

Glasgow City Council Internal Audit Section

Committee Summary

Financial Services – National Living Wage

1 Introduction

- 1.1 As part of the agreed Internal Audit plan, we have carried out a review of the process for ensuring that all employees are paid at the level of the national living wage as a minimum.
- 1.2 A national living wage is set by the UK Government, and the council must ensure that all employees receive this level of pay as a minimum. The council must ensure that any relevant deductions from salaries do not result in any employee being paid below the national living wage level.
- 1.3 The purpose of the audit is to review the processes in place to ensure that all staff members receive at least the national living wage level, even after relevant deductions have been made to their pay. The scope of the audit included:
- Reviewing the documented processes and procedures,
 - Reviewing the arrangements in place to ensure that the national living wage is paid to all members of staff,
 - Ensuring that processes are in place to take account of relevant salary deductions,
 - Checking the arrangements to review payments to ensure they are not below the national living wage, and
 - Staff awareness of the national living wage.

Item 6 (h)

18th September 2024

2 Audit Opinion

- 2.1 Based on the audit work carried out, assurance can be taken that the control environment is satisfactory

3 Main Findings

- 3.1 We are pleased to report that the key controls are in place and operating effectively. The SAP payroll system is configured to ensure that no salary payments can be made to staff below the level of the national living wage.
- 3.2 We were advised that the payroll system will stop any pay which would fall below the national living wage level due to salary deductions, and these will be highlighted in an exceptions report to CBS staff. CBS staff must then remove the deduction which caused the issue from the payment to allow the pay to be processed. CBS staff also inform the member of staff that this has been done, and the deduction has been removed. We were advised that this is normally a deduction in relation to childcare payments which has been arranged by the member of staff.
- 3.3 Most salary deductions are not included when calculating the level of pay in relation to the national living wage as it is based on gross pay. Therefore, income tax, national insurance payments and pension contributions are not included in the calculation, along with items such as trade union fees or amounts transferred to the Credit Union.
- 3.4 An example of a monthly, four-weekly (lunar) and weekly payroll report was provided (period 11 for monthly, period 12 for four-weekly, and period 50 for weekly staff), and data analytics carried out on the data to establish an hourly rate. Due to various circumstances, for example, maternity leave or long-term sickness absence, some hourly rates did initially appear to be below the national living wage level. However, a sample of 20 employees was selected from each of the three payrolls, and for each one it was confirmed that the pay rate was higher than the national living wage level.
- 3.5 We were advised that all employees are paid at the level of the Real living wage as a minimum which is higher than the national living wage (from 1 April 2024 the Real living wage is £12 per hour compared to £11.44 for the national living wage). This gives added assurance that no employees are receiving an hourly rate below the national living wage level.
- 3.6 We were advised that each time the national living wage increases the SAP payroll system is updated through a patch to ensure that the checks carried out by the system are accurate and performed for the correct hourly rate.

- 3.7 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.
- 3.8 We would like to thank officers involved in this audit for their cooperation and assistance.
- 3.9 It is recommended that Committee note the content of this report.