

**ELECTORAL OFFICE FOR NORTHERN IRELAND
MANAGEMENT BOARD PAPER**

Date of Meeting: 27 May 2010

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Payroll Update

The Management Board is asked to consider the payroll update for permanent staff and recommendations made.

A decision was taken by the Management Board at its meeting of 26 November 2009 to terminate the use of payroll service provided by HR Connect for permanent staff, following a number of ongoing errors in terms of performance and general dissatisfaction with the level of the service provided. The key problems were as follows:

- Leavers not being taken off payroll despite notification and reminders sent to HR Connect
- Data for new entrants not processed resulting in staff not being paid on time
- Data not processed on time for ICT allowance for member of IT Staff
- Staff members allocated to wrong cost centres
- Overtime hours processed incorrectly and paid at the wrong grade resulting in under/overpayments
- Overstatement of £70k Accrued Superannuation Liability Charges (ASLCs) incorrectly allocated to staff members (corrected March 2010)
- No timely detailed monthly reports for checking and validation by Finance Officer despite numerous requests.

The Board agreed that consideration should be given to exploring the option of using the contract with ICS who process the casual and election staff payrolls. Discussions and negotiations took place with ICS, but this option was not considered viable due to the high implementation costs of £12,500 and annual charge of £7,500.

Alternative options were considered, such as shared services and a site visit was made to the Human Rights Commission. However, due to differences in pay and grading between the NIO sponsored bodies the option of shared services was also not considered to be viable. Following discussions with ASM Howarth, Internal Auditors, consideration was given to the feasibility of developing an in-house payroll service. Quotations were sought from payroll software providers Pegasus and Sage and an order placed for the purchase of Sage 50 Payroll Professional software.

Initial outlay

Sage Software	£663	Negotiations with contractor to return software and possible refund
Mullan Training	£425	One day training of 9 staff on use of Sage 50 payroll
Business and Scientific Services	£441	Half day costs for installation of software on server

After attending the training course on the use of Sage Payroll the Finance Officer raised a number of concerns, which were brought to the attention of Management on 15 March 2010 and a decision was taken that EONI would undertake parallel running with the Sage software and HR Connect. It was agreed that the in-house payroll would not go live until there had been three months of problem free running.

Concerns were also raised about the manual completion of the monthly spreadsheets for staff pension contributions as a vehicle for supplying data to PenServer. The risks with the manual process are greatly increased because human intervention will naturally include an element of errors which cannot be fully mitigated. Civil Service Pensions (CSP) only check the quality of the format of the data and EONI would be responsible for the accuracy and quality of the actual data. EONI need to consider that there could be substantial costs associated with any errors made by the office.

In April 2010 a meeting was arranged with DFP, NIO and EONI to discuss progress with the setting up in-house payroll and to agree what further steps needed to be taken to transfer EONI staff off HR Connect. At that meeting, the NIO identified that EONI could be provided, within five working days from the pay date, with a 'SOPCA' report which is a spreadsheet that contains all staff costs broken down into salary, allowances, tax, national insurance, voluntary deductions, employers costs, pension contributions and ASLC. This detailed report is now emailed (password protected) to the Finance Officer and provides him with the necessary information to check and validate the payroll.

The key problems identified above have also been addressed by HR Connect. The HR Officer is now provided with a monthly email, approximately seven days prior to pay day, which details leavers/no leavers processed in the month. This gives EONI the opportunity to contact HR Connect to advise of any errors and the opportunity to hold pay for anyone who has left but has been processed. The HR Officer also receives a monthly payslip report for checking.

Whilst there have been significant improvements over the past six months to the performance of HR Connect it is nevertheless inevitable that from time to time individuals will have issues with their pay. However, with the reports now available EONI can identify more easily where the problems lie and have received assurance from HR Connect that issues will be rectified as a matter of urgency.

In summary, since the Management Board took the decision to move from HR Connect in November 2009 the service has improved and more management information is being provided to enable timely identification and correction of any errors. In addition, the service is paid from NIO Resource budget at no cost to EONI. Any benefits would be outweighed by the risks and costs of an in-house payroll service.

Recommendations

1. EONI should remain with HR Connect.
2. The Board should monitor performance of HR Connect on a monthly basis.

3. Review the position in six months at which time the NIO are likely to have developed a long term strategy in relation to shared services for arms length bodies.

	26 May 2010
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