

Central  
Bedfordshire  
Council  
Priory House  
Monks Walk  
Chicksands,  
Shefford SG17 5TQ



**TO ALL MEMBERS OF THE AUDIT COMMITTEE**

24 March 2011

Dear Councillor

**AUDIT COMMITTEE – MONDAY, 4 APRIL 2011**

Further to the Agenda and papers for the above meeting, previously circulated, please find attached the following late report:-

**10. Payroll Issues**

To endorse the submission of a full review of the arrangements for, and operation of, the Payroll service to the Customer and Central Services Overview and Scrutiny Committee.

Should you have any queries regarding the above please contact me.

Yours sincerely

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Committee Services Officer

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**Meeting:** Audit Committee  
**Date:** 4<sup>th</sup> April 2011  
**Subject:** Payroll issues  
**Report of:** Director of Customer and Shared Services  
**Summary:** The report proposes an intensive review of the arrangements and processes for payroll to be reported to the next appropriate Overview and Scrutiny Committee

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Contact Officer: Deb Clarke, AD People (Interim)  
Public/Exempt: Public  
Wards Affected: All  
Function of: Executive

#### **CORPORATE IMPLICATIONS**

##### **Council Priorities:**

##### **Financial:**

Payroll is a major financial system and function and must be delivered in an effective and efficient manner.

##### **Legal:**

There are legal requirements for payroll in relation to HMRC, employment law, and statutory returns such as the teachers' pension return

##### **Risk Management:**

Risks associated with payroll include miscalculations, wholesale failure of the system, Citrix breakdown at crucial points, failure of the contractor

##### **Staffing (including Trades Unions):**

None identified at this point

##### **Equalities/Human Rights:**

None identified at this point

##### **Community Safety:**

None identified at this point

##### **Sustainability:**

None identified at this point

**RECOMMENDATION(S):**

1. **that the Audit Committee**
  - (a) **Notes this report and endorses that an intensive review of the arrangements for, and operation of, the payroll service be carried out and the conclusions reported to Overview and Scrutiny Committee.**

**The Payroll function**

1. The Payroll service is provided by SERCO through a contract that was originally agreed with Bedfordshire County Council and then novated to Central Bedfordshire Council. The operation of this contract and the service has been beset with problems and has never received an 'adequate assurance' rating from Internal Audit although the latest report, also on this agenda, does acknowledge progress.

**Root cause of problems**

2. A 'root and branch' review of the Payroll function is being carried out and the outcomes and recommendations from that review will be reported to Overview and Scrutiny Committee. In brief, the root causes of the problems identified include that
  1. The contract does not adequately specify the service and does not allow for proper management
  2. There has previously been little payroll expertise in the council meaning that we have not been a strong client to our provider, nor have we been able to work with them to improve key processes
  3. Many of the basic processes that we are running are over complex and inefficient
  4. SAP configuration, also inherited from the County Council, is unwieldy and in some places inaccurate. The SAP team who make changes to the system have not been 'locked in' to the necessary changes
  5. There has been some poor communication between parts of the council who are involved in payroll, leading to problems particularly with Member Expenses

**Next Steps**

6. As indicated earlier, a root and branch review of every aspect of the payroll function is underway. This is not simply reviewing the current arrangements but also involves examining all the key processes and streamlining them.
7. A report to the next available Overview and Scrutiny Committee will set out the outcomes of that review and the process re-engineering, and make recommendations for the future operation/termination of the contract.