South African Payroll Association
5 September 2016

Declining employee morale – the cost of payroll errors

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Regardless of the size of your organisation, payroll errors can and will, occur. Sometimes the impact will be on the bottom line, other times may see a business skirting the edges of the law, but in most instances the hardest hit will be the employee and business morale.

Payroll can be seen as an intimidating and complex minefield. Fortunately, unlike the analogy, payroll comes with a map, and experts are available to organisations of all sizes that can assist in ensuring that the most common errors are avoided.

Regular errors

Some of the most common payroll errors include: the incorrect calculation of pro-rata pay for part periods worked, payslip reversals for the correction of a payslip, the incorrect application of tax directives and getting the details of an employee wrong. There is also the risk of misclassifying an employee, failing to maintain proper payroll records, filing taxes late and running late on payroll processing and output.

Regardless of the efficiency of the system being used, or the person in charge of payroll, these issues can easily occur. A technical failure may result in delays in paying employees, or perhaps the person responsible is just too busy. Not having a dedicated payroll professional in place could see the business owner pay people late.

This is often the case in smaller businesses where entrepreneurs are on tight budgets and are forced to undertake all tasks themselves. The impact on the business is significant, employees rely on the money to pay their bills and may be stung with fines or left out of pocket. This may negatively impact on their relationship with the business and result in high staff turnover and a poor reputation.

A precise detail

Ensuring that pay slips are completed properly, filled in correctly, and distributed accurately is also important. Each slip should include the employer's name and address, the employee's name and occupation, the payment period, the total salary, details of deductions, the full amount paid and calculations, where appropriate, of pay and overtime, ordinary and overtime hours, and hours worked on Sundays or public holidays.

Stay informed

It's critical that business pay attention to prevent errors. It is a potential risk that errors may result in the payroll being flagged by the South African Revenue Service, which has a clear line on what the penalties for incorrect payroll and PAYE are, and how these should be paid. It's in every employer's best interest to read the rules and make sure that payroll adheres to them.

However, this may not be as relevant to the large enterprise, as they often have a payroll department and payroll experts on hand. Although, for the larger organisation, perhaps an error which can cause mayhem and cost the company is a technical one.

Payroll mistakes may also be made by the systems put in place to process payment. These technical issues could be once off, or could be a warning to the organisation that the system is battling with volume and may need to be updated to keep up with the growth of the business.

No breaks allowed

Unfortunately, one of the next most common payroll challenges is holiday pay. This could be miscalculated when a person leaves the company, or payroll distribution and numbers can be impacted by public holidays which see automated systems fail to process payslips and cause payment delays.

This has a marked effect on employee morale. Business must ensure that the employee is paid the right amount, at the right time and to the benefit of the employee. Awareness of these challenges can also prevent employees from suing the business, so it's best to be prepared.

The above represents the tip of the iceberg when it comes to payroll errors. Negative payslips, inability to correct errors properly, manual payment updates, overpaid amounts for medical aid, the impact of hours worked, time off and employee-specific reductions are among some of the other challenges that payroll faces every month.

Prevention is best

While mistakes creep in, organisations can take steps to prevent many of these mistakes from taking place. For the smaller business, investing in the support of a payroll consultant can ensure that systems are set up properly and allow for easy maintenance, while giving them much-needed confidence throughout the process. It is important to remember that while a payroll system may have been configured correctly at time of installation, rules change, and the setup should be checked annually against current legislation.

Larger organisations should ensure that a professionally qualified payroll manager is employed, who has a full, up-to-date understanding of payroll incorporating, payroll

accounting, payroll legislation, governance and compliance, as well as broad systems knowledge.

Further, the payroll manager should have access to an income tax specialist and a payroll consultant for support.

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