Glasgow City Council Internal Audit Section
Committee Summary
Social Work Services – Payroll Verification

Item 4(c)

24th January 2024

1 Introduction

1.1 As part of the agreed Internal Audit plan we have carried out an employee verification exercise in order to confirm that only current employees are recorded on the payroll and that they are being paid at the correct rate and hours. This exercise included all employees across Social Work Services (SWS).

1.2 SWS management, via a central co-ordinator, were asked to review all staff named on a SAP payroll extract provided by the Business Intelligence team. Management were required to identify any names on this report who were not current employees of their service or who did not have the correct core pay.

1.3 Internal Audit also conducted sample checking of 25 employees to confirm that back up documentation was available to support the Service's verification. The auditor was supplied with copies of the backup that had been submitted by line managers to the SWS co-ordinator to confirm that the employees recorded were current members of staff at the time of the payroll report and the correct remuneration was being paid to those employees.

1.4 The scope of the audit was to ensure that the Council has effective arrangements and procedures in place to manage its payroll. We conduct this exercise on a biennial basis and it is an essential component of the payroll leavers control environment.

1.5 In conducting the exercise we carried out checks to verify:

- That only current Council employees were being paid.
- The accuracy of core pay and the number of hours paid.
- That appropriate steps are taken to correct payroll records and recover overpayments as necessary.

1.6 Internal audit is also undertaking data analytics to identify potential payroll inconsistencies across the whole Council employee population. This testing is ongoing and findings will be reviewed with any significant outputs being reported to Committee at a future date.

2 Audit Opinion

2.1 Based on the audit work carried out a reasonable level of assurance can be placed upon the control environment. The audit has identified some scope for improvement in the existing arrangements and one recommendation which management should address.

3 Main Findings

3.1 The verification exercise undertaken by SWS observed that a total of 7,631 employees were recorded on the Service's payroll. We identified an administrative issue whereby two members of staff transferred from Financial Services (FS) to SWS prior to the report being compiled, however their SAP record was not updated timeously. We have confirmed that these employees were verified as part of the FS verification exercise.

3.2 Our initial exercise identified seven overpayments with a value of £32,995 relating to four current employees and three leavers. The overpayments to the current employees occurred due to changes in working patterns and being placed in incorrect grades due to payroll not being advised correctly/promptly. For the three former employees, we noted that the leavers process was not properly followed at the time of their exit.

3.3 While verifying that recovery action had been initiated for the seven overpayments we identified that recovery action was ongoing in relation to an additional 4 former employees, valued at £13,955. The verification returns provided to us indicated that these were still current employees but this was not the case. We confirmed that the recovery plans are in place for the eleven overpayments identified during this exercise to recover a total amount of £46,950.

3.4 For the 25 employees whose payroll details were sampled, we obtained evidence from the Service that checks had taken place, which confirmed that all individuals had been verified and were found to be current employees at the time of the selected pay run.

3.5 An action plan is provided at section four outlining our observations, risks and recommendations. We have made one recommendation for improvement. The priority of each recommendation is:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
Medium	Less critically important controls absent, not being operated as designed or could be improved.	1
Low	Lower level controls absent, not being operated as designed or could be improved.	0
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	0

3.6 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.

3.7 We would like to thank officers involved in this audit for their cooperation and assistance.

3.8 It is recommended that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

4 Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Employee records are accurately maintained.				
1	The payroll exercise revealed delays in updating employee payroll records held on SAP system. We identified two employees who transferred from FS to SW but were still recorded on the system as being in FS. Although this was administration issue and did not have a financial impact it highlighted gaps in the payroll update process. Furthermore, seven overpayments were identified relating to four current employees and three leavers valued at £32,995. Following the initial verification exercise we identified that recovery action had been raised against a further four leavers who had initially been verified as being current employees by the service. These overpayments were valued at £13,955. Delays in recording and submitting changes to employment details increases the risk of overpayments that may persist and go undetected for a prolonged period of time.	Management should confirm that the employees transferring from FS have had their SAP records correctly updated. Management should remind front line officers of their role in informing HR of changes in employee records promptly. In doing so management should ensure that front line managers are aware where to send the requests and the deadlines for submission. Management should also investigate the circumstances that led to incorrect information being provided as part of the exercise.	**Medium**	**Response:** Agreed. A reminder will be issued to staff to reiterate the importance of accurate and timeous processing of leavers requests. Regular reminders to managers in relation to payroll processing/ payroll dates. HSCP to link in with CBS to get an update on the review of the automated leavers process in terms of CBS transactional processes. **Officer Responsible for Implementation:** Principal HR Officer **Timescales for Implementation:** 31 January 2024