

Audit and Governance Committee

Meeting to be held on Monday, 25 September 2017

Electoral Division affected: (All Divisions);
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Update on Overpayment of Salaries

Contact for further information:

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Executive Summary

Internal Audit have previously reported to the Committee an issue, identified as part of a payroll audit, with regard to overpayment of salaries to some individuals who have left the council. The Committee requested an update as to the current position.

Recommendation

The Audit and Governance Committee is asked to note the report.

Background and Advice

An internal audit payroll report finalised in May 2017 found, via sample testing, that from a sample of 20 leavers processed by payroll services in 2 cases the workflow termination had been received for processing exceptionally late after the employee leaving date. This had resulted in continuation of salary payments for each employee after leaving and the overpayments then requiring recovery action to be undertaken.

Subsequent conversations with debt recovery team then identified total outstanding debt relating to payroll overpayments totalling £0.4k with about a third of that debt being over two years old. Between April 2016 to January 2017 329 invoices, with a total value of £0.337m, were raised for recovery of salary overpayment. Of these, the majority were due to late submission of data from an establishment or the submission of inaccurate data.

Invoices for the overpayment of salaries are raised when the overpayment is identified by payroll. Unless an invoice is queried or paid further action is taken with either referral to a debt collection agency (if the debt is under (£1,500) or to legal services (if the debt is over £1,500). In some cases the debtor asks to repay the overpayment over an extended period and they are asked to complete an income and expenditure form to enable the calculation of a reasonable repayment period (usually no more than 12 months unless the value of the debt is particularly significant or there are particular circumstances relating to the individual).

Current Position

Analysis and reporting has been developed following the review and Table 1 below provides activity information covering a 2 year period running up to the end of quarter 1 of the current financial year.

Table 1

	Jul 15 - Mar 16	Apr 16 - Mar 17	Apr 17 - Jun 17
	9 month period	12 month period	3 month period
No. of Leavers	1,992	2,362	451
No. of Overpayments relating to leavers	162	172	29
Percentage*	8%	7%	6%
Value of Overpayments	£176,141	£166,600	£14,188
Average Overpayment	£1,087	£969	£489

The table above identifies that in the vast majority of cases (over 90%) overpayments are not made to employees who have left the Council, and that the percentage of cases where overpayments are made is reducing, from 8% in the period July 2015 to March 2016 to 6% in the period April 2017 to June 2017. The average value of overpayments is also reducing from £1,087, in the period July 2015 to March 2016, to £489 in the period April 2017 to June 2017.

The current position does represent an improving position and the issue remains an area of ongoing heightened focus. The analysis and reporting has enabled the more effective identification of particular areas of concern and focused proactive activity to support the reduction of occurrences. The current level of outstanding debt, at the end of August 2017 is £0.312m compared to £0.417m at the end of January 2017 reflecting both progress in ongoing recovery activity and the reduction over recent months in the volume and scale of salary overpayments. Work will continue to further support the reduction of occurrences whilst also ensuring the recovery process continues to be applied effectively.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

The principal risk is a financial one in terms of recovery of any overpayments made.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
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N/A		
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Reason for inclusion in Part II, if appropriate		
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