PAYROLL AND PENSIONS INTERFACE UPDATE

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1. Summary

1.1. This report provides an update in relation to the Payroll and Pensions interface, as requested by Audit Committee at the meeting on 17th September 2020.

1.2. Regular monthly meetings have been taking place between Pensions and Payroll to ensure that reviews are undertaken, and any new issues are resolved. These meetings and review of the previous issues log continue to ensure historic issues are resolved and are subject to continuous improvement/review until the original issue is dealt with.

1.3. Some issues remain ongoing due to system constraints dictated by the ERP[1] system, however there are mitigating actions in place to manage these. Measures include the procedure tightened with reminder/alerts to managers to notify payroll of extensions to fixed term contract (FTC) end dates before they lapse and FTC reports issued to the HR Team to liaise with Schools. The Payroll team also check leavers details every month to ensure they are true leavers.

1.4. Work is ongoing with the Systems Admin team responsible for the ERP system to address system issues. Fixes have been put in for a number of issues raised previously which will reduce errors. Some issues that were raised previously were issues relating to implementation of the new system and have now been resolved.

1.5. An I-Connect[2] Procedure has been produced, documenting the process and temporary workarounds. Where workarounds are in place for I-connect issues, reviews have been conducted to ensure checks/balances are in place to ensure appropriate temporary solutions are accurate, which are checked

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[1] Enterprise Resource Planner - software that provides for the management of Council accounting, purchasing, HR and payroll information.
[2] I-Connect – the Pensions system that receives data in a specific format from the ERP.

and reconciled to data in the ERP. This will provide an audit trail for the actions taken that can be used for separate, and later, independent verification and compliance checks.

1.6.   A new version of the main I-Connect report, to accommodate the corporate accounting period rather than payroll period, to pick up re-works and reduce adjustments needed to balance has been created and will be fully tested before implementation from April 2021.

1.7.   Knowledge transfer of I-Connect processes to additional members of the Payroll team is taking place to ensure a better understanding and knowledge base is held within the team and will be concluded by 31st March 2021.

2. Decision

2.1.   Audit Committee are asked to note the progress that has been achieved to reduce errors and ensure that correct information is transferred from the payroll system to pension records via I-Connect.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1   A failure to resolve the issues could lead to incorrect employee data continuing to be extracted and interfaced in the pensions system, which will result in incorrect employee pension records and an incorrect Annual Benefit Statement. However, this 'incorrect employee data' is limited to extraction for the I-Connect system, rather than leading to under or over payments in the payroll system.

3.2   An Annual Benefit Statement which was known not to be correct would not be sent out. The materiality (i.e. the number of incorrect statements) would need to be established and depending in the size of this a breach would need to be reported to the Regulator who would investigate the matter and call the fund into account. This would be a statutory breach because Local Government Pension Scheme (LGPS) regulations require the fund to issue statements prior to the deadline.

3.3   The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and there are no direct environmental, equalities or climate change consequences of this proposal

4. Financial Implications

4.1.   There are no financial implications associated with this report. Additional work associated with the Payroll and Pensions interface is managed within existing resources.

5. Climate Change Appraisal

5.1   This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaption. Therefore, no effect.

6. Conclusion

6.1.   Work continues to be undertaken between Payroll, Pensions and Systems Admin to overcome the issues in incorrect information being transferred from the ERP to I-Connect. Regular meetings take place to undertake reviews and mitigating actions are in place to reduce errors.

6.2.   With the mitigations described above in place, management can provide assurance to Audit Committee that the process can be relied upon, with acceptance that removal of workarounds and human intervention is the planned aim. The timescale for removal of these workarounds with automation of the system is on schedule for 31st July 2021. Internal Audit will then be able to review and provide independent assurance thereafter.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Internal Audit Performance September 2020 - Report 3 113.6; item d
Cabinet Member (Portfolio Holder) David Minnery
Local Member
Appendices N/A