



New Zealand  
Payroll Practitioners  
Association

Developing and Supporting  
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# Tales from the Front Line

AUDITS, COMPLIANCE,  
BUSINESS PROCESS AND  
FINDINGS



# Agenda

- Overview of NZPPA Payroll Audit Methodology
- Non – Fiction Findings and Tales
- Being a Confident Payroller



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# Overview of NZPPA Payroll Audit Methodology

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## 6: Legislation

## Impacts on Payroll

Employment Relations Act 2000	Good Faith, Agreements, bargaining entitlements, record keeping
Holidays Act 2003	Minimum Statutory Entitlements and Calculations for Payments
Parental Leave and Employment Protection Act 1987	Minimum Statutory Entitlements and Calculations for Payments Section 42 – remuneration and holiday pay
Income Tax Act 2007	PAYE, Allowances, Salary & Wages RD5, Extra Pay RD7
Privacy Act 2020	Ensuring the Privacy Principles are being upheld
Commissioners Operational Statements & Determinations	EE004, OS19/05 etc Allowances under the Income Tax Act 2007
Accident Compensation Act 2001	Payments, top up pay
Wages Protection Act 1983	Protection of wages and consented deductions
Minimum Wage Act 1983	Minimum Wages are paid to NZ employees
Child Support Act 1991	Deductions, 60% Protection
Student Loan Act 2011	SL Deductions
Kiwisaver Act 2006	KS Deductions
District Court Act 2016	Court Deductions, 60% Protection
Social Security Act 2018	MSD Deductions, 60% Protection
Volunteers Employment Protection Act 1973	Calculations for Annual Leave Payments
Juries Act 1981	Jury Service



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# Scope and Objectives of NZPPA Payroll Audits

## Payroll System and Configuration

Payroll audits focus initially on the Payroll System capability, is it functional to carry out NZ Payroll Processing, and then a review of System Setup and Configuration

## Payroll Policies and Procedures - Process

Payroll audits include a review of payroll policies and procedures to ensure that they are consistent with legislative requirements and company policies.

## Data Accuracy and Compliance

We check the data accuracy and compliance of payroll processing, with legislative compliance, from payments through to deductions.

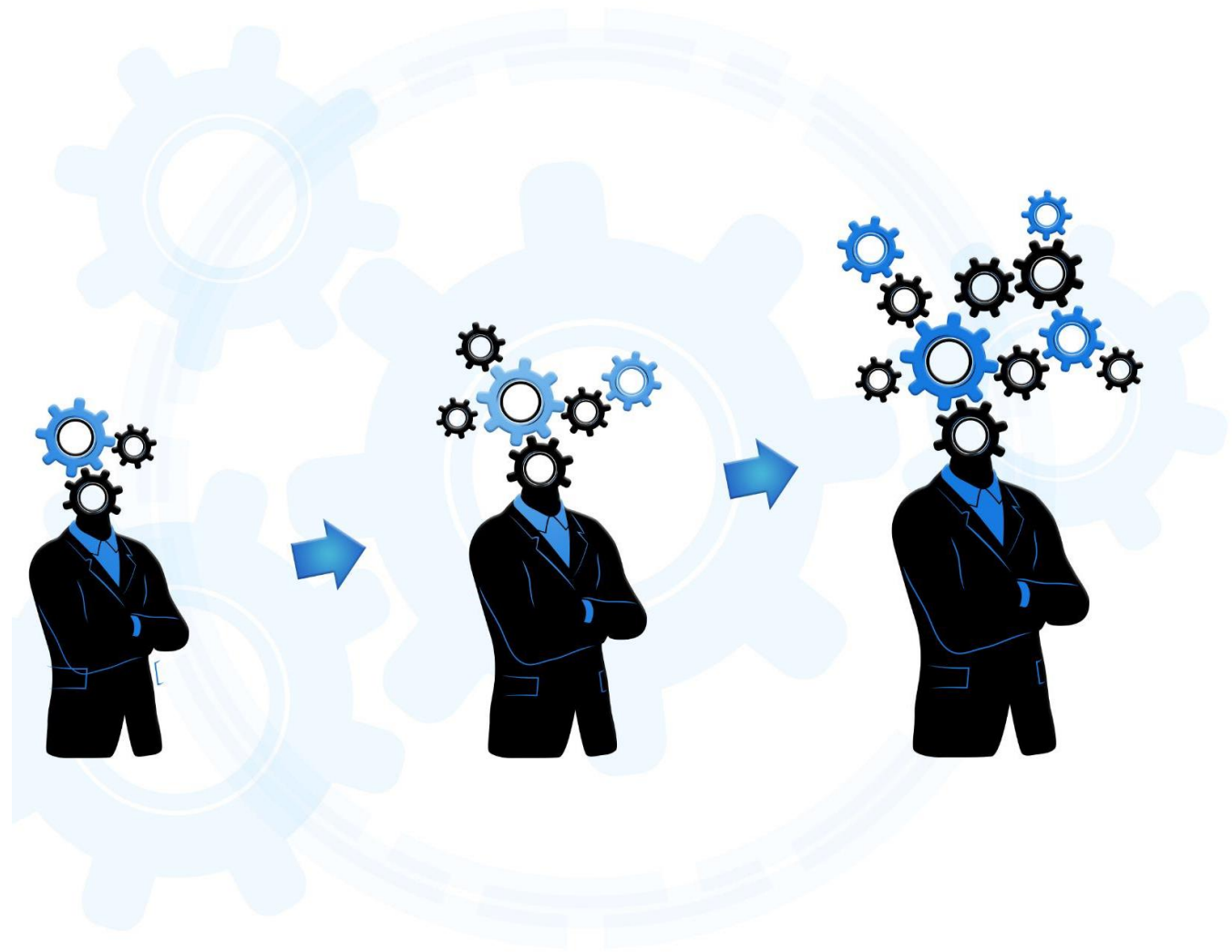
# Integration with Other Business Processes & Systems

## Integration with Time and Attendance

Payroll processing is often integrated with time and attendance systems to track employee attendance and calculate accurate pay.

## Integration with HR

Payroll processing is often integrated with HR systems to track employee data and ensure compliance with relevant legislation.



# Best Practices for System Compliance

## Align HR and Payroll Policies with System Capability

To ensure accurate and efficient payroll processing, it is important to align HR and Payroll policies to support our Payroll System. These should be clearly defined before system configuration to avoid any discrepancies.

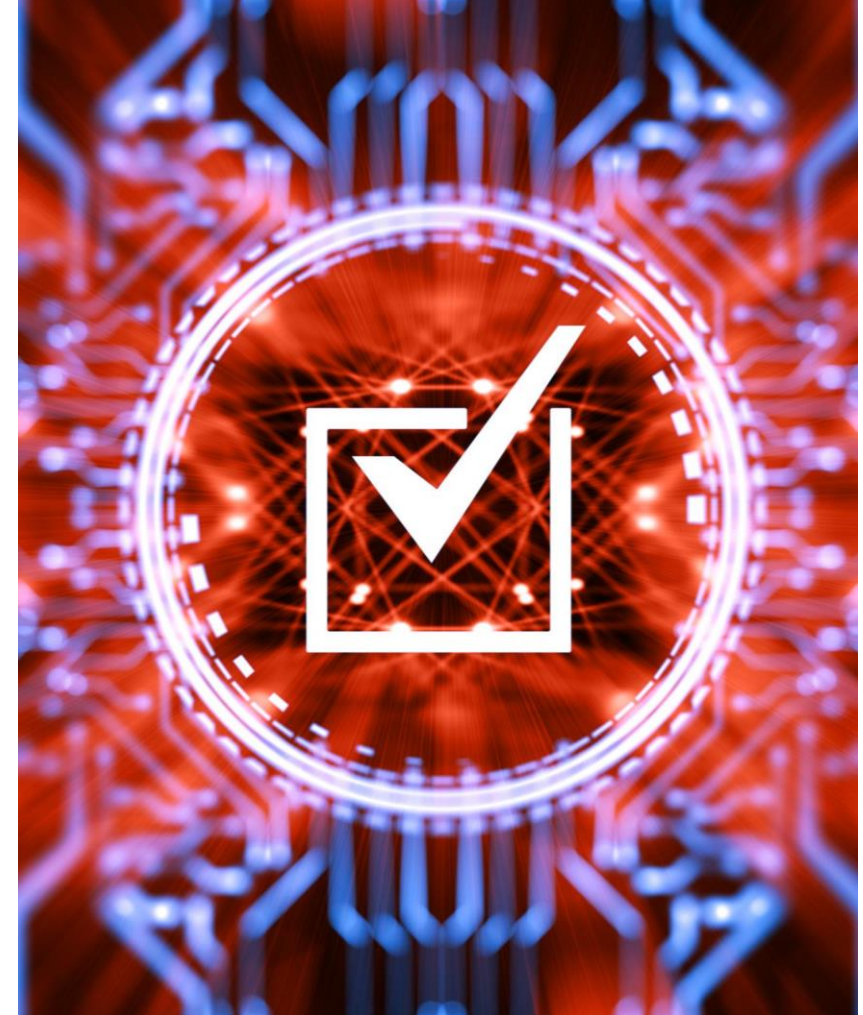
Employment Agreements play a huge role towards supporting compliance.

## Automate Processes

Automation of processes is a best practice for guaranteeing efficient payroll processing. Automating processes where possible reduces manual work and helps to minimise errors.

## Perform Regular Audits

Regular audits are important to confirm the system is set up correctly and functioning properly. Audits help to identify and correct any errors or incorrect setup/use of codes, leave entitlements and takings.





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# Non – Fiction Findings and Tales

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# Common Findings From Recent Audits

## System Configuration

One of the most common findings from recent payroll audits is Pay Element configuration issues. Ensuring the Pay Elements are setup accurately in the Payroll System regarding Payments, Taxation, and Holiday & Leave calculations is essential to prevent financial and compliance risks for the business.

## Leave Calculations/Payments

Incorrect divisors for leave calculations, inability to perform accurate OWP 8(1), and RDP calculations, are consistently at the top of the findings list.

Variable employees – incorrect calculation methodology being used

## Leave Entitlements

Often, we find setup on proportional hours worked as an accrual methodology that can result in the employee not being provided with at least 4 weeks of annual leave. Or accruing every hour worked, not splitting out hours payments and providing the employee more than 4 weeks of annual leave.

# Common Findings From Recent Audits



## Business Process

Manual processes that can lead to data errors and incorrect payments.

## Employment Agreements

Unfortunately, we commonly find a breach(s) in Tax and/or Employment legislation within Collective Employment agreements.

## Robust Controls and Audit checks

The lack of robust controls is also a common finding from recent payroll audits. It is essential to establish and maintain proper controls to prevent financial and compliance risks for the business.



# Untold Tales – True Stories

CEA – annual leave will be paid when taken using the Average Weekly Earnings Calculation under the Holiday's Act 2003.

Ordinary Codes for each instance of Hourly Rate – then the Payroll Admin gets to dropdown a box and pick the right one for an employee's timesheet at entry.

Implementation that ensures all Positions have the correct reporting manager for leave applications, but when it hits payroll, they aren't consolidated for leave entitlements and payments.



# Untold Tales – True Stories

Old Versions of the Payroll System being used.  
End of life for some systems.

Employee only trained by previous person “it’s always been done that way”.

Payroll team of 1 – not as much support, larger risk due to less controls, payments, systems being used

Not using full functionality of system, or lack of understanding of system capability and configuration, as well as reporting.



## Significance of Remediation Work

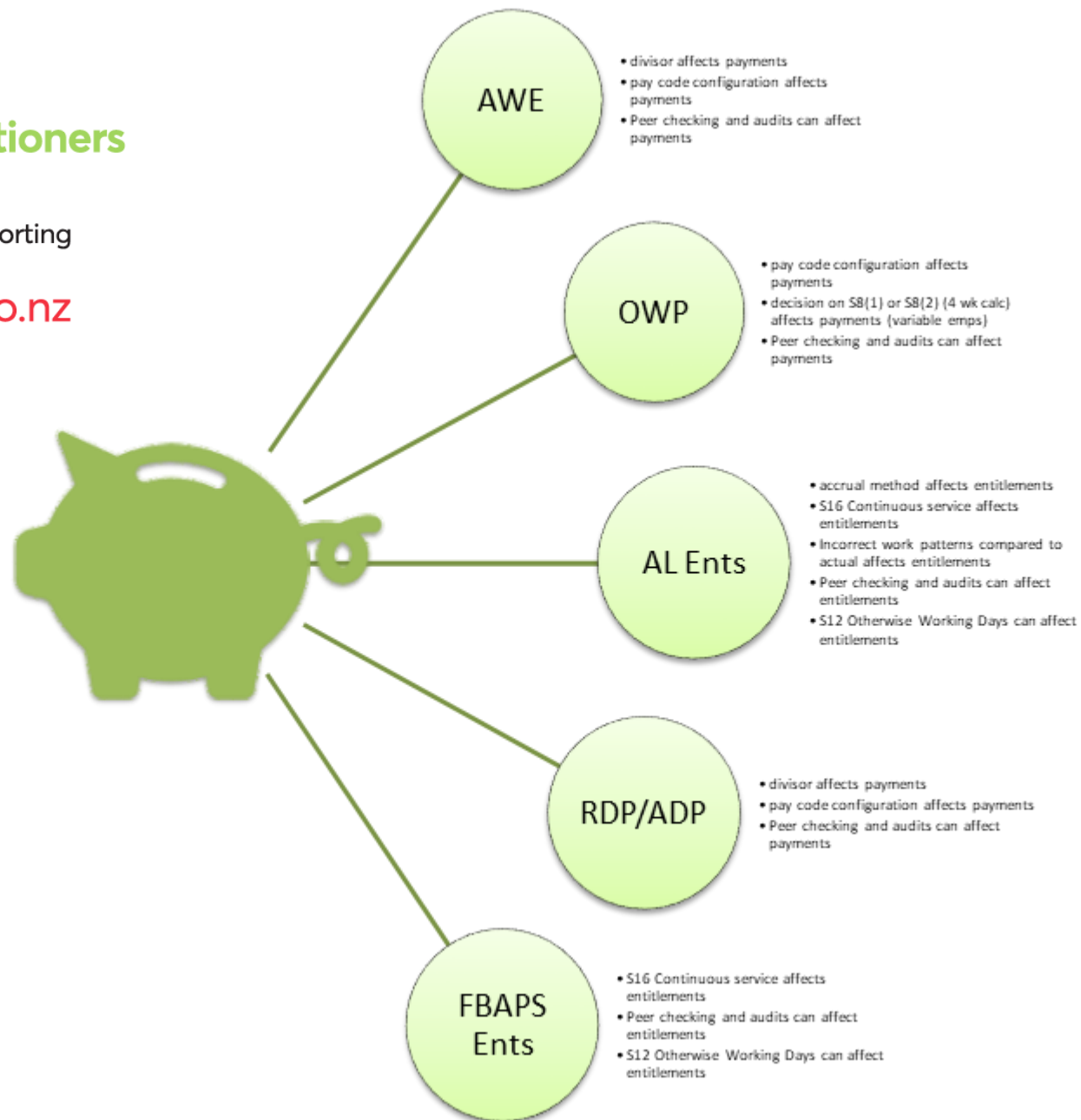
The purpose of remediation work is to address payroll audit findings and ensure that the leave payments over the last 6 years are corrected and paid to all employees affected



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# Being a Confident Payroller

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# Understanding Payroll Legislation

## The Importance of Staying Informed

Staying informed about payroll legislation is critical for businesses to avoid compliance risk.

Normally every year there are changes that come into effect on 01<sup>st</sup> April.

## Complexity of Payroll Legislation

Payroll legislation is complex making it essential for businesses to stay updated and invest in their Payrollers.



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# Resources for Staying Informed and Compliant

## Online Resources

There are various online resources available for staying informed about payroll legislation. These resources include NZPPA, government websites, Employment New Zealand, payroll software vendors, and industry blogs (social media)

## Continuing Education

Continuing education and training can help payroll professionals stay up-to-date with the latest changes in payroll and any changes to legislation, ensuring accurate and compliant payroll processing.



# Training and Support for Payroll Users

Good training and support for payroll users is essential for accurate and efficient payroll processing.

Best practice for training and supporting payroll users, involves providing clear and concise written instructions, offering hands-on training, and offering ongoing support.

External training provides opportunities to upskill and professionally develop our teams. Enabling the team to challenge current process and payroll system setup.

# Conclusion

Payroll audits are critical for ensuring accurate and compliant payroll processing.

Effective payroll management requires understanding payroll system capabilities and configuration, data flow processes, good risk controls, and periodic reviews to ensure compliance with NZ Legislation.



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