



*South African Payroll Association*

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### **Overtime fraud rife, and ready for a remedy**

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South Africa has a higher than average rate of overtime fraud owing to limited prevention and detection systems, and a workforce which has become dependent on the financial advantage it offers them.

Every year another story revealing extensive overtime fraud hits the media, exposing how easy it is for employees to defraud companies. In February 2017, 283 employees were implicated in the Merafong municipality for committing fraud estimated to be valued at millions of Rands.

Overtime fraud is a lot more prevalent than we want to believe. The challenge is that most companies tend to not take the case further than a rap over the knuckles - dismissing the person and making them another company's problem. The right thing to do is charge them and ensure they get a criminal record.

Alongside a clearly defined policy around overtime fraud, or theft of any kind, the threat of criminal action will go a long way towards making anyone think twice before they lie about the hours they've worked. It isn't, however, the only step that must be taken towards effective prevention.

#### ***Measures of prevention***

Employees need to realise that overtime fraud can be as little as claiming one or two extra hours a month, not just 200. A lot of people don't see those little hours here and there as fraud. It is. And it should net them a criminal record.

Organisations must educate employees on overtime hours, what constitutes fraud, and what will happen should they be caught committing it. Then, they need to invest in systems which can mitigate fraud overall. One such solution would be to implement an automated clocking-in system. It isn't infallible, but it does allow for improved control over hours spent working versus hours put down on billing.

Another option is to implement controls within payroll, making it the last line of defence. The business must put its overtime policy into play from the start and it must ensure that it

is strictly adhered to. It also needs to comply with overtime legislation as outlined in the Employment Act.

### ***There are usually two sides to the story***

The Basic Conditions of Employment Act states that employees are not allowed to work more than three to four hours of overtime per day. The number of hours is dependent on the length of the standard work day, and the role of the employee.

Collectively, within a seven-day period, you are not allowed to work more than 10 hours of overtime – it is legislated and companies cannot change this at will. Unfortunately, this is largely ignored by most companies in South Africa due to several factors, including a lack of skilled staff. So, if overtime policy isn't being adhered to and the company isn't enforcing it, then it opens the door for employees to commit fraud.

### ***Consequences count***

There must be someone monitoring overtime, checking it against systems and legislative parameters and enforcing its adherence rigorously. Not only will this limit the employee's ability to commit fraud, but it will ensure that an eye is always on the overtime ball.

If employees believe that there are no consequences and that they can push boundaries, they do. This then leads to a weakened moral culture within the business, and that can have far reaching effects on morale, productivity and, of course, fraud.

To limit the potential for overtime fraud and to ensure that employees are also protected against working more hours than they should, the organisation must actively develop policy to monitor it. Payroll has a pivotal role to play in balancing overtime requested against internal policy and legislation, ensuring that hours are kept within legal limits from the outset.

**ENDS**

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