

How busy CFO's can ensure payroll compliance

There are steps that can be taken to ensure that company Chief Financial Officers (CFO's), who already have heavy workloads, can be assured of a fully compliant payroll without having to immerse themselves in the daily details.

As the stewards of financial health, this will enable them to fulfil their role to mitigate risk, manage compliance, deliver assurance to the Board and ensure that payroll is operating in a robust, automated and highly controlled environment.

“To create a payroll environment that doesn't need constant oversight and review, the CFO should implement an annual external audit of the full payroll process and controls,” says Lavine Haripersad, a director at the South African Payroll Association (SAPA). “In addition, the payroll department requires a structure that supports this control framework. These two working in tandem deliver a robust and highly controlled environment within which payroll thrives.”

Alongside the annual external audit, the CFO should implement regular compliance audits. These will help keep the system fully compliant and minimise the risk of exposure. This can be further enhanced by a regular review of payroll codes to ensure they are compliant from an income tax perspective.

A wall of protection

“The recruitment process also supports the CFO in building a reliable payroll department,” adds Haripersad. “Talent management and recruitment can ensure that the right level of employee is hired - the role of Payroll Manager should be filled by someone who is multi-skilled, capable of handling pressure, and with extensive financial systems, analytical and technical expertise. Ethical and well-trained employees are crucial to the effective and sustainable management of the payroll department.”

In addition, the CFO should work with the CIO (Chief Information Officer) or IT department to develop a robust IT strategy around data security and payroll system access. This is not only relevant in terms of the Protection of Personal Information Act (POPI) and its compliance requirements, but to ensure that confidential data remains that way. Currently the cyber security landscape is too volatile, and cyber criminals too successful, to not ensure that the highest possible controls are in place.

Effective measures

“Finally, introduce reporting and accounting controls into the payroll department as these add value to the CFO reporting process and keep them fully informed,” concludes Lavine. “An important indicator to the CFO that these systems are working well is when the payroll control accounts are clean.”

To add further controls, the payroll department should implement good housekeeping, especially in complex economic times. Employees regularly leave or enter a company so records must be kept scrupulously up to date. If someone leaves, all company property must be removed and system access blocked immediately. Ticking these boxes at the outset will go a

long way towards keeping system access to those who warrant it, and removing the risk of the disgruntled employee.

ENDS

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