

How much of a standard is the Payroll Standard? It is time for a review, says Ian Thompson if they are to continue to earn the lofty status accredited to them by payroll software developers

## The problem with Payroll Standards...

A man, concerned about having a heart attack, goes to his doctor and asks for a thorough check up of his heart, blood pressure and cholesterol level. The doctor says these are all fine. A few weeks later the man is horrified to discover that he has diabetes. When he complains, the doctor says, 'You only asked us to check for heart conditions; you didn't ask us to test for diabetes.'

This might be considered an extreme analogy, but I believe there is an issue in what is tested for, and what is not tested for, within the current HM Revenue & Customs (HMRC) accreditation programme for payroll software.

### Standards

To be fair to HMRC, it recognised there was a need to make it clear to users of payroll software which programs conform to certain standards, but is the current standard as complete as it should be?

The aim of the Payroll Standard is to ensure that calculations performed by a software program produce the right answers, so the correct amount of taxes, NIC, SSP and so on, are generated when using the software – all well and good.

However, what the standard does not do is stipulate that other things may not be possible. This enables vendors (unintentionally perhaps) to allow software to do things at which HMRC would be aghast. But because they don't look for it, they don't find it.

### Correcting errors

A good example of this is correcting errors found in prior periods. For any number of reasons – someone being paid incorrectly, for example – the pay recorded in a period, and subsequently reported on the P32, could later be found to be wrong.

Once an error is discovered, HMRC's advice is to use back-ups to restore data to the period of the error and then re-process to obtain the correct figures. If this error is not in the previous period, this could mean restoring back a long time – if indeed you have back-ups that go back far enough.

HMRC guidelines go on to state that you should have sets of reports that show



both the original and the corrected values. If it is Period 6 now and the error was in Period 2, then besides all the Period 2 reports, any report for Periods 3, 4 and 5 with affected figures should be re-run and kept with the originals.

You might think, 'that could take hours, even if I could do it'. But you might not need to. There is plenty of HMRC accredited payroll software that allows you to simply edit old period figures as if with a 'magic pen' to arrive at the correct figure. This saves you time recalculating and reprinting reports. However, it also means that reports run previously for the periods affected by the error are incorrect and, depending on the error, submitted P32s might also be wrong.

In addition, your 'revised' reports are unlikely to show sufficient information as to what corrections have been made. A report run off in Period 6 for Period 2 could look different to the same report that was produced back when it was Period 2. If you haven't carried this out correctly and you don't have both sets of reports, it might not go down too well when you have a PAYE inspection. The real solution is for software to have a specific journal routine for making prior period adjustments and then clearly identifying these in subsequent reports.

### Accreditation

In fairness to HMRC, it is a lot more practical to consider what software *should* do, than to think of all the things software *should not* do. Nor was this its aim.

The problem is that accreditation is seen by too many people as a mark of infallibility. HMRC does not attempt to make accreditation any more than it is – a set of minimum standards – but payroll software users, looking for easy reassurance, have given accreditation status beyond its value.

People selecting payroll software should make a careful evaluation of what different programs offer to ensure they get the most appropriate solutions, and accreditation should be no more than the starting point in that qualification process.

As for HMRC, the Standards have been in place for a few years now and perhaps the time is right to consider reviewing what is in those Standards, to bring in tests that ensure certain obvious 'absolute no-nos' are tested against so that the general standard of payroll software is improved for the benefit of everyone. 🌐

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*If you have any views on the points raised here contact [editorial@payrollworld.com](mailto:editorial@payrollworld.com)*

### KEY POINTS

- The aim of the Payroll Standard is to ensure that calculations performed by a software program produce the right answers
- Once an error is discovered, HMRC's advice is to use back-ups to restore data back to the period of the error
- There is plenty of HMRC accredited payroll software that allows you to simply edit old period figures
- Software should have a specific journal routine for making prior period adjustments
- Accreditation should be no more than the starting point in the qualification process for payroll software