

MANAGING PAYROLL RISK

QUESTIONS TO ASK AND
MITIGATION STRATEGIES

It's every C-Suite & Board nightmare..

..seeing your organisation on the front page for underpaying people. But soon, there could be even worse consequences.

With the introduction of new wage theft laws and proposed [criminalisation of wage underpayment and record keeping misconduct](#)..

..any person accountable for payroll could face serious fines, or even jail time.



For a lot of Australian organisations, the payroll function is under-invested and under-resourced, with potential dangers lurking below the surface.

A recent [AFR](#) interview with Tracy Angwin, CEO at Australian Payroll Association, reinforced some hard hitting issues that surround payroll:

“Perhaps the most alarming thing we see is the trend of senior management not understanding the payroll structure required to ensure a well-governed, compliant and efficient payroll,”

"The number of senior company executives quietly admitting to us that they have no idea what is going on in their company's payroll function is astounding", Ms Angwin said.

We saw similar concerns in the Fair Work Annual Report FY22:

In 2021–22, the FWO
recovered over

\$532m

in unpaid wages
& entitlements

For more than

384k

employees

"This is more
than **double**
the figure for
last financial
year."

So what are the big payroll risks and how do we mitigate them?

Payroll risks you should be across

Questions to ask your team

Operational risks

Record keeping

- Is the tracking of payroll operations centralised in one place? Do we have an auditable record of payroll activities?
- How do we track under / over payments? Are we conducting root cause analysis?
- Do we have a payroll issue register? Is it tracking risks, mitigations & resolution timings?
- What tools are used for record keeping? Do they ensure good governance & compliance for audits and reporting?

Processes

- Are our repeatable processes & documentation followed each pay run?
- Is there an audit trail for each process step with proof of work?
- Are our processes being continually improved with regular scheduled reviews?
- Can all processes be easily understood by a new team members or by someone temporarily covering a role?
- What's our process for out of cycle pay runs?
- How often do we review our payroll system setup & configuration? Is it performed by an external third party?

Transparency & oversight

- Do executives have visibility into payroll operations at a high level?
- Is there a shared payroll ops work schedule that's easy to follow?
- Do you have payroll ops reports? What's the reporting cadence?
- How many out of cycle pay runs do we have each year? What are the root causes?
- What are our overpayment ledger amounts? How do we manage repayment plans?
- Have we identified all the key risks for payroll? What are our response plans if they happen?

Controls & segregation

- How do we assign & track approvals for payroll actions?
- What pay controls are in place to prevent access from non-authorized users?
- How often do we review our payroll system & record keeping access controls?
- Do we know when a key deadline is missed? What are we doing to proactively monitor this?

38.7%

of respondents said that one of the biggest challenges was payroll processes and technology.

[APA Survey 2023](#)

People risks

- Do our resources match our workload? Are we at risk of burnout?
- Is there a single point of failure in payroll (key person dependency)?
- Are there 2 people trained on every step of the pay run process?
- What's the payroll continuity plan if multiple key people are absent?
- Does the payroll team undertake regular training & development?

2 out of 5

payroll professionals are suffering from burnout and of those, **49%** said that a key contributor was lack of leadership and understanding of payroll.

[APA Survey 2023](#)



Compliance risks

- What is the legislation that applies to us? When was this last reviewed & by whom?
- How do we keep up-to-date with legislative changes?
- Are we tracking Awards or EBA requirements relating to payroll?
- When's the last time we did a compliance review of our payroll system configuration? Was it performed by a third party?
- How do we manage overpayments? Do we have an audit trail?
- What's the process for identifying and tracking underpayments? How quickly are they remediated?

“Someone forgot to click the box on a new payroll system had cost a business **\$350,000** because it meant superannuation was not paid on bonuses.”

[AFR Article, Big business 'taken eye off the ball' over underpayments](#)

How to mitigate payroll risk

What should you be doing?

Formalise payroll governance

- Formalise governance structures to improve compliance, transparency & accountability
- Conduct regular audits & reviews
- Centralise payroll operations management (Your payroll system doesn't do this, HINT: [Paytools](#) does)

Invest in people

- Strong governance & operations structures assist in reducing employee burnout, as well as demonstrate workload requirements
- Develop your employees with ongoing upskilling & formal training
- Bring a higher calibre of person to the payroll function, even if it costs a little more - the ROI is huge

“Quite often we’ll deal with businesses and we’re **staggered** there are only two or three people looking after the payroll for several thousand staff - that’s not sustainable,”

FWO director of knowledge,
Cletus Brown



Invest in payroll operations technology

- **Payroll systems can't do everything:** They are not designed to manage payroll governance & your day-to-day operations
- **Use payroll governance tech to support payroll operations:** It allows you to better manage knowledge & provides a formal audit trail of all operations & record keeping
- **Perform 'just in time' pay run reviews:** Use payroll analysis tools for remediation & proactive monitoring of payroll data

Steps to get started

Is your payroll operations and knowledge scattered across email, personal calendars, documents and spreadsheets?

That's not good governance.

Paytools is Australia's first dedicated **payroll governance** & work management platform

Reduce payroll risk by creating consistent, sustainable and accountable payroll operations.

We can help you build an air tight and fully auditable payroll governance program in days, not weeks.

[Learn more](#)

