

## **XI<sup>th</sup> Annual Symposium**

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### **"Managing Payroll (and Pensions): Integrated or non-integrated Information Management System, Internal Controls?"**

#### **Terms of Reference**

##### **1- The relevant scope**

- Defining the scope of the analysis

It is important to define precisely the terms used: remuneration and pension. We are facing a large number of cases: civil and military staff, agents with civil servant statute and public and private contract holders, civil servants and non-civil servants. In some countries, Treasury services pay only state officials and, in others, they pay all the different members of the local, even hospital, public service when these statutes exist. The situation of the Treasury services is also very different from one country to another with respect to remuneration and pension payments. In some cases, Treasury departments are widely involved in the liquidation and payment process, while in others they are limited to payment transactions. However, two questions arise everywhere: how can we communicate the information from the liquidating structure to the one that pays (information system or not) and what internal controls are in place? We thus find a variety of legal situations that can make the work more complex. It is useful to know what is meant by the term "remuneration of civil servants": is the wage purely indicative, or is it also constituted (and in what proportion) of bonuses which often do not serve as a basis for calculating the retirement liquidated? Does the employer also pay specific social benefits concomitantly?

- Measure the weight of the public service

We will see later that there are many issues related to the public service. The first work consists, after having established the perimeter, in quantifying the number of persons concerned. The colloquium will analyse the different tools and methods of counting implemented, which are all internal control tools to ensure that the expenses concern effectively staff who are in a position of activity or retired. It is also useful to measure the financial burden of these personnel costs, to assess their share in the budget of the State or the local authorities and to determine which ministry or department is responsible for the budgetary monitoring of these expenditures and for the compliance of any ceilings authorized by Parliament. It is useful to know whether the monthly payment is made on a regular basis or whether the financial difficulties of the State lead to delays in payment. In this case, the means of regularisation of these delinquencies will be presented.

- Anticipate expected changes

Active management of civil servants' salaries implies that decision-makers can have an age pyramid of employees by grade and by category, in order to have a predictive view of changes in the payroll according to the grade and the seniority. In France, mention is made of the "Old-age Technicality Slide" to mention the fact that, irrespective of the wage increases decided by the political authorities, the wage bill automatically increases with the seniority of the public official.

## **2- The organization adopted**

- Understanding the organisation of the pay chain

There are two modes of organisation:

1. Each ministerial department manages the careers of their executives through specific, centralised or deconcentrated HR services that prepare the payroll.
2. The pay is made by an inter-ministerial structure.

This choice of organization depends on the total number of public officials and the complexity of the statutes. These questions also arise for the management of pensioners. Do they continue to depend on their ministry or is this function grouped and monitored by a dedicated administration?

Liquidation and payment (of remuneration) functions can either be entrusted to the Treasury or divided among ministries or combined into an autonomous public structure. It is also useful to know whether these supporting functions are distributed at all levels of the deconcentrated administration or whether the specificity of the work has led to a grouping of skills in dedicated structures.

- Knowing the relationships between the authorising officer and the accountant officer services and the controls performed:

With the principle that the authorising officer and the accounting officer are different individuals in mind, it is important to know the legal corpus between the respective departments and to know if the tasks are governed by a "service contract" detailing the obligations of each party.

The question of the controls carried out makes it possible to measure the quality of the chain of this sensitive expenditure because of the financial and social issues. Risk mapping is an important point to measure the oversight of the authorising officer and the accountant officer and the possible responsibility of each other.

In order to cover these risks, it remains to analyse whether the controls are exhaustive or targeted, or even prioritised, and to examine the reporting tools used to ensure the quality of these controls.

In the event of serious non-compliance with the statement of the wages or the pensions, can the accounting officer be entitled to refuse payment and is it possible for the authorising officer to requisition him?

### **3- Information systems developed to respond to this specific work**

Are the computerisation and the digitisation of HR management (maintenance of the agent's legal and professional record, payment of remuneration) a reality and do they cover all the payments? If the administrations have an information system, it remains to be determined whether the HR and payment services, which may come under the Treasury, have the same IT tool or if there are breaks with risks of erroneous data's integration.

In case of manual maintenance and / or payment in cash, a description of the devices will make it possible to measure the risks incurred.

### **4- The modernisation of management and the internal controls put in place**

Many countries are seeking to generalise the bank transfer as a normal mode of payment in order to reduce the cost of operations. Before payment, it is necessary to know whether the files are kept on a paper file or whether the work chain is dematerialised, either for remunerations or for pensions.

Since payroll is a major financial transaction, the management services have set up different internal control procedures, whether the work chain is dematerialised or not. A panorama of the various devices is to be made.

Finally, the detection and the management of unduly paid wages and pensions require special consideration. The exact accounting of these expenses is also a concern in the context of the reform of the accounting system toward "an accrual basis".