Glasgow City Council Internal Audit Section
Committee Summary
Chief Executive's Department – Payroll Verification

Item 4 (a)

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 the Chief Executive's Department (CEX).

1.2 CEX 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 10 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 CEX 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 Additionally, data analytics testing is being undertaken 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 CEX identified that of 669 employees on the payroll list, three overpayments totalling £4,510 had been made to current staff. Two of these were as a result of incorrect hours recorded by the recruiting officer in the Prepare to Offer form. As a result, although these officers had agreed working patterns, their working hours defaulted to full time. The final employee was placed at the incorrect increment level by CBS (Customer & Business Services) during their promotion.

3.2 Appropriate steps were found to have been taken to correct these errors following the verification exercise and two of the employees have settled the payments, while a repayment plan is in place for the remaining employee. The Service also identified several housekeeping errors in the information, including incorrect employee status and line manager information.

3.3 For the 10 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 either found to be current employees at the time of the selected pay run or that any errors present resulting in an under or over payment had been corrected.

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

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

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

3.7 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 identified some housekeeping errors, including incorrect employee status and line manager information. CEX identified three overpaid employees on their payroll which netted to an overall recoverable amount of £4,510. Two of these errors were overpayments as a result of incorrectly completed Prepare to Offer documentation. One overpayment occurred as a result of the incorrect increment level being updated by CBS during an employee's promotion. If changes to employment are not recorded and submitted in an accurate manner there is an increased risk that under/overpayments may occur and may persist, undetected, for a prolonged period of time.	CEX management should remind managers that they should liaise with CBS to correct any housekeeping errors (e.g. employee status and incorrect manager information) identified as part of the verification exercise. CEX Management should also remind managers to ensure that recruitment documentation, including the Prepare to Offer form, is completed accurately and in full. CBS Management should remind staff who handle HR/Payroll changes to ensure that these are processed correctly.	**Medium**	**Response**: CEX – We accept this recommendation and will ensure this is communicated to all recruiting managers via the Service Leadership and Management structures FS - Accepted **Officer Responsible for Implementation**: CEX – Corporate Governance and Planning Manager FS – Operations Delivery Manager **Timescales for Implementation**: CEX – 29 February 2024 FS – 31 January 2024