



Core financial systems review of payroll administration

Committee Audit and Standards

Date of meeting 22 February 2019

Date of report 29 January 2019

Report by Assistant Chief Executive

1. Object of report

To advise the committee on the findings of a core financial systems review of payroll administration. This engagement is included in the annual Internal Audit plan for 2018/19.

2. Background

Employer responsibilities in relation to payroll include operation of Pay as You Earn (PAYE). PAYE is a HM Revenue and Customs (HMRC) system to collect Income Tax and National Insurance (NI) from employment. This includes:

- making deductions for PAYE (Income Tax and NI);
- reporting deductions to HMRC on or before each payday (including other changes such as new starts and leavers); and
- payment of wages, allowances, and sick pay to employees.

The Financial Regulations contained within the governance manual provide procedural guidance on payroll administration arrangements. This is supported by a payroll manual.

The objective of this engagement was to assess and evaluate the payroll system and test internal controls by undertaking an end to end review incorporating data analytics.

This engagement tested elements of the internal controls and mitigation against SPT 22: governance arrangements as identified in the Corporate Risk register.

3. Outline of findings

All payroll transactions are processed internally using the digital HR system and the HMRC portal. Employees and members (allowances/expenses) are paid on a 4-weekly pay cycle.

Engagement sample testing (November 2018) on payroll administration processes including deductions and reconciliation arrangements were found to be satisfactory.

Engagement testing identified a requirement to review and enhance the authorised signatory list to reflect recent organisational change.

There are some areas for improvement, and these areas have been addressed by two recommendations. Finance management have agreed to implement these recommendations, which are currently being actioned.

4. Conclusions

The Audit and Assurance team has undertaken a core financial systems review of payroll administration. Two recommendations have been agreed from this engagement.

Key controls exist and are applied consistently and effectively in the majority of areas tested in this engagement.

Reasonable assurance can be taken from the payroll administration controls in place.

5. Committee action

The committee is asked to note the contents of this report and agree that the Audit and Assurance Manager submits a follow-up report on the implementation of the recommendations to a meeting in approximately six months.

6. Consequences

Policy consequences	<i>None.</i>
Legal consequences	<i>None.</i>
Financial consequences	<i>None.</i>
Personnel consequences	<i>None.</i>
Social Inclusion consequences	<i>None.</i>
Risk consequences	<i>As detailed in the report.</i>

Name Valerie Davidson

Name Gordon MacLennan

Title Assistant Chief Executive

Title Chief Executive

For further information, please contact Iain McNicol, Audit and Assurance Manager on 0141 333 3195.

Agreed action plan: Core financial systems review of payroll administration

No.	Recommendation	Priority	Action Proposed	Lead Officer	Due date
1.	<p><u>Authorised signatory list</u></p> <p>The authorised signatory list (for payroll) should be reviewed and updated.</p> <p>Only overtime authorised by a designated signatory should be accepted for processing payment.</p>	Medium	The authorised signatory list will be reviewed and updated to reflect recent organisational changes.	Chief Accountant	February 2019
2.	<p><u>Salary scales</u></p> <p>Finance Management should review the current arrangements for modifying standing data in relation to salary grades held in the digital payroll system.</p>	Medium	An email automatically generated from the digital payroll system will be sent to Finance management when salary grade standing data is modified.	Chief Accountant	February 2019

High: A fundamental control that should be addressed as soon as possible;

Medium: An important control that should be addressed within three months;

Low: An issue which is not fundamental but should be addressed within six months to improve the overall control environment.