How to reduce the risk of payroll fraud in Africa

By Bruce van Wyk   23 Aug 2018

Payroll fraud is among the costliest of economic crimes. It tends to remain undetected for far longer than other examples of asset misappropriation, quietly costing businesses millions before the fraudsters are caught. What's more, the Association of Certified Fraud Examiners (ACFE) says that the majority of victims recover nothing of what they've lost. The problem is, too many businesses rely on outdated payroll processes which are unable to detect payroll fraud proactively and are easily manipulated by unethical employees.

Bruce van Wyk, director, PaySpace

Many government departments and private companies across Africa have suffered as a result of payroll fraud. The most common instances involve paying 'ghost' employees, miscalculating expenses and falsifying employee benefits. A PwC survey shows that in 2016, 28% of South African companies reported cases of fraudulent HR and payroll activities.

The Liberian, Kenyan and Nigerian governments have all suffered as a result of unethical payroll administrators and fraud. Stories of administrators paying salaries to 'ghost' employees and ex-employees made headlines. In 2017, Ghana's finance ministry audited its list of civil servants and removed close to 27,000 'ghost' employees from its payroll. This was followed up with a national census which removed just over 23,000 names. The country's public sector wage bill has been reduced enormously, saving the country over $50mn in 2017 alone. The Ghanaian government is now looking to outsource its payroll for increased security and to improve visibility, efficiency and compliance.

Excel spreadsheets and manual accounting processes are outdated and unsafe. No organisation's payroll system should rely on them. Here are three technologies that can keep your business in Africa safer, providing better payroll protection 24/7.

Step onto the cloud

Cloud-based, mobile payroll software enables transparency and accessibility. Payroll managers, administrators and employees can pull the information they need using any connected device, from anywhere in the world at any hour of the day. Different levels of access can be arranged to protect sensitive information like medical and financial data.

Real-time cloud analytics can help your business spot payroll fraud fast. Managers can filter information using relevant data-points and generate activity reports that provide an immediate picture. This transparency is crucial to dissuading

crime: when employees know that measures are in place to track and record all data, then they are less likely to attempt fraud.

Automate your processes

By automating your payroll processes, you reduce the amount of manual intervention which in turn, reduces the risk of fraud. Automate these five functions and your payroll will immediately be better protected.

- **Data integration** – integrate your payroll with your accounting software and reduce the need for human intervention and thus, human errors.
- **Leave management** – enable employees to input leave dates into the payroll system via a self-service authorisation process. If they apply for more leave than they are entitled to, the system will automatically notify their manager.
- **Bank account and ID number verification** – confirm new employees' details fast.
- **Earnings and deductions** – process recurring employee earnings and deductions automatically.
- **Commission allocations** – work out and pay employee commissions correctly with a built-in company specific commission calculator.

Share workflow authorisation

A modern payroll system can help your business combat fraud with a two-tier authorisation system that spreads responsibility across departments. Your HR team, for example, manages the process of inputting a new employee's 'master' information like name, surname, ID number and address. Once that's done, HR sends the task to the payroll team to load earnings and deductions. This additional oversight and shared authorisation system make it much harder to create 'ghost' employees or pay salaries to ex-employees.

As much as we try to avoid working with dishonest people at all costs, sometimes they do end up on the payroll. The best you can do is protect your business from unethical opportunists looking for an easy way to make extra money. Eliminate your operational vulnerabilities with modern automated payroll technology – and keep your African business interests safe.

ABOUT THE AUTHOR

Bruce van Wyk, director, PaySpace