GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

COMMITTEE SUMMARY

Item 2(h)

28th September 2022

Title of the Audit: Corporate Review - Payroll verification

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 Council employees excluding ALEOs.

1.2 Management for EDS, SWS, FS and CEX (NRS was reported to FASC earlier in 2021/22) were asked to review all staff named on a SAP payroll extract provided by the Business Intelligence team. Management were then required to identify any names on the report who were not current employees or did not have the correct core pay (e.g. employees who were recorded with the incorrect hours or pay grade).

1.3 Internal Audit also conducted sample checking of employees to confirm that confirmation had been received from line managers that the employees were current member of staff at the time of the pay run and the correct remuneration was being paid to those employees.

1.4 The scope of the audit was to review the Council's payroll verification methods to validate their accuracy and effectiveness. The key controls examined were:

- Effective checks are undertaken to verify that only Council employees are being paid.
- Effective checks are undertaken to verify the accuracy of core pay and the number of hours paid.
- Where inaccuracies are identified appropriate steps are taken to correct payroll records and recover overpayments as necessary.

Additionally, data analytics testing was undertaken to identify potential payroll inconsistencies across the whole Council employee population. The findings of this testing are being reviewed by CBS with any significant outputs to be reported.

2. Audit Opinion

2.1 Based on the audit work carried out, reasonable assurance can be place upon the control environment. We note that a small number of errors were identified in the payroll resulting in individually large overpayments, however these did not materially impact the overall payroll. The audit has identified some scope for improvement in the existing arrangements and four recommendations which management should address.

3. Main Findings

Education Services

3.1 The verification exercise undertaken by EDS identified that 24 employees had been overpaid totalling £108,660. The Service also identified several data quality errors including incorrect locations, line managers and job titles.

3.2 Fifteen of the overpayments related to employees who had left the council and were not removed from the payroll. Two

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of these employees had been overpaid by £48,313 and £18,473 respectively and repayment plans are in place. The remaining overpayments related to incorrect hours, the ending of an acting up period, issues due to multiple posts and a carer break which was not recorded in SAP.

3.3 One underpayment totalling £1,327 was also identified during the exercise as a result of an acting up arrangement that had not been reflected in the payroll. The relevant employee has been reimbursed.

3.4 For the sample of 30 employees whose details were confirmed as accurate we obtained evidence for the Service that checks had taken place which confirmed that all individuals were found to be current employees at the time of the selected pay run and that no errors were present which would result in an under or over payment.

Social Work Services

3.5 The verification exercise undertaken by SWS across their full payroll (7,420 employees) identified that nine employees had been overpaid totalling £21,138 gross. Additionally, five employees had been underpaid totalling £7,736. Recovery action including repayment plans have been put in place to recover any monies due to the Council. Underpaid employees have been notified and reimbursed.

3.6 For the sample of 30 employees whose details were confirmed as accurate we obtained evidence from the Service that checks had taken place, which confirmed that all individuals were found to be current employees at the time of the selected pay run and that no errors were present which would result in an under or over payment.

Financial Services

3.7 The verification exercise undertaken by FS identified that one employee was being paid for the incorrect number of hours, resulting in an overpayment of £1,527 gross. A repayment plan for the outstanding balance is now in place. The Service also identified several housekeeping errors including incorrect locations, line managers and job titles.

3.8 For the sample of 31 employees whose details were confirmed as accurate we obtained evidence from the Service that checks had taken place, which confirmed that all individuals were found to be current employees at the time of the selected pay run and that no errors were present which would result in an under or over payment

Chief Executive's Department

3.9 The verification exercise was undertaken by CEX and explanations have been obtained for the issues identified by line mangers. However, the Service also identified several data quality errors including incorrect grades, locations, line managers and job titles which do not drive employee pay.

3.10 For the sample of 20 employees whose details were confirmed as accurate we obtained evidence from the Service that checks had taken place, which confirmed that all

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individuals were found to be current employees at the time of the selected pay run and that no errors were present which would result in an under or over payment.

3.11 An action plan is provided at section four outlining our observations, risks and recommendations. We have made four recommendations 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.	3
Low	Lower level controls absent, not being operated as designed or could be improved.	1
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	0

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

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

3.14 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.

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Employee records are accurately maintained.				
1	EDS identified 24 overpayments and one underpayment through the payroll validation exercise. These totalled overpayments of £108,660 and an underpayment of £1,327. Fifteen of the overpayments related to employees who had left the Council and had not been removed from the payroll. Two of these employees had been overpaid by £48,313 and £18,473 respectively. The remaining overpayments related to incorrect hours, the acting up periods, issues due to multiple posts and a carer break which was not reflected in the payroll. These errors did not impact on the materially on the accuracy of the overall payroll and overpayments have been stopped. However, if changes to positions / hours are not recorded correctly there is an increased risk that under / overpayments may not be identified in a timely manner.	EDS should remind managers to submit changes to employee's details, including working patterns and hours to CBS in a timeous manner. EDS management should review the errors identified by the Service as part the payroll verification exercise and ensure these are corrected. CBS should remind staff of the importance of ensuring that all elements of service requests are completed in an accurate and timely manner before these are closed.	**Medium**	**Response:** **EDS** Accepted. CBS A reminder will be issued to staff to reiterate the importance of accurate and timeous processing of leavers requests. A review of the potential for automation of high-volume transactional tasks across CBS is underway and the request will be considered as part of that review. **Officer Responsible for Implementation:** EDS Head of Resources CBS Transactional Shared Service and Business Support Operations Manager **Timescales for Implementation: 31 October 2022**

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No.	Observation and Risk	Recommendation	Priority	Management Response
2	SWS identified nine overpayments and five underpayments through their payroll validation of 7,421 employees. These totalled overpayments of £21,138 and underpayments of £7,736. Three of the overpayments and all of the underpayments related to incorrect non-standard working payments (NSWP). The remaining overpayments related to three employees with incorrect hours, two leavers who had not been immediately actioned by CBS and one small additional overpayment, in relation to working context and demand arrangements. These errors did not impact materially on the accuracy of the overall payroll. Overpayments have since stopped and recovery action is in place. Underpaid employees have been notified and reimbursed. However, if changes to positions / hours are not recorded correctly there is an increased risk that under / overpayments may not be identified in a timely manner.	SWS should remind managers to submit changes to employee's details, including working patterns to CBS in a timeous manner. CBS should remind staff of the importance of ensuring that all elements of service requests are completed in an accurate and timely manner before these are closed.	**Medium**	**Response:** **SWS** Accepted. **CBS** A reminder will be issued to staff to reiterate the importance of accurate and timeous processing of leavers requests. A review of the potential for automation of high-volume transactional tasks across CBS is underway and the request will be considered as part of that review. **Officer Responsible for Implementation:** **SWS** HR Manager **CBS** Transactional Shared Service and Business Support Operations Manager **Timescales for Implementation:** 30 September 2022

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No.	Observation and Risk	Recommendation	Priority	Management Response
3	FS identified one overpayment, which totaled £1,527 gross. This resulted from a reduction in the employee's hours from March 2020 when they moved to a promoted post. This error did not impact materially on the accuracy of the overall payroll. The overpayments have since stopped, and a recovery action has now been agreed However, if changes to positions / hours are not recorded correctly there is an increased risk that under / overpayments may not be identified in a timely manner.	FS should remind managers to submit changes to employee's details, including working patterns and hours to CBS in a timeous manner. FS management should review the data quality errors identified by the Service as part the payroll verification exercise and ensure these are corrected.	**Medium**	**Response:** Accepted. **Officer Responsible for Implementation:** Head of Service Development **Timescales for Implementation:** 31 December 2022
4	CEX identified a number of data quality errors including incorrect job titles, employee names, locations and line managers. These errors have not impacted materially on the accuracy of the overall payroll. However, if changes to employee details are not recorded correctly there is an increased risk that under / overpayments may not be identified in a timely manner.	CEX management must ensure the identified quality issues are corrected and remind relevant staff that in future, any changes should be submitted to CBS in a timeous manner.	**Low**	**Response:** Accepted. **Officer Responsible for Implementation:** Governance and Planning Manager, CEX **Timescales for Implementation:** 31 December 2022