

Open Report on behalf of Debbie Barnes- Executive Director, Children's Services

Report to:	Audit Committee
Date:	27 November 2017
Subject:	Payroll Update

Summary:

To provide the Audit committee with an up-to-date briefing on the payroll position and the steps being taken to address any risk of an inaccurate payroll

Recommendation(s):

The Audit Committee notes the contents of this report

Background

The Audit Committee requested regular updates on the progress of the Agresso projects

Current Position

There are three significant strategic projects that will address the risks associated with processes, people and Agresso system payroll issues. These all demand Serco "project" and "business as usual" resources. The Council have directed Serco on the areas of highest priority based on the assessment of strategic risk to the Council. This risk arises from the inadequate Agresso system build and implementation in April 2015.

An explanation of these projects, an update on progress and the governance arrangements is set out below.

Agresso Upgrade

This has been given the highest priority as it will ensure the Agresso system is updated effectively and is able to continue to be supported/maintained by Unit 4. The Upgrade is a lift and shift onto a new version with minimal improvements. This means that the payroll elements will have the essential updates for year-end processing 2017/2018 and that the budget changes (e.g. tax and NI uplifts) are in place ready for the new financial year. This is essential upgrade work which will impact on the ability to deliver payroll accuracy and maintain effective controls.

The challenges associated with this upgrade are significant given the tight timescales and known problems. Whilst it was the intention that the current manual work arounds in the payroll system would be addressed as part of this Upgrade, the Upgrade Board decision has been to delay this to the 2nd phase in early 2018 as this inclusion would derail the timescales for the Upgrade. Additionally the decision was taken that the required HR improvements and improved user experience aspects of the system would not be addressed as part of this Upgrade.

The Council's governance arrangements included assurance by Internal Audit and Capgemini who were asked to provide independent delivery assurance, focussing on the implementation and likely outcomes. This work was completed in September 2017. Capgemini concluded that although some lessons had been learnt from the historical issues that occurred during the original implementation, there were a number of improvements that could be made around governance and management of the project many of which were already on track. Internal Audit has confirmed that the majority of the findings have been addressed or are currently in progress.

The assurance level over the project remains at **AMBER** given the very tight timescales for delivery and achievement of Go-Live by the end of January 2018. A critical period for the project is November and December 2017, and includes the satisfactory completion of system, user acceptance testing and the development and sign off of the cutover plan to Go-Live (including the accountability framework for the acceptance criteria sign off).

We can confirm that payroll parallel runs have been by and large successful, which is encouraging.

The Council also has a reliable contingency plan in place for payroll in the event of a no go-live decision. This contingency plan will need to be invoked in mid December 2017 and is a key decision for the Project Executive and the Corporate Management Board.

Improvement to the Control Environment for Payroll

As a result of prioritising Serco resources onto the Upgrade Project, the Council agreed that Serco delay the system improvement projects that were informed by the Internal Audit payroll reports. Whilst a risk management decision, the Council had been assured by Serco that there were sufficient manual workarounds in place to mitigate risk to the current known payroll issues.

Essential planning work for improvements including payroll system and process improvements continues with governance arrangements through the HR and Payroll Portfolio Board. Agresso resources will be reallocated to the implementation of these projects at the point at which the Upgrade work is completed; this is expected to be end January 2018. There is an LCC/Serco payroll workshop scheduled in January 2018 to re-establish the formal governance by LCC regarding the Action Plan and business case to deliver improvements. A formal update on the Audit Action Plan to the Committee will follow in March 2018.

Pay Statements

The project aims to identify payment errors since April 2015 and provide assurance that these have been corrected. This is a complex project and it is anticipated that the validation will be completed by March 2018. This project is governed by the Council through a fortnightly Board which was established in June 2017 which includes the Head of LCC Audit, LCC's Operations and Financial Advice Manager and chaired by the Service Manager – People.

Conclusion

It is disappointing to report to the Audit Committee that there remains significant work to do to improve the control environment of the payroll system and validate the completeness and accuracy of the payroll payments. The conclusion from the LCC Client is that, whilst improved, the financial control environment of payroll remains weak - this is being mitigated to some extent by the pay statement project - but we are unlikely to see the improvement actions required until March 2018. Internal Audit Assurance level for 2017 remains Low - they will continue to work with us to provide advice on the adequacy of controls. The Internal Audit report with action plan and update on the payroll control environment will be presented to the Audit Committee in March 2018.

Consultation

a) Have Risks and Impact Analysis been carried out??

No

b) Risks and Impact Analysis

Any changes to services, policies and projects are subject to an Equality Impact Analysis. The considerations of the contents and subsequent decisions are all taken with regard to existing policies.

Appendices

These are listed below and attached at the back of the report	
Appendix A	N/A

Background Papers

Document title	Where the document can be viewed
Internal Audit Report 2016	Internal Audit Office

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