

20 February 2020

Phil Pennington  
Radio New Zealand News

E-mail: [Phil.Pennington@rnz.co.nz](mailto:Phil.Pennington@rnz.co.nz)

Dear Phil

**Local Government Official Information and Meetings Act 1987 (LGOIMA) Request**

I refer to your e-mail of 18 December 2019 requesting information regarding the Council's payroll system.

1. What system do you currently use? (by vendor, e.g. SAP)

Frontier Software – Chris 21

2. What system did you use for most of the last 6 years (back from late Dec 2019)?

As above

3. Do you expect to or are you, changing systems in the next 5 years?
  - a. And to what system?
  - b. And why?

Council has recently completed an open market tender to procure a new payroll solution. The Council tendered the payroll system, as the current provider has been with Council since the early nineties. It was considered timely to approach the market to see what options were available, via an open tender process. The incumbent had the opportunity to participate in the process along with other providers.

4. Is your payroll system and its outcomes compliant with the Act as of now?
  - a. If not, what is your latest forecast of when it will be

Payroll system is compliant

5. Pls release a copy of any review – draft or final of your payroll performance visa vis Holidays Act, obtained in the last 2 years (back from late Dec 2019)

There have no reviews carried out in the two year period.

6. Pls provide all minutes of risk and audit committee or equivalent meetings from 2019 that address payroll problems

Please find attached an extract from the Audit and Risk Sub-committee meetings held on 18 April 2019 and 1 August 2019 which references Payroll. Note is made that although the minutes state that there would be an update at the next meeting, an update was not provided.

7. Pls provide all risk assessment matrixes/charts or equivalent (whatever your agency uses to assess and represent risk) around payroll problems and remediation, from the latest, back to the start of 2018

Attached is an extract relating to Payroll master data. Pursuant to section 7(b)(ii) of LGOIMA that making available the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information, section 7(2)(c)(ii) of LGOIMA where making available the information would be likely otherwise to damage the public interest and section 7(2)(j) to prevent the disclosure or use of official information for improper gain or improper advantage some information has been redacted.

8. What is the total actual and/or forecast, or both, cost to your agency of addressing or identifying payroll problems arising from the Holidays Act 2003, since widespread problems were identified in 2015/16, broken down by (pls specify what is actual or forecast, pls include interim or draft forecasts/budgeted amounts):
  - a. Total
  - b. Legal costs
  - c. Payroll IT costs
  - d. Costs around dealing with existing contracts and around procurement
  - e. Paying back staff costs (arrears)

No issues have been identified and therefore no costs incurred in relation to a- e.

9. In any efforts since 2016, current or expected or being worked towards, to procure a payroll system that is compliant with the Act or any revised legislation, pls provide evidence of:
  - a. The most important mechanism your agency uses/d to assess payroll system-related bids in order to adhere to MBIE procurement rules, in terms of making procurement decisions “based on the best public value, over the whole-of-life of the goods, services or works” (4th edition)
    - i. Pls include what weighting ratio or equivalent that you use to assess bids eg “price 70%, incumbent 5%” etc.
  - b. How you assessed any successful payroll bid, for the track record of that system or supplier where it has been or is being used by other Crown/govt or local govt agencies in NZ.
  - c. Detail any instances in which your agency has, in assessing suppliers’ prices, sought clarification from the supplier as per <https://www.procurement.govt.nz/procurement/guide-to-procurement/source-your-suppliers/evaluating-responses/> (pls note, RNZ does not expect suppliers to be identified and as such, RNZ believes commercial sensitivity should not be cited as grounds to withhold information.)
  - d. Have there been any signs of “bid-rigging or collusion amongst suppliers”? If yes, what?
  - e. Detail any financial guarantees your agency has sought from suppliers in general as part of a tender process (but not identifying particular suppliers)

N/A – Council is replacing the current payroll solutions for other reasons not related to compliance with the Holidays Act.

10. At any time in the last 6 years has your payroll being using the PIPS divisor when calculating leave for employees?

No

11. If Yes, are you still using the PIPS divisor?

N/a

12. If not, when was the last time you used PIPS divisor?

N/a

13. If the PIPS divisor has been used, have you tried to ascertain if there have been breaches or pay errors as a result of using it?

N/a

14. If yes, and if there are, have you undertaken remediation to pay employees for any underpayments caused from using the PIPS divisor?

N/A

As we have redacted some information you have the right to seek a review of this decision by the Office of the Ombudsman 0800 802 602, or [info@ombudsman.parliament.nz](mailto:info@ombudsman.parliament.nz)

Yours faithfully

A handwritten signature in black ink, appearing to read 'J. Lapham', written in a cursive style.

Jennifer Lapham  
Governance Support Officer

**EXTRACT FROM THE CONFIDENTIAL MINUTES OF THE AUDIT AND RISK  
SUBCOMMITTEE MEETING HELD ON 1 AUGUST 2019**

**C9 INTERNAL AUDIT - 2018 DATA ANALYTICS**

A report from Finance provided a copy of the Data Analytics Report 2018 prepared by Crowe Howarth. It also provided reporting on the remaining three areas which included:

- AP/Payroll Cross Match (Attachment A)
- Payroll Master Data (Attachment B)
- Payroll Transaction Data (Attachment B)

The General Manager Finance and Commercial (Dave Tombs) spoke to the report and advised that a further update would be provided to the next Audit and Risk Subcommittee meeting.

Moved (Susie Johnstone/Cr Doug Hall):

That the Subcommittee:

- a) **Notes** the Internal Audit Report – Data Analytics 2018, including management follow up to date.

**Motion carried (AR/2019/001)**

**EXTRACT FROM THE CONFIDENTIAL MINUTES OF THE AUDIT AND RISK  
SUBCOMMITTEE MEETING HELD 18 APRIL 2019**

**C6 INTERNAL AUDIT - 2018 DATA ANALYTICS**

A report from Finance provided a copy of the Data Analytics Report 2018 prepared by Crowe Howarth and an update on the follow up work that had been completed by the Finance Department.

Moved (Susie Johnstone/Janet Copeland):

That the Subcommittee:

- a) **Notes** the Internal Audit Report – Data Analytics 2018, including management follow up to date.

**Motion carried (AR/2019/002)**

### 3. Results and Recommendations – Payroll master data and transactions

No.		Number of Records	Risk Rating	Comments and Recommendations
1	No address recorded in the Masterfile		Low	[REDACTED]
2	Only a referral address recorded in the Masterfile (PO BOX etc.)		Low	[REDACTED]
3	Duplicate IRD number		Low	[REDACTED]
4a	No bank account recorded in the Masterfile		N/A	[REDACTED]
4b	No Date of birth		N/A	[REDACTED]
5a	Duplicate bank account recorded in the Masterfile		Low	[REDACTED]
5b	Duplicate address recorded in the Masterfile		Moderate	[REDACTED]
6	Duplicate name recorded in the Masterfile		Low	[REDACTED] or [REDACTED]
7	Length of employment was less than 90 days		Moderate	[REDACTED]



**Crowe Horwath.**  
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No.		Number of Records	Risk Rating	Comments and Recommendations
15	Overtime as a % of gross	■	Moderate	<div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div>
16	No IRD number	■	N/A	<div> <div></div> </div>
17	Invalid IRD number	■	N/A	<div> <div></div> </div>
18	Payroll transactions with no Masterfile match	■	Moderate	<div> <div></div> <div></div> <div></div> </div>



## 2.3. Payroll

No	Test	Result	Indicator	Recommended action(s)
1	Top 25 records by gross pay	[REDACTED]	M	[REDACTED] [REDACTED] [REDACTED]
2	Difference between MIN and MAX pay per position description greater than \$15,000 (excludes results where there is only one record per position description)	[REDACTED] [REDACTED] [REDACTED]	L	[REDACTED] [REDACTED] [REDACTED]
3	Allowances (largest to smallest)	[REDACTED]	L	[REDACTED] [REDACTED]
4	Overtime over \$10,000	[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]	L	[REDACTED]
5	Transactions with no record in the master data	[REDACTED] [REDACTED]	H	[REDACTED] [REDACTED] [REDACTED]
6	Master data records with no address recorded	[REDACTED]	L	[REDACTED] [REDACTED]
7	Referral address AND started during the review period	[REDACTED] [REDACTED]	L	[REDACTED] [REDACTED] [REDACTED]
8	Duplicate bank account	[REDACTED]	L	[REDACTED] [REDACTED] [REDACTED]

No	Test	Result	Indicator	Recommended action(s)
9	Duplicate address - PO Box		N/A	
10	Duplicate address - street		M	
11	Duplicate name		M	
12	Short duration of employment (less than 30 days)		L	
13	Paid prior to start date		L	
14	Round numbered payments		L	