

Finance outsourced service

Appendix 1: Specification

October 21

## Introduction

* + 1. The Single Source Procurement Regime came into force in December 2014, following Parliamentary approval of the regulations relating to the Defence Reform Act 2014 (‘the Act’). The SSRO regulates the UK government’s procurement of ‘single source’, or non-competitive, military goods, works and services. It is the independent statutory regulator of single source defence procurement, issuing statutory guidance, assessing compliance and determining how the regime applies to individual contracts. The SSRO’s principal statutory aims are to ensure that good value for money is obtained for the UK taxpayer in expenditure on qualifying defence contracts, and that single source suppliers are paid a fair and reasonable price under those contracts.
    2. Additional general information about the SSRO can be found on the website: <http://www.gov.uk/government/organisations/single-source-regulations-office>

## The Services

### Service overview

* + 1. The SSRO requires the provision of finance support services, which includes software system(s) and technology to enable appropriate and secure web-based system access that aligns with the SSRO’s ICT systems and controls.
    2. The SSRO currently has circa 50 members of staff on its payroll. Although it is possible that these numbers will increase over the period of the contract, any increase is not likely to exceed 100 in the total staffing level. The average number of invoices (including employee travel and subsistence claims) processed is currently circa 2,000 per year.
    3. The services which the Supplier is required to provide are summarised in the table below and set out in detail in section 3 below.

| **Service overview** |
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| ***Financial Accounting Services***: maintain the integrity of the financial database and chart of accounts by undertaking periodic housekeeping and reconciliation routines on the General Ledger. |
| ***Management Accounting Service***: maintain the integrity of the structures (e.g. chart of accounts, activity centre structure, journal definitions, etc.) within the financial database. |
| ***Resource accounts***: ensure this element of the Annual Report and Accounts provides a true and fair view of the SSRO's financial position at the time of the preparation of the accounts. |
| ***Payments to suppliers, employees and HMRC***: provision of a payments service via a secure environment within the parameters of available systems controls, for the upload of purchase ledger transactions, through to the production and dispatch of the required payment instrument, (including BACS and CHAPS). |
| ***Professional Services:*** provide professional financial advice as requested. Advice will cover, but will not be limited to, accounting standards technical guidance and taxation. |

* + 1. The timeliness of service delivery is key, as the SSRO is expected to deliver its finance functions to exacting timescales set by its Board, NAO, HM Treasury, the Ministry of Defence (MOD) and other bodies.
    2. The Supplier must manage the effective migration of all current year and historical data (currently four financial years’ data) from the SSRO’s existing Supplier. This must be supported by a robust audit trail that will be subject to SSRO and audit review and approval.

### Relationship

* + 1. The SSRO considers the relationship between the Supplier and the SSRO to be critical to the delivery of services which economically, effectively and efficiently support delivery of the SSRO’s functions.
    2. The Supplier must nominate a manager whose role it will be to:
* manage the service and relationship between the Supplier and the SSRO on a day-to-day basis;
* be the primary point of contact for the SSRO throughout the service delivery;
* ensure that the agreed service standards (KPIs) are being met;
* ensure compliance with security requirements;
* remain consistently informed about the Supplier’s performance on all matters and provide to the SSRO, upon request, evidence that the risk of failing to meet any of the KPIs is being mitigated;
* be available to address issues in a timely manner and meet any urgent requirements within an acceptable timeframe;
* ensure that the agreed fixed price structure is followed and that costs are communicated to the SSRO on a routine basis throughout the term of the contract; and
* be a point of contact for the SSRO’s auditors if necessary.

## **Service requirements**

* + 1. The SSRO has expenditure of circa £6.4 million per year, which is funded via Grant in Aid from MOD in quarterly instalments. The SSRO processes an average of 2,000 invoice payments and 500 journals annually. The SSRO requires a supplier to provide:
* a robust finance web-based system that provides access for a minimum of three SSRO employees. The SSRO’s outsourced ICT team must also have access to check the impact of any system updates or changes;
* a secure web-based method(s) of raising purchase orders, processing and authorising invoices. The SSRO also requires a “self-service” solution for employees to claim their expenses, and Line Managers to approve these claims on the move. These solutions need to align with the SSRO’s authorisation structure and interlinks with the Finance System; and
* day to day support providing the services outlined below.

### Financial accounting

* + 1. The Supplier providing the Financial Accounting Service will establish and maintain a chart of accounts to facilitate the accurate recording of transactions for both internal and external financial reporting. It will maintain the integrity of the financial database and chart of accounts by undertaking periodic housekeeping and reconciliation routines on the General Ledger as approved by the SSRO.
    2. The Supplier will record transactions on the General Ledger accurately and in accordance with HM Treasury’s Financial Reporting Manual (FReM) and Managing Public Money.
    3. The SSRO has a small number of assets (circa 30) which are recorded on a manual asset register. New assets and movements on existing assets are to be recorded in the General Ledger. The Supplier will be expected to

maintain the asset register which includes the creation, depreciation, revision e.g. changes to useful Economic Life and revaluations, and disposals of assets;

ensure that transactions are imported accurately into the general ledger; and

reconcile the asset register totals to the general ledger at each period end.

* + 1. The Supplier will record invoices raised and receipt of payments in the general ledger. The SSRO has a minimal accounts receivable function. The SSRO does occasionally raise invoices and receive income for items such as staff secondments. The number of these invoices is small and not expected to exceed 50 transactions in a financial year. The Supplier will:

maintain receivables invoice and payment ledgers to include creating and, amending of customers, raising the invoices and the matching of bank receipts and staff loan re-payments;

ensure that transactions are accurately recorded in the general ledger; and

reconcile the receivables totals to the general ledger at each period end.

* + 1. The Supplier will ensure that bank payments are made in accordance with SSRO instructions, and that payments and receipts are recorded in the General Ledger. The Supplier will ensure that:

bank receipts and payments recorded accurately in the General Ledger in accordance with instructions from the SSRO; and

bank totals reconcile to the general ledger.

* + 1. All invoices/expenses and payments made to suppliers and employees will be recorded in the general ledger. The Supplier will provide a purchase/invoice to pay method of processing invoices (currently Zahara) and expenses (currently Expensify), with transactions entered into these processing modules imported into the General Ledger. The Supplier will
* receive and process invoices for payment via the purchase to pay module;
* import transactions entered in the Purchase to Pay and Expenses processing module(s) into the Payables and General Ledgers; and
* reconcile purchase ledger totals to the General Ledger.
  + 1. The supplier will provide a manual or automated payroll interface to transfer monthly payroll transactions to the General Ledger from its payroll system (Midland HR). The supplier will manage the:

transfer of the SSRO's payroll data into the General ledger, ideally via an automated process;

validation of the payroll data transfer and provide the SSRO with a list of rejected items for investigation;

reconciliation of payroll totals to the total posted to the General Ledger and pay related suspense accounts (e.g. salary advances and allowances); and

maintenance (create/amend/deactivate) of the Payroll Ledger Heading/Account Code mapping table in the General Ledger.

* + 1. The supplier will provide all month end and yearend updates, reconciliations and reporting within agreed timelines.

### Management Accounting

* + 1. The Management Accounting Service will provide the SSRO’s internal reporting comparing actual expenditure to the budget as required. The Supplier will maintain the mapping of the chart of accounts between internal and external reporting, along with the activity centre structure and journal definitions within the financial database. It will provide the facility to load the SSRO budget and subsequent forecasts into the finance system by identified categories, and report costs to a detailed level, that are incurred against each one.
    2. Ledger activities to be carried out by the Supplier include:
    - Establish and maintain mapping of chart of accounts for budget loading and internal management reporting. The Supplier will maintain the mapping of the chart of accounts and activity code structure in General Purchase Ledgers. This will include the creation, deletion, update and amendment of account and activity codes as instructed by the SSRO.
    - Establish and maintain a hierarchical activity centre structure. The Finance System must be capable of recording information including actual costs, budget, commitments and forecasts.
    - The Finance system must also be able to record and report on transactions to at least four structural/category levels below the chart of accounts, which are cost centre, employee, supplier and project.
    - Maintain an activity centre code structure in Ledger Accounting and Purchase Ledger Processing including the creation/deletion and update/amendment of activity centre details. Maintain project and delegated authority/staff coding structures in Ledger Accounting and Purchase Ledger Processing, including the creation/deletion and update/amendment of project and delegated authority/staff code details.
    - Create and maintain invoice and credit note input screens for Purchase Ledger Processing in accordance with instructions received by the SSRO Finance team.
    - Create and maintain journal definitions and pre-sets in accordance with instructions received by the SSRO.
    - Create and maintain validation rules in accordance with instructions issued by the SSRO Finance team. The rules covered within this specification relate to:
* Account code/activity centre validation;
* Account code/activity code validation;
* Restriction of Journal Types for use in specified Actual/Budget ledgers;
* Restriction of use of Journal Types by Operators;
* Summary Account code/activity centre validation in Budget Ledgers;
* Summary Account code/activity code validation in Budget Ledgers;
* Delegated Authority code/activity centre validation; and
* Mapping of payroll provider Ledger Heading codes to General Ledger Account codes.
  + 1. The Supplier will facilitate the loading of the SSRO’s agreed budget into the finance system and the upload of any subsequent forecasts (if there are material changes to the budget).
    2. The Supplier will provide an automated suite of reports that cover the SSRO’s internal and external reporting requirements. This will include updating them to reflect any changes in the activity centre, account or activity as instructed by the SSRO. It is also desirable that the SSRO has self-service dashboard management reporting for up to 12 users.
    3. The Supplier will produce monthly management reports and trial balances as agreed with the SSRO, providing an explanation of any material variances to the agreed budget. This will include the production of a monthly Statement of Financial Position (Balance Sheet), with supporting reconciliations and explanations of material variances. As part of this process the Supplier will generate the Non-Current Assets (Fixed Assets) Register, supplier listings for Receivables and Payables ensuring that that they agree to the General Ledger (and resources accounts).

### Resource Accounts

* + 1. The resource accounts element of the Annual Report and Accounts will provide a true and fair view of the SSRO's financial position at the time of the preparation of the accounts.
    2. The Supplier will prepare resource accounts for the SSRO in accordance with the Financial Reporting Manual and Accounts Direction issued to the SSRO by HM Treasury.
    3. The resource accounts will be produced based on agreed accounting policies and submitted to the SSRO for consideration and approval. The Supplier will ensure that all figures appearing in the accounts reflect properly and accurately information in the General Ledger maintained for accounting purposes. Any information not available from the General Ledger system must be provided by the SSRO. Responsibility for obtaining directives lies with the SSRO.
    4. The Supplier in conjunction with the SSRO will ensure that there is a robust audit trail for any estimates/accruals included in the accounts and be prepared to discuss them with auditors if required.
    5. The Supplier will agree a production timetable annually with the SSRO and NAO officials for the preparation and submission of the accounts.

### Payments to Employees, Suppliers and HMRC

* + 1. Provision of a secure environment within the parameters of available systems controls, for the loading and approval of purchase ledger transactions, through to the production and dispatch of the required payment instrument (inducting BACS and CHAPS). It is anticipated that circa 35 users will require access to approve invoices, and the average number of invoices (including employee travel and subsistence claims) processed is currently circa 2,000 per year.
    2. The Supplier will provide a secure web-based method(s) of raising purchase orders, processing and authorising invoices and expenses, which aligns to the SSRO’s authorisation structure.
    3. The Supplier will provide the following services to facilitate payments to employees, suppliers of goods and services and to any other organisations as authorised by the SSRO within agreed timelines.
* Set up and maintain (create/close/amend) supplier/employee code and details (name, address, bank details) as instructed by the SSRO.
* receive and process invoices for SSRO approval;
* Import approved invoices and expenses into the finance ledgers.
* Make payments via BACS on the next payment run following receipt and validation of authorised documentation, based on one payment run per week.
* Produce and dispatch remittances to support payments made by BACS.
* Stop or suspend payments made by BACS as instructed by the SSRO.
* Inform the SSRO’s Finance team of any failed BACS payments (due to bank account errors) during a BACS submission.
* Inform the SSRO’s Finance team of any rejected/redirected BACS payments on receiving a request to download relevant BACS reports from the SSRO.
  + 1. The SSRO is registered for VAT on limited services which currently only relates to employee secondments. The Supplier will record VAT payable on these services to HMRC, prepare and submit the quarterly returns (following approval from the SSRO) make payment to HMRC on behalf of the SSRO.

## Professional Financial Advice

#### Service overview

* + 1. Provision of a call off professional financial advice service. The SSRO will call upon this service as required.

#### Service requirements

* + 1. Professional financial advice on subjects, but not limited to, accounting standards technical support and taxation.
    2. The SSRO will request quotes for advice as need arises. The SSRO estimates that this will be an average of 5-10 days per year over the period of the contract. Work will be undertaken by the Supplier following approval by the SSRO.

## IT and Security

* + 1. In carrying out its corporate functions, the SSRO processes information of the following kinds:
* Official information, which may be marked OFFICIAL SENSITIVE in accordance with Government Security Classifications.
* Confidential or commercially sensitive information, which the SSRO would not disclose under the Freedom of Information Act 2000 by reason of the application of one of the exemptions in that Act.
* Personal data or special category data within the meaning of the General Data Protection Regulations and the Data Protection Act 2018, which must be processed in accordance with applicable data protection law.
  + 1. The SSRO takes the security of the information it holds seriously, and the Supplier shall comply with the Security Measures and Security Requirements contained in the Contract, including those relating to OFFICIAL-SENSITIVE information.
    2. The SSRO IT environment, policies and procedures are based on the following policies and procedures and the system(s) provided by the Supplier for SSRO staff use must operate in this environment:
* HMG Security Policy Framework (SPF).
* NCSC Published Guidance, Cloud Security Principles and Security Design Principles.
* ISO/IEC 27001:2013 – Information technology – Security techniques – Information security management systems – Requirements.
* ISO/IEC 22301:2012 – Societal Security – Business Continuity Management Systems – Requirements.
* Cyber Essentials Scheme: Requirement for Technical Protection from Cyber Attacks.
  + 1. It is desirable that the Supplier has, or obtains ISO27001:2013 certification, ISO22301:2012 Business Continuity Management certification, and ISO20000 IT Service Management certification.
    2. The SSRO maintains Cyber Essentials Plus certification and the Supplier shall be Cyber Essentials PLUS certified or be willing to obtain the certification in a timescale agreed with the SSRO.
    3. The SSRO IT environment uses the Microsoft platform including Windows 10, Office 365, Intune and Enterprise Mobility and Security. This is complemented by infrastructure services including Azure virtualisation, Cisco Switches and ASA firewalls, and wireless networking using Cisco Meraki access points. Staff work regularly and frequently away from the office. Secure connectivity, within the office and when working remotely, is provided through a Zero Trust Architecture solution that utilises iBoss (<https://www.iboss.com/>). The Supplier must ensure that full system functionality is available to different SSRO user groups when connected to the office network and when working remotely. The SSRO’s Secure Operations Centre (SOC) is currently provided by e2e assure (see https://www.e2e-assure.com/SCC).
    4. A single sign on solution is desirable, and, in case this cannot be provided by the Supplier in the context of the SSRO environment specified above, multi factor authentication for all users must be implemented, managed and maintained by the Supplier.