



UHI North, West and Hebrides

Internal Audit 2025-26

Payroll
April 2026

Overall Conclusion

Strong

Table of contents

Section	Page
1 EXECUTIVE SUMMARY	2
2 BENCHMARKING.....	12
3 DETAILED RECOMMENDATIONS.....	13
4 OBSERVATIONS.....	16
5 AUDIT ARRANGEMENTS.....	17
6 KEY PERSONNEL.....	18
Appendix	Page
A GRADING STRUCTURE	20
B ASSIGNMENT PLAN.....	22

The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for UHI North, West and Hebrides's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

Overview

Purpose of review

Our review looked at the payroll system at UHI North, West and Hebrides (the College) to assess whether this was operating as expected and that the appropriate controls exist. We also looked to assess whether the payments being calculated by the system were accurate and were based on bona fide hours worked and we also considered deductions and additions to salaries to assess whether these were correctly calculated and properly authorised.

This review formed part of our 2025/26 Internal Audit Annual Plan.

Scope of review

Our objectives for this review were to assess whether:

- | Amendments to the payroll are appropriately reviewed and authorised prior to being processed through the payroll system.
- | Wages and salaries are accurately stated in the accounting system.
- | The College has robust processes in place for changes made to employee's bank details.
- | Staff are only paid for the hours that they have worked.
- | Leavers are appropriately removed from the system and final payments are accurately pro-rated.
- | New starts are accurately entered onto the payroll system and are paid appropriately.
- | The payroll is subject to checking and approval by a senior member of staff prior to being finalised.

1 Executive summary

- | Severance packages have been calculated in accordance with the terms of the scheme.
- | Access to the payroll system is restricted. There are appropriate access rights in place for payroll staff.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There was no limitation of scope.

1 Executive summary

Background

Payroll Procedures and Financial Regulations

The College's Financial Regulations provide coverage of the payroll procedures and roles and responsibilities. The College also has a dedicated Payroll Processing Procedure. This is a working procedural document which is regularly updated and outlines the payroll process that is required to be followed. The first page highlights the most crucial information such as when employees are paid, reference numbers for the College and employees, contact details for a helpdesk, troubleshooting methods if payroll reports fail to run, and key steps to follow before running the monthly payroll report.

This is a live document that required updates at the time of our review; therefore, we have raised an observation, please see **Section 4: Observations** for further information.

Payroll System & Access

The College utilise Frontier as their Payroll system. Access to Frontier is limited to the Finance Team (including payroll) and the HR Team in line with responsibilities.

Payroll Reconciliation and Authorisation

The Finance Officers who are involved in payroll processes are responsible for the preparation of all monthly payroll calculations and reports. Once prepared these are reviewed by the Management Accountant and then sent to the Chief Finance Officer for final approval.

We reviewed the January 2026 to March 2026 payroll reconciliations and authorisations. While we found no issues with the reconciliation process, we found that in these months the authorisation process differed due to system issues, this has since been rectified. We have raised an observation for consideration, please see **Section 4: Observations** for further information.

1 Executive summary

Sample Testing

New Starts

As part of our review, we undertook sample testing of the 15 new starts who joined the College between August 2025 to March 2026. We completed this and were able to confirm that all details had been accurately entered into the Frontier Payroll System and also confirmed that their first wage was in line with their contract. However, we found issues with the completion of employment contracts, and we have therefore raised a recommendation for improvement. Please see **Section 3: Detailed Recommendations** for further information.

Leavers

As part of our review, we undertook sample testing of 15 employees who had left the College between August 2025 to March 2026. We completed this and were able to confirm that their final wage had been calculated correctly, no further payments were received, and correct procedures had been followed.

Amendments

The College has a monthly Information to Payroll Report which contains variances for existing staff members, each record must be reviewed and confirmed it is accurate. The Payroll Officer adds their initials to the Information to Payroll spreadsheet record to confirm the change has been applied.

As part of our review, we undertook sample testing of 15 adjustments from January 2026 to March 2026, we can confirm that the Information to Payroll Form had been completed and signed off by HR prior to being processed by payroll. We also reviewed the payslip from the month prior to the adjustment and the payslip for the month of the adjustment and confirmed that this matched the adjustment made.

Timesheets and Overtime

We were provided with a copy of the monthly timesheet reports for January 2026 to March 2026, this report contains coverage of staff who are required to complete timesheets for their standard hours as well as staff who have claimed additional overtime hours and these are differentiated depending on coding.

1 Executive summary

We undertook sample testing on eight standard hours timesheets and seven overtime staff members. We can confirm that all timesheets were fully completed, appropriately authorised, and the hours claimed were consistent with the correspondent employee payslips.

Employee Bank Details

When a staff member at the College requires to update their bank details, this can be accepted in two ways:

- | The staff member will log onto Cascade (HR System) and update the details themselves. Cascade is set up with Multi Factor Authentication. Once a new record is uploaded, HR will receive a notification. A screenshot of the new record will be added to Information to Payroll folder in next available pay run month; or
- | The staff member goes to the Finance Officer and shows ID as proof of self and completes a bank details change form in the presence of a Finance Officer.

As part of our review, we reviewed the five changes to employee bank details from August 2025 to March 2026 (100%) and we confirmed that one of the two methods above was followed for each change.

Severance Schemes

Severance payments are only to be made in accordance with relevant legislation and under a scheme approved by the Board of Management. Professional advice should also be obtained where necessary. No amounts shall be expended that exceed the budget allocated for the purpose. All such payments are authorised by the Principal and calculations checked by the Director of Human Resources or the Director of Finance.

During our review, we held discussions with the Finance Officer and the Management Accountant and confirmed that the College have paid out no severance packages in 2025/26 to date.

1 Executive summary

Work Undertaken

In line with each objective, we completed the following work:

Objective 1: Amendments to the payroll are appropriately reviewed and authorised prior to being processed through the payroll system.

- | We conducted sample testing of 15 payroll amendments from January 2026 to March 2026 to confirm if they were appropriately reviewed and authorised prior to being processed through the payroll system.

Objective 2: Wages and salaries are accurately stated in the accounting system.

- | We conducted sample testing of three months of payroll reconciliations, January 2026 to March 2026, and confirmed that reconciliations were conducted each month by the Finance Officer.

Objective 3: The College has robust processes in place for changes made to employee's bank details.

- | We held discussions with the Finance Officer to gain an understanding of the process in place of any changes made to employee bank details.
- | We conducted sample testing of the five changes made to employee bank details (100%) from August 2025 to April 2026 and confirmed that the appropriate process had been followed.

Objective 4: Staff are only paid for the hours that they have worked.

- | We conducted sample testing of 15 employees who completed timesheets and overtime to confirm that staff were only paid for the hours worked and staff gained appropriate approval by their Line Manager.
- | We confirmed that Senior Management are unable to claim overtime.

Objective 5: Leavers are appropriately removed from the system and final payments are accurately pro-rated.

- | We conducted sample testing of 15 leavers who left the College from August 2025 to March 2026 to assess whether the leaver was appropriately removed from the relevant systems and the final payments were accurately calculated.

1 Executive summary

Objective 6: New starts are accurately entered onto the payroll system and are paid appropriately.

| We conducted sample testing of 15 new starts who joined the College from August 2025 to March 2026 to assess whether the new starts details were appropriately entered onto the payroll system and that their first month salary was adjusted as per their start date.

Objective 7: The payroll is subject to checking and approval by a senior member of staff prior to being finalised.

| We conducted sample testing of five months of payroll reconciliations, January 2026 to March 2026, and confirmed that reconciliations were appropriately checked and approved by a senior member of staff prior to being finalised.

Objective 8: Severance packages have been calculated in accordance with the terms of the scheme.

| We held discussions with the Finance Officer and the Management Accountant to gain an understanding of any severance packages that were paid out from August 2025 to date.

| We confirmed that there is a clear severance package process in place.

Objective 9: Access to the payroll system is restricted. There are appropriate access rights in place for payroll staff.

| We reviewed the list of users with access to the Frontier Payroll System to assess whether the access rights are aligned to the responsibilities of the user's role.

1 Executive summary

Conclusion

Overall conclusion

Overall Conclusion: Strong

Following our review, we can provide a strong level of assurance surrounding the College's payroll arrangements in place. Our review covered the assessment of whether the payments being calculated are accurate and based on bona fide hours worked. This is further highlighted as we have raised several good practice points, however, we have raised one low graded recommendation for improvement and two observations for consideration. Please see **Section 3: Detailed Recommendations** and **Section 4: Observations** for further information.

Summary of recommendations

Grading of recommendations				
	High	Medium	Low	Total
Payroll	0	0	1	1

As can be seen from the above table there were no recommendations made which we have given a grading of high.

1 Executive summary

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	The College utilise the Frontier Payroll System and we can confirm access rights are restricted to the Finance Team and HR Team as required.
2.	We conducted sample testing of 15 new starts who joined the College from August 2025 to March 2026, and we can confirm that their first month's salary was accurately adjusted to reflect their start date.
3.	We conducted sample testing of 15 leavers who departed the College between August 2025 and March 2026, we can confirm that all final salaries were adjusted to incorporate their leaving date. We also confirmed that all IT resources were recovered and the leavers emails were deactivated.
4.	We conducted sample testing of eight standard hours timesheets and seven extra hours above contracted hours timesheets. We can confirm all timesheets were appropriately authorised by the Line Manager prior to being processed and we can confirm that the hours matched the employee payslip for the corresponding month.
5.	The College has two clear and robust ways of allowing employees to change their bank details. We conducted testing of the five changes to bank details which have been made since August 2025 to April 2026, and we found no issues with the approach followed.

1 Executive summary

The following is a list of areas where the College is operating effectively and following good practice.

6.	During our sample testing, we reviewed the reconciliation of payroll from January 2026 to March 2026 and can confirm that they were appropriately reconciled.
7.	We conducted sample testing of 15 amendments to pay from January 2026 to March 2026, and we can confirm the appropriate forms had been completed and approved. We also reviewed the corresponding payslip and we can confirm that the amendment had been made as required.

2 Benchmarking

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Payroll

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	1	2	3
Number of recommendations at UHI North, West and Hebrides	0	0	1	1

From the table above it can be seen that the College has a lower number of recommendations compared to those colleges it has been benchmarked against.

3 Detailed recommendations

Employment Contracts			
Ref.	Finding and Risk	Grade	Recommendation
1.	The College should ensure that all employees have a signed contract of employment in place prior to their start date. Contracts should be issued in a timely manner, with appropriate monitoring in place to help ensure completeness and compliance with employment requirements. During our review, we conducted sample testing of 15 new starters who joined the College between August 2025 and March 2026. From our testing, we noted the following: - Four employees had not signed their contracts (relating to start dates between August 2025 and September 2025); - Two contracts were issued after the employees start dates (both September 2025); and - Two employees signed their contracts after their start date.	Low	We recommend that the College consider the use of electronic signature solutions such as DocuSign to streamline the issuing, signing, and tracking of employment contracts.

3 Detailed recommendations

	It should be noted that within our Payroll Review 2023/24, this weakness was highlighted and closed off within our Follow Up Review 2024/25. Our assessment of root cause found that this gap attributed to lack of manual processes resulting in a lack of monitoring of contract administration and follow ups not being prioritised. Failure to issue and obtain signed contracts in a timely manner increase the risk of disputes over terms and conditions of employment.		
Management response			Responsibility and implementation date
The College acknowledges the findings identified within the review and recognises the importance of ensuring that all contracts of employment are issued and signed prior to employees commencing employment. To strengthen controls in this area, the College is in the process of implementing a new recruitment module which will integrate with the existing HR system. The new system will incorporate electronic signature functionality via DocuSign, enabling contracts to be issued, tracked, signed, and monitored electronically through an automated workflow process.			<i>Responsible Officer:</i> Director of People and Culture <i>Implementation Date:</i> June 2026

3 Detailed recommendations

The introduction of this module is expected to significantly reduce reliance on manual processes, improve monitoring and follow-up activity, and support timely completion of contract administration. In addition, automated tracking and reporting functionality will provide greater oversight of outstanding contracts and help ensure compliance with employment requirements prior to start dates.

The new recruitment module is currently being finalised and is scheduled for launch shortly.

4 Observations

The following is a list of observations from our review

	At the time of our review, we examined the payroll authorisation process covering the period from January 2026 to March 2026. During this time, the College was unable to run the standard 'GLI' reports due to issues with the Payroll System. Historically, once completed, these reports would be sent by the Finance Officer to the Finance Manager for co-signature however, this process was not possible during the period under review, and an alternative method of authorisation was utilised. We can confirm that the April 2026 report was the first report successfully generated following the system issues, and that it was appropriately authorised and co-signed.
	The College has a Financial Regulations and Payroll Processing Procedures which act as the Policy and Procedure documents for Payroll. Whilst both cover the key areas expected, the Payroll Processing Procedures is a working live document which is regularly updated. The current version has several areas, including processing PHD payments that requires further updates. There are also some supporting documents which are in need of updates to help ensure that they contain the most accurate information for staff involved in the payroll process however, we do note that these are minor and the main process areas are up to date.

5 Audit arrangements

UHI North, West and Hebrides
Payroll

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Management Committee meeting.

Audit stage	Date
Fieldwork start	7 April 2026
Closing meeting	13 April 2026
Draft report issued	24 April 2026
Receipt of management responses	8 May 2026
Final report issued	9 May 2026
Audit & Risk Management Committee	18 May 2026
Number of audit days	8

6 Key personnel

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wbg			
Partner	Graham Gillespie	Partner & Head of Internal Audit	gg@wbg.co.uk
Director	Peter Clark	Director of Internal Audit	pcc@wbg.co.uk
Senior Manager	Scott McCready	Senior Internal Audit Manager	smc@wbg.co.uk
Senior	Carla Tamagnini	Internal Audit Senior	ct@wbg.co.uk
Auditor	Dominic McCarthy	Internal Auditor	dmc@wbg.co.uk

UHI North, West and Hebrides			
Key Contacts:	Derek Bond	Vice Principal: Resources & Enterprise (CFO)	Derek.Bond.whc@uhi.ac.uk
	Shona Thumpston	Finance Officer	Shona.Thumpston@uhi.ac.uk
	Emma Sinclair	Management Accountant	Emma.Sinclair@uhi.ac.uk
Wbg appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

A Grading structure

For each area of review, we assign a level of assurance in accordance with the following classification:

Assurance Classification	
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

A Grading structure

For each recommendation, we assign a grading either as High, Medium, or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit & Risk Management Committee and addressed by Senior Management of the College as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the College as soon as possible.
Low	Minor issue or weakness reported where Management may wish to consider our recommendation.

Purpose of review

Our review will look at the payroll system at UHI North, West and Hebrides (the College) to assess whether this is operating as expected and that the appropriate controls exist. We will look to assess whether the payments being calculated by the system are accurate and are based on bona fide hours worked and we will also consider all deductions and additions to salaries to assess whether these are correctly calculated and properly authorised.

This review forms part of our 2025/26 Internal Audit Annual Plan.

Scope of review

Our objectives for this review are to assess whether:

- | Amendments to the payroll are appropriately reviewed and authorised prior to being processed through the payroll system.
- | Wages and salaries are accurately stated in the accounting system.
- | The College has robust processes in place for changes made to employee's bank details.
- | Staff are only paid for the hours that they have worked.
- | Leavers are appropriately removed from the system and final payments are accurately pro-rated.
- | New starts are accurately entered onto the payroll system and are paid appropriately.
- | The payroll is subject to checking and approval by a senior member of staff prior to being finalised.
- | Severance packages have been calculated in accordance with the terms of the scheme.

| Access to the payroll system is restricted. There are appropriate access rights in place for payroll staff.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- | Discussion with key personnel to establish the current arrangements for payroll.
- | Evaluating these arrangements to confirm their adequacy.
- | Review of documentation to confirm that policies and procedures are in place, up to date and comply with relevant legislation and good practice.
- | Testing to confirm that procedures are being adhered to by relevant staff.
- | Testing to confirm that payroll is being correctly calculated, authorised and recorded.
- | Discussion with key personnel on the controls in place for identifying and rectifying payroll misstatements.
- | Review of the segregation of duties in place.
- | Review the level of financial reporting in place and consider whether the reporting arrangements are robust.
- | Discussion with key personnel on the administration of the various pay scales within the College.
- | Review of the processes and controls around expenses and timesheets in place to confirm there is no risk of error or fraud.
- | Discussion with key personnel on the risk of fraud in this area and an assessment of the controls in place.
- | Review of the record keeping and administration of the different employee schemes in place at the College.
- | Review of the pension arrangements, these being pension deductions, usage of banding for employees, preparation and submission

of accurate, and timely year end pension returns.

Potential key risks

The potential key risks associated with the area under review are:

- | Unauthorised amendments may be processed, leading to unauthorised payments being made to employees or unauthorised deductions being made.
- | The College has inefficient processes in place for changes made to employee's bank details.
- | Staff are paid for hours that they have not worked.
- | Final salaries are not adjusted to reflect the employee's leaving date. Leavers continue to be paid after their last date of employment.
- | Staff loans/equipment provided to employees are not recovered when the employee leaves the organisation.
- | New starts salaries are not adjusted to reflect their start date.
- | In the absence of approval at an appropriate level, the payroll may be manipulated with incorrect payments being made to certain employees.
- | The College have not correctly applied the terms of their severance scheme resulting in incorrect payments being made to former employees.
- | Unauthorised users gain access to payroll system and sensitive employee data.

| Payroll costs are not accurately recorded in the accounting system resulting in inaccurate management and year end statutory accounts.