

Centralisation of support services of state authorities

Has the centralisation of financial, personnel and wage accounting and carrying out public procurements brought about the desired results?

Summary of the audit results

What did we audit?

On 29 December 2009, the Government of the Republic decided to initiate a project for the centralisation of support services in order to free state authorities of the obligation to provide, develop and invest in support services. The objective was to make the quality and effectiveness of accounting better, improve the availability of financial and personnel information, and reduce the number of employees associated with accounting as well as operating costs accompanying them.

On 28 May 2015, the government decided to transfer the financial, personnel and wage accounting of all ministries and authorities in their area of government to the State Shared Service Centre, and a further objective was added to create jobs for the rendering of accounting services outside the capital. A decision was also made to start concentrating the organisation of public procurement to the State Shared Service Centre, the objective of which is a better quality and economic savings of both carrying out public procurements as well as of the items and services to be purchased.

Upon initiating the project, the budget was set at 5.5 million euros; 3.77 million of this for investments and 1.73 million euros for operating costs.

The National Audit Office audited whether the centralisation of state's support services has met the established objectives. In order to give assessments, the National Audit Office carried out an audit and used the results of earlier audits.

Why is this important to taxpayers?

Centralisation of support services covered financial, personnel and wage accounting of all state authorities. The quality of accounting directly depends on the results of centralisation. High quality accounting serves as grounds for giving an accurate and transparent overview of the use of state budget funds to the public.

What did we find and conclude from the results of the audit?

In the opinion of the National Audit Office, centralisation of support services of state authorities has generally been successful, the quality of accounting has improved, and accounting has become more effective. The objective of saving on costs was not achieved.

- Quality of financial, personnel and wage accounting has improved as a result of introducing common accounting standards, implementing common business software and concentrating accounting to both the support services units of ministries as well as subsequently to the State Shared Service Centre.
- Effectiveness of financial, personnel and wage accounting has improved. Transitioning to a common information system was the main lever that enabled making financial, personnel and wage accounting more effective and to reduce the number of accountants. The number of accountants has decreased but not as much as was hoped.

- Carrying out the project of centralising support services has proved to be one-quarter more expensive than planned. The actual cost of the project during the period 2010–2016 was 6.83 million euros, 4.13 million of which was used for investments and 2.7 million euros for operating costs. The main reason for the project being more expensive is the price increase of developing and implementing the self-service portal for state employees (RTIP), because it was not analysed thoroughly enough which functionalities the portal should have and what costs it would bring upon creating RTIP. However, RTIP has been well-implemented and helps to save time spent on accounting.
- Centralisation of support services did not bring about compliance with the objective of saving on costs. In reality, labour costs of employees associated with financial, personnel and wage accounting, costs of premises necessary for the rendering of service (rent and utilities) and costs associated with information systems increased. According to the data of Statistics Estonia, gross wages of the public sector have increased by 42% in the same period, so the increase of labour costs is foremost due to the growth of average gross wages.
- Implementation of a web-based reporting environment (SAP BO) has created opportunities for obtaining information necessary for management. This enables easily obtaining financial and personnel data regarding the area of government and the state, and availability of information can be made simpler as a result of improving the skills of users. However, SAP BO requires good user skills that many authorities are lacking.
- According to the assessment of the National Audit Office, the State Shared Service Centre has a well-operating internal audit system that enables providing high-quality services to state authorities. At the same time, upon procuring the services of the environment for processing e-purchase invoices the Centre has paid too little attention to the mitigation of a security risk that may accompany using the environment.
- Although the State Shared Service Centre has not been offering the service of carrying out public procurements for long, activities to date do provide a basis for concluding that accompanying risks have been taken into consideration and have been attempted to be mitigated upon carrying out large public procurements. First procurements have also obtained cheaper prices in comparison with earlier procurements. However, the skills of procurement specialists must be developed and harmonised in order to serve as a competence centre and offer comprehensive assistance to authorities in procurement activities.

As the National Audit Office finds, based on the audit, that the quality of accounting has improved and accounting has become more effective in state authorities, it would be beneficial to analyse the implementation of a similar model in local governments, i.e. concentrating the accounting services to central units in order to improve the quality of accounting and make work more effective. It would allow saving working time on doing routine accounting procedures and use this time more for financial management, which helps to use public funds better and more expediently.

What did we recommend as a result of the audit?

Minister of Public Administration should in cooperation with local governments analyse and assess whether a similar model could also be implemented to improve the quality of financial, personnel and salary accounting of local governments and making it more effective.

The National Audit Office has recommended that the Director General of the State Shared Service Centre should regularly organise trainings for the users of the reporting environment, teaching among other things how to, so to say, design reports that comply with the needs of authorities in the reporting environment in order to simplify and accelerate the availability of management information, and implement measures for developing procurement specialists and harmonising their professional skills.

Responses of the audited:

Minister of Public Administration agreed with the conclusion of the National Audit Office that centralisation of the state's support services has improved the quality of accounting services and made them more effective in state authorities. The Minister admitted that the opportunities and effects of concentrating financial, personnel and wage accounting of local governments to central units should be considered and analysed. He also pointed out that local governments have an organisational autonomy and right to self-organise in such matters, which is why he cannot interfere with the activity of local governments in this issue. The Minister found that the respective initiative has to come from local governments themselves.

Director General of the State Shared Service Centre agreed with the recommendations of the National Audit Office and noted in his response letter that in 2018, the Centre has planned to carry out even more trainings for its customers in order to develop their skills in using the reporting environment. Training will be carried out for both new users of the reporting environment as well as employees who already have the user experience in order to improve the availability of management information necessary for authorities. He also noted that both in 2018 and going further, a lot of attention will be given to improving the quality of carrying out public procurements, including continuing the development of professional knowledge of the staff of the Public Procurement Department. Competence of staff will continue to be developed through both internal and external trainings as well as individual learning.