

Have I got everything covered?

Payroll Checklist

Compliance is one of the top challenges facing any payroll and HR department. It's up to you to ensure that all personnel business practices follow current laws and that you are keeping proper records to document your company's compliance.

While an efficient payroll system can help to enhance employee morale and boost your reputation, mistakes in record-keeping and compliance can result in punitive penalties—even lawsuits. Of course, no business wants to expose itself to such financial and reputational risk.

However, keeping up to date with payroll legislation can be a complex task. It's reported that as many as one in three small businesses are penalised for incorrect payroll. To protect your company from costly fines and even litigation, you need to stay informed about employment laws, reporting rules, and changing workforce compliance issues.

At Sage, we pay half of all UK businesses*. It means we know the main areas you need to look out for to ensure you're protected in the year ahead.



1. Are your personal records accurate?

This may seem obvious, but make sure you have the right personal information for each employee. It's your responsibility to maintain employee records accurately for the duration of their tenure. Personal information that affects payroll can change regularly. But every change from payment to promotion, from retirement plans to maternity leave has to be processed accurately and run like clockwork. You need to keep on top of it all.



2. Do your employees know what's expected of them?

You need to ensure your employees understand their obligations in terms of remaining compliant, such as adhering to your expenses policy or keeping overtime records accurate. Explain how to document expenses and overtime properly, so your employees don't leave you exposed. Create a comprehensive set of policies and practices for all issues that affect employees' pay. This provides a useful guide for employees to follow when inquiring about additions or deductions to their earnings.



3. Have you got workplace pensions covered?

It's not only payroll legislation you need to consider. Workplace pensions were introduced in 2012, and whether you're a hairdresser or florist, if you employ just one person then you are an employer and have 'duties' under the pensions law. Automatic enrolment means that employers must put certain staff into a pension scheme and pay into it. So it's important that you understand your duties. Start by researching key pension sites such as the Pension Regulator. Your payroll provider should also offer tips and advice. Sage has a range of straightforward information to get you started. Visit the Sage Advice hub for more details.



4. Do you have accurate audit trails?

Audit trails are an incredibly useful tool to protect your business and your reputation in the event of an investigation. They enable you to link each transaction with supporting information, such as invoices or purchase orders, that will validate an unusual-looking payment. As well as helping to guard against fraud, audit trails ensure that corporate accounts are as accurate as possible, and give the best insight into the health of your business. In fact, audit trails are likely to be mandated by investors or creditors, so it's well worth checking that your payroll systems can provide this function.



5. Are you up to date with local payroll legislation?

Payroll legislation is constantly changing. In the UK, it's important to keep up with any changes on the government's website. Payroll seminars and industry conferences also offer a great opportunity for payroll professionals to enhance their knowledge. Seminars may be focused on a specific area such as payroll procedure, legislative changes, or a combination of several topics. Regardless, these seminars are dedicated to educating payroll personnel on the latest regulatory changes, future directions, industry trends and other issues that have an impact on payroll processing. Sessions are presented by experts in their field, giving your payroll team the chance to gain valuable insight.



6. Do you understand international legislation?

If you operate across multiple countries you have to deal with the complexities of international payroll. Each country has its own rules and regulations regarding wages, deductions, remittances, and reporting, but it's your job to keep up-to-date with these regulations. In addition, more countries are moving towards real-time filing and electronic deposit and collection of taxes. Different currencies, customs, and time zones make this process even more of a challenge.



7. Have you sought expert advice?

Your company accountant will have a thorough knowledge of payroll compliance and will be well versed with necessary regulations, important changes, or updates. They can help you maintain up-to-date records, remit taxes, and file returns. They can also find solutions for discrepancies in records or provide valuable advice on payroll issues. If you don't have a full-time accountant, look out for accountancy firms that hold business and tax workshops in your area.



8. Do you encourage employee feedback?

Organisations need to monitor complaints and actively request feedback from employees about how processes can be improved. Once an issue has been identified, payroll staff can then conduct workflow analysis to identify bottlenecks, or areas where errors are creeping in. If employees feel comfortable about voicing their concerns, managers can be informed of problems before they get out of control. Again, taking this approach will reassure employees that you have their best interests at heart, helping to maintain a happy and committed workforces.



9. Have you adopted a self-service model?

There's no reason why the payroll department should have to chase and input every single piece of data about their employees' working life. Chasing timesheets or expense forms is extremely time-consuming and some workers don't recognise that if they don't submit this information it makes it more difficult to get paid. Give employees more responsibility by moving towards a self-service model. This makes it much easier to review and approve employee requests as they come in, and puts the responsibility on individuals to submit their personal information—freeing up valuable time for payroll workers.



10. Are you always on time?

Don't risk penalties for late submissions; factor in sufficient time. Payroll can be a complex beast, requiring several important considerations such as tax deadlines, shifting payday, and quarterly reporting. Create a yearly calendar that outlines all the important dates such as submitting timesheets, invoices, and making payments. This will help to ensure that important tasks are not missed, but also keeps employees informed about when they will get paid, and what tasks they need to complete for payday to run smoothly.