

Recession-proof payroll

The current economic outlook is set to have an impact on the bottom line, business and morale, but robust payroll auditing and management processes can curtail risk and support growth.

Even in a recession. There are specific steps that can be put in place to mitigate risk and enhance payroll effectiveness, ensuring that finances are tightly controlled and that the organisation is prepared for what the recession has in store – spread the payroll load, use the insight from payroll data, and clearly document processes.

“The most common risk area in payroll departments is having one person responsible for the calculation of payroll values, reconciliation and payment,” says Cathie Webb, director, South African Payroll Association. “In a recession, when people feel their jobs and income are at risk, there is a temptation to help themselves to a little bit on the side.”

Webb points out that on a psychological level, incremental thefts are often not perceived as a crime. People think that the tiny sums won't hurt the business. However, this is not true. Every cent removed illegitimately from a business has an effect on every person working there.

Reducing the risk

“The easiest thing to do to reduce risk is to ensure that the different areas of the payroll cycle are the responsibility of another person,” says Webb.

There must always be a high-level view over every aspect of payroll. In a large organisation, it is fairly easy to ensure that the payroll audit is managed by different people, but in a smaller business this may not always be possible. In this instance, there needs to be another person who does sign off and checking before payments are made.

“Payroll also plays a supportive role in tough economic times,” says Webb. “Strong payroll administrators should be looking for areas where they can add value and strategic input. For instance, in a multi-departmental branch or organisation, they can assess things like leave patterns and even identify management issues. Payroll has the ability to uncover behavioural patterns that can be managed or enhanced to boost business productivity, cut back on waste and even encourage growth in a recessive environment.”

Document and detect

Payroll can use its understanding of finances and budgeting to support employees and businesses in better managing money. South African suffers from a debt culture and few people save for the proverbial rainy day. Payroll's role in educating people, showing them the value of not spending more than they earn and giving them the tools they need to save for the future, will play a role in the financial success of the organisation.

Finally, payroll's place in protecting against the impact of the recession can be found in the documentation. Webb recommends that the payroll department has clear checks and balances that are adhered to rigorously as it is one space where mistakes and missed deadlines cannot be tolerated.

"This way, payroll frees their minds from having to remember the small things so they can focus on ways to add value," concludes Webb.

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