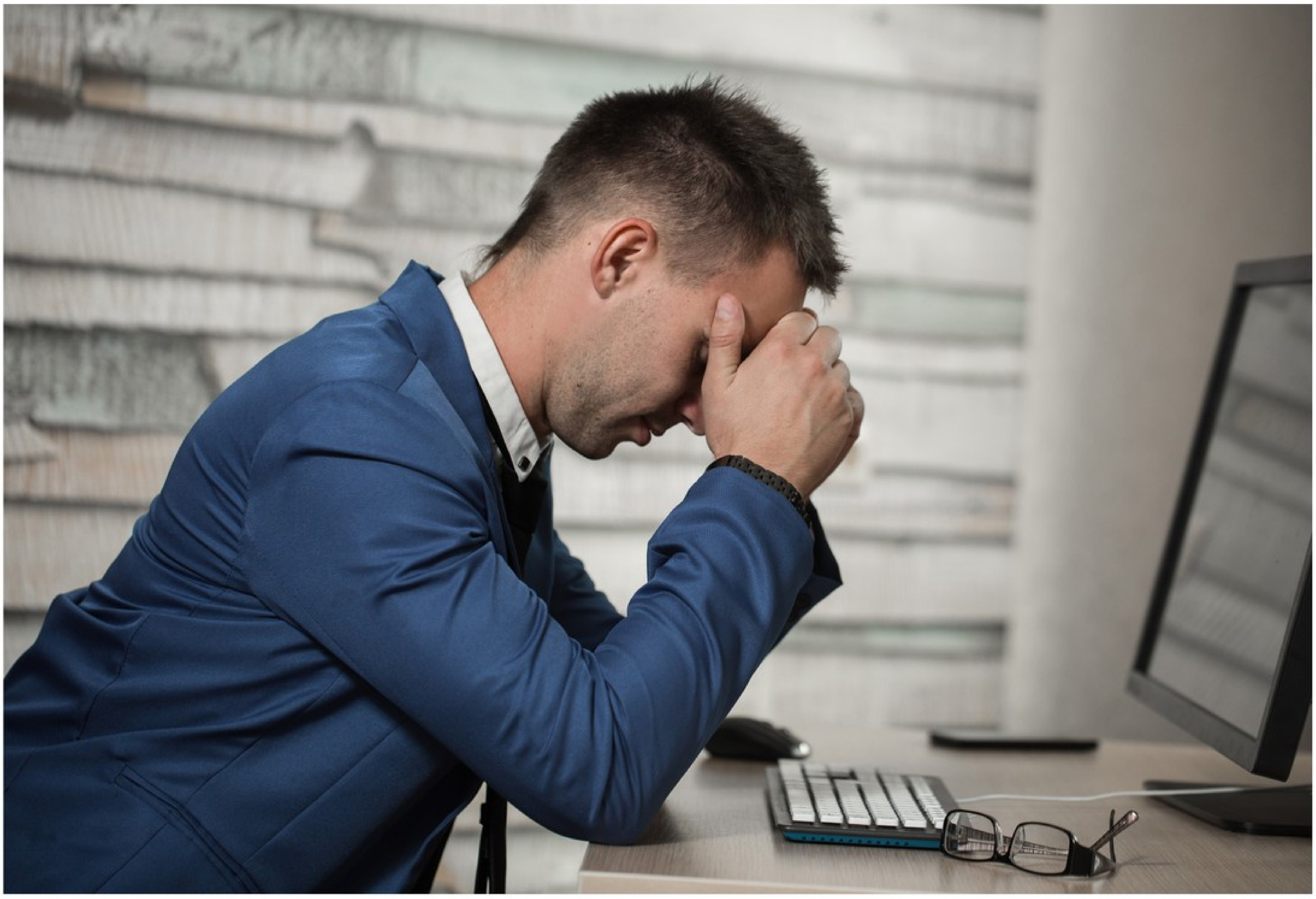

How to switch payroll service providers effectively – *Part two*

By John Galvin, CEO, **Galvin International**

The second part of this two-part series on changing overseas payroll providers will provide tips on how to avoid common problems that may arise in the midst of a switchover. It is meant to complement the ***first article***, which focused on communicating effectively with your existing supplier, including how to break the bad news.

When making the switch, there are some activities that organisations often forget to undertake or fail to get right:

Devising a project plan

When preparing to change your payroll provider, it is important to devise a project plan. This plan should list all of the tasks that need to be completed in order to go live with your new supplier. It should also list all of the tasks that need to be completed after the go-live date in order to ensure that your post-payroll compliance and reporting are completed on time.

In fact, it is worth noting that many of the potential problems discussed in this article can be mitigated, or even avoided completely, by good planning.

TIP: Ask anyone who is involved in any way with your current supplier what services it is that they receive from them. Your questions should include anything to do with both monthly and year-end data. Going down this route will help ensure that your switchover plan covers everything necessary.

Conducting payroll testing

In order to ensure that your payroll will be accurate after the switchover, it is critical to prepare a comprehensive testing plan. To do so, ask yourself the following questions:

- How many test runs will you need to do to be confident that your data is checked and that any errors have been amended and re-tested?
- Are you using the most up-to-date employee data possible? If not, there is a risk that some new employee scenarios may not end up being tested
- Does your test data come from the same source as your current payroll data? Sometimes a switchover can reveal errors made by your previous provider, or that your source HR data is incorrect.

It is important to iron out all data issues before tests are carried out so factor in time, if necessary, to check your input data before the tests are completed.

Working out optimal timings

If your switchover is taking place in the middle of a given country's fiscal year, the testing task becomes more difficult. During the year, cumulative brought-forward balances must be checked and input into the new payroll provider's system. If they are incorrect, you may experience unexpected changes to the first monthly set of salaries, which could cause short-term hardship for employees.

TIP: Try to reduce the risk of this type of error by switching over at the fiscal year-end, if possible.

Undertaking payment testing

It is essential to test that your new supplier will be able to make payments successfully. If they are responsible for such payments, ask them to complete a so-called penny test. This test consists of sending a small sum into the account of one employee. It is an excellent way to test that your new provider has loaded all of the correct payment account data into their systems. It also enables you to check that the timing of their payments is as swift as expected.

Likewise ensure that your new supplier has accurate and complete bank account information for each of your staff members. A switchover is a high-risk event in payment terms, especially if bank account information is loaded from a manual source. Make sure the bank account list of employee names is checked against your active employee names to ensure that no payments go astray. ▶

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Ensuring system access for employees

Many international payroll providers have their own systems to help with payroll workflow. But your staff may require access to them in order to upload payroll data, receive reports and retrieve e-payslips, for example.

It is a common mistake to assume that these types of applications must be cloud-based and so will be accessible immediately. In fact, they often require some element of hosting on your own servers. Alternatively, systems may require a software version that is incompatible or out-of-step with your own company software.

For these reasons, it is best to engage your IT department in the move as soon as you can in order to test access. Doing so will provide you with enough time to fix any problems that may arise before the go-live date.

Dealing with government filings and payments

Even after your employees have been paid successfully, your switchover project will still not be complete. The payroll process is not over until all withholdings are fully reported and paid to the local authorities. This is a common source of difficulty in overseas switchovers for a couple of reasons:

Firstly, your new supplier may need to register with the authorities in order to file on your behalf. You may require the assistance of your previous provider to help the transition here. You may also require legal documents from your in-house lawyers. Check how long this change will take and start the transition process as early as you can.

Secondly, your new supplier may need to set up new processes to manage your withholding payments. In a worst-case scenario, they may not be able to complete all of the tasks carried out by your previous provider. But it is helpful to establish this situation early on in the project so that you can plan ahead as necessary

Tackling year-end reporting

If you migrate to a new supplier at the end of a fiscal year, why not have your previous provider look after year-end reporting? As they have all the data and knowledge to hand to process that year's payroll, it will be easier for them to do so. But note that it also may not be possible. If filing registrations need to be transferred to your new provider, they will have to process the year-end filings too.

Ensuring access to old payroll data

One last consideration relates to payroll records. Ensure you have access to your previous payroll data even after the contract with your previous supplier has ended. There are three reasons for this:

Firstly it is probably a local statutory requirement. Most countries have their own laws about how long business records should be kept. In the case of in-country tax audits, you may be asked to produce records going back several years.

Secondly, your year-end financial auditors might need this data. Thirdly, you never know when you will need these records to solve an employee-related issue.

Conclusion

Switching to a new overseas payroll provider can be a difficult and stressful process. Every country has its own rules and regulations, which makes it difficult to anticipate all the problems that may arise. As a result, good planning is essential as is an open mind about all the issues you may face.

John Galvin is CEO of award-winning ***Galvin International***, which provides independent, cost-effective and compliant advice for clients setting up global payroll. John was awarded Global Consultant of the Year at the inaugural Global Payroll Awards. He and his team provide straightforward, fast advice and set-up support for a fixed price in over 70 countries. If you have any queries about the information in this article, or would like to know more, please contact John at ***john.galvin@galvininternational.com***.