



How to build confidence in your payroll

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Payroll is a job where you are judged more on what goes wrong rather than what goes right.

While sales team members are being hailed for their record figures and customer service reps are appreciated for protecting the brand, the behind-the-scenes work of the payroll team is usually taken for granted and goes unheralded.

This view needs to change, according to Australian Payroll Association (APA) founder and managing director Tracy Angwin.

Companies need to recognise payroll as not only an operational arm of the business, but also as an untapped resource containing a wealth of data about employee trends, says Angwin.

“The best companies see their payroll department as an asset to the business and a service that is delivered to internal stakeholders,” she adds.

A complex and ever-changing area

Jason Low, senior payroll subject matter expert at The Association for Payroll Specialists (TAPS), says Australia has been identified as having one of the **top five most complex payroll systems** (<http://www.ngahr.com/nga-payroll-complexity-research-2014>) in the world.

Areas such as annual leave and superannuation are federally governed, while other regulations, such as long service leave, are determined by the states and territories.

There are 122 awards, and often tax calculations have different rules for different circumstances, making the work of payroll employees far more complicated than most people realise.

Angwin agrees, adding that this underestimation of payroll can even extend to the CFO and HR director.

“There is still a misconception in business that payroll is a simple, single-dimension back-office function ... you just punch in a few numbers and it is all done for you,” she says.

“In reality, payroll professionals are responsible for understanding and interpreting a myriad of every-changing regulations and legislation, as well as managing the demands of employers and employees.”

A 2016 APA benchmarking report shows the average payroll error rates are between 0.39 and 1.01 per cent. It may look reasonable on its own, but when your payroll is several million dollars or more, that can be a significant cost to bear.

Beyond the financial implications, payroll mistakes impact on morale and employee performance and can significantly tarnish a company’s brand. “Payroll is not about money; it is about trust,” says Angwin adding that broken trust can be very hard to restore.

The key to payroll confidence

Technology

If you are still doing things manually, using copious spreadsheets or double handling data, then chances are it is time to invest in new technology.

Whatever system you use, you need to make sure it is configured correctly and supports your business processes.

Angwin suggests looking at your payroll department and identifying:

- what you can stop
- what you can simplify
- what you can automate

Too often businesses have evolved significantly but the payroll system is antiquated, not fit for the purpose or poorly implemented. "People get implementation fatigue," says Angwin.

"They set up the basics but then realise it is hard and don't bother doing the rest, so they are not really implementing the technology they have invested in."

She says that while IT might be excellent at the IT side of things, make sure the set-up of a new system also involves someone who has a good knowledge of the operational side of payroll and all the regulatory reports that need to be done.

Process

"Continuous improvement" is rarely undertaken in a payroll department, according to Angwin. "This is the way we have always done it", is the most common reason for why a process is being followed and, as a result, old practices and bad habits are repeated.

It's important to undertake a payroll process audit and test your governance and controls – don't just assume they will work when you need them.

"You want to know before your employee starts to ask the Tax Office or Fair Work Ombudsman what their entitlements are, because there are significant penalties for getting payments wrong – particularly in super," warns Angwin.

People

One of the biggest problems for payroll departments is that they are often at the bottom of the company food chain when it comes to training investment.

Low says payroll workers need regular training to keep abreast of the complex and ever-changing legislation, and he suggests having a dedicated payroll employee to take ownership of monitoring the changes and keeping the payroll system up to date.

The average number of professional development days provided to payroll teams is just 1.38 days per annum, according to the APA – nowhere near enough, says Angwin, to support a complex and continually changing payroll environment.

She would like to see all payroll employees hold either a Certificate IV in Payroll Administration or a Diploma of Payroll Management, the only nationally accredited competency based qualifications for payroll.

“Payroll professionals are under-invested in,” she says. “They are managing your largest expense, and we need to invest in them accordingly with up-to-date training and qualifications.”

Promote

One of payroll’s biggest problems, says Low, is “the better you are at your job, the more invisible you become”. People often only know of some “mysterious person” in another office who organises their pay packet.

It can at times be a thankless role, so Low suggests that payroll employees themselves should extol their work. “We need to toot our own horn sometimes and let people know about important legislative changes,” he says.

“If you know new tax rates are coming in, let them know. “Educate the rest of the business so they know when things are happening, they know you are there, who you are and what you do for them.”

Angwin suggests putting KPIs in place and publishing them to ensure everyone in the organisation understands the complexity of what happens in the pay office.

“No-one thanks you when payroll is correct,” she says, “but it can get ugly when payroll is late or wrong.”

Teamwork

Payroll is largely reliant on information it receives from others. If somebody has resigned but payroll isn't told about it for two weeks, money goes out unnecessarily.

If a manager has awarded a bonus but payroll doesn't yet know about it, it is payroll who cops the brunt when the expected money isn't received on pay day.

Low and Angwin agree it is important to create a culture within the business that spotlights payroll not as its own secretive entity but as a core part of the team. "People come to work to get paid and if they are not paid correctly, it ruins morale," says Low.

"Why put in extra work on a project if you aren't getting paid properly? "Managers can't run the business if people are not getting paid."

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