Review of Oxfordshire County Council Payroll Configuration - Final

March 2017

Southern Internal
Audit Partnership

Assurance through excellence
and innovation

1. Introduction

1.1 Oxfordshire County Council (OCC) on-boarded to the Integrated Business Centre (IBC) operating model in July 2015. The existing payroll operating model is underpinned by the design and build of a SAP payroll solution, which included a full fit gap analysis, data validation and sign off and User Acceptance Testing (UAT) of payroll outputs at the time of OCC on-boarding.

1.2 Following two issues relating to the treatment of Assumed Pensionable Pay raised by OCC through formal governance channels a review was commissioned to provide assurance in respect of the payroll configuration.

1.3 To retain independence a payroll and pensions Subject Matter Expert (SME), Phillip Reynolds; and James Short, Senior IT Auditor from the Southern Internal Audit Partnership were commissioned to undertake the assurance work with a direct reporting line to the Head of Southern Internal Audit Partnership.

2. Scope

2.1 The scope of the review was agreed by the Partnership Management Group to provide assurance on:

- the configuration of the payroll solution to calculate, action and report statutorily compliant payroll transactions; and

- future configuration changes are processed accurately and in a compliant manner to ensure changes are fully tested prior to release.

Chartered Institute of Internal Auditors	The Southern Internal Audit Partnership conforms to the IIA's professional standards and its work is performed in accordance with the International Professional Practices Framework *(endorsed by the IIA).*

3. Executive Summary

Configuration of the payroll solution to calculate action and report statutorily compliant payroll transactions

3.1 Extensive testing was completed confirming that the payroll is configured accurately and in accordance with relevant Government legislation. Real time scenarios using the December 2016 and January 2017 pay runs were tested, and payroll input, changes and statutory calculations were checked including a sample of starters, leavers and maternity cases.

3.2 In total 12,125 payments were made through the payroll in December 2016 with a 0.01% error rate. The notably low error rate was identified and rectified through established business as usual processes. Beyond the issues identified at the commencement of this work, there were no significant issues identified impacting on the IBC's ability to fulfil its obligations. An examination of KPI's over the last 12 months show payroll error rates for OCC at the final pay run stage of between 0.00% and 0.11%. This low error rate provides an additional high level of assurance.

3.3 Through internal processes it was identified that the incorrect percentage of employee pension contributions had been calculated for some supply teachers in the Teachers Pension Scheme (TPS) due to the employee contribution being allocated (in isolated cases) to the wrong banding. . A further 'fix' is to be applied and retrospective action taken before the financial year end.

3.4 The IBC was found to be supported by staff with a strong and resilient level of knowledge, qualification and experience. Such support was found to be less resilient with the Pension Administration Team in which two key member of staff play a pivotal role in supporting processes both of which are likely to be absent for a prolonged period, albeit plans are in place to cover these key roles.

3.5 Communication between OCC and the IBC was generally found to be effective with demonstrable areas of good practice, however, it was observed that the Pension Administration Team(s) would benefit from practices followed in other areas. Additionally enhancements could be made in respect of the expediency of issue / query resolution.

3.6 Opportunities have been identified during the course of this review where consideration could be given to automate / streamline some processes to enhance efficiencies and/ or negate manual intervention, most notably in respect of payment entitlements for Retained Fire Fighters and the transfer of MARS data files.

Configuration changes processed accurately and change control process for first time events

3.7 Overall testing found documentation defining configuration change and authorisation to be well controlled and compliant with pay and pension rules. This was maintained by the well managed application of SAP support packs.

3.8 The current staff involved from both the IT and IBC as part of testing support packs and individual changes have a high level of knowledge and experience within the pensions and payroll sector. However, concerns were raised over resilience and succession planning in the IBC for specialist areas such as teacher's pensions.

3.9 A report with recommendations to improve the testing processes for IBC systems was approved in October 2016. Actions from that review have been implemented to effect significant improvements including: monthly release cycle; better communication of releases; and introduction of comprehensive test plan and test script documents. There remain four actions (out of 14) that have yet to be fully implemented albeit these are less significant to the change process.

3.10 There is a split between approaches taken to testing by the H2R Transactional and the Technical Payroll and Pensions Administration teams with the former maintaining a testing co-ordinator and use of test script templates. Both section's manual procedures require review and update and this is underway for H2R but yet to be started for the pay and pensions teams.

3.11 The process for coordinating testing in the IBC is not documented to provide consistency and resilience. Testing is based on scenarios agreed for each change request. Staff knowledge alongside SAP reports are used to build the test scripts, however, there is no standard documentation of scenarios or difficult individual cases to include in testing of payroll changes by the IBC. Assurance was attained that local knowledge and SAP reports were used to identify these currently, but concerns were raised with regard maintaining good practice for the future if key staff leave.

3.12 Configuration changes were in some cases exceeding the "Importance" time target they had been designated by between two and eight months. Sometimes this was due to the complexity of the issue but we also found that delays (one to two weeks) were due to a lack of timely response in the bug being assigned or because access was not in place to a document link.

It should be acknowledged that whilst changes to the automated configuration were being developed manual processes were put in place to mitigate the impact of the issue in the live system.

3.13 Significant progress has been made in resolving OCC issues. All but one of the issues referred to in the terms of reference of this work have been fixed. As at the 15th of February there were 31 issues designated as in progress and with "OCC" in the title field. 10 of these related to pay or pension components and half of those had been reported in the last month.

Ref	Management Recommendation	Responsible Officer	Implementation Date
4. Management Recommendations			
Configuration of payroll solution			
1	That a 'fix' be applied and retrospective action made to address the known issue relating to the applied percentage of employee pension contributions in respect of supply teachers in the Teachers Pension Scheme (TPS).	Gary Westbrook, Head of Shared Services (IBC)	31 March 2017
2	Existing manual processes in the calculation of some pay entitlements for Retained Fire Fighters (i.e. O.S.P) to be reviewed to maximise opportunities to automate the process.	OCC with IBC Support	31 May 2017
3	To review the formatting requirements for the Oxfordshire Pension Fund that currently necessitate the conversion of the MARS data file from a CSV format into an Excel file.	Ian Dyson, Assistant Chief Finance Officer, OCC	30 April 2017
	If determined that conversion is not required the IBC shall introduce further automation of the process.	Gary Westbrook, Head of Shared Services (IBC)	TBC
4	To introduce a forum across the Pension Administration Team(s) to include the Pension Fund, Employers and Payroll Provider to effective stronger lines of communication and engagement.	Sara Currell, HR Manager, IBC Interface, OCC	31 March 2017
5	To assign a single point of contact to ensure the efficient and effective resolution of pay and pension queries / issues. The Client Relationship Manager for OCC would be seen as key in facilitating such an approach.	Derek Hall, Client Relationship Manager (OCC)	31 March 2017
6	To further assist in staff deployment and succession planning a skills evaluation is to be undertaken to capture existing and required knowledge and training.	Gary Westbrook, Head of Shared Services (IBC)	30 June 2017
7	To review existing structures and responsibilities primarily within the Pensions Administration Team to ensure knowledge is appropriately aligned and resilient.	Gary Westbrook, Head of Shared Services (IBC)	30 June 2017

Ref	Management Recommendation	Responsible Officer	Implementation Date
Change Control			
8	A 'Single Test Team' to be introduced across Pensions, Payroll and Transactional HR, working to standards test scripts and processes; pooling all relevant skills and knowledge; ensuring continuity in business processes and enabling end to end testing.	Gary Westbrook, Head of Shared Services (IBC)	30 April 2017
9	To ensure appropriate governance arrangements are in place for the sign off of 'bugs' as complete prior to moving into the live environment. The formation of a Single Test Team (as per Ref 8) will greatly assist this process. The Project Management Office (PMO) will provide continued oversight in the interim.	Gary Westbrook, Head of Shared Services (IBC)	31 October 2017
10	An annual review of the appropriateness of testing samples applied during support pack implementation will be undertaken and incorporated within service pack processes. Additionally processes will include an evaluation of lessons learnt.	John Broadway, SAP Payroll Team Leader (HCC – IT)	First Annual Review September 2017
11	SAP are actively seeking a 'fix' to known issues in relation to the treatment of Assumed Pensionable Pay (APP) with regard part day sickness absence. The IBC remain aware of such issues and will continue to monitor the administration of manual interventions required until such time as SAP provides the required 'fix'.	John Broadway, SAP Payroll Team Leader (HCC – IT)	On-going
12	The Project Management Office (PMO) will provide close scrutiny and challenge to the timeliness of completion and issues raised through Bugzilla.	Gary Westbrook, Head of Shared Services (IBC)	On-going
13	Essential qualification requirements will be included within job specifications for key roles within the IBC to ensure appropriate competencies are maintained.	Gary Westbrook, Head of Shared Services (IBC)	30 June 2017