

## What to ask when considering an outsourced payroll service.

*Your payroll administration is not something that should be taken lightly – it is an important part of business, an action that compensates your hard-working employees. You need to ensure that it is accurate and compliant. You must make sure you're making the best decision for your business by considering the questions below.*

### **Q1. Ensure you know the difference between an outsourced service and software.**

It is easy to get confused between an outsourced payroll service and software, both use software making it appear that the two are similar. Software is much like the possession of a pair of scissors, which will allow you to cut someone's hair, engaging an outsourced payroll provider is the experience and expertise that will give you the satisfactory result that you require. Payroll is subject to numerous changes, at least yearly, and is never something that you can 'set and forget'. Claims that software is smart enough that you don't need to worry are mischievous at best and blatant lies at worst. Ask yourself what happens when we have problem, who is there to help?

### **Q2. You have decided you want experts on hand to help with your payroll, where is your processing help being sourced from?**

Ensure your processing expertise is locally based, not offshore. It is important to make sure you have access to assistance when you need it – find out what the turnaround times are like for questions. It is imperative you stay in control of your payroll data, be very cautious of sending you and your employee data to overseas providers. Some providers implement locally, then ship your relationship overseas, make sure you are sure of the service you are getting.

### **Q3. How long has the payroll service your considering been in business?**

Do you want to risk having your payroll overhead left in the hands of an immature business?

Sure, they can quote how much experience their staff have but is that a true measure of their expertise? Ensure that your provider not only knows payroll but that they know how to process large quantities of payrolls from all types of industries.

### **Q4. Is the payroll software used for processing cloud based?**

Don't risk issues by using antiquated technology. It is universally accepted that cloud technology is the way forward in today's world, ensuring access wherever and whenever you need it.

### **Q5. Is your provider using their own software?**

Many new providers of outsourced services are using generic software and spending their time marketing the same mediocre product that many other payroll providers have. This means you have no control over their costs or proficiency. These providers only attract clients through means of slick marketing spin or discounting below cost; either way, it often ends badly.

Solutions like PaysOnline means custom-built software; backed by a team of payroll experts and a development team adding additional layers of flexibility and security.

### **Q6. Ensure that your provider has adequate staffing redundancy for your payroll.**

You don't want your payroll provider to become a single point of failure for your payroll process. Multiple staff should be overseeing your pay process from your provider at all times.

### **Q7. Make sure you're not "pimping out" your staff.**

Lower margins and extensive competition from discounters has seen the emergence of a disturbing trend. Many services cut the costs charged for processing by obtaining third parties incentives; this means giving access to your employee's data via tools contained in the HR suite like employee self-service. Offers of finance, superannuation investments, insurance and many other services are all being presented under the guise of lifestyle choices for your employees. Most have commissions and kickbacks associated with them, suggesting that it may not always be the best for everyone concerned.

**Q8. Ensure your provider has taken the steps to ensure your payroll data's security.**

In an age where more and more of our personal data is being stored online, it is imperative that your provider has, at a minimum, ISO 27001 certification for information and data security. The ATO have legislated that all business with more than 10 thousand employees under management must have this accreditation. Smaller businesses may be exempt, but the risk of data and security breaches are obviously higher. You must assess your risk appetite for data potential breaches.

**Q9. Always make sure you have cooling off period for your processing agreement.**

If your new provider is sure that you will enjoy a win-win situation for you with the services that they provide they should offer you a guarantee on your satisfaction; no questions asked. Even when you are satisfied you should not tie yourself into a processing agreement longer than 12 months.

**Q10. Ensure your provider can cope with your growth.**

Don't settle for a provider who cannot seamlessly expand to cater for an increase in your employee growth. A reliable provider will be able to cater for your business growth without the need to introduce other software or systems.

**Q11. Don't let an outsourced provider play with your money.**

You should, as a rule, never let a provider have your money in ESCROW (a financial arrangement where a third party holds and regulates the payment of funds for two parties in a given transfer) for the payment of any wage liability. If necessary, it should be only for the clearing periods necessitated by the banks. Full trust accounting should be available. In Australia the provider should be authorised to, or act as a representative for an Australian Financial Services License (AFSL) holder.

**Q12. All outsourced payroll providers should be a member of the Tax Practitioners Board in Australia.**

Any organisation dealing with Tax, Superannuation and Single Touch Payroll (STP) in Australia is required to be a member of the Tax practitioners board. Ensure that your provider is, as it affords you the protection that you are entitled.

**Q13. Make sure you are wanting to change payroll providers or use an outsourced service for the right reasons.**

Changing from one payroll method to another won't help if you aren't interested in changing the in-house management systems, attitudes and behavior. In order to attain best practice, you should be sure that your outsourced provider is able to take you through the steps required to ensure industry leading best practice.

**Q14. Impressed with the providers sales process?**

It is easy to get swept away by big corporates with big sales and marketing budgets. Make sure you can quantify the "spin" over actual capability and ensure you're sold on the product and service rather than the brand and a slick sales process.

**Q15. Be wary of products that introduce other products to achieve a solution.**

Creating your own bespoke payroll services is a sure-fire way to ensure an inefficient system by stitching together, a series of systems or providers. All employee onboarding, payroll processing, employee self-service, rostering, timekeeping, attendance, biometric devices and HR solutions should draw data from a single data source. Anything less, introduces the potential for inefficiency and system failure.

**Q16. Ensure your superannuation is paid correctly, in full, without fuss.**

Payment of superannuation should occur faultlessly and seamlessly as part of the payroll process, without the ability to download and manually intervene with files. You should always ensure that superannuation payments are being made to the funds details that are provided by the ATO. You should always ensure your provider is suitably qualified and have an AFSL

(Australian Financial Services License) to transfer the information and the funds if required through a SuperStream authorised gateway.

**Q17. What happens when you terminate your service?**

It happens, for all manner of reason you may need look for another provider or method to process your payroll. Will you have continued access to your payroll records after you decide to leave? Do not engage with a provider that will not allow you continued access to your records after you terminate. You are required in Australia to have access to your record for payroll for at least 7 years. You should not ever feel pressured to stay with a provider because of the information that they hold.

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