Grant Thornton

Ministry of the Interior and Kingdom Relations

Financial Processes Government of Sint Maarten

The Payroll Process

November 25, 2022

Version: Final Report

The Ministry of the Interior and Kingdom Relations
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Our reference: HEB/RJ/2220496

November 25, 2022

Report 'Financial Processes Government of Sint Maarten'.

Dear Mr. Burger,

Grant Thornton Sint Maarten (hereafter 'Grant Thornton' or 'we') is pleased to present to The Ministry of the Interior and Kingdom Relations (hereafter 'Min BZK' or 'you') our report containing the assessment performed of the Financial work Processes of the Government of Sint Maarten, which we executed for your organization, in accordance with our offer made with reference: HEB/RJ/67.004.0/46794

This report contains the results of the assessment performed and sheds light on the financial processes within the Government of Sint Maarten as part of the thematic projects described in the Country Package. This assessment contributes to a wide range of reform plans and measures that should support Sint Maarten to create economic and societal resilience. More specifically, the purpose of this report is to assess the Payroll Process in order to initiate proper financial control within the Government of Sint Maarten, which is also the objective of Theme A of the Country Package. We received formal approval from the Ministry of Finance on October 21, 2022, by means of a letter with number 4480. Hence, we hereby provide you with the final report on the assessment of the financial processes.

We would like to thank you again for the opportunity to execute this very important initiative. It was a pleasure to cooperate with you, all members of the Steering Committee, and all other stakeholders in the different Ministries that contributed to our assessment. Without their support and guidance, we would not have been able to deliver this report.

Sincerely,

Herbert Beldman
Partner Advisory & Assurance

Roy Jansen
Partner Advisory

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Introduction

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1 Introduction

Recently, the Government of Sint Maarten started the initiation of a wide range of reform plans and measures to create economic and societal resilience and shape the future of the Government of Sint Maarten. These plans are part of the Country Package, an agreement between the Ministry Interior and Kingdom Relations and the Government of Sint Maarten to support the country with several improvement projects. One of these projects, which relates to the improvement of financial management within the government, is to assess the current financial processes that exist within the Government of Sint Maarten. Currently, there is no sufficient overview of the processes regarding financial management within the government, which entangles a proper view of the financial position of the country.

As such, there is a need to provide insight into the current financial processes and corresponding IT systems. The objective of this project is to shed light on three critical financial processes (i.e., Payroll, Procure to Pay, and Order to Cash) within the government of Sint Maarten in order to better grasp their current state and understand how improvements can be realized. This report focuses on the Payroll Process. Based on an analysis of the current state (IST) documentation, this report elaborates on which improvements should be implemented to the Payroll Process and what the desired future state (SOLL) of this process resembles. It crystallizes the road toward the future state that guides efforts toward realizing a defined blueprint (Target Operating Model). This road exists of short-term improvements or quick wins for the process (IST++), and long-term improvements that lead to a desired future state (SOLL). The foundation of this blueprint and the recommendations lies within the analysis of the process through four lenses: ‘People’, ‘Process’, ‘Technology’, and ‘Organization’. These lenses provide an evaluation of the process from multiple perspectives that serve as a guide for the transformation that lies ahead to reach the desired future state.

The following chapter elaborates more in-depth on the approach that is taken for the analysis of the process and the determination of the SOLL position. The approach supports in bridging the gap between the current state (IST position) and the desired future state (SOLL position) of the process. Moreover, as explained in the following chapter, this approach is subsequently translated into a recurring report structure that will guide you, as a reader, through the report contents in a consistent manner.

Ultimately, the consolidated report on all financial processes in scope will support the Government of Sint Maarten in the transformation to an effective, efficient, and above all controlled financial process framework that contributes to a clear view on the financial position of Sint Maarten. Consequently, this project is not limited to a process analysis alone. Rather, it contributes to a path toward an integral vision on the Future of Finance within the Government of Sint Maarten. A Future of Finance is reached through organizational transformation, which will be noticed by all citizens of Sint Maarten and stakeholders of the government.

“If you do what you always did, you will get what you always got.”

Approach and Report Structure

02

Approach and Report Structure

This chapter provides an overview of the approach used to analyze the Payroll Process and outlines the report structure, which serves as a reading guide.

Some specific characteristics of the approach will be highlighted, since these are pivotal to the assessment approach and will also act as prerequisites for the transition towards the desired state.

2.1 Approach

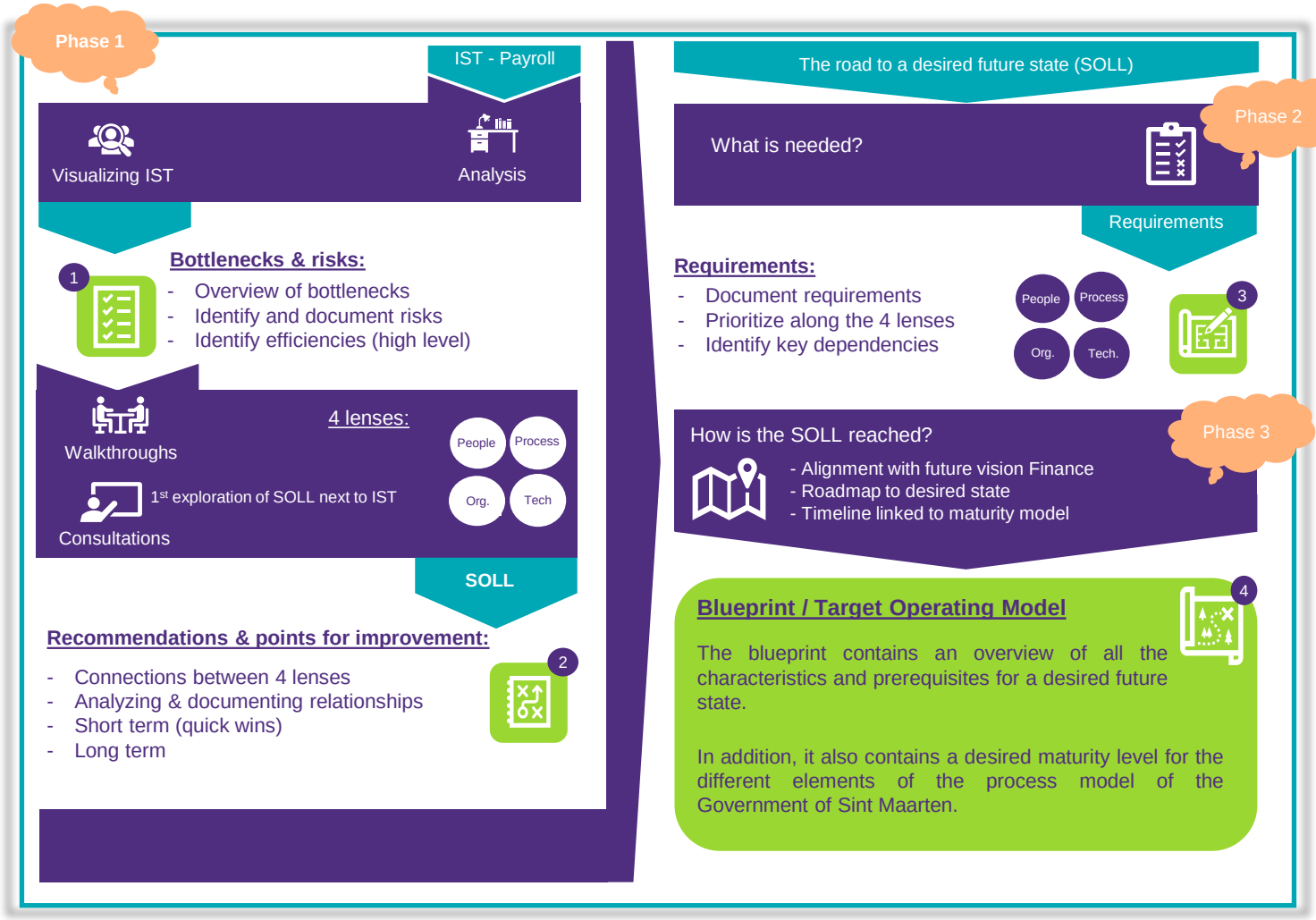
This overview outlines our approach. The engagement phases contain multiple steps that will be taken to come from a current state (IST) to a future state (Blueprint/Target Operating Model).

The two deliverables that have emerged from the activities of phase 1 are essential for creating the way to a SOLL situation. Per process, an overview of the risks and bottlenecks is given along four lenses: 'People', 'Process', 'Organization', and 'Technology' (deliverable 1). This results in recommendations and points for improvement per lens (deliverable 2). These recommendations have been embedded into a roadmap that provides insight into short- and long-term remediation actions.

To reach the desired end state (SOLL), 'requirements' have been formulated. Through the four lenses, insight is gained into the requirements in the short- and long-term, including prioritization. It is crucial to have an overview of the requirements per lens since it is imperative to approach the transition toward the desired future state comprehensively (deliverable 3).

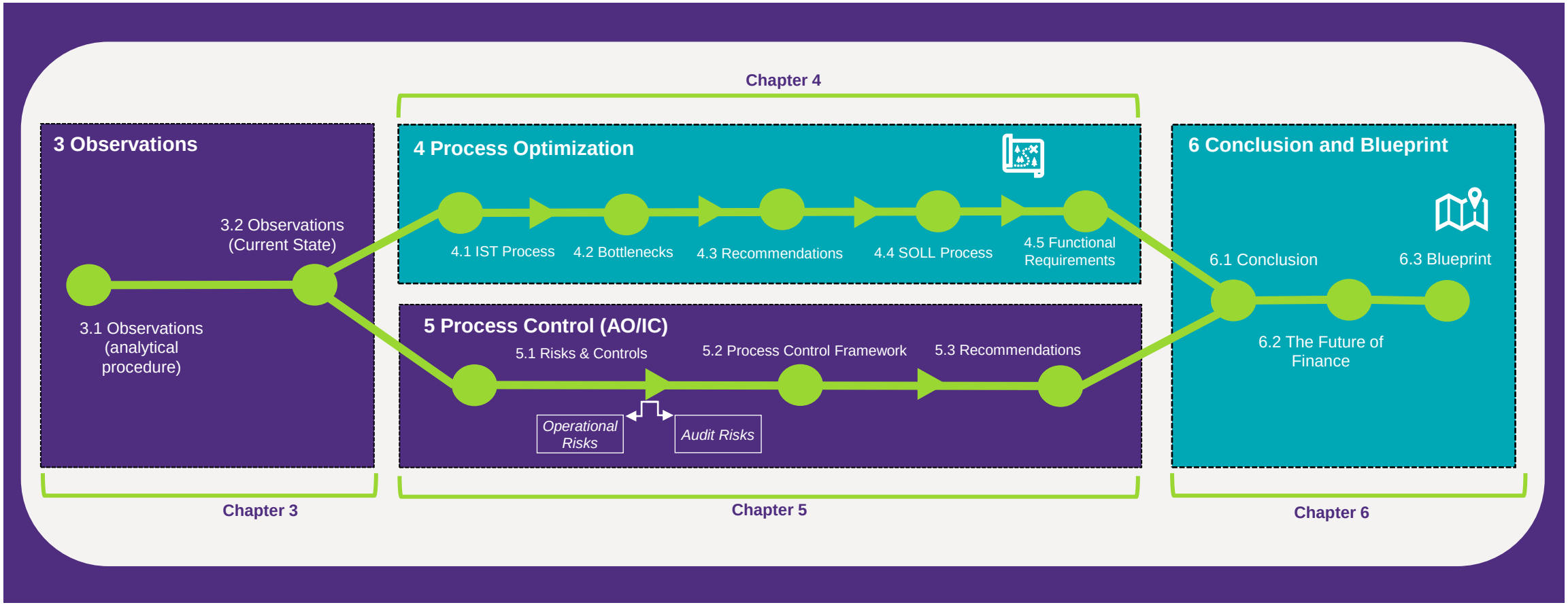
Finally, we have designed the Blueprint of the desired future state that will direct organizational transition towards a common/shared goal. Such a Blueprint is often referred to as a Target Operating Model; a firm's business vision that aligns operating capacities and strategic objectives and provides an overview of the core business capabilities, internal factors, external drivers, strategic and operational levers, organizational and functional structure, technology, and information resources of a company. In our approach, this Blueprint has been designed by means of the 4 lenses.

Since your request also called for insights to address maturity-driven improvement efforts, we have adopted a maturity model from Gartner for Business Process Improvement. This is an internationally renowned framework that is used to assess the level of business process maturity and guides continuous improvement alongside different maturity levels.



2.2 Report Structure

The figure below presents the structure of the report. This structure reflects the approach that is taken to ultimately come to a blueprint and roadmap for the Payroll Process. **Chapter 3** elaborates on the overall observations regarding the IST process and the analysis procedure that is conducted. Subsequently, **Chapter 4** provides a more in-depth view of the specific process. It outlines the IST process (current state), including all the individual findings per process step that are identified during the analysis. Furthermore, this chapter provides an overview of the consolidated bottlenecks and corresponding recommendations through the 4 lenses 'Technology', 'Process', 'Organization', and 'People'. These recommendations outline the roadmap to a proposed SOLL process (desired future state), which is also presented in this chapter. Consequently, this chapter outlines the functional requirements for the system(s) that are utilized in the SOLL process. Next, **Chapter 5** on process control provides insight into the risk analysis, which contains an overview of identified risks (categorized under operational risks and audit risks) and potential controls to mitigate those risks. In addition, this chapter presents concrete recommendations regarding the implementation and use of a process control framework. Finally, **Chapter 6** provides the overall conclusion and elaborates on the future state of the Payroll Process, including a Blueprint that reflects a consolidated overview of all the characteristics and prerequisites for the desired future state that is based on the 4 lenses.

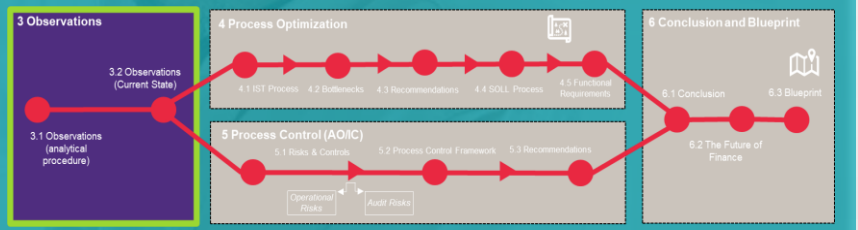


Observations

03

Observations

This chapter elaborates on the observations regarding the current state of the Payroll Process that are made during the analysis. It provides insights into the analysis procedure and presents an overall observation on the current state, which is the basis for the subsequent chapters.



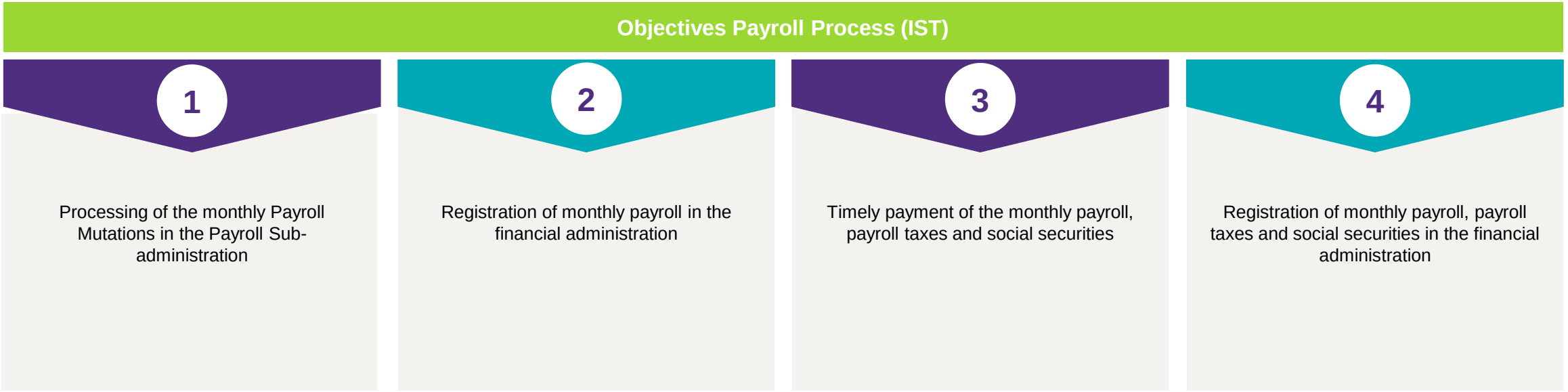
3.1 Observations – the Analysis Procedure

The overall observations that will be outlined on the following page are derived from a comprehensive assessment of the Payroll Process. This assessment approach is used for the analysis of the three financial processes in scope for this project (i.e., Payroll, Procure to Pay, and Order to Cash). Regarding the Payroll Process, the process objectives are used as a point of departure for the analysis. These process objectives, as outlined in the IST process, are presented in the figure below. The systematic approach taken towards the analysis started with the process objectives and consists of the following procedures.

Initially, the current state of the Payroll Process is analyzed using the IST process description provided to us. This IST process description provides an overview of the current Payroll Process including the core activities in a subsequent order, division of responsibilities, and implemented tools (i.e., systems and documents). Before proceeding with the in-depth analysis, a thorough review was performed of these process documents. This review is intended to gain an overall view and understanding of the process, resulting in high-level questions, remarks, and observations. Thereafter, a breakdown of the process is done where all individual process steps are analyzed, and observations and remarks are documented. This is where detailed observations are made, bottlenecks and potential risks are identified.

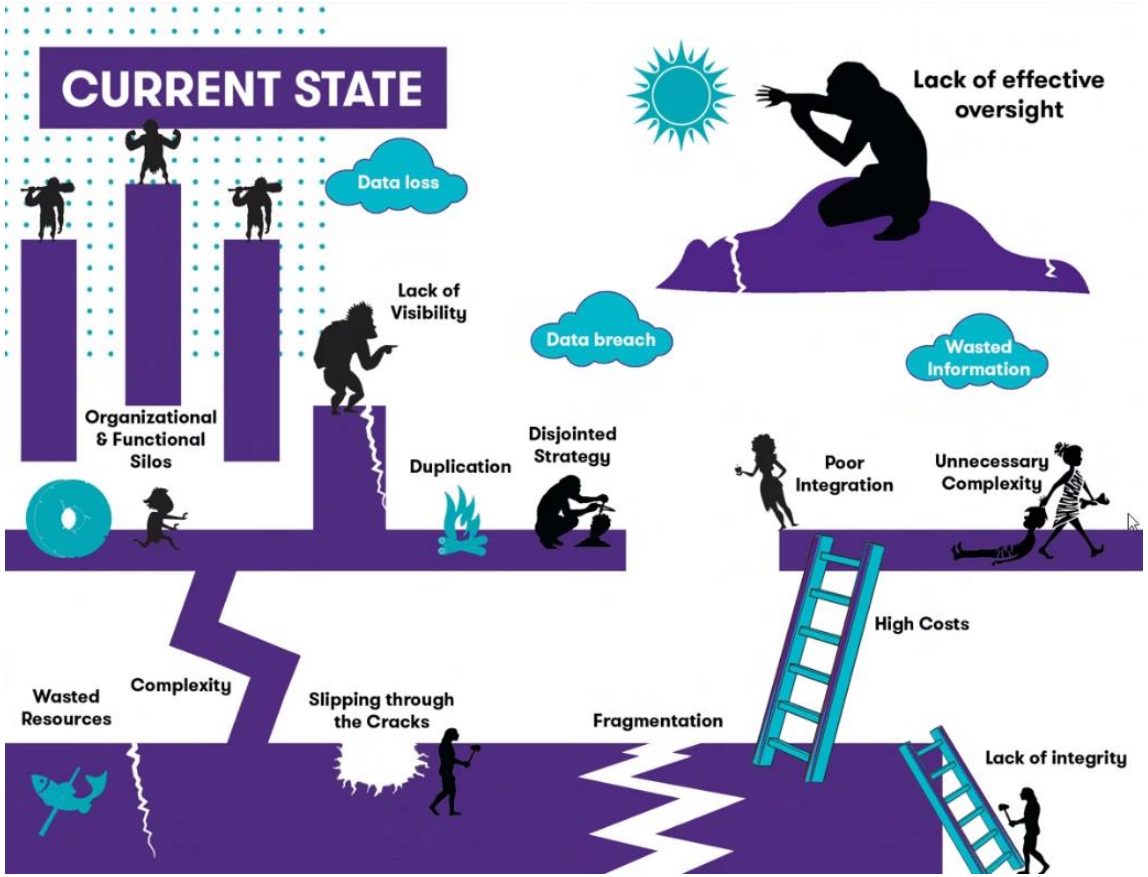
Besides the analysis of the IST process descriptions, two walkthroughs with departments ‘Loon & Salarissen’ and ‘Personeel & Organisatie’ were conducted to gain a more in-depth understanding on the identified risks and bottlenecks in the process. Consequently, the bottlenecks are translated in recommendations. These are subsequently consolidated into an overall recommendation.

Hence, the process is portrayed according to the above-described analysis procedure. This procedure is replicated for the analysis of the Procure to Pay and Order to Cash processes, which will be presented in the consolidated final report.



3.2 Observations – the Current State

Current State of the Payroll Process



Our current state analysis results in an overall observation overarching the bottlenecks and risks that are discussed in the following chapters. The overall observation is depicted in the figure on the left side, which reflects the current state of the Payroll Process.

Our primary observation when reviewing the IST Payroll Process was that it is well documented according to how the process is currently executed in the government. The process flows are adequately plotted and illustrate the current situation.

However, when conducting a more thorough analysis, the overall observation is that the current Payroll Process as documented is not comprehensive enough to carry all the elements that are expected within a payroll organization. More specifically, there is no coherent way of working within the process, it is missing specificity across the board, and there is no insight into potential risks. In addition, there are no measures in place to mitigate what could go wrong.

When evaluating the process objectives, their aspects cover the minimum that can be expected for a Payroll Process. Our initial observation regarding the current Payroll Process objectives is that these are not specific and measurable enough, making it difficult to monitor possible goal achievement. Hence, these need to be reformulated in order to provide a solid foundation for the future desired state, which is defined in chapter 6.

As such, the Payroll Process demonstrates a low maturity level and is therefore not able to contribute to effective financial management. As depicted in the figure, several issues emerge in the current state such as fragmentation in the process, poor integration, a lack of visibility, a lack of effective oversight, waste of resources, and unnecessary complexity. Hence, the current state of the Payroll Process complicates proper financial management and a clear view of the financial situation of the government.

The following chapters elaborate more in-depth on the bottlenecks and risks that result from the deficient current state of the Payroll Process. This also includes a thorough evaluation of the maturity level in which the current state of the process is situated. Consequently, several recommendations are formulated that mitigate the bottlenecks and risks.

Process Optimization: From IST to SOLL

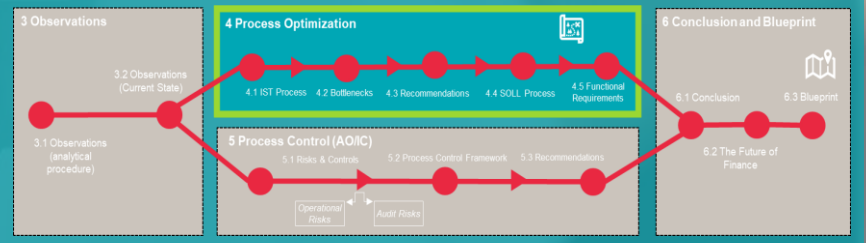
04

Process Optimization

This chapter aims to provide a bridge between the IST and SOLL situation of the Payroll Process. It outlines the IST process (current state) and provides an overview of the consolidated bottlenecks and corresponding recommendations through the 4 lenses, which lay down a path to the proposed SOLL process (desired future state), which is also presented in this chapter.

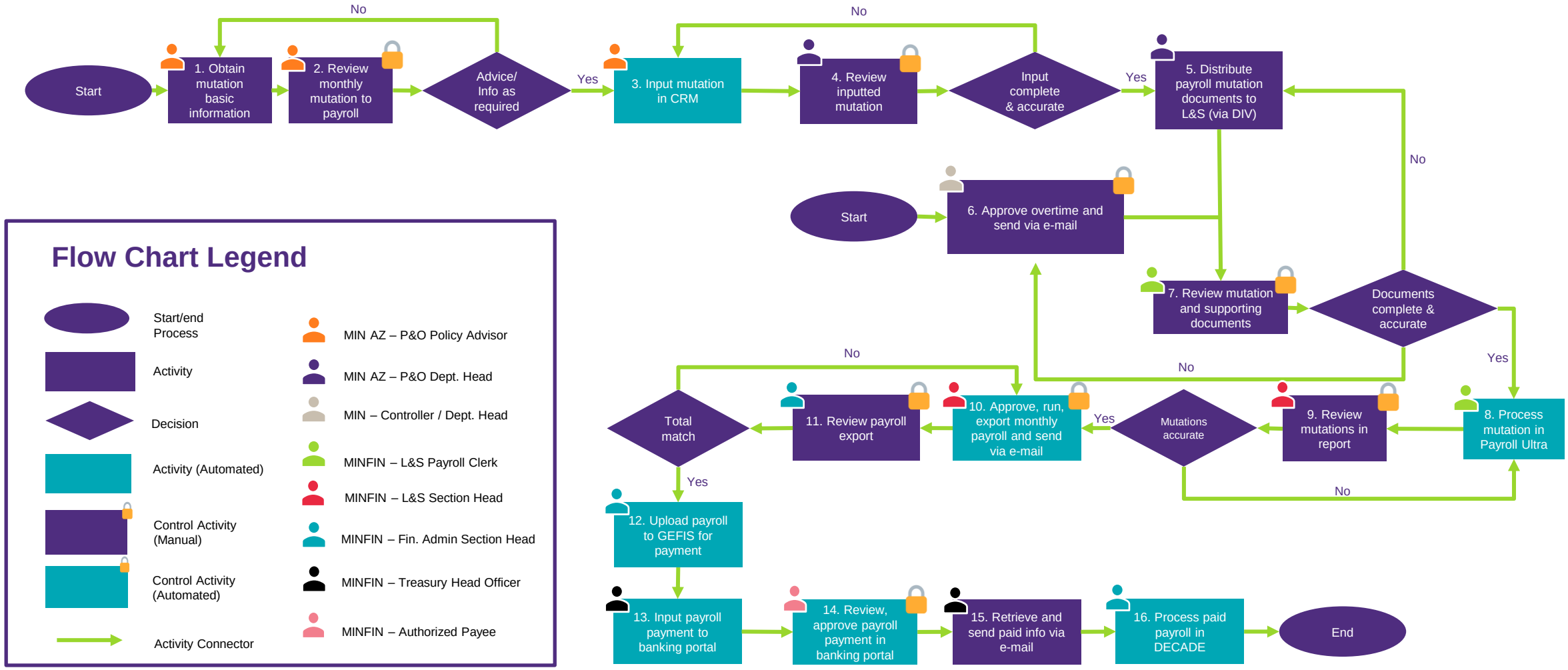
Hence, this part of our analysis provides insights into effectiveness and efficiency of the design and implementation of the process.

Although the objective of the analysis is to improve process control, provide insight and oversight, given the larger context of reform, overall Business Process Redesign also provides opportunity to rethink/optimize certain functional aspects of the financial processes in scope.



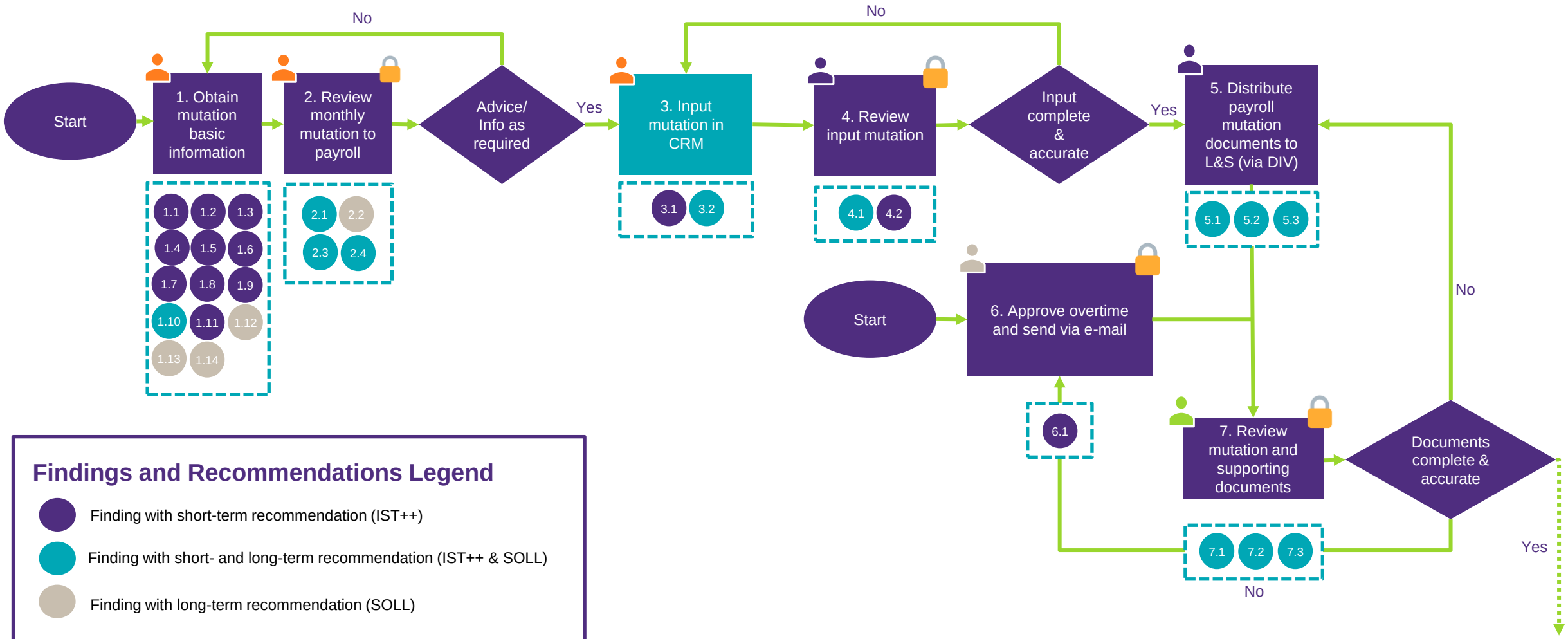
4.1 IST Process - Overview

The figure below presents a flow chart of the current Payroll Process (IST). Additionally, a legend for the flow chart is presented on this page, which includes among others an overview of the person/department that is responsible for a specific process step.



4.1.1 IST Process (1/2) – Findings of Step 1 to 7

The figure below presents the first part of the process flow chart, which includes steps 1 – 7 of the IST process. In this figure, the findings with recommendations, as formulated and presented in the appendix, are linked to the concerning process step. Each bullet that contains a unique number (e.g., 1.1) reflects an individual finding. A table that consists of all the individual findings with corresponding recommendations is presented in the appendix. For clarification, a legend of the structure of findings and recommendations is shown at the bottom of the page.

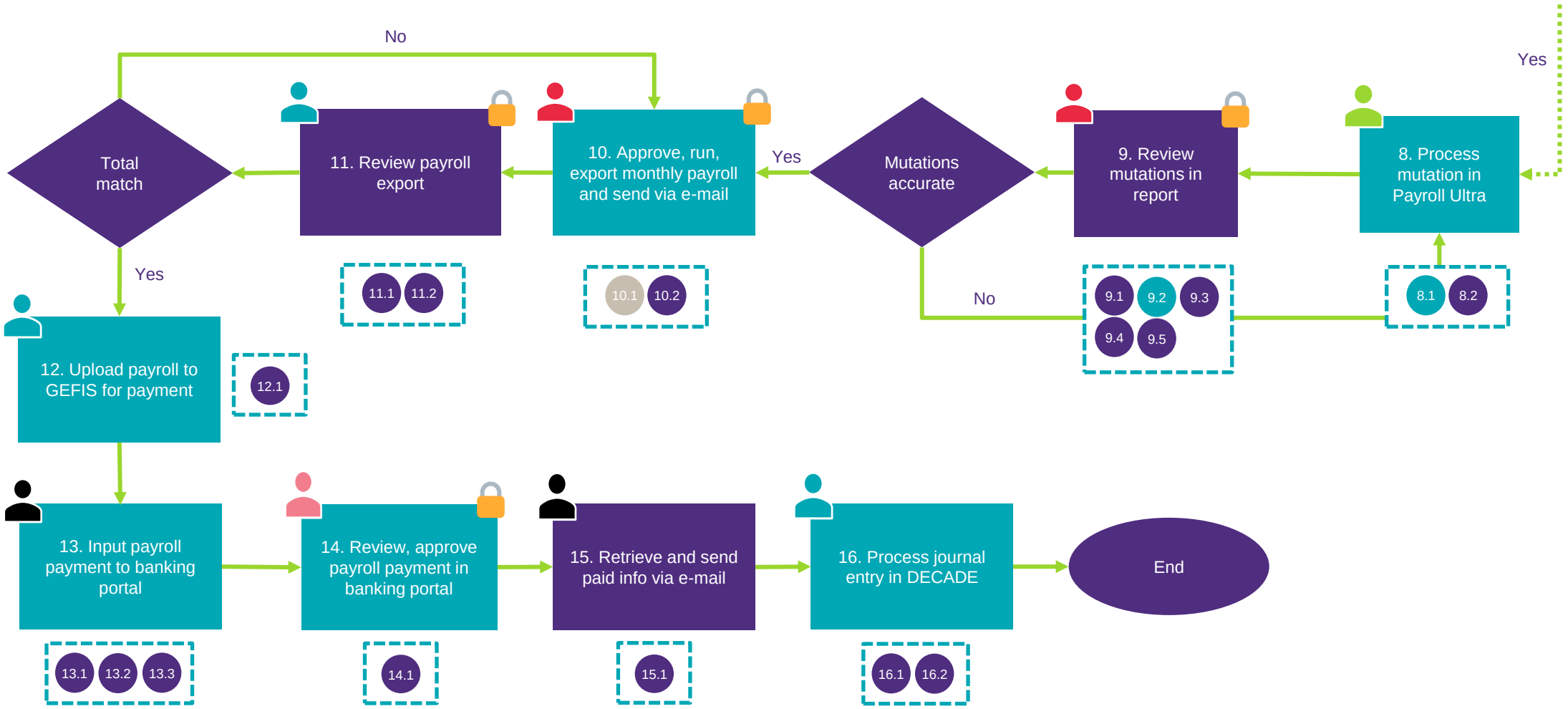


Findings and Recommendations Legend

- Finding with short-term recommendation (IST++)
- Finding with short- and long-term recommendation (IST++ & SOLL)
- Finding with long-term recommendation (SOLL)

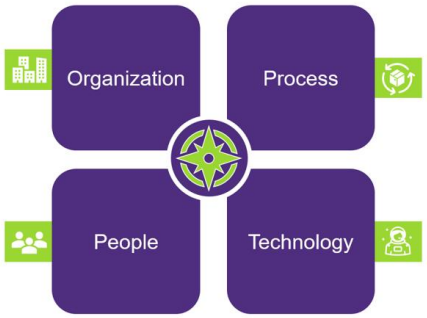
4.1.2 IST Process (2/2) – Findings of Step 8 - 16

The figure below presents the second part of the process flow chart, which includes step 8 – 16 of the IST process. As stated earlier, in this figure, the findings with recommendations, as formulated and presented in the appendix, are linked to the concerning process step. Each bullet that contains a unique number (e.g., 1.1) reflects an individual finding. A table that consists of all the individual findings with corresponding recommendations is presented in the appendix. For clarification, a legend of the structure of findings and recommendations can be found on the previous page.



4.2 Bottlenecks - Consolidated

Based on observations as part of the current state analysis, information that is received from stakeholders has been analyzed. As stated earlier, this includes the IST-documentation and included process flows. In addition, interviews were held with key stakeholders involved in the process. The analysis of the provided information resulted in a comprehensive overview of bottlenecks. Consequently, all identified bottlenecks were projected against the four lenses 'People, Process, Technology and Organization' in order to establish key recommendations. All bottlenecks and risks that are identified during the current state analysis are presented in the appendix per process step. These findings are outlined on the process step level and include a corresponding recommendation, which is either a short-term recommendation (IST++) or a long-term recommendation (SOLL). Whereas the overall recommendations are presented on the following page, the short-term recommendations are presented separately on page 20.



Looking at the bottlenecks from an overall perspective, our main observation is that the process is not properly designed and utilized to establish a well-functioning end-to-end process. The designed process is based on minimal requirements, inadequately implemented, and insufficiently carried out throughout the organization. This is due to a lack of a coherent way of work, deviations in the process, unclarities around roles and responsibilities, a shortage of resources, and a lack of an integrated IT infrastructure. The table below presents the bottlenecks in the Payroll Process along the lines of the 4 lenses.

Process

Process deviations | Due to unclarity around roles and responsibilities, policies and procedures, and way of working, processes are deviated from by the actors in the process. These deviations may lead to incomplete and inaccurate processing of personnel files, with the consequence of pay-outs being processed without considering social security, medical or pension premiums. This may lead to non-compliance with laws and regulations. Besides, there are inconsistencies due to the lack of communication within the leavers' process, causing that personnel can still be considered active and receives salary payments unjustifiably. Another cause for this is the lack of a formalized set of controls built into the Payroll Process to mitigate these risks.

Various ways of working | The current process has no coherent structure with a predefined way of working. There are no (sub)processes in place that include best practices or guiding principles to support the end-to-end Payroll Process. The varying ways of working between ministries potentially lead to inefficiencies, inaccuracies, and unauthorized transactions in the process. Moreover, there are no formalized policies across the government that support the Payroll Process. For instance, no formalized joiners, movers, and leavers process exists that includes guidelines and checklists.

Technology

Various IT systems | There is no integrated IT-landscape that supports the end-to-end Payroll Process, including a workflow that covers changes, approval flows, and source documentation. Several systems and tools are used by different departments within the process, which includes a customer relationship management system (CRM), Payroll Ultra, DECOS, DECADE and GEFIS. Currently, there is no integration between these systems, with the consequence that there is no structure in the flow of information. As such, data is inaccurate or incomplete, leading to errors in the Payroll processing with financial impact. This also brings inefficiencies within the process that results in longer lead times.

Organization

Roles and responsibilities | There is unclarity around the roles and responsibilities throughout the several steps within the Payroll Process. This lack of clarity particularly relates to the division of responsibilities between the 'Loon & Salarissen' and 'Personeel & Organisatie' department. Not having clarity about key actions in the process potentially lead to miscommunications and deviations in the process. As a result, discrepancies may occur around the process of recordkeeping, standing data, or source information. Not having clarity about roles and responsibilities also leads to longer lead times within the process due to interdependencies, which cause disturbances in the process chain. Additionally, clear roles and responsibilities will prevent potential decision-making that leads to bypassing of the process and workflow.

People

Resourcing | Looking at the complexity and tediousness of the current process, there is an overall shortage of human resources within the process chain, including teams that process the payroll on a monthly basis. This may lead to errors in the system and can have an impact on the motivational aspect of the persons involved. Moreover, due to the lack of a structured way of working with the available systems, teams that are involved cannot be trained specifically on the content in order to improve their skills and motivation. Another aspect that affects the people involved, is the lack of career perspective within the payroll organization. The current function groups are not up to par to facilitate growth within the organization, which impacts the motivational aspect.

4.3 Recommendations - Consolidated

Based on our analysis, improvements are possible and necessary for multiple aspects and stages of the Payroll Process. This chapter outlines the consolidated recommendations. Additionally, the following page presents the short-term recommendations, which are extracted from all the recommendations in the appendix. Based on the detailed recommendations per process step that are provided in the appendix, we recommend the Government of Sint Maarten rethink, redefine and redesign the financial processes across the organization. This becomes even more relevant for the end-to-end processes of Procure to Pay and Order to Cash in comparison to the Payroll Process, because multiple Ministries are involved, which adds to the complexity. Designing a process model for the 'Future of Finance' that contains all relevant financial processes and is executed diligently by all involved actors and for which process chain responsibility is assigned, agreed upon, and acted on. Especially the latter is a fundamental change, for some perhaps a paradigm shift, which transforms the operating model of the Government of Sint Maarten from a functionally oriented way of working towards a tilted 'horizontal' modus operandi with a focus on processes instead of functional entities (Ministries and/or departments).

Process

Process redesign | Design and develop formalized policies and procedures for the end-to-end Payroll Process based on process redesign. This will bring the entire Payroll Process chain together and facilitate ways to design the optimal process based on the question "what does good look like?". This approach will bring all the involved stakeholders together in order to rethink and redesign the new process and simultaneously include the technological needs to support the newly designed process. This will result in a new to be designed process, including specific needs for the process in relation to IT before possible implementation.

Unified way of working | Create working instructions that cover the entire (re)designed process, including workflows, tools, communication, and planning. This will include all policies and procedures, best practices, and guiding principles, which results in the creation of a uniform way of work across the chain.

From Design to Implementation |. For the implementation of the new process from a maturity level perspective, different timelines Implement the (re)designed policies, and procedures, including working instructions that cover the end-to-end Payroll Processes can be taken into consideration based on the ambition level towards change.

Technology

One integrated IT system | Determine the specific need for systems and tools to support the end-to-end process based on the new (re)designed process. This can be either expansion of the use of current systems or determine the need for a completely new system based on the outcome of (all) process (re)designs within the financial management domain. For example, based on observations made, there are currently no workflows available that include approval flows and consolidating data along the way to track the process. Such a system should be used by both P&O and the L&S department. In this regard, a new integrated IT system will be indicated as System X in the SOLL process. Besides defining the need for supporting tools, formalized and uniform way of working should be in place in order to achieve the desired goals and efficient use of the tools and systems.

Organization

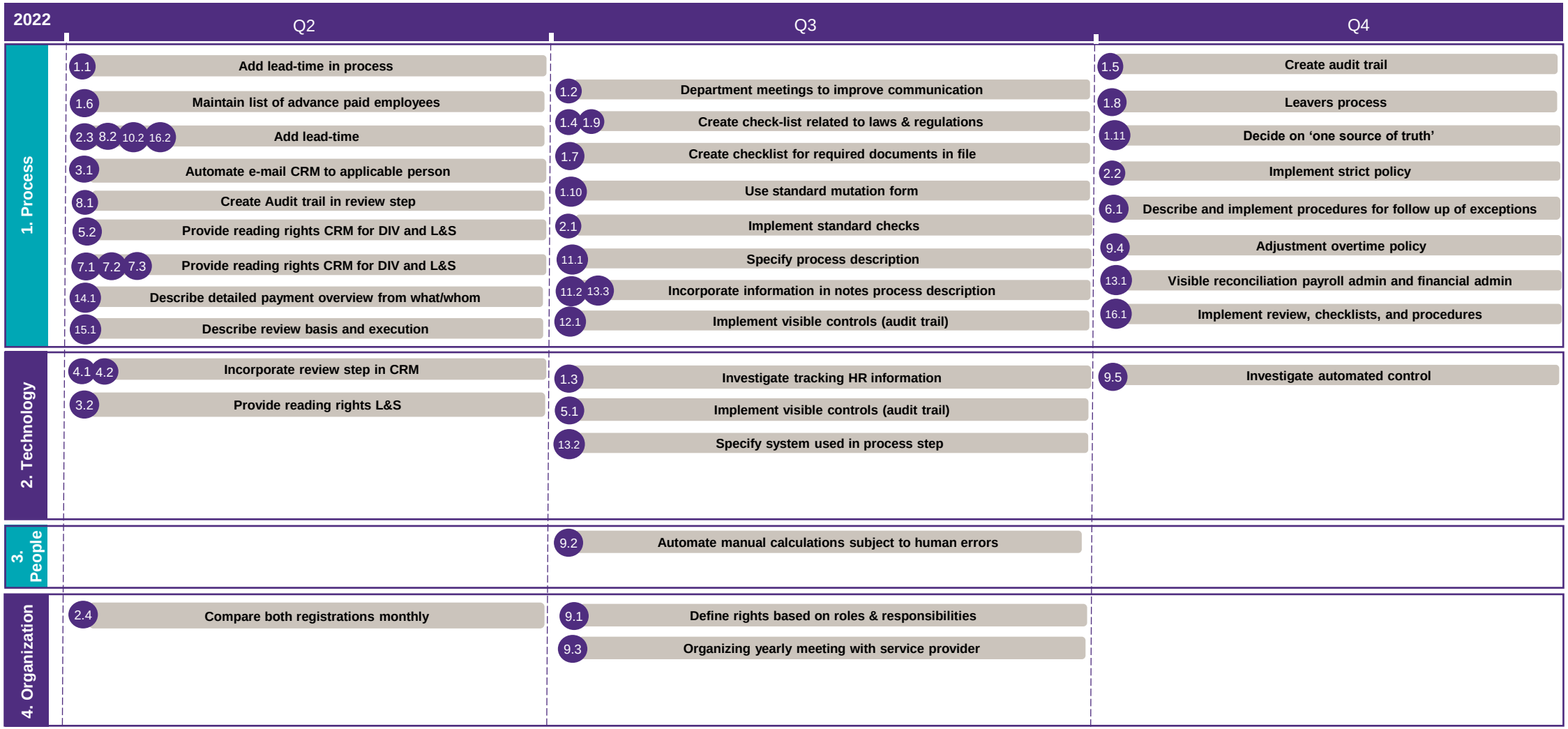
Organizational Change | Define the roles and responsibilities across the end-to-end Payroll Process, which should be aligned with the process (re)design. Incorporate a formalized communication structure between Ministries throughout the key process steps in order to achieve uniformity and efficiency within the process chain. The outcome of the (re)designed processes, including its requirements, should lead to the sub-project organizational set-up. This outcome will be the basis for the organizational change that is necessary to support the redesigned processes as part of the journey towards the Future of Finance.

People

Focus on Talent (recruiting, development, retention) | Utilize the human resources for the new defined roles and responsibilities across the redesigned end-to-end process. The organizational change exercise will provide clarity on the overall need of additional staffing within the process chain. Provide a description of new duties within, and responsibilities across, the entire process and formalize these within the organization. Provide training around the new way of work (incl. policies and procedures) according to the (re)design and restructuring of the process.

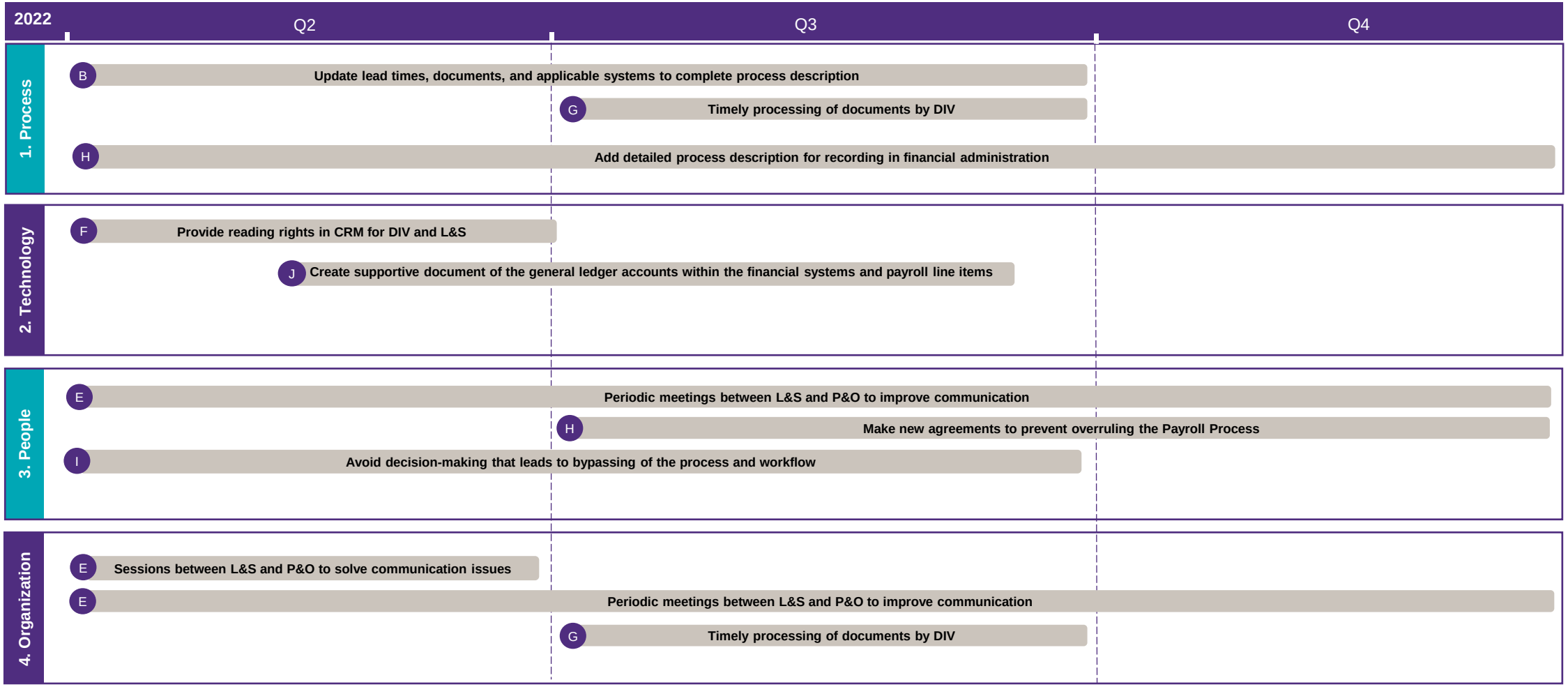
4.3.1 Short-Term Recommendations – Process Step Level

The figure below presents the short-term recommendations (IST++) that are linked to the findings as presented in the appendix on a ***process step level***. These short-term recommendations are presented on a timeline and structured according to the four lenses. These IST++ recommendations are quick wins that will improve the Payroll Process on a process step level in its current state, rather than transforming the process into a desired future state. Therefore, the short-term recommendations are plotted on a timeline instead of drawn into an IST++ process. Conversely, a SOLL process is drawn, which is presented in paragraph 4.4.



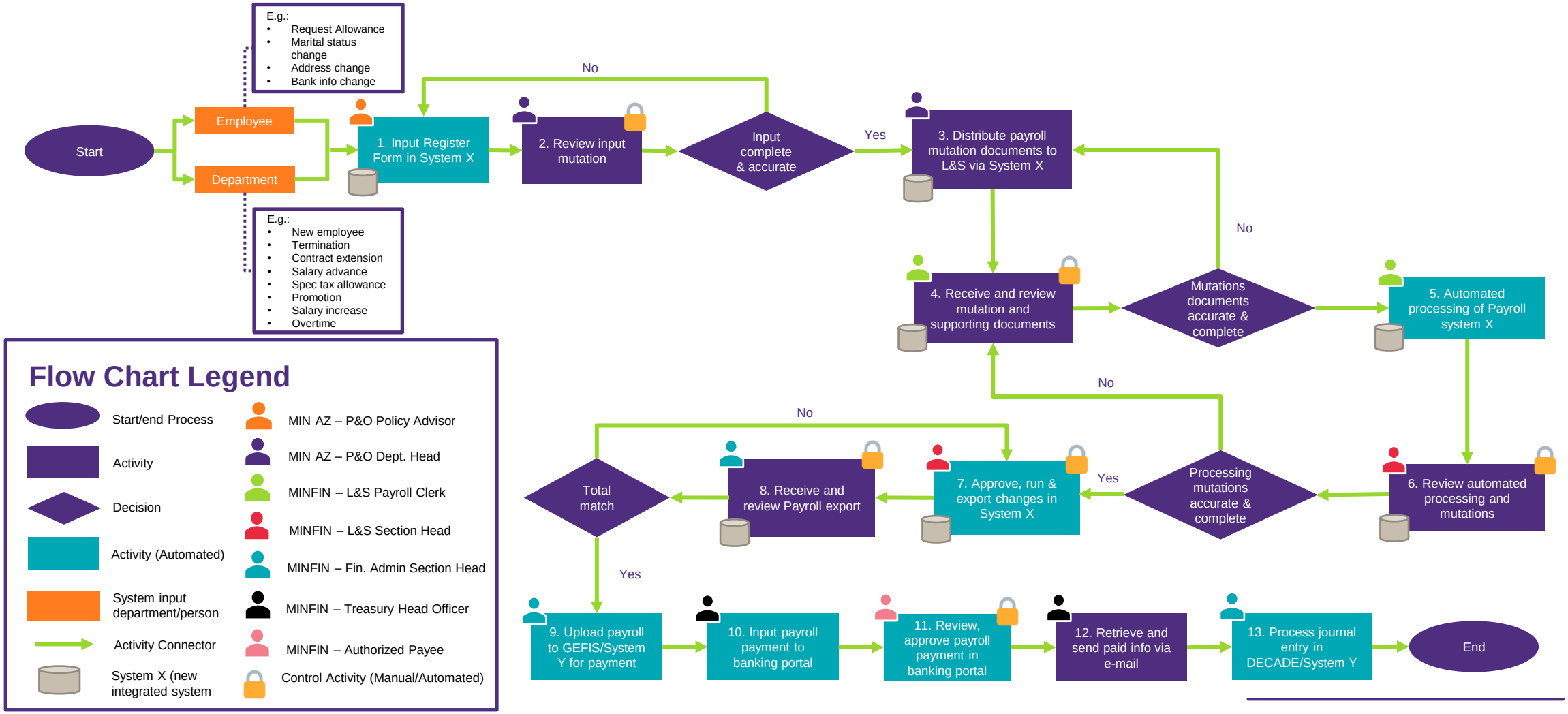
4.3.2 Short-Term Recommendations – General Findings

The figure below presents the short-term recommendations (IST++) that are linked to the ***general findings*** as presented in the appendix. These short-term recommendations are presented on a timeline and structured according to the four lenses. These IST++ recommendations are quick wins that will improve the Payroll Process on a process step level in its current state, rather than transforming the process into a desired future state. Therefore, the short-term recommendations are plotted on a timeline instead of drawn into an IST++ process. Conversely, a SOLL process is drawn, which is presented in paragraph 4.4.



4.4 SOLL Process - Overview

The chapter presents the SOLL position in the Payroll Process. The SOLL process is presented in the figure below and is based on the bottlenecks and recommendations that are outlined on the previous pages and the appendix. This SOLL process reflects the desired future state of the Payroll Process, which is the final destination of the road toward a new Payroll Process. It should be noted that this process is built on several fundamental changes, such as the deployment of one integrated HR system (System X) that is used by both P&O and L&S and managed centrally instead of decentral. All the fundamental changes required for the SOLL process are presented on page 23. Functional requirements for such a system are presented on page 24. An extensive description of the SOLL process is provided on the following page.



4.4.1 SOLL Process – Process Description

The SOLL process as outlined on the previous page includes multiple individual steps that together shape the entire Payroll Process in a desired future state. In this SOLL position, the process should be carried out as follows. **(Step 1)** First, either the respective employee or the respective department prepares a registration form, which occurs directly in System X, and is guided by the policy advisor of the P&O department. Whereas the respective department head is responsible to provide mutations regarding a new employee, termination, contract extension, salary advance, specific tax allowance, promotion, salary increase, and over time, the respective employee is responsible to provide mutations regarding a request allowance, a change in marital status, an address change, and a change in bank information. **(Step 2)** Second, the department head of P&O reviews the input that is entered into System X. If the input is inaccurate or incomplete, the department head contacts the policy advisor to ensure that the input becomes accurate and complete.

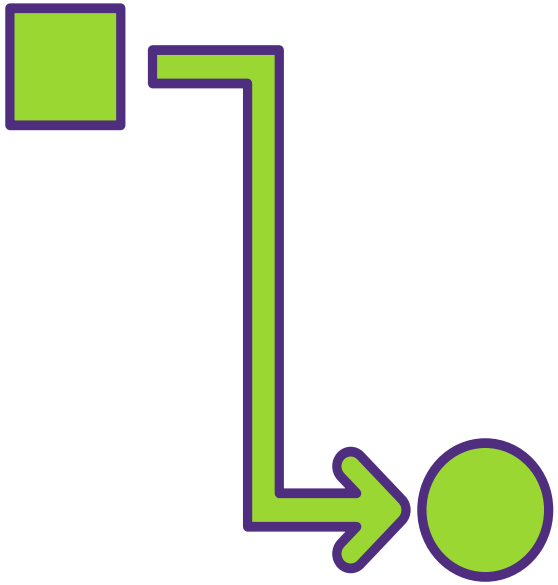
(Step 3) When the input is accurate and in line with the Advice provided, the P&O department head distributes the payroll mutations to L&S. This occurs within System X. The P&O department is responsible for these process steps. Hereafter, the process is transferred to the L&S department, which in the SOLL situation is done using one system (System X).

(Step 4) Subsequently, the payroll team receives the mutations including documentation within System X and reviews them accordingly. If the mutation documents are inaccurate or incomplete, the payroll team contacts the P&O department for missing or incorrect information. **(Step 5)** Firth, if accurate and complete, the payroll team ensures that the payroll is processed automatically in System X. In the current situation (IST), this occurs by means of several manual proceedings, which becomes less error-prone and more efficient through this way. **(Step 6)** Sixth, the department head of L&S reviews the automated processing and mutations. Any improper of inaccurate processing is explained and corrected by the payroll team. **(Step 7)** When fully accurate, the L&S department head approves, run, and export changes in System X. Hereafter, the rest of the process is carried out by several departments of the Ministry of Finance.

(Step 8) Subsequently, the payroll is received and reviewed by the section head of the Financial Administration department. This review is carried out by comparing the overview sent to the Financial Administration with the overview sent to Treasury on a total level. In case of a mismatch, the L&S department head is contacted for an explanation and a potential correction. **(Step 9)** If there is a total match and there are no inaccuracies, the payroll file is uploaded to GEFIS (current system) for payment by the department head of the Financial administration department. Ideally, this will be done in a new integrated system if possible (system Y). This system should interface with system X.

(Step 10) Subsequently, the payments are uploaded into the WIB corporate banking portal by the treasury head officer and **(Step 11)** reviewed and approved in the WIB Corporate Banking portal by an authorized payee of the Financial Administration department. **(Step 12)** As the twelfth, the treasury head officer retrieves and sends the payment information via e-mail to the Financial administration to confirm that the payroll has been paid. **(Step 13)** Finally, the payroll is processed and registered within the financial system DECADE (current system) by the section head of the Financial Administration. Once again, it desired to implement a new integrated system (System Y) that interfaces with System X for an improved process flow.

These thirteen steps present the desired future state of the Payroll Process. The most significant differences compared to the IST process and the fundamental changes/decisions that are required for the SOLL process are outlined on the following page. This SOLL process initiates the formulation of new process objectives, in which timeliness, reliability, and efficiency become increasingly important.



4.4.2 SOLL Process – Fundamental Changes and Main Differences IST Process

This page provides an overview of the fundamental changes needed to be able to implement the proposed SOLL position in the Payroll Process. In addition, the main differences that appear between the current state (IST) and the desired future state (SOLL) of the Payroll Process are outlined on the bottom of this page.

Fundamental Changes (what is needed)

As previously stated, the SOLL process requires fundamental changes that require critical decisions to be made before this process can be adequately implemented. These include the following:

- A **new organizational structure** needs to be considered. Whereas the P&O department is currently part of the Ministry AZ, the L&S department is currently part of the Ministry of Finance. Since both departments execute HR-related tasks, these two departments need to function within the same Ministry for adequate execution of HR-related tasks, among which the Payroll Processing. It is thereby crucial that the segregation of duties between the two departments is safeguarded.
- A **new integrated system** that is used by both the P&O and L&S needs to be implemented. This will allow the process to be more efficient and less error-prone due to the removal of paperwork and transfer of information from different systems. We also recommend including interfaces between the new HR system, the payroll system, and the financial system or a combination of these. The use of GEFIS also needs to be evaluated and where possible integrated with the new central system (System Y).
- **Combining redundant process steps to increase efficiency and reliability,** among which the entry forms for registration, need to be filled out directly into the system by the concerned employee or department itself rather than the submission of a form that is subsequently processed in the system by the P&O department. This will prevent erroneous data entry at the beginning of the process and increase the reliability of the processed information provided it is reviewed.
- **Avoid decision-making that leads to bypassing of the process and workflow.** Inappropriate bypassing of the workflow is currently present throughout the process, leading to missing information, approvals etc. Systematic avoidance of such matters will increase the reliability of the process.
- **Proper registration of attendance.** Currently, there is no adequate registration of attendance of employees, leading to a risk of payment to persons that did not work during the concerning period. Proper registration of attendance is required for a correct payroll. This will improve the accuracy of the Payroll Process.

Main Differences IST Process

These fundamental changes allow a more efficient and reliable Payroll Process. This SOLL process, as outlined on the previous pages, contains a few significant differences from the process as it is currently carried out (IST. In sum, the following differences can be:

- Steps 1, 2, and 3 of the IST process are combined. The direct filling out of the entry form for registration in System X enables aggregation of these process steps. Whereas the policy advisor of the P&O department needs to obtain basic information, review the monthly mutations and process the registration forms in the CRM system by itself, this is carried out by the respective employee or department in the SOLL situation.
- Step 6 of the IST process is transferred to the beginning of the process. Whereas the overtime was processed individually by the controller and/or department head of the respective ministry, this is carried out by the respective department simultaneously with the registration forms at the beginning of the SOLL process.
- Step 8 of the IST process is replaced by automatic processing of the payroll within System X. Whereas the payroll was received from the P&O department via the DIV, the payroll is transferred directly to L&S within System X. This allows a more efficient and less error-prone transfer of mutation documents and automatic processing of the payroll.
- Fewer checks are present throughout the Payroll Process, which is enabled by a better allocation of responsibilities and the deployment of one integrated system across the P&O and L&S departments.

4.5 Functional Requirements

Solely looking at systems and tools is not the solution to resolve the identified bottlenecks, but rather a necessary tool that supports the development of a solution. Looking at the provided recommendations, there are some fundamental factors that need to be in place before finalizing comprehensive functional requirements, which implies the need for a solid and implemented administrative organization and internal control cycle (AO-IC). This needs to be supported by not only having all elements of an organizational structure in place, including roles and responsibilities, but also by having implemented and formalized policies, procedures, and working instructions. The implementation of an IT system or platform to support this process is potentially one of the most critical parts of improving financial management in government. It should thereby be noted that such a system is only as good as the data and processes that surround it and the knowledge and skills of the people that will use it.

For this reason, the choice for a comprehensive IT system should be taken after careful consideration of all other required steps and processes within the financial management environment. However, given the identified bottlenecks, some functional requirements can already be formulated by looking at the current state of the Payroll Process. This can be distinguished into functional requirements that relate to payroll and workflow/tracking.

The functional requirements mentioned, specifically for a payroll capability, act as preconditions for selecting an integrated payroll solution. Typically, these requirements are used for a fit-gap analysis which assesses the areas in which a planned system or a business process for your organization fits or doesn't fit according to the organizational needs. It basically determines the components that fit into your objectives and gaps that need to be addressed. Before these requirements are used for an actual fit-gap analysis we propose to validate to what extent these requirements are acknowledged by the relevant stakeholders within the Government of Sint Maarten. This counts for the other process domains as well ('Purchase to Pay' and 'Order to Cash'), since it is a common understanding that no dispute should exist on the set of requirements that are used for a fit-gap analysis. Therefore, often the first step of a fit-gap project is the final validation and (feasibility) assessment of the business requirements before the fits and gaps are assessed.

Payroll

- Upload **position cost information** (salary, special pay, benefits, pension etc.) based on position attributes (e.g., step and grade etc.) – Benefits administration
- Provide a **leave processing functionality** to keep track of leave and transfers for each employee
- Provide a **workflow tracking functionality** that allows for tracking of personnel benefits or actions administration (e.g., contract expiration, jubilee's, special pay, probationary period, temporary appointments etc.)
- **Reporting**, **reconciliation**, and **records retention** to satisfy internal and external requirements.
- Supports both **payroll-related data** and **human resources-related** data in logically integrated databases and/or interfaced systems.
- Provide **automated payroll calculations**

Workflow/Tracking

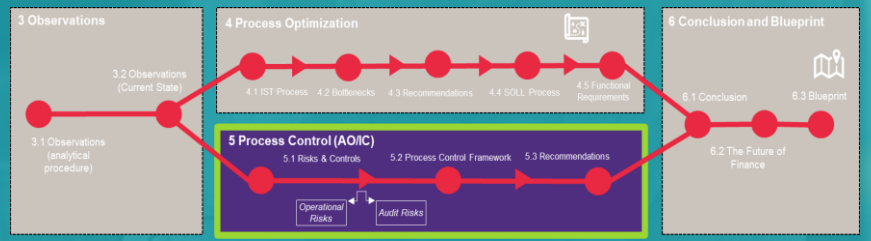
- Design a **hierarchal structure** for the approval of requests and modifications to the employee database by approved/delegated users in various departments and bureaus.
- Provide the ability to **delegate requests** for approval of advices when absent (continuity within the workflow, timeliness and correctness of payroll)
- **Restrict non-vital users/departments** (during predetermined times throughout the process) from, accessing, and/or editing data. Open and close period for Payroll Processing.
- Maintain and view an **audit trail** of all changes made. Backup information should be available and include: (User IDs, Date, Time, Type of Change, etc.)
- Maintain and view the **approval history**

Process Control

05

Process Control

This part of our analysis has a focus on the internal control environment within the Government of Sint Maarten, highlighting process control (AO/IC). A comprehensive Risk & Control framework and cycle is presented, in which risks are continuously identified and (re)assessed, a risk response is defined, and controls are designed and tested for effectiveness. This process control framework is tailored towards a SOLL process.



5.1 Risks & Controls

This chapter provides insights into an essential aspect of process performance: 'Process Control', in Dutch typically referred to as 'AO/IC'. In this report, we use the term 'Process Control Framework'. It all starts with the process objectives, the vision, and goals of the financial function of the Government of Sint Maarten. How is objective setting realized? What could go wrong along the way and what can be done to prevent and/or detect something that goes wrong? How should such an event be responded to? A comprehensive Risk & Control framework mitigates these questions and forms the basis for sustainable continuous improvement of the risk management practices on a process level.

It should be noted that our utilization of a Process Control Framework addresses two risk perspectives: 'Business Risks' and 'Audit Risks'. This serves internal control purposes and ensures that process objectives are met, business/operational risks are managed, the audit risks are identified, and the appropriate controls are designed, implemented, and regularly tested for effectiveness.

Process Control Framework

- The Payroll Process does not contain an incorporated Risk & Control cycle to guide process control activities. This is a cycle in which risk identification initiates management of that risk by means of several activities (risk assessment, risk response, control design, control implementation, and control testing);
- We haven't received relevant overarching policy guidelines that address risk management practices to be used in the Payroll Process;
- Typical elements of a Process Control Framework that are viewed as prerequisites are not available for the Payroll Process:
    - Policy/procedural guidance for the way of working as part of Process Control (how to deal with risks and controls);
    - Roles & responsibilities;
    - Reporting.

Achieving organizational objectives, and managing risks to ensure goals are realized, requires such objectives to be set and agreed upon. A common understanding across the Government of Sint Maarten of organizational objectives creates clarity and direction, not in the last place for the risks that are encountered.

Risks

In the process description of the Payroll Process, 13 risks are formulated, including elucidations and recommendations. What is lacking, are the different steps in managing risks in the Payroll Process (i.e., risk categorization, risk ownership, risk assessment, risk response).

Our analysis shows that the identified risks are not managed as such. This section provides the most relevant risk areas, which consist of four main risks.

First, the risks of processing a payroll without using the correct information, which results in incorrect calculations and payments. These risks can also lead to unauthorized personnel payments. Second, the lack of control over payments made to personnel that is no longer employed. This is possible because there is currently no attendance registration in place to track work hours. Third, the current process is not able to track changes (new roles, jubilee's) in the payroll where the risk of incorrectly calculating social, medical, and pension premiums is present. Fourth, the risk of non-compliance is present because personnel that is not yet formally employed can be processed with advances, not taking premiums and taxes into consideration.

Overall, these risk observations are also addressed by other stakeholders, and recommendations are provided. However, there are no structures in place to mitigate these risks, check the effectiveness, and repair gaps where needed.

Controls

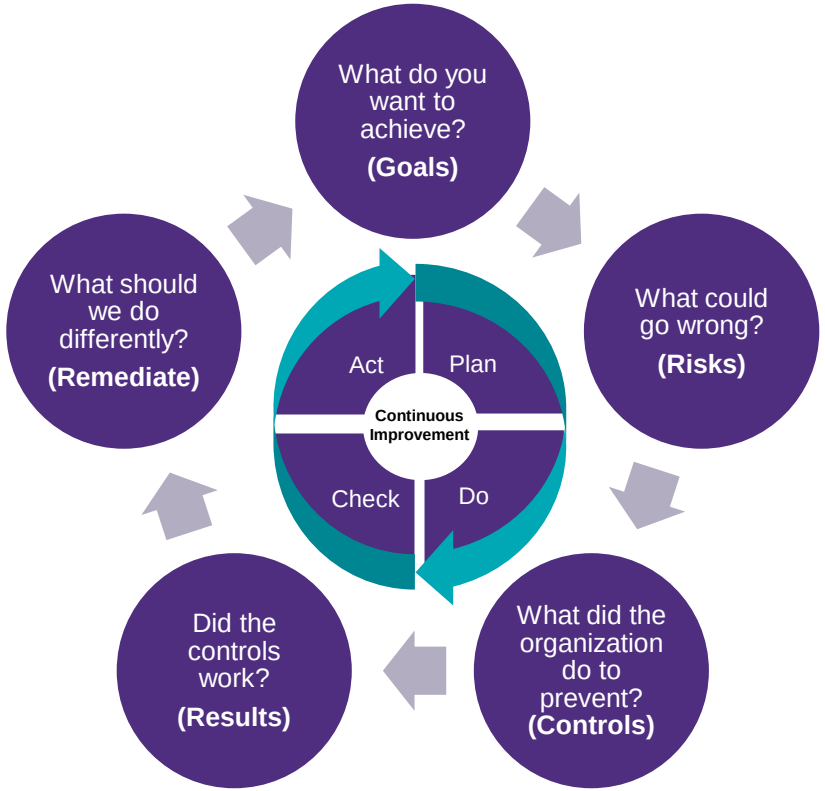
Regarding the control of risks, the following observations are made:

- The Payroll Process does not specifically address the fined controls to ensure a controlled process execution. The identified risks are accompanied by recommendations that could be addressed to mitigate the risk;
- Typical characteristics of controls that are currently not part of the Payroll Process are:
    - Control objective
    - Nature control (e.g., preventive, detective, and corrective)
    - Control activity
    - Control activity frequency
    - Control owner;
- There are no overall controls being performed in the organization. We did not observe any reconciliations between systems;
- There is no structured reporting in place that can be used to perform checks or comparisons of data as a control measure. This can be checked based on the fixed frequency and key elements within the process.

5.2.1 Process Control Framework – Risk Management Approach

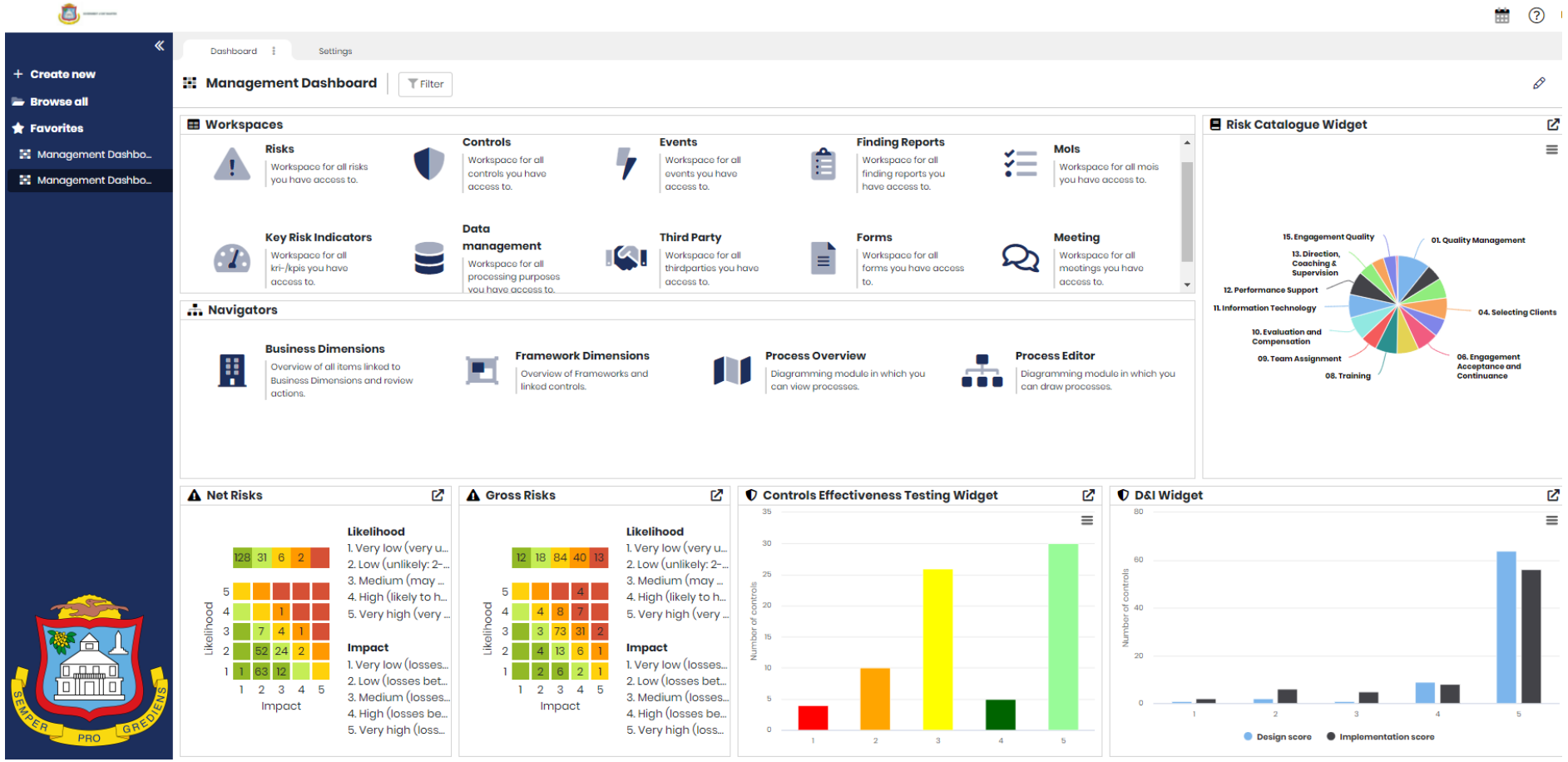
An overall conclusion to Process Control in the Payroll Process is that a systematic approach is lacking. This has been addressed previously by other stakeholders as well (e.g., by the General Audit Chamber). With such an omission, it is sheer impossible to succeed in controlled process execution. No insight and oversight into (key) risks and no (stringent) process in place to continuously improve risk management practices are a result of such a deficiency. The figure on this page visualizes how a Process Control Framework is designed to manage risks through a systematic approach in which continuous improvement is a central theme.

Process Control Framework	Our analysis shows that the Payroll Process is designed from a functional perspective, supplemented with risks identified and related recommendations. The current set-up of the process and the absence of a process control framework by which risks are managed are root causes for multiple deficiencies currently present in the process. Pending results for the other financial processes that are in scope for this project, it might be that this is absent for other processes as well. This would indicate that the execution of the financial processes in the Government of Sint Maarten does not incorporate the basics of Process Control (AO/IC).
Risks	The starting point for a risk management framework is actual risk identification. However, managing risks is not a static once-a-year exercise. With the current process design contains risks in a separate chapter, it does not provide for all required components of a risk management approach. Categorizing and assessing risks, defining response strategies, and ownership of risks are important to include. Distinguishing the different categories supports decision-making regarding risk assessment and response, which is currently not possible. This is also applicable to the difference between business and audit risks, which cannot be distinguished with the current process design. Given the difficulties encountered in the financial statement audits, such insights would be necessary to design effective controls and improve Process Control across the end-to-end process.
Controls	Controls are a “lock on the door” of an effective Process Control Framework. Identifying risks without a disciplined and systematic approach to risk response by designing and implementing controls will not solve the issues at hand for the financial processes. The actual effectiveness of controls is decisive for the functionality of the framework and that the risks under management are/kept mitigated. Currently, the process does not provide insight into defined (key) controls, how controls are functioning and what this means for the risk levels of the identified risks in the Payroll Process.

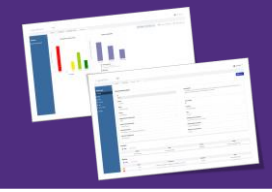


5.2.2 Process Control Framework - Tool

An appropriate manner to utilize a process control framework that manages risks through a systematic approach is by using an adequate process and risk management platform. Such a platform enables to assess operational and audit risks that appear throughout the process, identify relevant controls and capture the results of controls tested. An illustration of such a platform is provided in the figure below.



A process and risk management platform enables Ministry of Finance to assess the operational and audit risks related to the Payroll Process, identify relevant controls and capture the results of the controls tested and related findings



5.3 Recommendations

An overall recommendation regarding Process Control is that it should be systematically introduced, designed, and implemented. A functioning Process Control Framework (AO/IC) should be ensured by continuous management, monitoring and improvement. In addition, with the functional improvements, will result in an optimized and controlled Payroll Process. This, together with structured month-end closing procedures, will ultimately lead to an improvement of the timeliness of recording transactions and overall reliability of the most significant Financial Statement Line Item in the financial statements. The current qualifications on accuracy and completeness of the payroll-related expenses and liabilities in the annual financial statements will be solved when significant improvements in the process and controls will be implemented and further monitored.

Process Control Framework

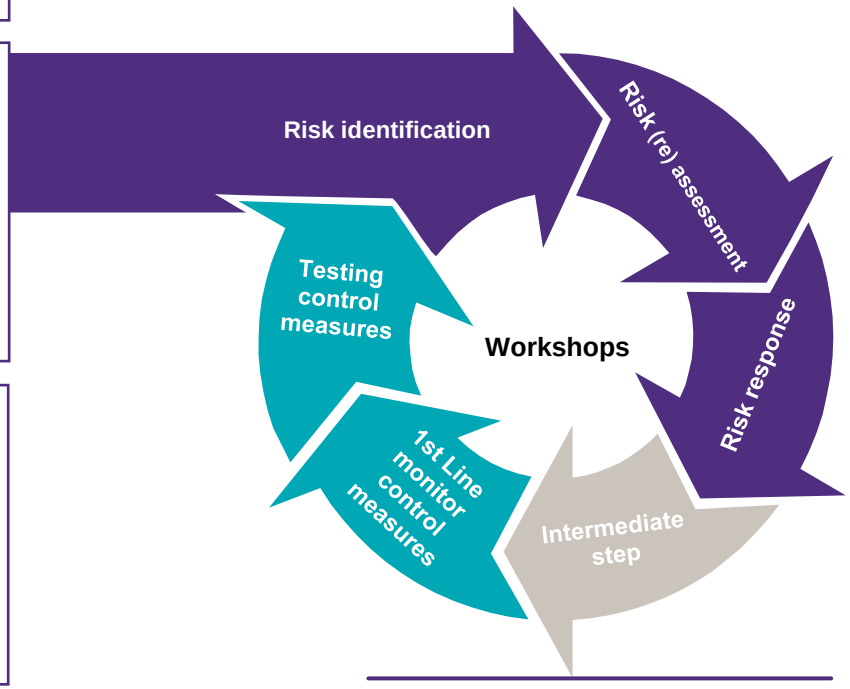
- We recommend starting with an overall analysis and (re)design of the risk management policies, procedures, and guidelines. The documentation should be determined according to the vision, purpose & goals, and approved in collaboration with relevant stakeholders before moving on to the implementation and changes to processes.
- Design and implement a process control framework focused on the mentioned risk and control cycle.
- The processes must be derived from the policies, procedures, guidelines, or manuals, which have been previously designed and implemented. These policies & guidelines should be periodically revised and approved to avoid outdated processes.
- Align with existing 'Verbeterplan Financieel Beheer' (which is referred to by the General Audit Chamber in multiple reports).

Risks

- We recommend executing a new risk analysis including a re-evaluation of the currently identified risks.
- Set up a risk and control framework/register including the following basic elements: risk ID, risk name, risk category, and risk description (according to our advised risk description method).
- Decide, determine, and include the following elements by performing workshops with relevant stakeholders: risk appetite of the Government of Sint Maarten, appropriate likelihood & impact scale (e.g., 4x4 or 5x5) risk categories, risk response, risk owner (e.g., people/department) per risk.
- By means of workshops with relevant stakeholders, determine and include the following: gross risk valuation by means of the gross likelihood x impact value.
- Determine the key risks.

Controls

- The next step after the risk (re)assessment is to determine the controls. It is also recommended, for this phase, to determine the following elements in collaboration with relevant stakeholders by means of workshops: determine the net (desired) risk value based on the likelihood & impact value.
- Assign controls to the risks, according to the risk response which was determined in the risk assessment phase.
- Assign control owners (e.g., people/department) to the determined controls.
- These exercises must be done periodically (at least once a year) to make sure that the determined risks, risk valuation, reaction, and controls are effective.
- Perform periodic evaluation and control testing (independent function).



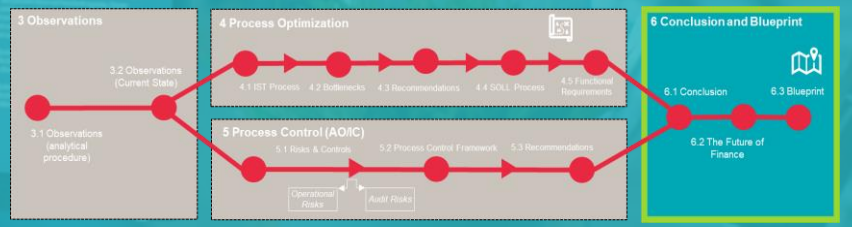
Conclusion & Blueprint (Target Operating Model)

06

Blueprint – Target Operating Model

Target Operating Model (TOM) is a blueprint of a firm's business vision that aligns operating capacities and strategic objectives and provides an overview of the core business capabilities, internal factors, and external drivers, strategic and operational levers, organizational and functional structure, technology, and information resources of a company.

This chapter presents the overall conclusion and provides insight into the desired future state of the Payroll Process, including such a blueprint.



6.1 Conclusion

Based on the analysis performed, it can be concluded that the Payroll Process does not work adequately across the financial landscape. Although the required ingredients are present in terms of the process flows and manuals, they are not properly utilized to establish a well-functioning end-to-end process. The process is designed based on minimal requirements and is inadequately implemented and carried out through the organization. As such, there is no coherent way of work, there are deviations in the process, there are unclarities around roles and responsibilities, and there is a shortage of resources and a lack of an integrated IT infrastructure. Looking at the process objectives as a point of departure for the analysis, it can also be concluded that these are not formulated specific and measurable enough, making it difficult to monitor goal achievement. The process requires more substansive guidance to resolve and overcome these bottlenecks.

Conclusion in Terms of 'People, Process, Technology, and Organization'

This overall conclusion is related to four lenses 'People, Process, Technoloy, and Organization'. In terms of ***process***, it can be concluded that the Payroll Process does not work adequately. There is a shortage of documented procedures, principles and structured way of working that is transparent and accessible to all actors. As such, there are frequent deviations in the process, creating inefficiencies and ad-hoc work. This risks inaccuracies and unauthorized transactions, which in time, can lead to non-compliance with laws and regulations. In terms of ***technology***, it can be concluded that there is no integrated IT-systems that supports a structured way of work that is aligned with the work processes. In terms of ***organization***, it can be concluded that there unclarity around roles and responsibilities between key actors in the process. These unclarities lead to miscommunication and inefficiencies in the process. In terms of ***people***, it can be concluded that, looking at the complexity and tediousness of the current process, there is an overall shortage of human resources within the process chain, including teams that process the payroll on a monthly basis. Hence, we can conclude that government is not in control with regard to the Payroll Process.

Current Maturity Level

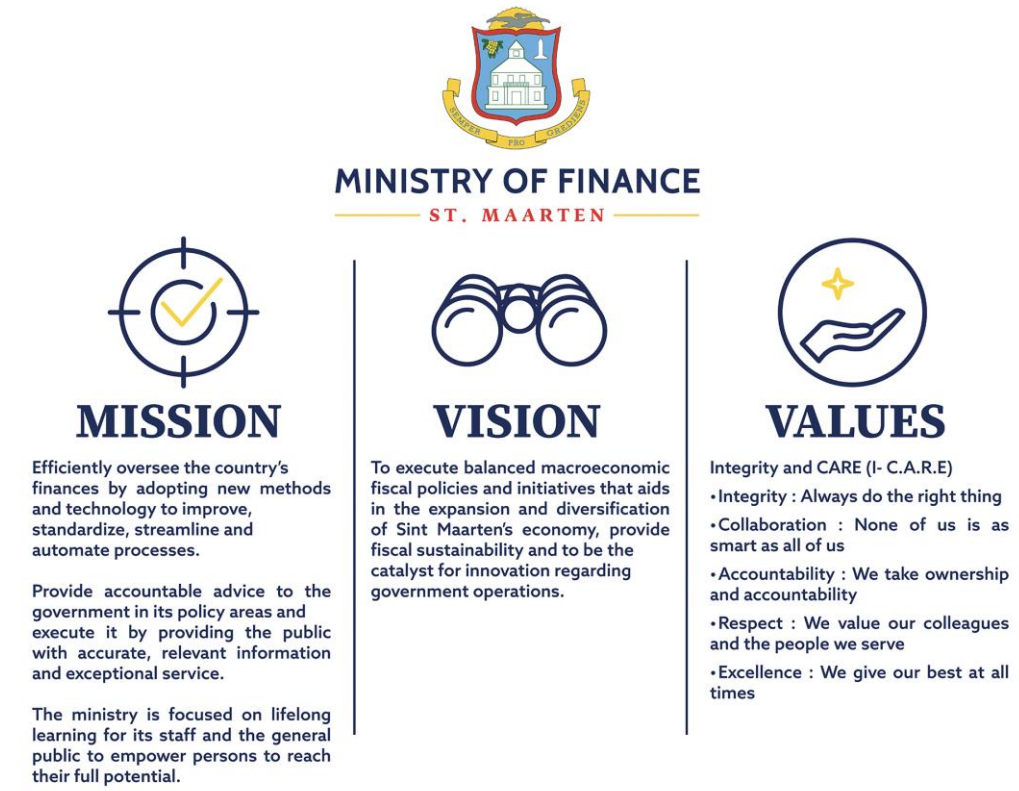
Looking at the bottlenecks outlined from a maturity level perspective, it can be concluded that, based on the current state analysis, the Payroll Process is situated between maturity levels "Acknowledge Operational Inefficiencies" and "Process Awareness", as depicted in the figure on the right. Currently, there are very few monitoring processes and controls in place within the Payroll Process. Furthermore, there is no integrated IT infrastructure that facilitates the process. Although there are processes and workflows in place, there are frequent deviations in the execution due to unclarity around roles and responsibilities and a lack of standard lead times within the policies and procedures.

Towards the Desired Maturity Level

In our approach, we have designed a Blueprint for the desired future state, which will direct organizational transition towards a common/shared goal. This desired future state is derived from the analysis conducted through the four lenses and based on a maturity level framework that reflects best practices. We believe that this framework provides the foundation for the journey towards the future state with the desired maturity level. A maturity in which systems are used to provide meaningful insights and processes are formalized.

Lenses	Level 0 Acknowledge Operational Inefficiencies	Level 1 Process Aware	Level 2 Intra-Process Automation and Control	Level 3 Inter-Process Automation and Control	Level 4 Enterprise Valuation Control	Level 5 Agile Business Structure
Organization	No monitoring processes exist	Understanding of requirements in relation to governance processes	Limited monitoring of governance processes through informal connectivity & conversation	Monitoring of governance processes takes place in a more formalized manner. Typically, these processes focus on individual areas.	Governance takes the organization as a whole into account through an integrated governance approach.	The integrated governance approach takes the organization's place in society into account and listens to and provides 360-degree feedback from/to its stakeholders.
People	No or limited clarity on policies & procedures and no or limited documented roles & responsibilities	Some policies and procedures exist; however, these are not formalized and have grown organically. Team is not aware of the roles & responsibilities. Limited skills, change readiness & behavior.	Policies & procedures have been documented but are not understood by team members & relevant stakeholders. Understanding of skills, cooperation & moderately ready for change.	Policies & procedures are documented, and team members have been trained. Limited monitoring processes exist. Team members participate & are included into change initiatives.	Policies and procedures are documented, team members are trained & monitoring processes are in place. Team initiatives are taken & change is a priority. Growth behavior.	Policies & procedures are periodically evaluated. Monitoring of performance against standards is integrated in daily business processes. Continuous process improvement in place
Technology	Limited systems / uncontrolled systems in place	The benefits of a more controlled IT environment are identified, however implementation lags.	Limited level of process automation and automated controls implemented.	Systems and controls work together across organizational processes.	Systems are used to provide meaningful insights in organizational performance.	Systems are used to predict organizational performance.
Process	No standard process implemented or considerable variances in process noted. No or limited evidence of process execution available	Limited standard processes implemented, however formal documentation lacks. Evidence of execution is typically non-existent or difficult to collect.	Standard process in place, however not formally documented. Limited evidence of process execution available	Standard process in place, with formal process description. Fairly consistent process execution, evidence available	Process is formalized, including description of evidencing process execution. Process execution is monitored, and evidence of monitoring is available	Highly formalized process, including balanced set of controls. Deviations are timely identified and communicated. Continuous process improvement in place
	Current State				Desired State	

6.2 The Future of Finance



Level 0 Acknowledge Operational Inefficiencies	Level 1 Process Aware	Level 2 Intra-Process Automation and Control	Level 3 Inter-Process Automation and Control	Level 4 Enterprise Valuation Control	Level 5 Agile Business Structure
2022		2023	2024	2025	

Setting objectives is crucial for an improved Payroll Process. A future state in which bottlenecks are minimized and risks are controlled. This should lead to a Payroll Process that contributes to proper financial management within the Government of Sint Maarten, which is a key building block for the Future of Finance.

This future state, a strategic vision on the Payroll Process, should be a starting point of the transformation that lies ahead. A transformation that will lead to the SOLL Payroll Process that is optimized throughout and supported with an integrated risk management framework. This journey will bring the Payroll Process to a proposed desired maturity level 4: 'Enterprise Valuation Control', in which governance takes the organization into account, policies and procedures are properly documented, team members are skilled, and monitoring is in place. A maturity in which systems are used to provide meaningful insights and processes are formalized.

Such a mature Payroll Process as the desired future state will contribute to, and is aligned with, the mission, vision, and values of the Ministry of Finance as shown in the figure on the left of this page. This future state of the Payroll Process enables the Ministry of Finance to oversee the country's finances by adopting new methods and technologies that improve, streamline, and automate the end-to-end Payroll Process. Therefore, the process objectives of the desired future state should be aligned with these mission, vision and values.

This trajectory towards the desired maturity should be organized by means of a transformation program. Such a program is more than a collection of similar projects or initiatives under the same umbrella. Comprehensive program management ensures that a solid focus on benefits to be realized is maintained and teams are focused and collaborating across departments together to achieve the shared strategic vision.

Based on the current state analysis and recommendations, a maturity level 4 'Enterprise Valuation Control' is a proposed desired future state. The Blueprint that is outlined on the following page will contribute to reaching that maturity level. The figure below presents an abstract timeline on the proposed maturity development. A detailed roadmap that is tailored towards the vision and ambition of the future state, will need to be determined at a later stage.

Given the context of this project, as part of the Country Package and other reform plans, we propose to plan the overall transition program and plan meticulously.

6.3 Blueprint

This chapter provides the blueprint for the desired future state through the perspective of the 4 lenses ‘Organization, People, Process, Technology’. As the desired future state reflects maturity level 4 ‘Enterprise Valuation Control’, the blueprint contains an overall vision per lens, which is substantiated by specific characteristics and prerequisites of the strategic vision for the desired state of the Payroll Process.

The Future of Finance: a shared strategic view of a desired end state for the Government of Sint Maarten’s public finance function. A common understanding across the Government of Sint Maarten of such an ambition gives direction and provides guidance on the objectives to be realized during the journey.

Organization

What

‘A well-functioning organization that takes care of the Payroll Process. An organization that is built on integrated control systems, supported by people and technology.

How

- Determine the organization structure needed to align with the new (re) design organization
- Formalized communication structure between ministries
- Workflow connecting end-to-end process within organization
- Define business as usual strategy to move from transformation mode to business as usual

Process

What

‘A formalized Payroll Process in which policies and procedures are documented and process execution is monitored’

How

- Design, develop and formalize policies and procedures for end-to-end process
- Create detailed working instructions that cover (re) the designed process
- Execute a new risk analysis including a re-evaluation of the current identified risks
- Set-up a risk & control framework
- Create an overview of key dependencies across the financial management chain

People

What

‘A Payroll Process that is executed by skilled human resources, which are constantly trained to carry out an effective and efficient Payroll Process’

How

- Define new roles and responsibilities across redesigned end-to-end process
- Provide a description of new duties within the (re) designed process
- Design a communication plan between all involved stakeholders
- Facilitate learning and development needs based on new roles and responsibilities

Technology

What

‘Deployment of appropriate IT systems that provide meaningful insights in organizational performance and support the Payroll Process end-to-end’

How

- Determine specific needs for tooling based on the redesigned new process (SOLL)
- Determine key dependencies based on outcome process (re) design for technology requirements
- Technology-enabled workflow covering the end-to-end process
- Create reports/dashboards containing key metrics based on policies and procedures to give real-time insight

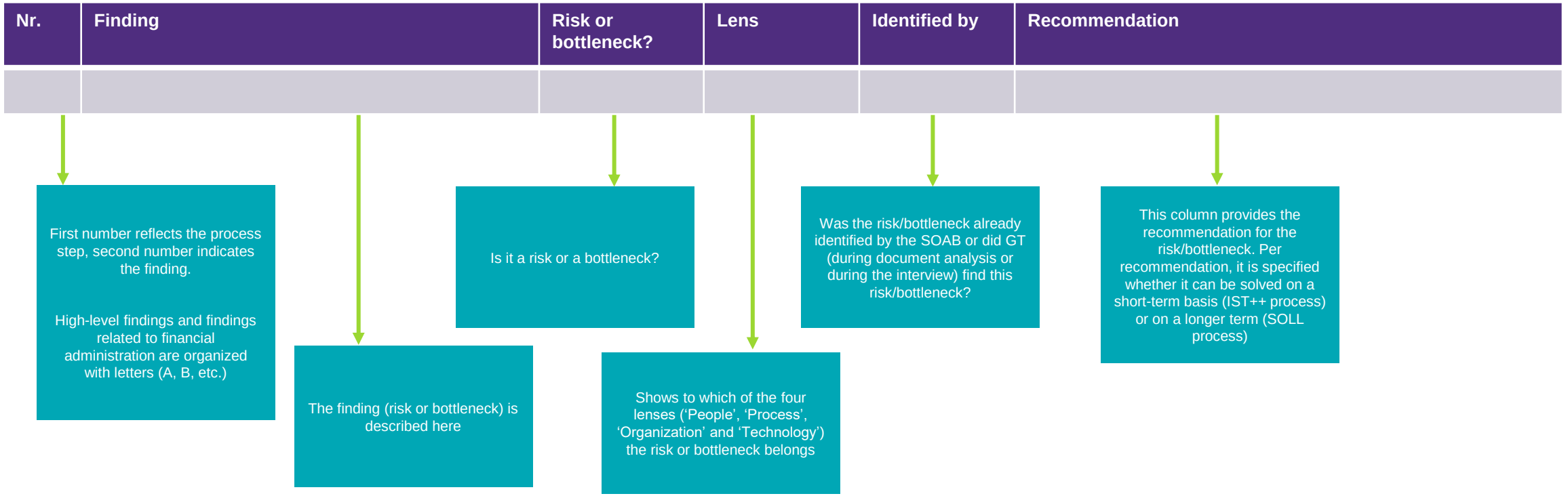
Appendix

07


Ministerie van Binnenlandse Zaken en Koninkrijksrelaties
All Consumption growth
Average user base

7.1 Findings - Reading Guide

Several findings are extracted from the IST process as outlined in chapter 4.1. These findings are presented on the following pages per process step, including a recommendation. These findings and corresponding recommendations enable quick wins to improve the current Payroll Process and provide guidance to the SOLL situation, which is presented in chapter 4.3. The table below serves as a reading guide for the presentation of the findings and recommendations on the following pages.



7.2.1 Findings – Findings per Process Step

	Process activities (Findings per step)				
Nr.	**Finding**	**Risk / bottleneck?**	**Lens**	**Identified by**	**Recommendation**
1.1	There is no end-to-end lead time in the process(including lead time for controls)	Risk	Process	GT	**IST ++:** Add lead time, e.g., 'to receive xx days after month end, or before day xx of the month' time needed for review and remediate
1.2	Risk that information, even though received timely by P&O, is not processed for payment – Inadequate communication between can lead to delay in the processing of information	Risk	Process	SOAB	**IST ++:** Organize sessions between the departments involved to determine the reason for the communication issues origins and ways to resolve this in the future. Periodic meetings (Monthly) between department heads to improve communications
1.3	Risk that mutations previously trigged by the AFAS system are not processed timely - The list extracted from the previous AFAS system which contains HR information about jubilees, contract expiration and pension dates was not imported into the CRM system. As such P&O personnel is currently not receiving any triggers or notification from the new CRM system to act.	Risk	Technology	SOAB	**IST ++:** Investigate ways to track HR information from current systems used in order to be able to have reliable HR standing data that can be used to track and receive notifications once important dates are approaching. Determine if previous systems can provide a lists and notify P&O to keep track of the approaching dates of jubilee, contract expiration and pension
1.4	Risk that LMA articles are not adhered to - No visible evidence that P&O or L&S verifies that the LMA articles related to the Payroll Process are followed	Risk	Process	SOAB	**IST ++:** Create a checklist related to the Payroll Process that are to be used related to the respective laws and regulations(These checks should be part of HR policies and procedures) Review of checklist by process owner
1.5	Risk that incorrect personnel mutations in the CRM are not addressed timely - No visible evidence that modification made in CRM by P&O personnel are reviewed.	Risk	Process	SOAB	**IST ++:** Create audit trail which makes it possible to achieve visible review of modifications made by P&O Staff in CRM by process owner
1.6	Risk that salary advances are not recorded as personnel expenses - Ongoing delay in approval of advises and documents for (New) vital staff leading various to be paid through advances for more than 1 year and not recorded as salary expense.	Risk	Process	SOAB	**IST ++:** Creation and maintaining of separate lists for the employees that have been paid through advances without having completed the process. These lists can the be used to be escalated towards department heads in order to complete the process. A period end close process could facilitate these activities.
1.7	Risk that personnel files are incomplete. There is currently no formalized checklists. Information is not timely provided to P&O department to be included in file. There is no continuous review on completeness of personnel files.	Risk	Process	SOAB	**IST ++:** Create a checklist of the minimum required documents to be include in each personnel's file Review of personnel files

7.2.1 Findings – Findings per Process Step

Nr.	Finding	Risk/ bottleneck?	Lens	Identified by	Recommendation
1.8	Risk that personnel who is no longer in service still have remained with rights related to their function e.g. (1) access rights to building or systems or (2) still receive salary payments, (3) still insured and/or (4) still have company phone. No use of checklists. No communication of out service to respective department. Systematic delay of approval of advises pertaining to persons exiting the organization	Risk	Process	SOAB	**IST ++:** Develop and implement leavers process Create checklists for employees leaving the organization(leavers process) Expedited approval for the advices related to the person who are no longer in service.
1.9	Risk that salary advances are not according to defined Law and Regulations. No visible evidence that Law and regulation related to the payroll are adhered to	Risk	Process	SOAB	**IST ++:** Create a checklist related to the Payroll Process that are to be used related to the respective laws and regulations Review checklists by process owner
1.10	Risk for incorrect payroll calculation if mutation basic information(standing data) is inaccurate and incomplete. How do you know that changes in information is complete? There is no system for 'Mutation Basic Forms' – are mutations sequentially numbered?	Risk	Process	GT	**IST ++:** Use a standard mutation form, including e.g., ID's, proof of registration at ATPS, SZV, etc. Investigate what information is needed from whom and add in the policy manual what is accepted as 'evidence' for the changes to be processed. Sequentially number the incoming mutations for audit trails **SOLL:** Automate this process with HR system
1.11	Risk that original documents start to float in the organization – documents are uploaded in CRM. Which makes it unclear what happens with the originals?	Risk	Process	GT	**IST ++:** Decide on the 'one source of truth' – what are the documents that are used? Once appropriate functions & departments have access to the appropriate fields in the CRM system, there is no need to maintain (parts of) personnel files decentralized. This also decreases the risk that mutations are not known to all that need to know.
1.12	Risk that unauthorized payments are processed, due to unclarities around missing documents.	Risk	Process	GT	**SOLL:** Implement a strict policy. Incomplete files, means no payroll processing.
1.13	CRM is not used for the entire government yet – Ministry of Justice and teachers are not in the CRM system.	Bottleneck	Organizatio n/Process	GT	**SOLL:** Utilize one HR system for the entire government organization.
1.14	There is still a personnel form separate from the CRM system.	Bottleneck	Process	GT	**SOLL:** A personnel form is not necessary if everything can be imported in one central HR system.

7.2.1 Findings – Findings per Process Step

Nr.	Finding	Risk / bottleneck?	Lens	Identified by	Recommendation
2.1	Risk that the information in CRM is incorrect, due to the lack of checks before the information is uploaded in CRM.	Risk	Process	GT	**IST ++:** Implement standard checks before information is entered into CRM. **SOLL:** Implement HR system with fixed work program to facilitate registration of new personnel including review controls.
2.2	Risk for unauthorized and incomplete changes, not timely processed due to incomplete advices.	Risk	Process	GT	**SOLL:** Implement a strict policy. Incomplete files, means no payroll processing.
2.3	There are no lead times defined, including systems and documents used.	Risk	Process	GT	**IST ++:** Add lead time, e.g., 'to receive xx days after month end, or before day xx of the month' time needed for review and remediate **SOLL:** Include lead times in workflow end-to-end process using the new system
2.4	Risk for differences in registration between P&O & L&S – there is no regular checks between the information that P&O has in CRM and the information L&S has in DECADE/GEFIS	Risk	Process/ Organization/ Technology	GT	**IST ++:** For the short term, it is recommended to check compare both registrations monthly. **SOLL:** Both departments work in the same system which would make this check unnecessary.
3.1	Risk for lack of clarity about whether mutations has been processed. Communication with source is not always documented in some instances this is done verbally.	Risk	Process	GT	**IST ++:** Should be an automated email out of CRM to applicable persons
3.2	Only P&O has insight in CRM, L&S can't see this information.	Bottleneck	Technology	GT	**IST ++:** Provide reading rights for L&S department. **SOLL:** In the further future, it is recommended to switch to one system for the end-to-end process.
4.1	This review step is not done visibly. There are no checks whether mutations are processed correctly (check P&O en L&S)	Risk	Process	GT	**IST ++:** Incorporate review step in CRM system. **SOLL:** In the further future, it is recommended to switch to one system for the end-to-end process including controls in the workflow
4.2	Risk that reviews does not take place timely and thoroughly leading to inaccurate payroll	Risk	Process	GT	**IST ++:** Incorporate review steps in CRM system.

7.2.1 Findings – Findings per Process Step

Nr.	Finding	Risk / bottleneck?	Lens	Identified by	Recommendation
5.1	Risk for inaccurate and incomplete processing by DIV– all the documents that just have been imported in CRM are now send to DIV to create a unique number	Risk	Process/technology	GT	**IST ++:** Provide visible controls. **SOLL:** Automate process: one system for the end-to-end process. Quick win: provide reading rights in CRM for DIV and L&S – and directly provide L&S access tot the documents – this helps to reduce waist in the process.
5.2	Risk that this process step has a delaying effect – no lead time mentioned.	Risk	Process/technology	GT	**IST ++:** Provide reading rights in CRM for DIV and L&S – and directly provide L&S access tot the documents – this helps to reduce waist in the process. **SOLL:** Automate process: one system for the end-to-end process.
5.3	Risk for inaccurate and incomplete processing by DIV - no check if all documents sent to DIV are the same as documents input in CRM.	Risk	Process	GT	**IST ++:** Provide reading rights in CRM for DIV and L&S – and directly provide L&S access tot the documents – this helps to reduce waist in the process. **SOLL:** Automate process: one system for the end-to-end process.
6.1	No registration and controls over actual hours present leading to inaccurate payroll, vacation day registration, sick days registration (and therefore sick leave declation, etc.)	Bottleneck	Process	GT	**IST ++:** To investigate what can work and describe and implement procedures for follow up of exceptions including controls over timely follow up and resolution of issues (if any), including lead time
7.1	Risk for inaccurate and incomplete input in Payroll system and not timely (no lead time mentioned). Same mutations are processed manually several times without reconciliations.	Risk	Process	GT	**IST ++:** Provide reading rights in CRM for DIV and L&S – and directly provide L&S access tot the documents – this helps to reduce waist in the process. **SOLL:** Automate process: one system for the end-to-end process.
7.2	Not clear who keeps documents. Info from different sources, not clear where these personnel mutation documents are filed.	Bottleneck	Process/organization	GT	**IST ++:** Provide reading rights in CRM for DIV and L&S – and directly provide L&S access tot the documents – this helps to reduce waist in the process. **SOLL:** Automate process: one system for the end-to-end process.
7. 3	The L&S department keeps all files that they receive from the DIV.	Bottleneck	Organization	GT	**IST ++:** Provide reading rights in CRM for DIV and L&S – and directly provide L&S access tot the documents – this helps to reduce waist in the process. **SOLL:** Automate process: one system for the end-to-end process.

7.2.1 Findings – Findings per Process Step

Nr.	Finding	Risk or bottleneck?	Lens	Identified by	Recommendation
8.1	Review is not done visibly.	Risk	Process	SOAB	**IST ++:** Create audit trail in review step. **SOLL:** One system for the end-to-end process, both departments work in the same system. The information has been checked then before it gets to L&S.
8.2	Lead time is missing	Risk	Process	GT	**IST ++:** Add lead time, e.g., 'to receive xx days after month end, or before day xx of the month' Handle strict policies: no payouts if the information is not complete.
9.1	Every person within L&S has the same rights in Payroll Ultra.	Risk	Organization	SOAB	**IST ++:** Define rights based on roles & responsibilities.
9.2	Risk that incorrect calculations are made. Payroll ultra does have option to automate the respective calculations. Most of the calculation pertaining to the payroll have to be manually calculated by the respective payroll staff making it prone to human errors.	Risk	People	SOAB	**IST ++:** L&S should check with the service provider if the manually performed calculations can be automated. **SOLL:** Make this a requirement for the future system for the end-to-end process
9.3	Risk that processed payroll includes errors or wrong percentages, because the yearly changes performed by the service providers are not visibly reviewed.	Risk	Process/Organization	SOAB	**IST ++:** Organizing of yearly meeting with service providers to discuss the changes to be made to Payroll Visibly review changes made by service provider Gross-net calculation
9.4	Risk that employees are paid overtime not in accordance with laws and regulations. However, other vital departments also work overtime but are not covered in the LMA.	Risk	Process	SOAB	**IST ++:** Adjustment of the overtime policy defined in LMA and other regulations to include other ministries if deemed applicable
9.5	Risk for inaccurate and incomplete changes. Is there an exception report with all changes processed that can be matched with all changes to be processed?	Risk	Process/Technology	GT	**IST ++:** Investigate and include preferably automated control
10.1	What does the section head use for the review? Mutation report and all underlying documents?	Risk	Process	C	**SOLL:** Create checklist of to be reviewed documents based on policy and procedures
10.2	Lead time is missing	Risk	Process	GT	**IST ++:** Add lead time to the process

7.2.1 Findings – Findings per Process Step

Nr.	Finding	Risk or bottleneck?	Lens	Identified by	Recommendation
11.1	Different documents are kept and shared within the organization.	Bottleneck	Process	GT	**IST ++:** Specify the process description including description of what documents need to be shared with whom and when. This should also include where these documents are stored.
11.2	Risk that the remarks in the notes are missed, because they are not a 'real' part of the process description.	Risk	Process	GT	**IST ++:** Incorporate the information in the notes to in the process description activities.
12.1	Not a visible control	Bottleneck	Process	GT	**IST ++:** Add a visible control.
13.1	Risk that information processed include errors, no visible audit trail of review of information review by the Financial Administration of the Payroll file received from L&S	Risk	Process	SOAB	**IST ++:** Review of verified information by the process owner should be visible. Create audit trail. Visible reconciliation between payroll administration and financial administration
13.2	Include systems used in process description including the key characteristics of the platform. Both systems are not mentioned in the process summary.	Bottleneck	Technology	GT	**IST ++:** Specify which system is used in this process step.
13.3	Risk that the remarks in the notes are missed, because they are not a 'real' part of the process description.	Risk	Process	GT	**IST ++:** Incorporate the information in the notes to in the process description activities.
14.1	Risk that it is not clear what the 'detailed payment overview' should contain.	Risk	Process	GT	**IST ++:** Describe what 'detailed payment overview' received from what/whom is used? Output from step 12 and 13?
15.1	Risk for inaccurate amounts paid.	Risk	Process	GT	**IST ++:** Describe how, based on what, this authorized person reviews. Include visible control.

7.2.1 Findings – Findings per Process Step

Nr.	Finding	Risk or bottleneck?	Lens	Identified by	Recommendation
16.1	Risk that persons are paid that are currently not employed by government- • No control done to verify if persons being paid are indeed employed/working • No use of checklist • No communication of out service to respective department • Systematic delay of approval of advises pertaining to persons exiting	Risk	Process	SOAB	**IST ++:** Implement review Create checklist for persons exiting Implement procedures Expedited approval for the advices related to the person who are no longer in service.
16.2	Information is incomplete.	Bottleneck	Process	GT	**IST ++:** Update lead time, systems, documents in process description.
17.1	Information is incomplete	Bottleneck	Process	GT	**IST ++:** Update lead time, systems, documents in process description.
17.2	Risk that it is not clear what the evidence is attached to the e-mail.	Risk	Process	GT	**IST ++:** Update process description: what evidence is attached to the e-mail?
18.1	Information is incomplete	Bottleneck	Process	GT	**IST ++:** Update lead time, systems, documents in process description.
18.2	Risk that inaccurate amounts are paid, because no reconciliation is made wit warrant and amounts paid.	Risk	Process	SOAB	**IST ++:** Do a monthly reconciliation with warrant and amounts actually paid.

7.2.2 Findings – General Findings

	GENERAL FINDINGS (HIGH-LEVEL)				
Letter	**Finding**	**Risk or bottleneck?**	**Lens**	**Identified by**	**Recommendation**
A	There is no overview of how the end-to-end financial processes within the organization.	Bottleneck	Process/Organization	GT	**SOLL:** Create an overarching policy and process overview for financial management which represents the relation between all the financial processes within the organization
B	Lead times are missing in the process, and sometimes the systems and documents are not filled in correctly.	Bottleneck	Process	GT	**IST ++:** Update lead times, documents and applicable systems to further complete the process description.
C	The Payroll Process is an operational process, and recommendations are mainly given on a preventive level, instead of a detective and corrective level.	Bottleneck	Process	GT	**IST ++:** Design detective and corrective controls within the process on a monthly or quarterly basis in order to detect errors or irregularities and correct these within a short period of time.
D	There is an overall shortage of resources within the process chain, including the teams that process the payroll on a monthly basis.	Bottleneck	Organization	GT	**SOLL:** Improve the process towards SOLL and reduce inefficiencies that are currently in the system, due to for example a variety of systems. A more efficient work process will reduce the workload.
E	There are unclarities about the roles & responsibilities in the process, leading to communication between departments.	Bottleneck	Organization	GT	**IST ++:** Organizing of sessions between the two departments to determine the reason for the communication issues origins and ways to resolve this in the future. Periodic Meetings (Quarterly) between the two departments head to improve communications **SOLL:** When designing the SOLL process it is recommended to also make clear agreements on roles & responsibilities in the Payroll Process.

7.2.2 Findings – General Findings

	GENERAL FINDINGS (HIGH-LEVEL)				
Nr.	**Finding**	**Risk or bottleneck?**	**Lens**	**Identified by**	**Recommendation**
F	Different systems are used throughout the process, leading to inefficiencies in the process.	Bottleneck	Technology	GT	**IST ++:** Provide reading rights in CRM for DIV and L&S – and directly provide L&S access tot the documents – this helps to reduce waist in the process. **SOLL:** Automate process: one system for the end-to-end process.
G	Risk that documents float throughout the organization, the originals should be kept by DIV, but L&S also files all documents.	Risk	Process/Organization	GT	**IST ++:** Investigate how it can be organized that the DIV timely processes all documents, in order to make it redundant for L&S to keep all files. **SOLL:** Automate process: one system for the end-to-end process.
H	The Payroll Process is sometimes overruled. This may lead to an employee getting paid with a deposit. Because the employee gets salary, finishing the official procedures is sometimes not prioritized. This leads to extra work for L&S and may cause problems when employees need official documents or registrations (e.g., for mortgage and pensions).	Bottleneck	People	GT	**IST ++:** Make new agreements to prevent overruling the Payroll Process, e.g., by not paying salary before all documents are in / only paying for one month upfront.
I	Inappropriate bypassing of the workflow is currently present throughout the process, leading to missing information, approvals etc.	Risk	People	GT	**IST ++:** Avoid inappropriate decision-making that leads to bypassing of the process and workflow.
J	Manual processing of payroll journal entries	Bottleneck	Technology	GT	**IST ++:** Develop a supportive document for the use of the financial systems, including an overview that aligns the categorization of the general ledger accounts within the financial systems and line items.

7.2.3 Findings – Financial Administration

	RECORDING IN FINANCIAL ADMINISTRATION				
Nr.	**Finding**	**Risk or bottleneck?**	**Lens**	**Identified by**	**Recommendation**
H	There is no detailed process description available for the recording in financial administration.	Bottleneck	Process	GT	**IST ++:** Add detailed process description for recording in financial administration

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Objectives set can only be reached through a vehicle of a plan, in which fervently must be believed in, and upon which vigorously must be acted on. There is no other route to success.

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