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Building a payroll compliance strategy

BEST PRACTICE FRAMEWORK

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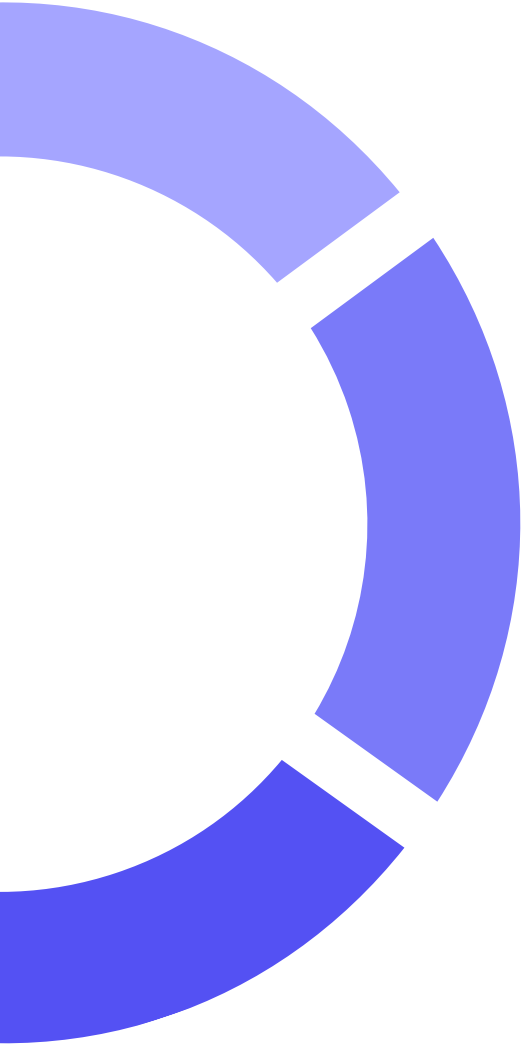
Help me improve my payroll compliance strategy

Being 'payroll compliant' takes a multidisciplinary approach involving education, processes, information management and continuous review. This whitepaper covers core concepts of payroll compliance and an easy-to-understand framework for building a structured, repeatable strategy.

Key aspects of payroll compliance

A framework for payroll compliance activities



Build a repeatable engine

Know your compliance schedule: what, when, how and who?

Use processes and checklists to perform activities

Show the proof

Who checked it? When? What was the outcome?

Raise and keep track of issues

Be transparent to create trust with the business

Monitor, automate and improve

Continuous review of schedule and processes

Automate heavy lifting and data crunching

Identify root cause of issues

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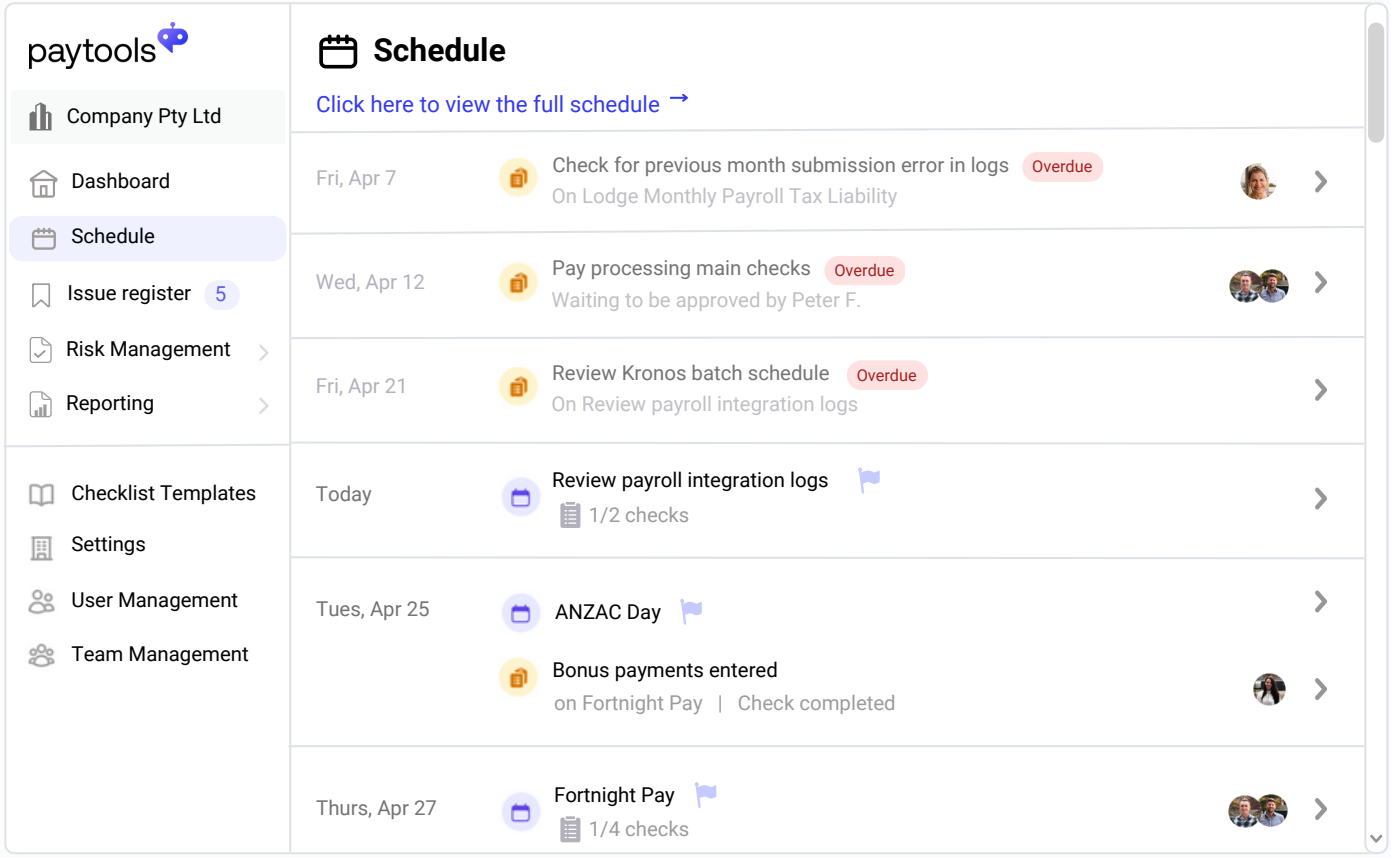
1. Build a repeatable engine

What's your work schedule?

Having a documented schedule of compliance activities enables everyone to understand what needs to be done, how, when and by who. This recent article has payroll key dates in an online calendar to help you get started.

Here's an example of a work schedule in Paytools.

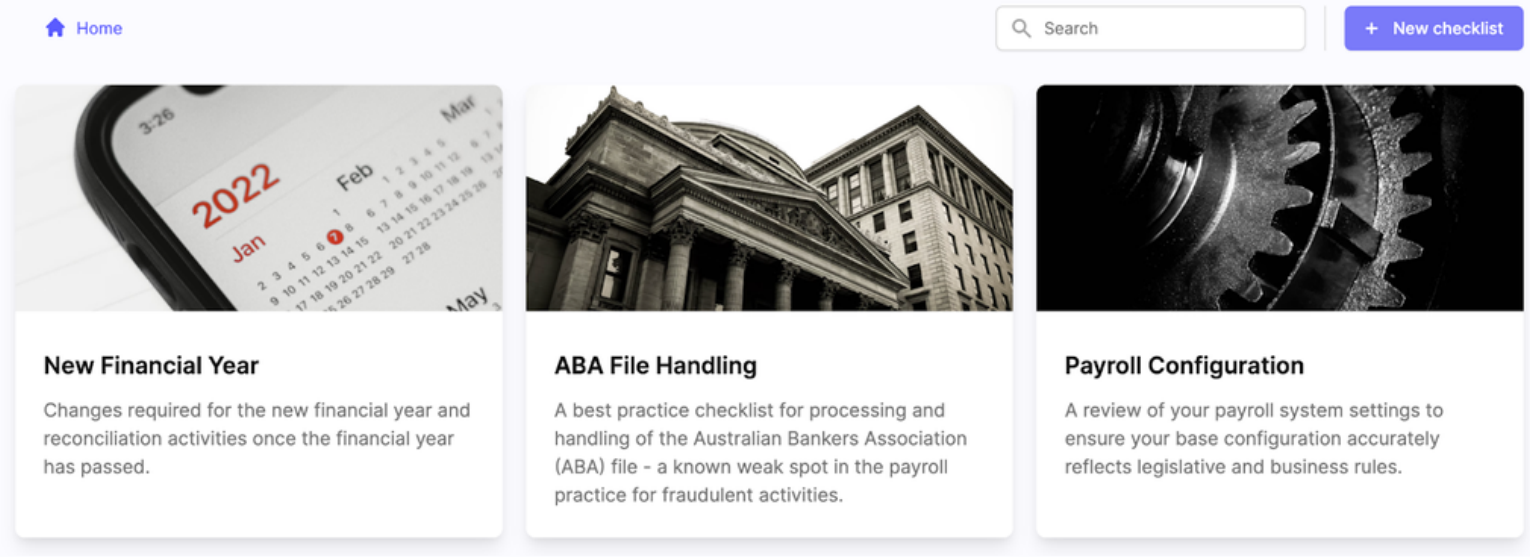
It shows you what's going on right now (current/overdue events, issues), what's coming up and who's doing what (activity log).



Use documented processes & checklists to perform activities

Payroll operations involve complex legislation and precise processing of dollars and entitlements. A wrong configuration can have drastic downstream consequences that can go unnoticed pay after pay. All repeatable compliance activities should have a checklist and documented process showing what needs to be done and how.

Book a demo of Paytools and we can take you through our library of checklist templates, helping users to build their recurring compliance schedule without having to start from scratch.



To give you an idea of what's included in a our templates, here's a best practice checklist we put together for handling ABA files in payroll.

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2. Show the proof

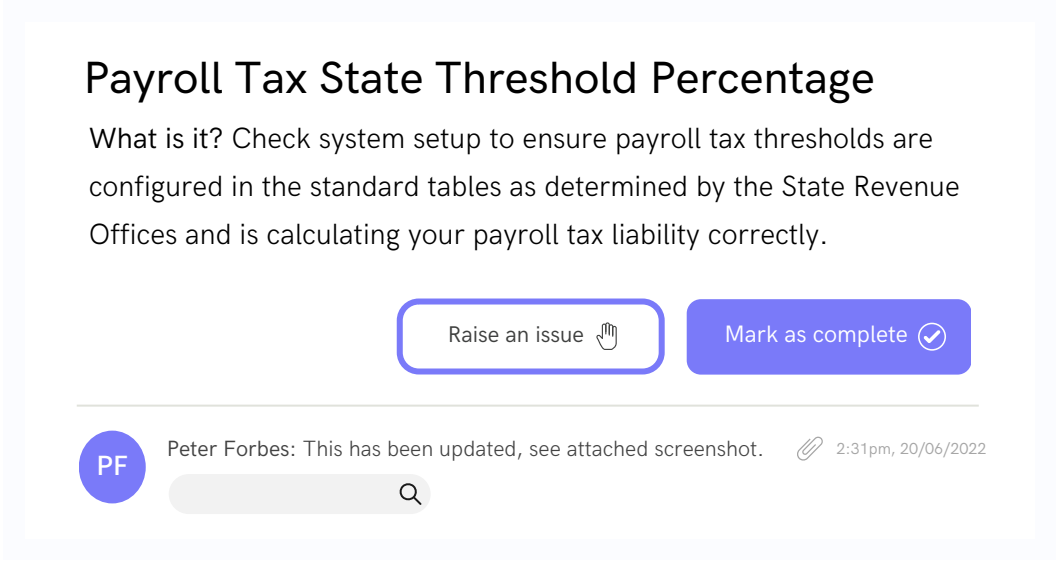
While it's great to have a compliance schedule and documented processes and checklists, you need to be able to show evidence that the required actions have been completed. As you work through compliance actions, show your proof by taking screenshots, adding attachments and documenting the results.

Why do I need to show evidence of compliance activities?

1. To give visibility to others in payroll and other departments that may have dependencies on those actions
2. So any flagged issues can be raised and addressed appropriately
3. It creates trust and transparency within the business
4. Auditors will need to see this information

For audit purposes, you'll need to maintain an issue register to keep track of problems that require further investigation.

Using payroll work management software helps you to effectively work through all your compliance activities, plus allows you to add comments against every action (or raise an issue if needed).



3. Review, automate and improve

Continuously review your payroll activities & processes

A culture of continuous improvement is healthy for payroll teams to make sure all activities are up-to-date with legislation, business and operational requirements. Here's some best practice tasks to add to your schedule:

At least annually

- Payroll system configuration: Review critical system setting and user access setup
- Audit preparation: Make sure you're ready for your next audit by having all your documentation, reports and payroll data ready to go
- Bank File handling: A self assessment of how you should be handling bank files
- End of financial year: Review rate changes (awards, payroll tax etc), reconcile the previous financial year and prepare for the next

At least every 6 months

- Access control review: Review users, roles and permissions in the payroll system to verify active users, segregation of duties and other breaches of user access

Every time you use them

- Process review: The best time to improve a process is when you use it! Encourage the team to make a 1% improvement to the documented process each time it’s used. Overtime, these small improvements will make big gains to capturing how you do things

Automate heavy lifting

By minimising manual workflows, data entry and calculations - you'll reduce the chance of errors and the need for manual intervention. Recurring, data intensive tasks are the low hanging fruit to tackle first.

A good example is scanning employee master data (EMD) for suspicious activity and data integrity issues. Catching bad data early prevents downstream issues when running pays.

What's next?

Build sustainable payroll operations

Laying the foundation for a healthy payroll department involves 3 core areas: people and culture, operations management and technology and automation. We've outlined a brief description of key tasks that sit under each in the table below:

People & Culture

- The right people on the bus
- Team values/code of conduct
- Build a partnership with the business

Operations Management

- Key success metrics
- Operating calendar & rhythm
- Policies, process & checklists
- Knowledge management

Technology & Automation

- Information management
- Sources of truth
- Systems & platform

Want to get payroll governance sorted in your organisation?

If you have questions, feel free to reach out to our team. We're currently offering free 30 min payroll governance sessions covering:

- Discussion and feedback on payroll compliance best practices
- Your current compliance challenges
- How to de-risk payroll
- The benefits of centralising payroll operations management using Paytools

Book a free chat