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How to reduce the risk of payroll fraud

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cipp the **chartered institute**
of **payroll professionals**
leading the profession

The Chartered Institute of Payroll Professionals

- Only Chartered body for payroll
- Established 1980
- Over 10,000 individual members
 - Aim to increase to 15,000 in five years
- Over 160 pieces of legislation
- Represent payroll and pensions
 - Government
 - Employers
 - Schools

Introduction to fraud

- There is an opinion of some people in South Africa that employees in the payroll environment are the people you should trust the least₁
- 70 per cent of people questioned admitted that they would commit fraud if they could get away with it₂
- Often fraud only happens when a hard up employee spots an opportunity



Payroll fraud statistics in South Africa

- Costs South African companies more than cash in transit heists: R100 million is lost in SA annually to these heists,₁
- Figures for payroll fraud are now even worse than in 2011,₁



Payroll fraud statistics in South Africa

- Research supports that payroll fraud happens more in small businesses than in large (less than 99 employees)
- It usually takes 18 months to detect payroll fraud, and it is usually uncovered by accident. By that time, a business could have lost a vast amount of money₁
- It can take R100,000 and four years to successfully prosecute someone for payroll fraud. Most SMEs feel they simply cannot afford the time and money₂

Fraud Prevention

- One person should not be left in charge of payroll, if there is no other option then a manager outside the payroll department should be allocated to sign off payroll cheques and other payments₁
- E-payslips - increases security - By ensuring the delivery of the payslip is secured end to end you reduce the risk of payroll fraud which ultimately reduces the amount of money being spent₂

Fraud Prevention

- Standard criminal record checks should always be carried out on new employees prior to hiring₁
- Review your employees: Any two or more employees with the same address or bank account will need to be reviewed in more detail₂
- Introduce a rule that says the adding or removing of names from payroll requires two-person approval₃



What to do if you suspect Fraud

- Call in Forensic fraud experts
- Investigate with an open mind to establish genuine facts



What to do if you suspect Fraud

- Be wary of people who readily confess as this could be an attempt to cover up any further fraud
- All investigations **MUST** be conducted with confidentiality
- All investigations **MUST** be within employment law and HR procedures

THANK YOU