
Meeting: Audit Committee
Date: 4th 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

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.