



## Regulatory and Other Committee

### Open Report on behalf of Debbie Barnes OBE, Executive Director for Children's Services

Report to:	<b>Audit Committee</b>
Date:	<b>25 June 2018</b>
Subject:	<b>Payroll Progress Report</b>

#### 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 in relation to the improvements in the Payroll.

#### Current Position

There have been significant issues with Payroll since the implementation of Agresso in April 2015, and whilst there has been rectification work and improvement, problems that impact on pay and GL posting accuracy continued into 2017/18. The audits completed on Payroll, HR Admin and Pension Contributions during 2015/16 and 2016/17 all received a **Low Assurance** opinion.

In June 2017 following the completion of the 2016/17 payroll audit, a decision was taken by LCC People Management and Internal Audit to issue the audit report to Serco but not to seek a detailed management response and immediate action to address the recommendations made on system functionality and the control environment.

It was agreed that Serco's priority had to be a number of other projects including Pay Statements and the upgrade to Business World On. An update on progress with implementing all outstanding management actions was received from the Serco People Service Manager on 21 December 2017, and since that date Serco has held regular meetings with LCC People Management to monitor and agree progress in addressing the points raised in the Audit reports.

In October, Serco appointed an experienced Payroll & Pensions Manager, who commenced in role from 6<sup>th</sup> November and has led work to more clearly define and improve processes and document controls within Serco's Payroll function. Consultants have also been engaged to progress a number of work 'packages' and some fixes to system configuration have already been made. Rectification work continues into 2018/19 in agreement with LCC People Management.

Additionally, in the past six months Serco have also committed to action plans to address backlogs of processing of pensions data and have made considerable progress against these plans. The Pension Board has been satisfied with this progress.

There has been an improvement in the timeliness and accuracy of reports that Serco provide to pension administrators. This should ensure that there no further breaches of statutory duties.

### **Next Steps**

The outcome of the follow up audit is that the Internal Assurance level has moved from Low Assurance to Limited Assurance in 2018. There are a number of areas where improvements have and continue to be made in the processes and controls for HR Admin and Payroll as outlined in the report.

There also remain a number of areas where work is still needed to address the issues raised in audit reports.

As outlined in the Management Response, an action plan based on all the audit recommendations has been formulated and Serco will be pressing forward to address all of the points raised, with the required support from the Council. The delivery of the required improvements are the highest joint priority for the Serco and LCC People Management Service.

There will continue to be regular meetings between LCC and Serco to monitor and agree progress in addressing the points raised in the Audit report.

There will be a follow up audit undertaken in August which will enable the testing of a number of recent process improvements whereby there will be 3 months evidence available.

### **Conclusion**

It is disappointing to report to the Audit Committee that there remain a number of areas where work is still needed to address the issues raised in previous audit reports. The conclusion from the LCC Client is that the September target for substantial assurance is ambitious, however all parties are committed to work towards this building on the recent improvements outlined in the report in the Appendix.

The Internal Assurance level has moved from low assurance to Limited Assurance in 2018 and the Audit Team will continue to work with us on the adequacy of controls. The Internal Audit report and progress update will be presented to the Audit Committee in September 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	Internal Audit Report Payroll Follow Up June 2018

**Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Fiona Thompson, who can be contacted on 01522552207 or [fiona.thompson@lincolnshire.gov.uk](mailto:fiona.thompson@lincolnshire.gov.uk).

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