

Open Report on behalf of Debbie Barnes, Executive Director of Children's Services
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Report to:	Audit Committee
Date:	19 November 2018
Subject:	Payroll Progress Report

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

The audits completed on Payroll, HR Administration and Pension Contributions during 2015/16 and 2016/17 all received a **Low Assurance** opinion. In the payroll audit of 17/18 there was a level of **Limited assurance** and at that time the control environment had been improved but there was more evidence required to demonstrate the effectiveness of those controls. This follow up audit in October 2018 has involved rigorous testing of the new controls and output and has moved Payroll to **Substantial Assurance**.

In August 2017, the Council established a post of Pay and Reward Lead to strengthen the client function to enable focussed management of actions plans and performance management for the outsourced pay and pensions' contracts.

Serco appointed an experienced Payroll & Pensions Manager, who commenced in role from 6th November 2017 and has led work to more clearly define and improve processes and document controls within Serco's Payroll function. A significant amount of work has been progressed in training the payroll staff in a more structured manner and developing their skills along the professional CIPP framework.

From December 2017, the council engaged an external payroll specialist to provide technical expertise and build client side capacity who will continue on a part time basis until March 2019.

It has been recognised that there were a large number of Agresso system problems that were contributing to the errors in payroll processing. Consultants were engaged to progress a number of work 'packages' and some fixes to system to be effective in time for the 2018/19 payroll year. These were implemented alongside a large upgrade to the system. Where the system fixes could not be made by in time for the new pay year, manual workarounds were developed, tested and documented to ensure accuracy of the payroll processes from April 2018.

The recent Audit focused on testing the controls, including the workarounds to ensure that transactions are complete and accurate.

Next Steps

Whilst the direction of travel is very positive, it is acknowledged that there is further work required to ensure that the required improvements continue to be made.

The Council's People Management function, Serco representatives and the external payroll consultant are working with the Agresso Programme Board to ensure all the additional system improvements are made to replace the manual workarounds and ensure the system is more automated and standardised. This will help reduce user error.

As outlined in the Management Response, an action plan based on all the audit recommendations has been formulated and the Council and Serco will be jointly prioritising this to address all of the points raised.

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 is ongoing development of additional Management Information in addition to the contract Key Performance Indicators, on the performance of the Payroll Service to enable benchmarking of performance improvements.

There will be a follow up audit undertaken in March 2019 which will enable the continued testing of a number of recent process improvements to ensure that the progress continues.

Conclusion

The control regime has improved substantially and continually over the past year.

It is recognised that there are still a number of ongoing improvement actions that need to be implemented to ensure that the assurance remains at the substantial level. The delivery of the required improvements is the highest joint priority for Serco and the Council's People Management Service.

The Internal Audit report and progress update will be presented to the Audit Committee in June 2019.

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	Payroll Interim Audit November 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.

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