

*South African Payroll Association
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The importance of developing payroll controls and frameworks

While many South African citizens would agree that payroll measures are put in place to prevent or detect fraud, this is not the most important reason to ensure that a company has proper controls and frameworks, South African Payroll Association (SAPA) board chairperson Arlene Leggat points out.

Speakers at SAPA's recently held annual conference, which took place across three South African cities, further highlighted why companies needed to ensure that they have the correct measures in place. Leggat relays some of these points.

The first step of implementing these controls is to ensure that your company's payroll complies with legislative requirements. "We all have the same legislation to comply with," she points out, adding that the focus would then move to what makes your organisation different - internal policies. "Are the policies compliant and then are they being implemented as intended?"

Challenges in introducing a framework

When it comes to the implementation of a payroll framework within an organisation, Leggat points out that while the actual application shouldn't be challenging, there are other challenges companies face that aren't always obvious. "There are way too many payroll departments out there who presume that the system is legislatively compliant and so it is not checked. If you can run a payroll, you should make time to ensure that it is correct," she urges.

Time pressures are often an obstacle that payroll manager and administrators face. Leggat explains that it is hard to impose a deadline schedule, which allows time to correctly do all the checks and controls when the payroll department is not supported by a company's human resources department, or its managers. "There is always someone who hasn't done what they need to do in time, and to make sure the employee is not penalised, payroll needs to try and get things processed. This makes their window for checks and controls much shorter, which then allows for errors."

To err is human, but at what cost?

Leggat further highlights that as human intervention plays a part in any payroll environment, it will always bring about the possibility of mistakes. "In light of the value of some payrolls, an undetected mistake could be very expensive, and that is the main reason for setting up proper payroll controls. It is to ensure that mistakes that are made within the payroll environment are picked up and corrected before they become significant payroll errors."

Not implementing payroll controls and frameworks also poses significant risks to a business, Leggat says. "Those risks generally do not involve fraud. I have seen overpayments ranging from R10 to R3-

million to employees; legislative errors, which cost a pretty penny in penalties from the Department of Labour and the South African Revenue Services; losses due to lack of controls in bursary and loan structures. The financial loss to an organisation can be huge and that is what the controls need to mitigate. As far as non-compliance goes, one runs the risk of setting a precedent and facing the same penalties, again.”

“As far as controls are concerned, I think that consistency is an imperative. Do not rely on an external auditor to pick up any issue; run your own internal audits on a regular basis, get a payroll consultant in to work through your payroll to pick up any issues and design an internal payroll audit program that is thorough and covers all bases,” Leggat notes.

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