

Glasgow City Council Internal Audit Section

Committee Summary

Education Services – Payroll Verification

Item 6 (g)

18th September 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 Education Services (EDS).
- 1.2 EDS 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 and create a list of any overpayments made.
- 1.3 Internal Audit also conducted sample checking of 50 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 EDS 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 jointly with EDS 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.

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 EDS confirmed the status of all staff listed on the SAP payroll report, noting that the recorded data was accurate or inaccurate (e.g. that staff had left or that their hours / salary etc. were incorrect). Internal Audit expanded the verification work undertaken by EDS to identify that of 12,704 employees on the payroll list, quantifiable overpayments totalling £127,176 had been made to 47 staff. The largest amount overpaid was £14,548, the smallest amount overpaid was £18 with the average value of overpayment being £2,706. £91,143 of these overpayments were made to 32 staff who had left GCC and have subsequently been invoiced for amounts due. It should be noted that total EDS gross payroll costs are approximately £421.5m annually.
- 3.2 The reasons for the additional 15 overpayments arising are varied, although in the main arose from aspects such as a failure to correctly process changes, e.g. adjustments to the number of hours worked. However, appropriate steps were found to have been taken to correct the errors following the verification exercise, with repayment plans in place where required. The Service also identified several housekeeping errors in the information, including incorrect employee status and work location, job title etc.
- 3.3 Since this exercise was last carried out two years ago, overpayments to EDS leavers totalling £572,000 have been made and recovery of this amount sought via 350 invoices raised. Six of these invoices were for more than £10,000, the highest of these six was for £31,553.
- 3.4 There were a further 46 cases of over / under payment that were not possible to quantify due to these involving a date change on the payroll system which would then automatically calculate and apply a backdated balancing payment. These were generally for staff still working at GCC in receipt of Working Context and Demands (WCD) payments that had been applied at the incorrect rate and, though outside the scope of our audit, these had been examined by EDS for their own completeness.
- 3.5 For the 50 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.

- 3.6 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

- 3.7 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 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.	<p>The payroll exercise identified various errors as per below.</p> <p>We identified 47 overpaid employees on the EDS payroll which netted to an overall recoverable amount of £127,176. 32 of these amounts totalling £91,143 arose from employees leaving GCC but continuing to receive salary in error.</p> <p>Most overpayments occurred because of failure to complete and process leavers on a timely basis or to monitor payroll records on an ongoing basis.</p> <p>Several housekeeping errors were found to exist with the payroll such as inaccurate contract status or employment location. Although these elements do not have an impact on the payroll, the data is used elsewhere within EDS (e.g., the annual staff census).</p> <p>If changes are not recorded and submitted in an accurate / timely manner there is an increased risk that under/overpayments may occur and may</p>	<p>EDS management should ensure that they:</p> <ul style="list-style-type: none"> • Monitor and manage the £127,176 overpaid in order that amounts are recovered in full. • Remind staff who handle HR/Payroll changes to ensure that these are processed and monitored correctly. • Remind managers that they should liaise with CBS to correct any housekeeping errors (e.g., employee status and incorrect job location) identified as part of the verification exercise. 	Medium	<p>Response:</p> <p>A report is being set up with CBS to advise on ongoing repayments from current employees. This will be received monthly and Directorate will also be provided with this monitoring information.</p> <p>We will engage with EDS Finance to establish a monthly reporting mechanism for recovery of overpayments from employees leaving GCC. Directorate will also be provided with this monitoring information.</p> <p>Previous reminder email to be shared with Education managers in the new term.</p> <p>HR and CBS staff to be communicated with following the reminder to managers.</p> <p>Officer Responsible for Implementation: Strategic HR Manager</p>

No.	Observation and Risk	Recommendation	Priority	Management Response
	persist, undetected, for a prolonged period.			Timescales for Implementation: 30 September 2024