yet, you did not know that this tender would run £9.6 million.

**Mr Peover:** No, what I said to you is that the initial project was started as a result of the accounting services review, in which we were supported by Deloitte, which produced proposals and options for the way forward. A decision was made in 2001 to go with a particular option, and that led to the letting of this consultancy contract and the wider Account NI contract. So there was appraisal of the options.

**Mr Dallat:** Sorry; what we are getting now basically is a history lesson, which is not helping me to in any way to understand —

**Mr Peover:** You asked whether options were appraised. They were appraised.

**Mr Dallat:** Was there an examination of the benefits and explanations of how they were to be delivered?

**Mr Peover:** Yes.

**Mr Dallat:** This is getting worse. Was there an examination of the opportunities for skills transfer to in-house?

**Mr Peover:** Yes, and that did happen.

**Mr Dallat:** Explanation of project management arrangements?

**Mr Peover:** There were project management arrangements in place, yes.

**Mr Dallat:** Explanation of arrangements for post-project evaluation?

**Mr Peover:** Yes.

**Mr Dallat:** Chairman, I have no more questions.

**Mr Copeland:** I want to go right back to the basics of this matter, so that I can get it right in my mind. I want to assure myself about something. A very few moments ago, you said something along the lines that nobody really thought that they would get that for £971,000. If I understand this correctly, services were sought and a contract was tendered for. A quote, in my terms, was submitted for £971,000, and on that basis, the contract was awarded. Presumably, there was a winning tender and there were losing ones. What view would the losing tenderers take if the actual contract value had not been for X, Y and Z at £971,000 but had been for £9.6 million, seven years later? At any stage, did you consider the likelihood of legal action by those who had quoted unsuccessfully for something that was not there?

**Mr Peover:** The only point that I would make to you on that is that there was a provision for extensions and that all who tendered for the original contract had the knowledge that there was a potential to extend.

**Mr Copeland:** But the provision for —

**Mr Peover:** As to the legal challenge, we took legal advice at each stage of the process and we were satisfied that the risk of challenge was not serious.

**Mr Copeland:** What was the purpose of the extensions, when they came to nine times the original price? To me, that fundamentally changes the contract

**Mr Peover:** The contract was renegotiated. As I said, the second bit, the £5.2 million and the subsequent minor bit was a renegotiated contract, not just an extension. At that stage, the question was this: should we take it or should we go to tender? As I said earlier, at that point, there is an argument, now, looking back, that had we gone to tender at that stage, we would have satisfied ourselves, the Committee and everyone that we were getting absolutely the best value for money. We thought we were getting it, as did our colleagues. They took all the advice that they needed at the time; they got the approvals that they needed and went with that course of action. Would we do it that way again? I think, probably, the answer is no.

**Mr Copeland:** I would have thought definitely.

**Mr McQuillan:** I think that, honestly, if the contract were being run today, the Assembly would never allow it to get that far down the line. There was no devolution back in 2002. Civil servants were running the show and no one was looking over their shoulder.

**Mr Peover:** The project was originally agreed by Mark Durkan, who was Minister of Finance at the time. *[Interruption.]*

I am not blaming anyone, Mr Dallat. I am responding to a point that a member made about who was in charge.

The point was made to me that this was not done under the Assembly's guidance, but it was. Some stages of the project were under direct rule, but direct rule was not the Civil Service's fault. We were not that keen.

**Mr McQuillan:** Chair, can I just crack on with the question? In a previous report, this Committee found that Northern Ireland Water (NIW) procurement was very lackadaisical. Consultants appointed to Northern Ireland Water were recruiting temporary staff from their own firm to carry out the work of NIW. Can you assure us that that was not the case with this contract; that consultants were not recruiting their own staff?

**Mr Peover:** No. They were always consultants. We had various consultants at different times, at different rates and so on, but the project staff were our staff and, over time, we replaced the consultants with our own staff. They did not recruit our staff for us.

**Mr McQuillan:** Yes, but did they recruit their own staff to come in and do more consultancy work as different consultants?

**Mr Peover:** I am not sure that I follow the point.

**Mr McQuillan:** When temporary staff were appointed through Northern Ireland Water, the consultants present recruited staff from their own firms to come in and carry out some of the consultancy work. Did that ever happen with the NI Account project?

**Mr Peover:** Not that I am aware of. They would have been either PwC staff or ours. There was no one in the middle, and no temporary staff were recruited by PwC.

**Mr McQuillan:** There was no sub-tendering or subcontracting?

**Mr Peover:** I cannot recall any: there was none that I am aware of.

**Mr Hussey:** No PwC staff were seconded to the Department at any time during this process?

**Mr Peover:** No. They were consultants.

**Mr Hussey:** You say that, for definite, no PwC staff were seconded?

**Mr Peover:** They were not our staff.

**Mr Hussey:** None were seconded? You did not bring any in as seconded staff?

**Mr Peover:** No.

**Mr Dallat:** Paragraph 2.9 states:

*"delegated expenditure approval limits do not apply to external consultancy expenditure incurred by the Strategic Investment Board".*

Why is the Strategic Investment Board exempted from the standards of accountability expected of all other Departments? Do you feel that that is justifiable?

**Mr Peover:** It was really a decision taken by Ministers. The Strategic Investment Board (SIB) was set up on the basis that its job was to be fleet of foot and get on with things, and to be innovative and entrepreneurial. To subject it to the same systems of Civil Service accountability would slow it up. However, there are checks and balances in place. It is subjected to the compliance report test run, and it comes out of that very well. All of its consultancies are approved through a senior management



grouping, which includes an observer from the parent Department, OFMDFM. OFMDFM satisfies itself about the consultancy that is undertaken by the SIB. The real rationale was a decision by Ministers that this was something outside the Civil Service, which was to be enabled to intervene quickly and without unnecessary bureaucracy.

**Mr Dallat:** The thought occurs to me that it would have done far better inside the Civil Service, based on the discussion that we have just had. It did not have to be accountable to anybody.

**Mr Peover:** I do not agree with that, of course.

**Mr Dallat:** Of course not. Are any other bodies exempt from applying the standard delegated expenditure approval limits?

**Mr Peover:** No, just the SIB.

**Mr Dallat:** It worried me when you mentioned earlier that you were having a discussion about NI Water.

**Mr Peover:** NI Water has a delegated expenditure approval limit of £750,000.

**Mr Richard Pengelly (Department of Finance and Personnel):** There is a discussion about its status, but, pending clarification of that, we are treating it as though it were fully within the system and subject to all of the arrangements.

**Mr Dallat:** Maybe you will keep the elected representatives informed about what you decide.

Paragraph 2.12 of the report tells us that, in 2008, this Committee:

*"expressed concern that Departments did not appear to be building an efficient, well-skilled Civil Service and that internal staff were in danger of being left behind."*

Yet, the Audit Office found that two thirds of the business cases it reviewed did not even consider skills transfer. What are you doing to ensure that Departments take that responsibility seriously and help to develop the skills of public servants?

**Mr Peover:** We agree with you on that. It is something that we refer to in the guidance. We expect business cases to go through the list that you talked about, which includes the transfer of skills. There are good examples of transfer of skills. There are other cases in which the project may be a very small one, for a short time, on a very specific issue, and not appropriate for a transfer of skills. However, in the main, there should be serious and explicit consideration of the potential to transfer skills. I will give you an example of an exception to that. Our departmental board in DFP quite often looks at issues of IT security and information assurance. One of the things that we often engage consultancy for is to check the security of our website systems and so on. Penetration testing of websites is a very specialised activity, which we do not have, and it probably would not be worth our while acquiring in the Civil Service, because systems change so rapidly that it will always be better to have someone who is up to date in the commercial world to do it. So, there will be circumstances in which the transfer of skills is not appropriate. There will be others in which it is very appropriate or where we should substitute our own internal staff completely for a piece of consultancy. I take your point. That is something that we are keen to push with colleagues. It is in the guidance and it should be covered in business cases.

**Mr Dallat:** You have given examples of cases in which it does not apply. Can you give me some examples of cases where it does apply?

**Mr Peover:** The Account NI contract is one in which it applied, and we now have the skills transferred to our own staff.

**Mr Dallat:** I have asked enough questions.

**Mr McLaughlin:** There is guidance on maximising the skills transfer opportunities. Are there statistics available on the number of business case rejections that have taken place because that issue was not adequately addressed? I accept that not every contract provides the opportunity, but are there examples of the guidance having an effective impact, in that a business case was sent back again?

**Mr Peover:** We only see the larger business cases for projects worth over £75,000 for most Departments, and £10,000 for OFMDFM. We have not had to reject any of those in the recent past. If we do reject them, it is usually for reasons other than transfer of skills. Whether departmental boards have occasion to send business cases back for projects that are below the delegated limits, I do not know. There are no statistics that I am aware of at the minute.

**Mr McLaughlin:** Do you accept that if there are no examples of business cases being rejected because they do not achieve the necessary level of skills transfer, it means that you are satisfied that all tenders set have achieved that, and that we will not find any more examples of failure?

**Mr Peover:** Maybe that is not quite what I am saying. What I am saying is that there are examples in which business cases are rejected. We would send cases back for further elaboration and so on —

**Mr McLaughlin:** What about the issue of skills transfer?

**Mr Peover:** I do not know about that issue; I honestly do not know. Some business cases get sent back for refinement. Business cases are challenged and are, in some cases, rejected. I think that rejection is probably more likely to be on the basis of insufficient consideration of the options or inappropriate —

**Mr McLaughlin:** That leaves two scenarios; let us specifically deal with skills transfer. I am following up on John's question. Either the assessment of the business case process and the rules, or guidance, provided on skills transfer are not up to the mark — in other words, we do not achieve what we could — or we are performing, and the necessary targets and opportunities are being maximised. It must be one of the two.

**Mr Peover:** I cannot give you a hard and fast answer, but I will say something that will touch on it tangentially. Take the DFP, for example; our consultancy spend last year was around £150,000 in total. Out of the Department's £180 million budget, we spent under £200,000 on consultancy. That suggests to me that we are not heavily reliant on consultants to do our job for us. By and large, we do it ourselves. It implies that we have the skills to do most things for ourselves.

However, there are exceptions. I mentioned the penetration testing of websites, which is a very technical activity. Our having somebody employed full-time in the Department to do that would not be worthwhile, so we will buy that sort of service in. There are other times in which we buy services in. Most Departments' expenditure on consultants is quite substantially down on previous levels. If I were to be frank with you about the spending on consultants —

**Mr McLaughlin:** I was assuming you were being frank.

**Mr Peover:** Of course I am, but I am talking about past expenditure on consultants. Quite often, consultancy is undertaken as an exercise to ensure that there is somebody else you can point to in order to be able to say that, for example, PwC, Deloitte or whoever, said that you should do X. This is because there was a feeling that civil servants making those decisions themselves and standing over those decisions would not satisfy people, and that people wanted some degree of independence brought to bear on the decisions that were being made. I think that that was unnecessary. I think we are quite capable of making our own decisions, justifying them and being accountable for them, particularly with an Assembly of our own in which there is that level of challenge on a day-to-day basis. I think we should have the courage of our convictions and make those decisions.

Both in the DOE, when I was there, and now latterly in DFP, my senior management teams and I have sought to bear down on the amount of money we are spending on external consultancy, except where it is absolutely necessary. That is a trend across Departments; people are more confident now. They are more willing to make decisions or recommendations to Ministers and not back those up by saying

that PwC or Deloitte or whoever else supports them; that is it is their recommendation. It is then for Minister to decide what to do and whether he or she is satisfied with the recommendations they receive.

I think that there was an attempt to provide protection for decision-making in the past, which I think was inappropriate. The downward trend in spending indicates that we are more confident in our own decision-making and in our capacity to arrive at recommendations to Ministers that cover all the angles and do not need to have a second opinion. I do not have hard evidence to answer your question, but the trend in the data tends to show that we are now less reliant on external skills, and that we are therefore satisfied that we have sufficient skills in-house except where specialised expertise is required.

**Mr McLaughlin:** They are described as guidance. What requirement is there that they are applied?

**Mr Peover:** We write to the accounting officers and set down the processes that should be applied. Accounting officers know that they are personally accountable if they make decisions having ignored the guidance and not followed the processes. They are quite liable to be called here to explain why, when the guidance says A, B, C and D, they did not follow it. They are personally accountable to the Committee. That is a real challenge for accounting officers. The accounting officer memorandum sets out their responsibilities with regard to managing public money and the various guidance available. Those are quite onerous and significant. I can, certainly, tell you from my experience of talking to my colleagues that they take those matters seriously.

**Mr McLaughlin:** The 2008 Public Accounts Committee report expressed concern that Departments did not appear to be building an efficient and well-skilled Civil Service and that its internal staff were in danger of being left behind. The Committee highlighted the need for external consultancy projects to be designed to ensure the transfer of skills where appropriate. The report and its recommendations were accepted. However, I have to say that I am a bit concerned. I am not sure that it is fair to overstate that the guidance appears to have been revised and updated. I am not familiar with it. Therefore, I would not mind seeing it. Does it address that recommendation? Is there any accountability mechanism by which to ensure that people know that it is, in fact, a requirement?

**Mr Peover:** There is no accountability mechanism except insofar as the compliance report checks what has been done. Therefore, we will look at that test drilling of projects.

You make a valid point. I am happy to reinforce with my colleagues that we signed up to a recommendation and that everybody must ensure, when they look at their consultancy spend at individual project level and overall management level, that they are getting value for that spend with regard to additional skills for their own staff, where appropriate. It will not always be appropriate. For example, if you have a £5,000 contract for two weeks of work, you cannot expect too much from it by way of transferred skills. However, you are correct —

**Mr McLaughlin:** It works in circles: if there is in-house capacity, there is less need for external consultancy.

**Mr Peover:** Yes. That is a good point to reinforce with colleagues.

**Mr McLaughlin:** Could we have a look at the updated guidance?

**Mr Peover:** Yes.

**Mr McLaughlin:** Thank you.

**Mr S Anderson:** We have talked quite a bit about tendering and re-tendering. I would like to think that we all agree that competitive tendering offers Departments the best means to ensure that they achieve value for money. However, paragraph 2.14 tells us that 19% of contracts reviewed by the Northern Ireland Audit Office were awarded using a single tender action. Do you think that it is acceptable that almost one in five contracts is being awarded without any competition?

**Mr Peover:** We would rather that the number were lower. We would need to look at every individual contract to see whether there was justification in that case. I will give you an example from my Department. We look at every request for a single tender action. I am not talking about consultancy. We got a request from the General Register Office (GRO) in the Northern Ireland Statistics and Research Agency. It has cash registers because it takes in money when people pay for birth, death and marriage certificates. The cash-register software needed to be updated. I cannot remember who supplied the cash registers — possibly NCR. Therefore, the GRO came to us for a request for a single tender action to update the software. Nobody else could update the software. The equipment belongs to a particular company. Therefore, it needs to be updated by the company that developed and provided it.

That is still a single tender action. We look at it and consider it. We look at the justification for a single tender action. Then, as a group, we decide whether we think that it is OK. As accounting officer, I, specifically, sign off every individual case of that type. That has always been the case for external consultants. We do it for all single tender actions. Therefore, we actually spend quite a bit of time in the Department going through every single case of a single tender action — every proposal from any business area for a single tender action — and satisfy ourselves that there is robust justification for it. I know that, as the accounting officer, I may have to appear here and justify it in due course.

That is what we do in DFP. I believe that it is a model of good practice. I hope that colleagues do the same in their Departments. They are the accounting officers for their Departments. They have to satisfy themselves, in accordance with guidance from CPD, that they are doing appropriate monitoring and evaluation of single tender actions. That is what we do.

**Mr S Anderson:** That is appropriate in the situation that you have just described. However, surely, there would not be 20% of cases like that. That is a specific case. I accept that.

**Mr Peover:** No. There are many small contracts. That was not a consultancy contract. Therefore, it is not part of the discussion. It was a different example. However, we would follow the same process for a consultancy contract that we would for another single tender action. That is our process.

**Mr S Anderson:** The paragraph mentions one in five contracts, which is 20%. What is an acceptable level?

**Mr Peover:** I have no idea, Mr Anderson. One would want it to be as low as possible. Procurement professionals tell us that the cost of going out to a competitive tendering arrangement for anything under £20,000 is too great to justify doing it. That level is also used elsewhere in the UK. I am not sure that £20,000 is appropriate, but that is the procurement advice that was given to us. Under that level, the costs of procurement would outweigh the benefits to be gained from the competition.

Ministers have now taken the decision that they want to approve every consultancy project over £10,000. Indeed, some Ministers are going lower than that, and some want to approve every single consultancy project. Therefore, even below the £20,000 level, there will be ministerial involvement in signing off a consultancy exercise. In some cases, Ministers are involved in every single project, even if it is only for £1,000.

**Mr S Anderson:** That would be good practice.

**Mr Peover:** If Ministers want to do that, it is good practice as far as I am concerned. It is their policy decision.

**Mr Girvan:** I always have concerns when I hear that only one tender has been received for a project, and it leads me to look into how the tender has been written. Coming from the private sector, you can see how sceptical people can get because they may find that a tender has been written in order to write others out and to ensure that certain people are included. Is there any mechanism in place to ensure that when a tender is put together, it is not written with a specific provider or delivery agent in mind? There are probably a number of examples that could be cited, and some of us sitting round the table could probably put names to contracts that should be looked at in relation to how they have been

written in the first place to be put out to tender. Is there a mechanism in place to ensure that tenders are not being written to be prescriptive so that a certain person or provider can tender to deliver them?

**Mr Peover:** That should not happen. There may be cases in which there is only one possible tenderer because only one individual or organisation has the skills. However, it should not be written in order to ensure that that is the case.

**Mr Girvan:** I can accept that argument when you are dealing with specialist areas, but not when we look at the volume of tenderers in proportion to the overall number of contractors or consultancy firms that win them. There is a table in the report, and it is glaring that some of the others are less than £500,000.

**Mr Peover:** PwC is well up on that.

**Mr Girvan:** It is four or five times greater than the closest one.

**Mr Peover:** I am pretty sure that that is not due to writing tenders in order to favour a particular outcome. PwC is the biggest consultancy firm in Northern Ireland and has worldwide resources and lots of skills to draw on. However, this varies. I do not want to harp on about the compliance report that mysteriously emerged a couple of days ago; but, in that report, KPMG is the biggest group, not PwC. However, this varies depending on the skills you are looking for and who may have them. The PwC figure is probably significant due to its involvement with Account NI and other reforms.

It should not happen that tenders are written in order to favour a particular consultancy. The policy guidance from the procurement board is that all procurement should be done on the basis of a service level agreement with CPD or a COPE. Any significant contracts should be let only on the advice of CPD or the COPE involved, and the procurement professionals should ensure that tender documents are written in as neutral a way as possible to ensure that there is a competitive market out there.

It is in our interest and that of the public that we do not spend more than we have to on consultancy. The procurement professionals advise us and ensure that we do not constrain the field of competition so much that we end up with a bad result. I cannot give you an absolute guarantee, but the processes that are in place are there to ensure that this does not or should not happen.

**Mr S Anderson:** On the back of that, and before we leave the subject of one in five contracts being single tender actions, how can we, as elected representatives, sell this to the public and tell them that they are getting value for money? Are you looking to achieve a lot more, or are you happy that we can sell this to the public?

**Mr Peover:** I am not sure that it can be done at a global level. However, as I said earlier, each Department should have a process in place — as we do — to ensure that every contract is individually scrutinised. That will ensure that the only and best way of doing the procurement is through a single tender action, and, if it is not, it should not be let as such. Single tender actions should not be used unless there is a convincing case for doing so. That is where I agree entirely with you.

There are controls, and CPD published its most recent guidance on the letting of single tender actions in November. That guidance places the responsibility on departmental permanent secretaries and other accounting officers to satisfy themselves that there is a convincing and documented case for having a single tender action. It is always open to the Audit Office to challenge them and to bring them before this Committee if it is not satisfied. The situation will never be perfect and there will always be instances that slip through the net. However, the guidance is there, the procedures should be there and both should be followed. Richard, do you want to say anything?

**Mr Pengelly:** There is a higher threshold for consultancy than for ordinary procurement contracts. Ordinary procurement sign-offs for single tender actions can be delegated by the departmental accounting officer to another senior official. However, the guidance for single tender actions for the use of consultants is that they must be specifically signed off by the departmental accounting officer, which is the permanent secretary. Therefore, there is a higher threshold.

There is no question that this remains an issue and one that we will continue to focus on. We are now approaching 80% compliance on single tender actions having departmental accounting officer approval. The vast majority of the cases in the remaining 20% were due to misunderstandings about whether it should be the permanent secretary or a senior colleague who should have signed off the action. If we were to adjust for that anomaly, we would be well below 10% non-compliance. We have to aspire to achieve 0%, and we do. However, we are certainly taking large steps in the right direction.

**Mr S Anderson:** OK. Thank you for that. In response to a recommendation from the PAC, DFP committed that all consultancy assignments, other than those of low value, should be procured through a COPE unless they were otherwise approved directly by an accounting officer. However, paragraph 2.16 of the report tells us that almost 30% of consultancy contracts are still not awarded through COPEs. Why do you think that this is happening? Can you do anything to improve the situation?

**Mr Peover:** The only point that I would make in response is about the size of contracts. The actual guidance to Departments is that they should procure under the terms of a service level agreement with CPD or the relevant COPE. COPEs may not need to be involved directly in the contractual process for smaller contracts. They can give advice, but the contract may not need to be led through them. There will be circumstances in which a contract is so small — perhaps only a few thousand pounds — that is not worth going formally through a COPE. However, the COPE will give advice on what the contract should look like.

The numbers are getting better. There should be greater COPE involvement, and any significant contract should be procured through a COPE. There is no dispute about that.

**Mr S Anderson:** You talked about improving the situation, Stephen, and driving that figure down. Again, I keep asking: what would be seen as acceptable other than the 30%?

**Mr Peover:** It depends on the size of the contract. As Richard said, you aspire to zero in these things, but you recognise that it will not get to zero. There will be some small contracts that will always just be given advice — maybe informal advice — from the COPE as to how it should be done.

**Mr S Anderson:** Almost one third is quite high.

**Mr Peover:** Yes it is.

**Mr S Anderson:** Very high.

**Mr Peover:** Yes.

**Mr Dallat:** I am looking at the table on page 27, and I am sorry for going back to Account NI, which you are totally happy with. There was an overspend of £8,550,000 on that. On Roads Service and public-private partnerships, there was an overspend of £3,780,000; for the regeneration of the Maze/Long Kesh, there was one of £343,325; and for financial advice for the procurement of schools in the Belfast area, it was £1,944,662. It seems to me that the large consultancy firms have really done well out of you. Is that true, and did you learn any lessons from that?

**Mr Peover:** Have they done well? That is a leading question. Have they provided the services that they were contracted to provide? Yes, they have.

**Mr Dallat:** All my questions are leading questions.

**Mr Peover:** Good. Just to reiterate my point: at a formal level, we do not accept that there is an £8.5 million overspend on the Account NI contract. It is not for me to talk about the Department for Regional Development (DRD) or OFMDFM, but there are explanations for the process by which they went through those contracts. Have they done well? They have made money, yes. Was that money unjustified? We do not think so.

**Mr Dallat:** The only thing I want to find out, or hear from you today is that this exercise is useful for the future, that lessons have been learned and we will not have repeats of overspends of £14,617,000. Is that a fair point? That is not a leading question, is it?

**Mr Peover:** With the caveat that I mentioned earlier, that we do not accept the scale of the overrun, the answer is yes. We found the first hearing useful.

**Mr Dallat:** I understand the word yes.

**Mr Peover:** Good. OK.

**Mr Dallat:** Together, case studies C and D on pages 28 to 30, show that the same external consultancy firm received about £10 million more than the original contract values for those two assignments. Can you understand how the public would be concerned at that outcome? Do you really think that the public sector has the hard-edged contract-management and negotiation skills needed to deal with the big consultancy firms, given the extent of cost escalation involved in those two examples? They are set out there for you.

**Mr Peover:** The short answer is yes. The long answer is the one I gave earlier: I cannot speak for the Belfast Education and Library Board (BELB) contract; that is not in my Department. However the Account NI one —

**Mr Dallat:** Say that again.

**Mr Peover:** I cannot speak for the BELB contract. That is not my Department; it is part of education.

**Mr Dallat:** You were speaking earlier for SIB, were you not?

**Mr Peover:** Only because you asked me the question about why it was given —

**Mr Dallat:** It was involved, too, was it not?

**Mr Peover:** I am not responsible for OFMDFM either. Before this meeting, I checked what witnesses were desired. I can only speak for DFP, its expenditure and for the guidance that we issue. I cannot speak for another Department.

**Mr Dallat:** I apologise for my naivety.

**Mr Peover:** No, that is all right.

**Mr Dallat:** I thought that you were the man with a big bag of money that is dispensed throughout the Civil Service, the non-departmental government bodies, right down to the smallest community group. Can you understand the relevance?

**Mr Peover:** I am not the accounting officer for every line of spending in the Northern Ireland Civil Service.

**Mr Dallat:** I am elected for a wee bit of Northern Ireland, and I feel that I am responsible for every pound of public money that comes out of your Department.

**Mr Peover:** We are responsible for guidance —

**Mr Dallat:** Are you telling me that you are not?

**Mr Peover:** I am not responsible, as accounting officer, no.

**Mr Dallat:** That is scary, because I was sure that the Department of Finance and Personnel holds the purse strings of this Assembly, and that that was your job.

**Mr Peover:** That is why we have 12 departmental accounting officers, and there are many more in non-departmental public bodies. There are many accounting officers in the system, and we all share a responsibility to be accountable for the resources that we expend.

**Mr Dallat:** I know, but, at the head of any ship, there is a captain.

**Mr Peover:** This is not a ship.

**Mr Copeland:** Unless it is an Italian ship.

**Mr Dallat:** Please do not encourage me.

**Mr Peover:** There are a number of ships in this convoy. It is a convoy rather than a ship.

**Mr Dallat:** I am glad that this is being recorded by Hansard because I am going to go back to it. I genuinely believe, Stephen, that you are ultimately responsible for the money bag that the Assembly dispenses, but you are telling me that there are 12 people involved.

**Mr Peover:** There are many more than 12. There are 12 people at departmental level, and there are other accounting officers in other organisations.

**Mr Dallat:** I will end with this. I am now beginning to understand why we have problems in the Public Accounts Committee.

**The Chairperson:** On that point, this is an agreed report between your Department —

**Mr Peover:** No, it is between the various Departments that are mentioned in the report and the Audit Office.

**The Chairperson:** I appreciate that, but you are here today to answer stuff around all of the report. That has been agreed, obviously.

**Mr Peover:** No, Chair, I checked with the Audit Office to see whether anyone else was required to attend, because I am not the accounting officer for the Department of Education or for any of the other Departments that are mentioned in the report. I can answer for DFP's spend and for the overall guidance that we issue because we are responsible for that, but I cannot speak in detail and justify the spend in the Department of Education.

**The Chairperson:** I am not asking you to go into detail, and I know that John has just asked you some questions about it. Maybe I am wrong, but I am surmising that you spoke to some of your permanent secretary colleagues to try to get some of the information prior to coming here, seeing as you are the one who is dealing with this report today.

**Mr Peover:** I had a briefing on the issue, but I cannot speak for another Department.

**The Chairperson:** I am not asking you to speak on behalf of any other Department. What I am saying is that you are here before us today and members are asking questions, and they are entitled to do that because this is an agreed report between the Civil Service and the Audit Office, and we have been left to deal with it today.

**Mr Peover:** You will remember that DFP and DRD permanent secretaries were here last time because DRD was the focus of attention the last time. If somebody wants to discuss OFMDFM or Department of Education business, I will need to have the accounting officer from the relevant Department along with me. I cannot speak for those people.

**The Chairperson:** We do not have a table big enough to get all the permanent secretaries around it. However, you are here representing the Civil Service today.

**Mr Peover:** Chair —



**The Chairperson:** Bear with me, Stephen. I am not asking you to go into the minutiae, and I do not think John was either, but we are here to get some sort of response to the questions that we are posing on the Audit Office report. I take it you spoke to —

**Mr Peover:** The answer is no.

**The Chairperson:** Bear with me, Stephen. Let me finish, please, if you do not mind. I take it that you spoke to permanent secretaries, who are the same level as you, with regard to the report, and I take it that they have given you some advice. There is a simple way that we can deal with this matter. If you cannot give us the answers, we can put something in writing and put further questions, but we are entitled to ask whatever questions we need to ask.

**Mr Peover:** I did not speak to my permanent secretary colleagues about this report because I specifically asked whether anyone else was going to get called, and I was told that the focus was on DFP, not on other Departments.

**The Chairperson:** That is something that we need to check out.

**Mr Copeland:** If I heard you right, you said that you were responsible for setting guidance or issuing guidance. Are you also responsible for policing adherence to that guidance?

**Mr Peover:** To an extent, but bear in mind that accounting officers for Departments have responsibility for implementing guidance. We will do the compliance report, we will do test drilling, but we do not look at every project below the threshold. That is something that we could not do.

**Mr Copeland:** Do you look at every project above the threshold?

**Mr Peover:** Yes, we do.

**Mr Dallat:** You said that you do the compliance report. That is the document that appeared in the past couple of days.

**Mr Peover:** Yes, it is done every year.

**Mr Dallat:** Do I take this document seriously?

**Mr Peover:** Yes.

**Mr Dallat:** Are you responsible for ensuring that everything in that document comes to being and is actually implemented?

**Mr Peover:** We issue the guidance, and we expect Departments to comply with it. We check, to an extent, whether they are complying with it through test drilling, and, if we are not satisfied with the performance below the threshold level, we will write to the permanent secretary and accounting officer and point out the deficiencies in their performance.

**Mr Dallat:** But you are not responsible.

**Mr Peover:** No.

**Mr Dallat:** That is amazing.

**Mr Copeland:** I think that all my stuff falls within the remit of the Department of Finance and Personnel. Before I ask my questions, I want to wind back on something. I can understand how you identify a need, how that need eventually becomes a project and how that project becomes a contract. I also understand that tenders are prepared, issued, received, weighed and balanced, and a decision is taken, possibly against a matrix, and tenders are awarded. Is there any overlap between the people who are involved in one, more than one or all those phases that could give rise to suspicions,

accusations or concerns of conflict? Are we completely sure that there was no involvement by anyone who is not a direct employee of the Northern Ireland Civil Service, perhaps someone who is seconded from the private sector, in any of those stages? Is there a possibility that something was, as we heard, built into the design stage or the scoring matrix by which the contract is judged? Are we absolutely sure that the whole process is open, crystal clear, transparent and above any reproach or suggestions that there is a contaminant?

**Mr Peover:** That is quite a big question.

**Mr Copeland:** It is an important question from our point of view.

**Mr Peover:** If the core of your question is whether anyone from, for example, a consultancy could be involved in drawing up the terms of reference for a project that was subsequently let to that consultancy, the answer should be no.

**Mr Copeland:** Should be or is?

**Mr Peover:** As far as I know, it is. I am not aware of any circumstances in which that would ever have happened. It would be a straightforward conflict of interest, and it should not happen.

**Mr Copeland:** Would the same apply to the preparation of the tender and the documents, the issuing, advertising and timing of the tender, the creation of the matrix and the awarding of the contract?

**Mr Peover:** Yes. If we are talking about a significant contract, those would all be handled through the COPE or CPD. They would set in place appropriate arrangements for the management of the procurement.

**Mr Copeland:** Is it "the" COPE or "a" COPE?

**Mr Peover:** There are a number of COPEs.

**Mr Copeland:** Right, OK. So it is "a" COPE. Incidentally, I was called that at school.

**Mr Peover:** We tend to use CPD.

**Mr Copeland:** You will not be surprised that I want to focus specifically on case study C on page 28. We heard much about that case study today, and it provides details about the Account NI contract overrun. I see from the report that DFP is strongly of the view that there were sound governance and control arrangements in place for the management of that contract. How can DFP justify the assertion that there was no project overrun? You have probably covered that already. However, I am still staggered that you issued a contract for x, y and z for which you got a price of £971,000, yet we ended up with x, y, z, a, b, c, d, gamma and delta and a cost that was not a kick in the ass off £10 million. It strikes me —

**The Chairperson:** I remind the member that the meeting is being recorded.

**Mr Copeland:** I trust that, with the magnitude of what is confronting us, the public will allow me that one vernacular use of the language of my native city.

I do not envy you having to explain it, but it is staggering.

**Mr Peover:** To some extent, I share your sense of incredulity about this. When you start off with a contract of £970,000 and end up with £9.7 million, there is something to be explained. We have been through this in extraordinary detail. None of us was personally involved in it, and we had to research it in great detail with our colleagues. We went through it in detail, line by line and contract extension by extension.

The only points that I can make are those that I made earlier. At each stage, appropriate advice was taken, appropriate approvals were received at an official level and, where appropriate, at a ministerial level, and the various pieces of action were signed off through the procedural requirements. Everything

was kosher and was done in accordance with the approvals that were in place at the time. They were also done on the basis of legal and procurement advice.

I understand people asking how a contract that was originally scheduled to cost £970,000 ended up with a cost of £9.7 million. It did not happen in one leap, and I do not think that, at the outset, anyone imagined that the contract would turn from a cost of £970,000 to a cost of £9.7 million. However, in a sense, the contract was for something in which there were — to use Donald Rumsfeld's phrase — "unknown unknowns". We knew that we had to do something. We did not know the extent of it. The extent of it emerged along the way as the possibilities opened up. That was a novel process for us. It was a novel process in the public sector, as Paul said earlier. The scope did not change, but the content of the project changed. Approvals were received along the way. It is difficult to understand and to justify. That is the formal process.

We could end up dancing on the head of a pin: I say it is not and you say it is. I do not want to get into that. It is not appropriate. We will give you the tabulation of what happened stage by stage.

**Mr Copeland:** We are in complete agreement that the nature of the contract changed with the passage of time. The question is whether it changed to such a degree that it should have been retendered.

**Mr Peover:** The legal advice that we received was that, no, it did not need to be. Leaving aside that legal advice, and looking back on it as an official looking at a process and asking whether we would do it differently now, I think that the answer is yes.

**Mr Copeland:** I would expect that to be the case.

**Mr Peover:** The legal advice at the time said that it was OK. The procurement advice supported it as well.

**Mr Copeland:** Well, on many occasions, legal advice differs depending on who you ask.

**Mr Peover:** Normally, they are actually fairly cautious —

**Mr McLaughlin:** Especially if you ask the consultant. *[Laughter.]*

**Mr Peover:** They were our own employees, not consultants.

**Mr Copeland:** As a second-hand car salesman would tell you, if you ask him how many miles are on a car, he will ask you how many miles you want to be on it. Sorry.

With regard to case study C, do you consider that you got value for money from those consultants. We appear to be taking an inquisitive look at it. Again, you claim that value for money was obtained when less than £1 million of the contract was competitively tendered and £8 million was not subject to competition. Will we ever know whether that £8 million could have been better spent? Can we make a judgement or, dare I say it, have a personal opinion?

**Mr Peover:** The answer is that we will never know — in the strong sense of the word know. However, value-for-money exercises were carried out at the times when there were extensions and the renegotiation. CPD tested the prices that we were quoted against the market rates. It was satisfied that the extensions and the renegotiation were value for money. Could we have got it cheaper if we had tendered competitively? I honestly do not know. We may have done. It certainly would have satisfied us better.

**Mr Copeland:** To a degree, it begs the question. The initial contract must have been accepted. We have already said that it was for £900,000. I think that you stated that no one really thought that it could be done for that amount of money. However, that is the basis on which the contract was accepted. Was it the least expensive contract? By what method did the initial contract get accepted?

**Mr Peover:** I would need to go back and look at papers on the detail.

**Mr Copeland:** I would be very keen —

**Mr Wickens:** I can answer that. It was done on the basis of the most economically advantageous tender. PwC was not actually the cheapest. I went back and checked that. Six organisations bid for the contract. PwC's bid was the most economically advantageous according to the matrix that you talked about earlier, in which different things were weighted. Those included experience, methodology, the number of available staff and price.

**Mr Copeland:** How many tenders were received?

**Mr Wickens:** Six.

**Mr Copeland:** Roughly, where was PwC in the sequence?

**Mr Wickens:** PwC came in number one. It won on the basis of —

**Mr Copeland:** Where did it come in terms of money; hard cash?

**Mr Wickens:** I do not recall. I would need to come back to you on that one. It was not the cheapest. I think that it was second or third. I would need to go back and check that.

**Mr Copeland:** I am somewhat relieved to hear that some of the other contracts were not accepted. They could have cost more than £10 million.

**Mr Wickens:** Four separate value-for-money exercises were carried out throughout the process. However, I do not think that that is the real point.

**Mr Copeland:** No, it is not.

**Mr Girvan:** I want to return to paragraph 2.4. There has been significant and welcome improvement in the preparation of business cases to justify the use of external consultants. However, the Audit Office report notes that 12% of the contracts that were awarded had no business case. What more can be done to ensure that public sector managers do not engage external consultants without having an appropriate business case? What can be done to police that?

**Mr Peover:** In a sense, some of the points that I made earlier are relevant again. We have the guidance, and it is clear from that what a business case should look like. Its size is supposed to be proportionate. It depends on the size of the contract; you do not want 50 pages for a £5,000 contract. It should be proportionate and adequate. The test drilling is still throwing up significant numbers of cases, not above the threshold but below it, in which we think the business cases are not adequate. Those are drawn to the attention of the Departments as we write them.

**Mr Pengelly:** The latest figure from our test drill is that some 12% of the items that we sampled had no business case. That is a fundamental reduction on last year, but, 12% is simply unacceptable. We are talking about very low value items. A point that we continue to emphasise to Departments is the proportionality of business cases. For low-value consultancy contracts of a few thousand pounds, a sensible and proportionate business case can amount to a few pages, setting out the key points that Mr Dallat referred to earlier: the rationale for the appointment; what it is you expect to get out of it; and project management. We continue to work on that. The key point that you are interested in is where we go from here. On the back of that recent compliance report, we highlighted all the instances of non-compliance. That is going out formally to Departments. We will be engaging with them over the next couple of weeks and, based on that dialogue and on the outcome of this Committee's consideration, we will be reviewing it. The difficulty that we have around a proportionate response is that the only real sanction that we have is the removal of delegation. That starts to calcify systems and slow things down. We are reluctant to do that; we would rather raise the quality. A key thing that we did in that respect is that, in September 2009, we fundamentally rewrote the guidance for Departments on expenditure appraisal and, indeed, evaluation. That is now an online facility. Some of the improvements that we have seen in the recent compliance report show that this is the first year that the guidance has been compiled with. That guidance has now been embraced in Scotland as being at the leading edge, and, indeed, by Treasury. Some of my colleagues were in Dublin a few months ago giving a presentation. Rather than 200 pages

of detailed text, this is now an online tool giving very strong guidance on this. We continue to work. We want to improve departmental behaviour rather than think about sanctions for non-compliance.

**Mr Girvan:** Thank you very much indeed.

In paragraph 2.6, the Audit Office noted that a substantial number of the business cases were deficient and failed to comply in full with the guidance. I appreciate that you gave me an indication of what you are attempting to do about that. Can you give me any examples in your Department of where business cases determined that it would be better not to use consultants but to do the project in-house?

**Mr Peover:** I cannot think of any off hand that I can point to. In DFP, we only spent slightly over £100,000 last year and much the same this year, so we are not spending much money on consultancy now. The big lines in our expenditure were during the time of the reform projects but, typically, we do not spend very much money. Therefore, when we get consultants in, there is a strong reason for it; it is not just on a whim. We just do not spend money.

**Mr Girvan:** You indicated that you have reduced the use of consultants in the Department. In doing so, cases have obviously been made that consultants are required. You have set those aside, and have done the work in-house. That is why you have reduced the use of consultants and the value of consultancy expenditure in DFP.

**Mr Peover:** I cannot point to a specific business case to which we said that it does not hold water, we are not doing it and we will use our own staff.

**Mr Girvan:** Has it happened?

**Mr Pengelly:** It is probably a difficult question for Stephen to answer. I think the rubber hits the road on this more frequently with the likes of Paul and me. I do not now ask Stephen whether he will approve the use of consultants because I know that we are in an environment where there is pushback from the Minister, through Stephen and on to us. So we are looking at alternatives. My business area is not, of its nature, one that relies on consultants. So it is difficult for me to give specific examples, but I know —

**Mr Wickens:** I have taken four what you would call consultancy exercises through in the past couple of years, but they have all used our internal business consultancy services. Stephen would not have seen any of the details, and may be unaware of the fact that we have done that. They were just four pieces of work where we have decided that it made sense to use internal consultancy where previously, perhaps, we would have gone outside to do it.

**Mr Girvan:** That is the type of example that I am talking about. That is evidence that the Department is taking on board some of these points. You said that there have been three or four. What are they?

**Mr Wickens:** I run enterprise shared services, and the most recent exercise involved bringing together a number of big shared services into one organisation and looking at duplicate functions, especially in the finance area, and bringing those together to see if we could get any additional efficiencies. That specific piece of work is almost complete.

**Mr McLaughlin:** We have to welcome the fact that there are more post-project evaluations now. That is an important accountability mechanism whereby we can examine mistakes, and, as long as you learn from them, that is to the benefit of everybody. I do not think that we will ever get to the situation where mistakes will not be made.

Paragraph 2.23 states that the quality of the post-project evaluations varied greatly. Fifty nine of them were reviewed by the Audit Office, but only one noted any negative feedback regarding consultants. How can we convince the public and how can you convince the Committee that the post-project evaluation process has any credibility when only one out of 59 actually identified any matters for concern? It is hard to draw a conclusion that it is working in the way in which it was intended.

**Mr Peover:** I am tempted to say that I would be worried if there were dozens of situations in which we were dissatisfied with a consultant's performance. It is hard to know whether that is a good thing or a

bad thing. To have very few criticisms of the service you have received, to me, is positive, but to say that we should have more negative feedback on consultants is worrying.

**Mr McLaughlin:** I absolutely take your point, but if there is only one out of 59, some might wonder if the process is worth the effort or if it is a box-ticking exercise. To come back to the conversation that you had with Paul, we have done other investigations in this Committee and, quite clearly, the exercise provided some value, if only to demonstrate for some who had to be convinced that it was a regular experience for our public servants to be skinned by the private sector. They were putting up their consultants and bringing in their legal opinion, and, quite often, they were outpunching and outfoxing the people who were responsible. However, those lessons were learned, and I want to give credit and acknowledge that. However, it seems to me that it would not be that difficult to identify projects, including the one that we started this session off with, from which, clearly, lessons had to be drawn. So I want to know: are lessons being drawn from it?

I also want to ask you about the group of 12 — the 12 apostles — who are accounting officers for the respective Departments. If they decide not to apply or follow the guidance, or to rigorously impose it, do they effectively say to DFP that it is within the autonomy of their Department and there is nothing that can be done about it? Or, if, in fact, they are involved in significant mismanagement, does a mark appear on the record to show that they mismanaged a project?

**Mr Peover:** Accounting officers are what they are. They are personally accountable to the Assembly. We issue guidance to accounting officers, and we expect them to comply with that guidance. They go out as "dear accounting officer" letters, and, in that sense, they are requirements. If an accounting officer in some circumstance wants to set aside a piece of guidance and to say that they are content to do something without following those guidelines, he or she can make that decision as accounting officer, but they have to justify it.

If it is below the delegated limit we do not get involved. However, they are accountable to you, collectively, and can be challenged. The Audit Office will pick up —

**Mr Kieran Donnelly (Northern Ireland Audit Office):** I can pick them up, for example, when I give my opinion on accounts. I have qualified quite a number of accounts in which the ground rules on consultancy have not been fully followed.

**Mr Peover:** Accounting officers are accountable for what they do, and have to justify it. In some cases, it may be possible for them to justify not doing what one would normally do.

Richard reminded me that we not only appoint accounting officers, we can also withdraw their accounting officer status if they are particularly egregious in their mismanagement. However, we have not had to do that yet. Kieran is right. The Audit Office can qualify accounts if there is some gross violation of normal process. However, at the end of the day, they are accounting officers and that relationship is particular to the way in which the system operates.

**Mr McLaughlin:** I understand that. I just wanted it to be on the record.

**Mr Peover:** You also asked whether we are ever dissatisfied with the products that we get from consultants and what we do about it if we are. There is a case study in the report of a grade 7 competition. The first time that we went out to tender for that competition and let the contract, the firm that got the contract did not deliver a product that we regarded as acceptable and was not paid. We then went through another competitive arrangement and got another firm to do it. Therefore, it does happen. It is fairly unusual and you would expect that to be the case.

Normally, if you are unhappy with the performance of a contractor in the course of a contract, whether it is a builder or an external management consultant, you would seek to resolve that matter through the performance management of the contract, rather than allowing it to run until the end and then find that the whole thing was a disaster. By and large, you would try to resolve it.

The reason for employing consultants is to bring in expertise. If they do not deliver products, you can, ultimately, not pay them or, as I said earlier, issue a certificate of unsatisfactory performance that

debars them from future public sector contracts for one year. There are sanctions in the system. It is unusual for those to be used, and you would hope that it would be unusual.

**Mr McLaughlin:** Yes, you would hope so. Is there a standard template for the post-project evaluation, or does the accounting officer draw up terms of reference that are bespoke to each contract?

**Mr Peover:** There is a fairly standard template. It varies depending on the nature and scale of the project, but there are standard things that need to be included.

**Mr Pengelly:** In the online general guidance that I referred to — it goes beyond the use of consultants — there is a comprehensive section on the preparation of PPEs. We always emphasise the importance of proportionality, particularly in the case of consultants. We have 700-odd annual consultancy assignments. Some are very low in value, and you do not need to go through each and every heading and fill in space on a page for the sake of doing so. The evaluation is about testing whether the project delivered what was wanted, whether it was delivered within costs and timescales and whether there were any learning points. Those four key points can be addressed with a heavier or lighter touch depending on the scale of spend.

**Mr McLaughlin:** Do accounting offers add or amend the terms of reference or do they work to that template?

**Mr Pengelly:** They are free to add to it. There is a certain minimum, in the context that we accept a degree of proportionality. However, we would not want to see PPEs that ignore whether the key deliverables were received and whether the contract was delivered on time and to cost.

**Mr McLaughlin:** OK. We have talked about one project ad nauseum. You would want to be able to argue that you are moving to a position in which you can stand over the contract, procurement and project management processes and the delivery of specified outcomes. You have a responsibility. You are the public spending director.

**Mr Pengelly:** Yes.

**Mr McLaughlin:** You also have responsibility for the performance, efficiency and delivery unit (PEDU). Do you have any role in assessing the efficacy of the post-project evaluation process?

**Mr Pengelly:** I will focus on consultancy. With regard to the public spending dimension, it used to be that for every project above the delegated limit — for consultancy that was £75,000 routinely, and £10,000 for OFMDFM — we would require sight of the PPE. In late 2009, we amended this because we wanted to get the focus — and again, this is the focus of the Audit Office and the Committee — on learning points and where there is commonality on issues that can enhance our capacity as a system. So, we have amended the guidance. When we give DFP approval, we will indicate to Departments whether we want sight of the post-project evaluation, and we will focus on the large and novel projects, and those which we think have some degree of common application across the system. Below that, we will continue to test drill and report on compliance, because post-project evaluations should be done routinely below the delegated limit.

**Mr McLaughlin:** You said the word "require": if you require something, it must be produced?

**Mr Pengelly:** It has to be produced. We now report performance on a quarterly basis to the Committee for Finance and Personnel, which has taken a very helpful interest in that. That started in June 2009, when there were 361 PPEs outstanding. As of November past, the figure is down to 138. There will always be some PPEs outstanding because one should not be done until six to 12 months after a project has closed. However, the Committee's interest has been helpful in our work with Departments. One of the issues that I talked about is that we want to review the way ahead on the back of this session. We are about to commission annual returns on PPEs, whereby we will be specifically asking Departments to articulate key lessons learned for wider dissemination across the system. It will also be a regular reporting mechanism to see where we are in the completion of PPEs.

**Mr McLaughlin:** I do not want to be drawn into a discussion of the latest report, but it indicates that earlier progress seems to have been halted. Is 139 the latest figure?

**Mr Pengelly:** I am sorry, that figure is the totality. That is beyond consultancy, which is what the Committee is interested in. The position for the year that ended in March past is that, out of 74 PPEs that should have been completed, only ten have not been completed to our satisfaction. That is a reduction, but ten is still too many.

**Mr McLaughlin:** It is progress and should be recorded as such.

The Department previously told the Committee:

*"comprehensive and accurate data on all consultancy expenditure would be available at the touch of a button through the Account NI system."*

Paragraph 3.7 tells us that that is hardly the case. How are you going to rectify that, after such vast expenditure in developing the system?

**Mr Peover:** I am interested in the phrase "at the touch of a button".

**Mr McLaughlin:** I think it is a direct quotation.

**Mr Peover:** Let us leave aside the metaphorical aspect. It is literally true, as far as internal expenditure is concerned. For the 12 Northern Ireland Departments and their agencies we will have available, through Account NI, detailed information on their consultancy spend. So, at the touch of this metaphorical button, we can deliver that. The non-departmental public bodies are not on Account NI. So when Richard's people go to do the compliance report, there is a fair bit of toing and froing between us and the Departments to verify the data that we have on Departments, and also to get the data that they have for the non-departmental public bodies. As long as there are organisations for which we are responsible and which are not on Account NI, there will always be that extra stage of gathering that information and collating it for the purposes of the compliance report. The phrase, "touch of a button" may be a slightly flippant way of putting it, but effectively we now have an electronic system that delivers our accounts in a coherent and consistent way and, as I said earlier, we are still refining the guidance. There will be new guidance from the start of April which will deliver more information on the other non-consultancy professional services that are managed.

**Mr McLaughlin:** The Finance Committee is having a parallel discussion on that. There are some interesting proposals coming through on reviewing and reforming the Budget process. The fact is that the Assembly, for years, did not know that it was not voting on all the expenditure anyway, because of the NDPBs. Is the system capable of giving us a more comprehensive spend, including bringing in the non-departmental public bodies?

**Mr Peover:** That is an interesting issue.

**Mr McLaughlin:** It is public money after all.

**Mr Peover:** It is. We would like to extend the scope of all our shared services, and there is capacity in the system to do that. There are issues about contracts that we need to negotiate, but Paul is in the process of working through ESS 2020, which is a vision for where we go next. Until relatively recently, we have been stabilising the various systems, including HR Connect, Account NI and CAL, which are part of the ESS group. Our first priority was to get those up and working and reliable and performing effectively against their key performance indicators. That has been done, and it is working very well. However, what do we do with it now? Where do we go with it? We would like to extend the scope of Account NI. At the moment, those bodies are not on Account NI, and they do not use that system.

**Mr McLaughlin:** That is a significant omission, but it is not really the core of my question. Have we got to the point at which we do not need to bring the consultant back in? Metaphorically, we are talking about pressing a button. Now that we have got to grips with the system, can we produce the information by pressing whatever number of buttons?



**Mr Peover:** We can do it for the Northern Ireland Civil Service departmental and agency expenditure. That is within the ambit of Account NI, and it now includes the Department of Justice as well. However, we cannot do it for non-departmental public bodies that are funded at arm's length from Departments. That is part of the reason why it takes 10 months, or whatever period it might be, to get that data validated and checked and to satisfy ourselves that we are providing accurate information.

**Mr McLaughlin:** If we were talking about it in the private sector context, the managing director would have systems in place to let him know what each Department is doing. Given the significant dispersal of public money through those bodies, in theory, they should not be outside the Account NI system. However, I am not saying that it should be done tomorrow.

**Mr Peover:** In a sense, they are not, because they are eventually all brought together in whole of Government accounts. However, at management level, we in the departmental board in DFP look at all our expenditure on a monthly basis and have regular returns on consultancy expenditure. Therefore, we are monitoring all sorts of things such as travel, subsistence, expenditure and PR, but consultancy is part of that. We expect other Departments to take similar action with their expenditure.

**Mr Copeland:** I am starting to pick up that there was an end product to all of this and that it may have involved the pressing of one or two buttons. You said earlier that it was a very innovative thing and that it had not been attempted elsewhere in the UK. Therefore, it strikes me that there could be intellectual copyright in something that has been done in Northern Ireland, and which has been groundbreaking and could possibly be sold in an open market, such as the rest of Great Britain or, perhaps, even the Republic of Ireland, which has not benefited from our expenditure of £10 million. What was the end product? Who owns the intellectual copyright? In other words, have we purchased something with our people's money, which now belongs to someone else and could be used by them in other scenarios to derive benefit from it, while we will not?

**Mr Peover:** We are in a partnership with BT on this issue. There is a system in place. I am not talking about the actual consultants now; I am talking about the actual product. For HR Connect, we are in consultancy with Capita and Fujitsu. Therefore, these are now private sector type contracts. In the case of Account NI, we retained the staff in-house. Therefore, the staff are civil servants, but we are working with contractors in a strategic partnership. Therefore, there are a variety of arrangements. We are keen to use the systems that we have as extensively as possible, but I am not sure that we have thought about taking over the world.

**Mr Copeland:** Has the intellectual copyright been developed at the expense of the Northern Ireland taxpayer?

**Mr Wickens:** One of the biggest things that Account NI has produced is a common chart of accounts, which allows us to have all the departmental structures and cost codes consistent across the piece. That was not available before, and it goes back to what we started off to do. The fact that we can now do that allows us to show consultancy expenditure in a consistent way across the piece. That is where we have been developing that sort of thinking.

**Mr Copeland:** I fully understand that, but is there anything in principle to stop PwC or whoever designed this or worked with you from going to Scotland and offering it there for £5 million?

**Mr Wickens:** They cannot sell an asset that we own. We own the asset of Account NI that was built and developed for us.

**Mr Copeland:** Do you own the system or the hardware?

**Ms Fiona Hamill (Department of Finance and Personnel):** We own the computer coding of the system that sits below Account NI. It is owned by and protected for the NICS.

**Mr Copeland:** Do you mean that, in other words, the intellectual copyright belongs to the NICS?

**Ms Hamill:** Yes.

**Mr Copeland:** That is all that I was asking. Thank you.

**Mr McLaughlin:** I do not think that that was always the case. Maybe it was just in this instance. We will take it from that that lessons are being learned.

In paragraph 3.7 and 3.8 of the report, there is a discussion about the confusion around the classification of external consultancy costs compared with the cost of other forms of professional services. The conclusion is that, on occasion, expenditure was misclassified. Is there anything more that you can do to ensure that that will not happen? Have you clarified why it happened? Have you also simplified the guidance and definitions and ensured that your accounting colleagues across the Departments are using the same kind of system?

**Mr Peover:** That is what we have been trying to do. Guidance has been given on what counts as consultancy. Extra work has also been done, and a new system will come in from April that will classify the other bits. There will be a set of coding under the Account NI system that will allow people to stipulate whether the cost is for staff substitution, external consultancy or a managed service such as catering, cleaning or portage. Those systems have been developed in consultation with Departments and consultancy co-ordinators and will be implemented from April. There has also been ongoing work to clean up the data and ensure that it is accurate and is held on a consistent basis across all the Departments. We have also done work to ensure that when we report we report the same thing.

**Mr McLaughlin:** Is there now a universal understanding and standard?

**Mr Peover:** Yes.

**Mr Wickens:** Exactly what you said has been done and will be implemented from 1 April. It will give a lower level of detail and allow us to break it down and ask more detailed questions.

**Mr McLaughlin:** Thank you for your help.

**Mr Hussey:** The good thing is that we are getting towards the end of the book. Paragraph 3.10 suggests that the Audit Office encountered significant delays in receiving information from some Departments. In fact, there is a reference to one case that took up to four months. A number of Departments also produced additional information during the clearance process that was not made available during the field-work stage. Do you think that it is acceptable for Departments not to respond promptly to the Comptroller and Auditor General's request for information? Is there anything that DFP can do to improve that process.

**Mr Peover:** The answer to your first question is no. Departments should respond promptly to requests for information. All that we can do is remind Departments about that.

The Comptroller and Auditor General is quite a scary individual at an organisational level. He carries a lot of clout in the system, and, when he comes in to do a study, he is entitled to expect full co-operation and access to documents and papers. If he is unhappy at the level of response that he or his staff get from the departmental staff, the C&AG can talk to the departmental accounting officer. There are stages in the process when a report is being drafted, and if issues are flagged up about the unavailability of information, those should also be flagged up to the accounting officer at that stage and he or she should respond. As an accounting officer, I would expect my staff to co-operate fully with C&AG staff, and I am sure that my accounting officer colleagues feel the same. We are happy to remind them that that is the case, but I am sure that Kieran's staff are fully engaged with them in chasing any outstanding information. I do not know why it took four months in that case.

**Mr Hussey:** A period of four months is glaring and hits you between the eyes. As someone who worked at a low level as an operations manager and occasionally had to inspect documents, I would not have tolerated a two-week delay let alone one of four months. However, maybe I was more frightening — I certainly carry a lot more weight than the previously referred to gentleman.

Paragraph 3.13 suggested that DFP previously assured this Committee that the integrity of the public record and the C&AG's access rights were not diminished by the introduction of electronic records management. However, paragraph 3.1 notes that Departments mentioned that the TRIM electronic records management system might have been one reason why information was unavailable for the Audit Office. What evidence do you have that the integrity of the public record and the C&AG's access rights have not been diminished by electronic records management? Of course, there had to be a reference to TRIM in there, which does not help.

**Mr Peover:** We think that TRIM system has bedded in. It is the official place for locating and filing documents. The C&AG, obviously, has access to TRIM records. At present, there are something like 14 million documents on TRIM. The purpose of the system is to have a comprehensive record of information so that paper files, and whatever else is in TRIM, do not go missing. Therefore, I assure you that mechanisms and structures are in place. I chair an information governance board, which looks at issues of information assurance and management. The information management group, which is a lower-level body, brings together the 12 Departments. I might ask Paul to comment on that issue. Our impression is that the system is bedding in well. It is being used appropriately and widely. I am sure that it is not perfect. However, it is being used well. It is now the place of record for systems. It should not diminish the Audit Office's access to records.

**Mr Hussey:** Again, it is about the push of a button. Can you tell me whether you have undertaken any reviews of the system? If so, who was involved? What did they actually find? Has the system been reviewed? Can somebody say that, although a record might not be available at the push of a button; it could actually be found at the push of two buttons and by checking with somebody else?

**Mr Wickens:** One of the key issues is searching for documents within the system. It is a database that, effectively, holds over 14 million records. There is no point in throwing something into it and not being able to find it again. Therefore, in recent days, we have enhanced the search facility with regard to what it is possible to find. However, if you do not put appropriate search criteria into, if you like, the header information for documents, you are still not going to find it. Therefore, we are working again with and through information strategy teams and business area information managers to ensure that they continue to assist people on the ground and give them the support that they need to file documents appropriately.

**Mr Hussey:** When did that enhancement start?

**Mr Wickens:** I cannot give you the actual date. I can come back to you on that.

**Mr Hussey:** Clearly, there is no point having information if nobody can access it. I know what it is like trying to find letters on my own computer. I am not dealing with 14 million records. It is a matter of public record. I get somebody else to find it for me, to tell you the truth. *[Interruption.]*

It is in the other drawer; exactly. *[Laughter.]*

**Mr Peover:** Each Department has a file structure. Therefore, there is a structure under which material is held. There are containers and papers. There are quite sophisticated search arrangements. It should be possible to track down documents.

**Mr Hussey:** Are physical documents also retained?

**Mr Peover:** In some cases, they are. However, the electronic record is really the official record now. We are trying to minimise the holding of alternative forms of documentation because with regard to matters such as FOI queries, it is not helpful if a set of papers is held electronically and another set is held in a folder in a drawer in somebody's desk. If someone asks a question about any matter, there needs to be integrity of the record, so that we can go in, interrogate the system, say that the answer is x and not find that half a dozen other pieces of information are stored on paper elsewhere.

Therefore, we are working our way through it. There are still legacy records, and there will be for some time. However, the long-term intention is for the electronic record to be the official record of any particular transaction.

**Mr Easton:** I very much welcome DFP's production of an annual compliance report. However, paragraph 3.20 tells us that those reports are taking nearly a year and a half to produce. I note that your most recent report has been published more quickly. How did you manage to address those delays? What more can you do to produce a report in an even more timely manner?

**Mr Peover:** The first report took 15 months; the second took 19 months, and the third took 15 months. Now, we are down to 10 months. Our aim is to publish before the end of the financial year. As I said earlier, we have to wait until the information is available at the time of the resource accounts in late June and early July. That is when we can begin the process of asking Departments for details.

**Mr Pengelly:** As regards the key point of what we are doing, the 2010-11 report was published during the past day or so. We have already commissioned the 2011-12 report, uniquely, before the year is finished. We have now commissioned data for the first six months of the year, which will allow us to start the test-drilling process immediately. Normally, that does not happen until the summer. Therefore, that will be out of the way quickly. We will, then, go back some time soon after the end of the financial year, having given Departments due time to finish their annual accounts, and can pick up the second six months of the year with a view to, as Stephen says, finalising and publishing the annual compliance report, certainly, before the end of the year and, ideally, during autumn.

**Mr Peover:** We have found that most Departments respond quite quickly, depending on the amount of toing and froing that is necessary. It is one of those things that moves at the pace of the slowest respondent. We have to get all Departments' returns in before we can put the compliance report together. We have to allow people to see the information to ensure that they are satisfied that they have given us the correct information; that we have not misinterpreted it, and that they have not left something out. To do that within the financial year is as much as we can manage. We think that that is timely enough to allow messages to be disseminated. We have to give Departments a chance to work their way through it.

**Mr Easton:** The latest report took nine months.

**Mr Pengelly:** It took 10 months.

**Mr Easton:** You are now six months in advance. Could it be done sooner?

**Mr Pengelly:** One issue is that we normally wait for the end of the financial year. Then, we start to capture data from Departments. After that, we start the process of test drilling. If we break that down into two chunks, we will do the first six months of test drilling during the course of the year. That has added benefit in that we can start to filter the lessons that emerge to Departments in real time. That can, potentially, influence the second six months' expenditure, which means that means that when we commission the second six months in the summer, we are dealing with only half of the volume of data. Therefore, we can brigade it. We would, certainly, be optimistic about making a considerable reduction and bringing it in within 10 months. We will publish the 2011-12 data in 2012.

**Mr Easton:** Therefore, we can look forward to it a wee bit sooner, perhaps.

**Mr Pengelly:** Yes.

**Mr Easton:** OK. Paragraph 3.22 indicates that the purpose of conducting test drilling is to monitor external consultancy expenditure and identify ways to improve further performance. That means that the results must be disseminated to the appropriate audience for consideration and action. What do you do currently to publicise the results of your test-drilling exercise? Have you considered whether there are other ways to disseminate the key messages?

**Mr Peover:** As I said earlier, we write to accounting officers with a copy of the report. In the report, as you have seen, annexes highlight cases about which we are concerned. They are, therefore, drawn to the attention of accounting officers. I would speak to my colleagues in anticipation of the issuing of reports, so that they know that it is coming, and identify any significant issues, such as the lack of PPEs being done or inadequate business cases. You have made a good point about whether there is

more that we could extract and issue as examples of good practice or things to avoid. I want to reflect on that in light of the discussion.

**Mr Pengelly:** As Stephen said, an individual letter goes to every Department about its specific issues. We also send out a formal "Dear Accounting Officer" letter to all departmental accounting officers, NDPBs and arm's-length bodies, which gives a sense of the themes and trends that are emerging in the report. My teams will then pick that up in one-to-one dialogue with individual Departments. I chair the finance director group, where it would be a topic of specific discussion. Therefore, there is specific discussion on this in the key areas of finance directors and permanent secretaries. You are absolutely correct; we need to focus on that issue. We have now done four reports. We want to pause and take stock of whether we are covering the right issues and presenting the information properly and in a way that is accessible. A key issue in that regard is how we promulgate emerging trends and lessons from our test-drilling exercise.

**Mr Easton:** OK. I have one final question. Currently, your annual compliance report does not do much to identify good-practice case studies or draw out lessons to be learned. It is good that overall expenditure on consultancy is down by 39%. However, there are still a lot of bad practices, some of which we highlighted earlier, such as the number of single tender actions and poor quality business cases. Certainly, as we go on, it is good that expenditure is being reduced. However, if those practices are not fixed, we will end up with huge consultancy bills further down the road. Do you think that there is a role for the report to be developed further so that it can be given added value in this way and not solely identify non-compliance?

**Mr Peover:** Do you mean identifying good practice and lessons learnt? That is helpful. I would be happy to try to take that forward. If that came as a recommendation from the Committee, we would be happy to see what we could do.

**Mr Easton:** Therefore, perhaps, future reports will show good practice?

**Mr Peover:** Yes.

**Mr McLaughlin:** I have a quick question on post-project evaluations and, perhaps, on specific areas of the entire tendering process. The PPE section of the report states that you are encouraging Departments to share lessons learned and to disseminate those to a wider audience. If they do not do so, and there are repeat examples of that, is there any mechanism by which we can be satisfied that good practice has been established as opposed to simply being identified?

**Mr Peover:** That is, probably, an area of deficiency. We could do more to identify good practice and disseminate it. It is quite difficult. Consultancy assignments, by their nature, are, often, fairly specific. There may not be lessons to be learned from —

**Mr McLaughlin:** I am talking about the wider process.

**Mr Peover:** You mean more generally? Yes; we could do more in that area. Earlier, the Chairman asked me where we might start to develop the entire process, where it might go, and what more needs to be done. We could think sensibly about how we could develop the process of identifying good or bad practice and disseminating lessons learnt throughout the system in a generic way.

**Mr McLaughlin:** OK. We will reflect that in our report. Thank you.

**The Chairperson:** You will be glad to hear that there are no further questions from members. Thank you for your evidence today. Obviously, a lot of work has been done. However, more needs to be done. Nothing is ever perfect. We need to learn from practice. Richard, Stephen and Paul, thank you very much. Obviously, there are some questions to be answered and some information to be provided, so, we look forward to receiving that.