



ABERDEEN CITY COUNCIL

Internal Audit Report

Education

Teachers' Payroll (Including Supply Teachers)

Issued to:

Richard Ellis, Interim Director of Corporate Governance
Gayle Gorman, Director of Education and Children's Services
Euan Couperwhite, Head of Policy, Performance and Resources
Ewan Sutherland, Head of HR&CS
Steven Whyte, Head of Finance
David Cheyne, Payroll Manager
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

Education maintains a database of supply teachers who are available to be contacted by schools requiring cover for a permanent teacher who is either absent through sickness or other pre-arranged qualifying criteria. When schools record sickness absence, they can also request supply cover through this central database. Part time permanent teachers who are not on the database can still be used to provide cover within the school in which they are employed.

The Teachers' Payroll is administered by the Payroll Section in Human Resources and Customer Service (HR&CS) using PSe, the corporate payroll system. Supply staff covering a fixed period of over 6 months are set up on the payroll system to be paid a monthly salary automatically, the remainder must submit timesheets for the hours actually worked. Part time permanent teachers must also submit timesheets for additional hours worked.

The Council employs 1,685 full time equivalent teachers, and within the period to February 2016, 90,000 supply hours were worked by supply teachers or part time permanent teachers. The objective of this audit was to ensure that all aspects of payroll administration are adequately controlled and that payment is being made accurately to bona fide employees.

There is general adherence to the processes and procedures surrounding payroll administration by both the Education and HR&CS services. However, over and underpayments were identified during testing; overpayments will be recovered and payments made to those staff that were underpaid. Areas where the agreed processes are not being adhered to will be addressed by the respective Services, through refresher training or information and guidance circulated to staff.

1. INTRODUCTION

- 1.1 Aberdeen City Council employs 1685 full time equivalent teachers. (Source 2015 Scottish Government Teacher Census)
- 1.2 In the eleven month period to February 2016, over £55.8 million was paid to permanent teachers. This comprised the gross payments excluding employer's national insurance and superannuation contributions.
- 1.3 During this same period, £1.82 million was paid for over 90,000 supply hours worked by either supply or permanent part time teachers. A further £426,000 was paid in accrued holiday pay for supply teachers.
- 1.4 Teachers' Payroll is administered by the Payroll Section in Human Resources and Customer Service (HR&CS) using PSe, the corporate payroll system. Supply staff covering a fixed period of over 6 months are set up within the payroll system to be paid a monthly salary automatically, the remainder must submit timesheets for the hours actually worked. Part time permanent teachers must also submit timesheets for additional hours worked.
- 1.5 Education maintains a database of supply teachers who are available to be contacted by schools requiring cover for a permanent teacher who is either absent through sickness or other pre-arranged qualifying criteria. When schools record sickness absence, they can also request supply cover through this central database. Part time permanent teachers who are not on the database can still be used to provide cover within the school in which they are employed.
- 1.6 Teachers working in Scottish state schools are legally required to be GTC (General Teaching Council) registered. Their pay and conditions of service are set out in the Scottish Negotiating Committee for Teachers (SNCT) Handbook of Conditions of Service. SNCT is a tripartite body comprising members from teaching organisations, Local Authorities, and the Scottish Government. Certain matters including maternity leave procedures and short term supply guidance are devolved to Local Negotiating Committees for Teachers (LNCT) for local agreement. These are Council specific.
- 1.7 The objective of this audit was to ensure that all aspects of payroll administration are adequately controlled and that payment is being made accurately to bona fide employees.
- 1.8 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Euan Couperwhite, Head of Policy, Performance and Resources, and David Cheyne, Payroll Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 New Employees

- 2.1.1 When a teacher is appointed, and following receipt of a new start memo from recruiting managers, a Notice of Appointment Form is completed by the HR Service Centre, detailing post information, salary point, continuous service details and working days to be worked, as well as annual leave entitlement. It is passed to Payroll for the first pay calculation to be completed and relevant details to be entered onto the PSe Payroll System.
- 2.1.2 The SNCT Handbook requires that any newly appointed GTC registered teacher who has not worked previously for a Scottish Local Authority be placed on Point 1 of the Teachers Main Grade Salary Scale. Probationary teachers have a provisional GTC registration and are placed on Point 0. Additional salary points may be added for relevant qualifying experience.
- 2.1.3 The HR Service Centre will review a new teacher's salary entitlement and, where appropriate, complete a salary assessment form to support the decision reached. Salary placement was considered within audit report AC1601 Recruitment and Selection and as such has not been considered as part of this audit.
- 2.1.4 The SNCT Handbook states that the teachers' leave year operates September to August, and salary should be paid on a 1/235 basis (195 working days + 40 annual leave days). Teachers accrue paid leave on the basis of 0.2051 of a day for each day worked in the school year.
- 2.1.5 When a new teacher takes up a new position part way through the teachers' leave year, the first salary payment is calculated as shown in the example below.
- 2.1.6 The following is an illustration of a new start calculation for a full time teacher, starting on 26/10/15 with a salary of £29814.

Base days for the year (1 Sept – 31 Aug)	(195.0)
Number of days available to be worked in the year (26 Oct – 31 Aug)	(168.0)
Annual Leave and Public Holidays due for the entire year	(40.0)
Annual Leave and Public Holidays due for remainder of the year (<i>Working days x 0.2051</i>)	(34.5)

Salary due for remainder of the year:

$$\frac{168 \text{ working days} + 34.5 \text{ annual leave days}}{195 \text{ base days} + 40 \text{ annual leave for year}} \times £29814 = £25690.79$$

Salary that will be paid for remainder of the year (November – August):

$$\frac{10}{12} \times £29814 = £24845.00$$

Salary due in first month:

$$£25690.79 - £24845.00 = £845.79$$

- 2.1.7 For part-time teachers, the calculation is completed using the pro-rata salary and the actual working days and holidays based on their working pattern. For example, if a new start teacher works Monday to Thursday (28 hours, 0.8 FTE), the number of days available to be worked will not include the Fridays, and the base days will also only be the total of

working days based on a Monday to Thursday work pattern.

- 2.1.8 The first month salary payments for ten new teachers who took up post between October and December 2015 were reviewed to ensure that they had been calculated correctly. Seven of the teachers' first salary payments were calculated correctly. However, the audit calculation for the remaining three differed from that paid and are detailed in the following paragraphs.
- 2.1.9 One teacher is employed on a 28 hour contract, and this has been confirmed by the school. As a result of incorrect information on the Notice of Appointment Form the teacher was paid for 35 hours in the first salary payment. This resulted in an overpayment of £570.19. This was subsequently corrected in the following month, but a deduction of £990.32 was made, leading to an underpayment of £420.13. The remaining two teachers had been underpaid £602.70 and £180.06.

Recommendation

The HR&CS Service (Payroll) should ensure the above underpayments are paid to teachers involved.

Service Response / Action

Agreed. The underpayments will be paid in the April Salary.

Implementation Date

April 2016

Responsible Officer

Senior Payroll Officer
(Kathleen Hebenton)

Grading

Important within audited
area

- 2.1.10 The calculation differences in the above were as a result of the incorrect working days and subsequent annual leave days being used in the calculation. The Service has confirmed that their database gave the correct days and may not have been used by the recruitment team when providing the days to Payroll to perform the calculations. A recommendation is made at paragraph 2.3.4, below, to address this.

2.2 Leavers

- 2.2.1 When a teacher leaves their post, a Termination Form is completed by school Head Teachers / Support Services Coordinators and forwarded to the HR Service Centre to calculate the days worked and accrued holiday entitlement before passing to payroll for final salary calculation and input. An example of the calculation used is shown below.

- 2.2.2 The following is an illustration of a leaver calculation for a full time teacher with a salary of £35409, leaving on 29/11/15.

Base days for the year (1 Sept – 31 Aug)	(195.0)
Number of days worked from 1 September to leaving date	(54.0)
Annual Leave and Public Holidays due for the entire year	(40.0)
Annual Leave and Public Holidays to date of leaving (Working days x 0.2051)	(11.0)

Salary due for remainder of the year:

$$\frac{54 \text{ working days} + 11 \text{ annual leave days}}{195 \text{ base days} + 40 \text{ annual leave for year}} \times £35409 = £9793.98$$

Salary that has already been paid (September – October):

$$\frac{2}{12} \times \text{£}35409 = \text{£}5901.50$$

Salary due in final month:

$$\text{£}9793.98 - \text{£}5901.50 = \text{£}3892.48$$

2.2.3 A pro rata salary is used for part time teachers and consideration is given to their work pattern.

2.2.4 The final salary payment entitlements for ten teachers who left their post in the period October to December 2015 were calculated using the above formula and compared to the salary payments made. All were paid the correct final salary.

2.3 Changes to Employee Details

2.3.1 Changes to an employee's payroll information should be supported by a Notification of Changes Form, which is completed / checked and authorised by the HR Service Centre following receipt of information / completed forms from schools. An amended contract will be produced and the working days and annual leave entitlement calculated then forwarded to Payroll, who calculate the salary for the month in which the change was made and input to PSe. Additionally, the employee can notify a change of address or amendment to bank details via the mandate attached to their payslip, or through the self-service portal, YourHR.

2.3.2 To calculate the payment due to a teacher in the month in which a change occurs requires a leavers' pay calculation for the previous job / number of hours and a starter calculation for the new job / number of hours.

2.3.3 The first salary payment entitlements for seven teachers whose contract details changed between October and December 2015 were calculated and compared to the salary payments made. Of the seven, three were paid correctly. The audit calculation for the remaining four differed from that paid and are detailed in the following paragraph.

2.3.4 As with the new start calculations identified in paragraph 2.1.10, the working days used to calculate the pay for two of the remaining teachers had been input incorrectly, this led to underpayments of £225.98 and £129.15. The holidays used to calculate the pay for one of the remaining teachers had been input incorrectly on the Notification of Changes Form leading to an overpayment of £445.36. The remaining teacher had been overpaid £80.78 due to a calculation/input error.

Recommendation

The HR&CS Service (HR Service Centre) should investigate why the incorrect working days were used in the above instances (including para 2.1.10), and determine if other calculations have been affected.

Service Response / Action

HR Support Centre are unable to identify the reasons for these errors occurring.

The HR&CS Service will provide refresher training to recruitment staff responsible for processing Education staffing information in an attempt to avoid future errors.

Implementation Date

May 2016

Responsible Officer

Team Leader Payroll
(Andrea Garden)

Grading

Important within audited
area

Recommendation

HR&CS (Payroll) should ensure the above underpayments are paid to, and overpayments recovered from, the teachers involved.

Service Response / Action

Agreed. Payroll will write to the overpaid employee, and make payment to those underpaid.

Implementation Date

April 2016

Responsible Officer

Senior Payroll Officer
(Kathleen Hebenton)

Grading

Important within audited area

2.4 Supply Teacher Timesheets – Completion

2.4.1 Each supply teacher is required to complete a monthly ‘Casual Teachers Salary Claim Form’ (S56 or S56A) for hours worked. The form must include name, employee number, GTC number, claim month, school name and the daily hours worked. When cover has been provided for more than one school in a month, a separate claim form should be completed for each school. Administration staff within the school will provide the supply code which identifies the reason for the cover. The Head Teacher / Support Services Coordinator should authorise the form once fully completed and forward to Payroll. Payroll manually input the hours, and the supply codes are mapped to accounting general ledger codes.

2.4.2 In January 2016, 239 claim forms were processed for payment. All were reviewed for completeness. 31 timesheets (13% of the total claim forms reviewed) were submitted without supply codes. Whilst this does not affect the payment calculation, when left blank, these hours fall into a default accounting code and require remedial action by staff within Accountancy to ensure that budget monitoring information is accurate. One school advised they were unaware of the supply codes they were allowed to use.

Recommendation

Education and Children’s Services should ensure that supply teacher financial codes are circulated to all schools and ensure that supply codes are recorded before forms are passed to Payroll.

Service Response / Action

Agreed. This information will be circulated to all schools for the new academic year.

Implementation Date

August 2016

Responsible Officer

Co-ordinator: Devolved
School Management
(Sandy MacPhee)

Grading

Important within audited area.

2.4.3 Timesheets should be signed by the teacher claiming the hours and by an authorised signatory within the employing school. Payroll staff advised that a timesheet would be processed and paid in the absence of the signature of the teacher claiming if appropriately authorised. Unauthorised timesheets should not be paid. Two timesheets within the sample reviewed were processed without an authorising signature. In one instance, the school confirmed the teacher had worked, the second could only be confirmed with the teacher as the person who should have authorised the timesheet is no longer employed by the Council. Payroll management confirmed to Internal Audit that they had implemented a recommendation from Internal Audit report AC1615 (Timesheets) in January 2016 regarding the processing of timesheets that had not been authorised.

2.4.4 When approving a timesheet for payment, the authoriser is confirming the arithmetical accuracy of the information, and therefore Payroll do not check the summation of hours on timesheets. Ten claim forms with over twenty hours claimed were reviewed by Internal Audit and the addition checked, all were correct.

2.4.5 It is customary for hours worked by supply teachers in one month to be claimed and paid the following month. Of the 239 timesheets processed in January 2016, 20 were claims for hours worked prior to December 2015, and these were reviewed to determine the reason for the delay. 16 were as a result of delays by the teachers making the claims, the remaining 4 were as a result of delays by the authorisers.

2.5 Supply Teacher Timesheets – Rate of Pay

2.5.1 The SNCT Handbook states that short term supply teachers engaged on periods of work of 2 days or fewer will be paid on point 1 (point 0 if not fully registered) of the Main Grade Scale for each period of supply work. This is claimed on an S56 form. Supply teachers engaged on periods of work of 3 days or more will be paid their normal rate of pay, and this is claimed on an S56A form. Head Teachers can choose to pay the higher rate of pay for short term engagements where the cover is deemed difficult to fill, as recently confirmed in an SNCT circular.

2.5.2 215 of the 239 claim forms paid in January 2016 were S56As (higher pay rate). 70 (relating to 36 schools / specialised units) of these were for claims of less than 3 days and they were queried with the schools as the work pattern and supply cover period indicated that the lower rate of pay was applicable, and therefore should have been claimed on an S56 form. The explanations provided supported the higher payment being made in 69 instances. One school confirmed that the higher rate was paid to one teacher in error and the hours should have been claimed on an S56 form.

Recommendation

Education and Children’s Services should request that Payroll recover the above overpayment.

Service Response / Action

Agreed.

Implementation Date

Implemented

Responsible Officer

Head of Policy,
Performance and
Resources, ECS
(Euan Couperwhite)

Grading

Important within audited
area.

2.5.3 In responding to Internal Audit queries, a number of schools expressed uncertainty and confusion around the instances where the higher rate of pay could be offered. Furthermore, the difficulty in obtaining supply cover was expressed and is recognised.

Recommendation

Guidance should be issued on the completion of timesheets for supply teachers, explaining the circumstances where the higher rate is payable.

Service Response / Action

Agreed. A circular will be issued. Template letters issued to supply teachers have been updated.

Implementation Date

May 2016

Responsible Officer

HR Team Leader
(Tracy Runcie)

Grading

Important within audited area.

2.6 Supply Teacher Occupational Sick Pay

- 2.6.1 Teaching staff who have completed 18 weeks continuous qualifying service with the authority become eligible for OSP. The entitlement to full and half pay is dependent on the length of this service up to a maximum of six months of each after five years. As supply teachers are employed on an “as and when required” basis their continuous service can be interrupted and reset whenever they have a two week break in work. When filling a position where the school has provided a set timetable for the forthcoming weeks, should they subsequently go off sick this will be recorded on the S56A claim form and, should they qualify, OSP would be paid.
- 2.6.2 Where schools tick the “tick if sick” box on a timesheet and a Head Teacher has signed to authorise this, Payroll accept this as confirmation the supply teacher is entitled to be paid sick pay and has the relevant qualifying continuous service. There is no verification of 18 weeks qualifying continuous service, nor identification of breaks exceeding two weeks. This could result in OSP being paid when the supply teacher is not entitled to it.
- 2.6.3 Within the timesheets reviewed for December 2015 there were sixteen timesheets (relating to four schools) with boxes ticked. Three schools advised that they understood the “tick if sick” box was to indicate that the supply cover was for a sick teacher and not that the supply teacher was sick. Payroll advised that sick pay will only be processed if the sickness absence is notified to the Absence Team.
- 2.6.4 The remaining school had one supply teacher who was sick for one day during an ongoing arrangement for cover. Timesheets covering the eighteen weeks leading up to the sickness absence were reviewed to ensure there were no breaks in service of two weeks or over. The teacher had worked the required eighteen weeks and was entitled to this day as occupational sick pay however there was no record of this sickness absence within the payroll system and the day had been paid as a working day. The school confirmed that she was to be paid OSP for that day, but they did not notify the Absence Team via email, as they were not aware this was a requirement for supply teachers.

Recommendation

Guidance should be issued on the completion of timesheets, as well as procedures for notification of supply teacher sickness absence.

Service Response / Action

Agreed.

Implementation Date

May 2016

Responsible Officer

HR Team Leader
(Tracy Runcie)

Grading

Important within audited area.

Recommendation

The School should ensure that the HR Service Centre is notified of the above employee's sickness absence.

Service Response / Action

Agreed.

Implementation Date

Implemented

Responsible Officer

Head Teacher / Admin
St Josephs Primary

Grading

Important within audited
area.

- 2.6.5 During the review of the supply teacher's timesheets detailed in paragraph 2.6.4, it was identified that the teacher's timesheet for September 2015 had been incorrectly completed resulting in an underpayment of 7 hours.

Recommendation

HR&CS (Payroll) should investigate and process a payment for the underpayment identified.

Service Response / Action

Agreed.

Implementation Date

May 2016

Responsible Officer

Senior Payroll Officer
(Kathleen Hebenton)

Grading

Important within audited
area.

2.7 Arrears Payments

- 2.7.1 In October 2015, the SNCT agreed a pay rise of 1.5% from 1 April 2015 to 31 March 2016 and thereafter a 1% uplift in pay from 1 April 2016 to 31 March 2017. This resulted in a backdated arrears payment in Teachers' November salary. These payments are calculated using an Access database. A small sample of these are checked by the Payroll team.

- 2.7.2 Internal Audit reviewed arrears payments for ten teachers and nine were calculated and paid correctly. The remaining teacher had left their post in October and had not been paid arrears. Former employees who would have been entitled to backdated pay do not automatically receive it, they have to request it from Payroll.

AUDITORS: D Hughes
M Beattie
C Pirie

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system’s adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.