

How to avoid payroll fraud

1. Assign the brightest person in the office to preparing the payroll and personally ensure that they understand everything involved: salaries, hiring and firing, labour law, advances and loans, etc, and have suitable software and know how to use it. If there is enough staff, then the payroll should be technically checked by someone else in the accounts department before it gets to the programme manager.
2. All the figures on a payroll have to be rigorously documented (signed contracts, signed *per diem* and other allowance forms, loan deductions, etc) to avoid disputes with staff and authorities. No document – no pay, should be the rule.
3. Whoever does the payroll must have access to the complete file of contracts, advances, loans etc and reconcile payments and deductions with those files.
4. The payroll should be presented to the programme manager together with all relevant files for checking. Too often, the programme manager either can't be bothered to check (too difficult) or just looks at the figures for general plausibility without checking them back to source documents. Payroll is one of the most important checks that the programme manager should make.
5. The programme manager should count the number of staff on the payroll and (in a small office) ask about any names he/she doesn't recognise. In a big office where he/she cannot know them all, the programme manager should have some way of checking that the names on the list are not ghost employees.
6. The programme manager should spot-check several salaries, per diems etc back to contracts, travel schedules etc; should spot-check several deductions and see the reconciliation to the advances/loans documentation; should satisfy him/herself that the correct deductions have been made. Look particularly at exceptional items such as payments for holidays, or for removal costs or other benefits. Look carefully at the pay and benefits of people in the accounts department including those of the person making up the payroll.
7. Rosters of temporary or casual staff are a particular risk. How will the programme manager check these? Has he/she been to the relevant sites? Seen them working? Counted them? Checked that they have in fact all received the money on the payroll (or was it pocketed by the foreman, or the cashier?)
8. A useful check is to compare the last month's payroll with this one's and check all new names: is there a signed contract? Is the payroll amount in agreement with the contract? There should be similar scrutiny of leavers: there should be a schedule of people leaving that states (signed) what they are due and the programme manager should check the payroll is in accord with this.
9. Never ever let any payroll items go through off-payroll, that is straight from the cash book on an ordinary payment voucher. The "best" frauds have happened where there was no payroll, just a mass of uncoordinated wage and benefit payments put through on ordinary payment vouchers, all individually plausible, but making it impossible to put the whole payroll together and spot double or dubious payments
10. Check that all of last month's net wages were signed for – the signing sheet should be part of the documentation heap furnished with the payroll. Equally, the programme manager should check that the deductions were in fact paid over to the relevant authorities, loan repayments were debited to loan/advance accounts, etc. In other words, check that all the money you signed off last month did in fact go where the payroll said it was going to go.
11. Finally, confirm that that the payroll arithmetically adds up and that the net payment (the bank transfer, cash requisition or whatever) that the programme manager is being asked to sign) is in fact the number on the bottom of the payroll.