

Thank you for downloading this guide. It's derived from my experience and accumulated knowledge working in this space. I hope you find it an interesting read and valuable resource.

The risks associated with Payroll tends to increase with the complexity of the organisation.

An organisation such as a law firm may not have a high degree of complexity because most of its employees are on salaries. However, an organisation such as a manufacturing company would have employees on multiple awards, working multiple shifts and therefore greater complexity.

Add multiple locations into the mix and complexity increases even further. **If that's the environment you're operating in, then naturally your risk profile is higher and the more value you should derive from this guide.**

You'll see through this guide that we recognise that a **technical system can work only as well as it's configured and as accurately as the data fed into it.**

Both the technical configuration and the data are ultimately provided by people and process – therein lie the source of incorrect pay calculations!

Let's face it, the payroll for most organisations is their biggest cost, so why not put the same energy and scrutiny into this as you would with other cost areas?

A Word From The Author

The Queensland Health scandal showed the **terrible impact that a poorly performing or non-performing Payroll system can have on people's lives.**

80,000 people were affected by incorrect or delayed payment, with many of them quitting their jobs in disgust, or experiencing worse personal consequences.

My involvement with both the project and the subsequent parliamentary enquiry seriously influenced my decision to work on fixing the problems that pervade Payroll systems and their implementation globally.

Incidentally, the parliamentary enquiry found that I personally had "conducted the exercise (I) was retained to carry out competently and professionally".

That's how AgileXperts was born.

AgileXperts specialises in supporting implementation and operation of systems for Human Capital Management, Human Resources, Learning Management, Payroll, Time & Attendance and Rostering.

We have a high **focus on processes and people**, since we have witnessed that most instances of non-compliance originate, not from technology, but from the configuration and processes around the technology.

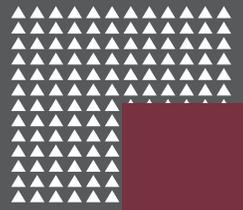


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The Problems We All Face



You are probably already aware of some of these problems but I would like to present them from a different perspective.

Meeting Your Compliance Objectives | Visibility | Accuracy

Meeting Your Compliance Obligations

Becoming compliant is one thing, staying compliant is another.

There are many legal requirements to which organisations need to adhere to.

There's a certain amount of flexibility in terms of adherence because people are human and can honestly make mistakes but negligence and a lack of care is unacceptable.

As a result, it is important to demonstrate to the payees that you are making every attempt to ensure that they are getting paid correctly.



There are potential gaps within all processes and systems, so pinpointing exactly where the risk of non-compliance exists within processes and systems is key to understanding if they are causing issues.

The consequences of systemic underpayments can be anywhere from inconvenient to disastrous, both for the employees and the organisation.

Employees in Australia are estimated to lose **\$2.4 billion** in wages every year due to cases of underpayment becoming more rampant nationwide.

The underpayment crisis is becoming so severe that it now affects **one in four employees**.

Source: <https://www.hcamag.com/au/specialisation/payroll/underpayment-costing-australians-24b-in-lost-wages/239908>

Having robust processes and tools to support Payroll administrators is critical to ensure compliance and the ability to embrace organisational changes.

Just look at Job Keeper, Annualised Salary and Super Stapling as recent examples of where employers need to be aware of what their obligations are and how they ensure that they remain compliant, once these changes are implemented.

A list of significant changes which have occurred within Payroll in the past 12 months:

- STP 2 – disaggregation of gross and more complex reporting requirements to the ATO resulting in system configuration changes.
- Casual work statements and casual conversions.
- Hourly wages introduced for pieceworkers, along with new employer record-keeping obligations.
- Covid, Job Keeper, Job Maker, roll out of vaccination mandates and incentives, new leave types.
- Super Stapling, an existing super account linked, or 'stapled', to an individual employee so it follows them as they change jobs.
- Super incremental increases yearly until from 2021 to 2025 – this especially affected those with “Total Financial Remuneration” packages.
- Removal of \$450/month superannuation thresholds.
- BOOT – “Better Off Overall Test” - that the employees to be covered by an enterprise agreement will be better off under it than under an applicable modern award

Visibility

In most organisations Payroll is a dark art and **core knowledge sits in the heads of long-term staff**. Visibility and transparency of payroll knowledge is limited, despite the fact that Payroll is responsible for significant outflows of cash, as well as employee reward and welfare (and compliance).

When it comes to business risk however, it's critical to remember that your regular Payroll staff are not always going to be around to run the Payroll like they have always done.

I have seen Payroll team members deserting organisations, inflicting a huge amount of stress to the decision makers and remaining employees.

That's why your full Payroll processes need to be clearly captured and documented in such a way that it's easy to understand and readily implemented by a replacement, whether it's temporary - when someone is sick, or permanent – when someone leaves the organisation unexpectedly.

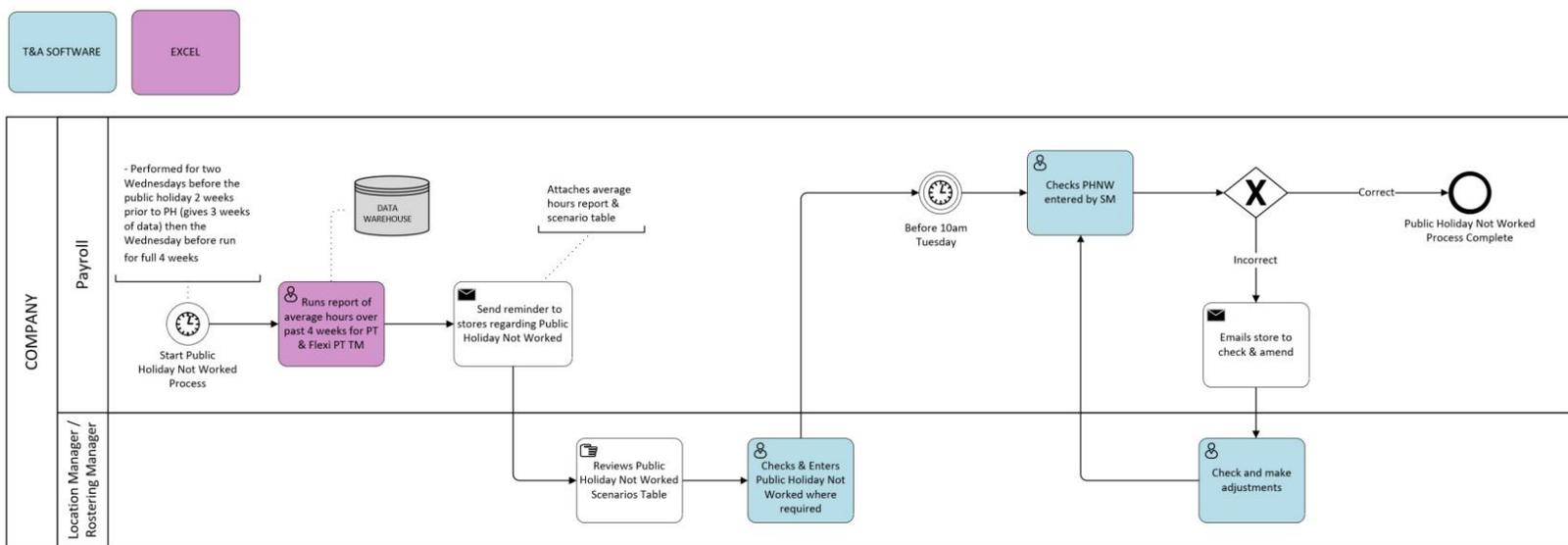


A Payroll team business continuity and recovery plan should be a must have!

Going through this process of capturing your processes also helps you identify gaps, opportunities for optimisation, and tasks which can be automated.

You can't fix what you can't see!

We have found that the best way to approach process documentation is by using the Business Process Model and Notation (BPMN), which is an industry standard way of creating graphical representations of business processes.



Accuracy

You may or may not be aware of the scientific concept of entropy.

Entropy

1. *Lack of order or predictability; gradual decline into disorder.*

In a nutshell – For everything, the universe's natural state is disorder. No matter how good something is now, it will always decay into disorder.

From the perspective of a business, that then means that there is no such thing as a perfect system over time and what is accurate today may not be accurate tomorrow.

If you understand and imbed that concept into your thinking you will never stop actively striving to improve. That is why everything needs to be maintained.

You can't be perfect, but you can be better.

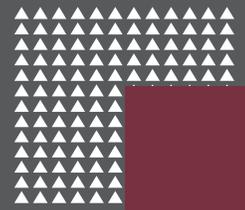
The more you can automate, the greater the accuracy.

This is because automated systems follow the same process every time. However, automated systems need more effort to maintain. It's a trade-off, you always want to automate the right things.

Before you start on your improvement journey, it's important to first **understand where and why things go wrong.**



Where and Why Things Go Wrong



Businesses Thinking They've Correctly Interpreted Awards

"We don't see any smoke, so there isn't a fire."

The most common mistake we see is companies believing, in good faith, that their award interpretations are correct and that they're paying everyone the right amount.

Yes of course you trust your people to get it right. That's their job and maybe they have interpreted correctly, or maybe they once were right but things have changed since then.

Awards are complex and often change!

Remember that naturally occurring thing called entropy?

Ongoing maintenance is critical in every system and in a system as critical as Payroll, it's a non-negotiable activity. Just because no one has flagged an issue, doesn't mean everything is fine. The wrong interpretation could have been implemented years ago and simply not maintained with the error accumulating over time like compounding interest. We all know how much that adds up over time.

NB – it's just as easy and costly to overpay as it is to underpay.



Let's take a look at supermarket giant, Woolworths, for example. Woolworths failed to ensure that annual salaries were sufficient when compared to actual hours worked, leaving their salaried managers significantly underpaid.

To make matters worse, when back paying their employees during remediation, the outstanding amounts were incorrectly calculated.

Source: <https://www.abc.net.au/news/2021-06-18/fwo-sues-woolworths-underpayment/100225574>

Why businesses incorrectly interpret awards:

Almost every organisation we talk to thinks that they're doing fine. The people who say that tend to be senior management. However, when we talk to the Payroll team, those at the coalface that do this stuff every day, they'll usually tell us there are problems somewhere.

So, the organisation is actually aware of problems but that awareness is localised or siloed.

What tends to happen in an organisation not committed and encouraging continual improvement is that it becomes just "another" staff complaint that gets brushed off or deprioritised.

From my experience, I can almost guarantee that in an organisation without a commitment to continual improvement, there will be places where they're not compliant.

It's also common to see an organisation adopting a philosophy of continual improvement in the delivery of its products and services but not in its "non-client facing" administrative functions.

Is staff welfare and brand reputation less important than customer satisfaction?

There's nothing more **culture crushing than underpaying employees**. A case in point is George Calombaris, the superstar chef who underpaid employees by nearly \$8 million.

The accumulation of underpayments went on for almost 7 years without being detected but the end result was that the business ended in voluntary administration with his partner reporting "the toll the staff-underpayment scandal has taken".

Source: <https://www.abc.net.au/news/2019-07-18/george-calombaris-made-establishment-backpays-underpaid-workers/11320274>

Failing Silently

Think of Payroll as being like the rhythm section of a band.

As long as it's performing smoothly, no one listening to the band pays much attention to it. It's only when they hit a wrong note or stop playing that people notice them.

One of the challenges with Payroll is that it, too, **could be failing silently and only gets noticed when someone calls it out or the band stops playing**.

It could be the systems that process HR data or the Time and Attendance system quietly failing, accumulating and compounding away while you focus on the singer and lead guitarist.

The manufacturing industry worked out decades ago that the best way to keep their plant and machinery operating around the clock is with an ongoing and ingrained program of proactive maintenance.

It's important to note that **investment doesn't just mean spending money**. It can also mean investing time and attention. In most cases, it is not just insurance against mistakes but it can also deliver hard financial returns in a short amount of time through the avoidance of penalties and unplanned budget blowouts, which bad Payroll can deliver.

Why businesses fail silently:

There is an attitude of **"If it ain't broke don't fix it"**.

It occurs because Payroll is often the **"forgotten department"**. As a result, over time there is a lack of investment into maintaining the systems which work to deliver Payroll. This maintenance is regularly missing in the training of people, monitoring of active systems and outcomes, and simply the ongoing improvement in processes.

The systems that deliver the Payroll usually have been set up by humans, they rely on data input by humans and their performance is being interpreted by humans. Mistakes can be made through this entire system, simply because we are only human.

Because Payroll (like the rhythm section) is never going to be front and centre of any organisation, it's easy to forget it's there. That unfortunate ability to fail silently, with such massive impact, is why special attention needs to be given to Payroll.

Putting The Wrong People on the Bus

This is a common issue in most systems change projects.

Many business leaders still **underestimate** the effort required to implement a new system or process for a number of reasons - but typically because they don't have significant experience running these projects. It's not their core business nor is it their core skill.



For the management of systems change projects, many organisations often use internal staff who are deemed to be good performers in their normal position.

Unfortunately, it's a very rare person who can be a great Payroll Manager and also a great Project Manager. Alternatively, they might ask those working in other areas of the business to work on it as an additional task on top of their day-to-day work.

That is like asking someone to build a plane while they are flying it.

Having the time to manage a project is just one thing. Having the skills to do a great job of managing a project is quite another. Every organisation wishes to have a system change "just happen" and to wake up one day and it's all running. That's what great Project Management is about.

It's easy to set up the Gantt charts and organise the workshops etc. but effective project management is much more than that. Knowing how much effort over the whole project is likely to be needed, knowing exactly the right mix of people in the project team, knowing when the effort from each person will be most needed, how to maintain governance, knowing how to have people **WANT** to change, and many more skills and artefacts.

Below is a checklist of the minimal key actions and deliverables which will ensure your project, no matter its size, is a success!

- Stakeholder list and map
- Statement of work
- Project objectives and measures
- Project methodology
- Risk and issue register
- Detailed plan (i.e. Gantt chart, MS Project plan)
- Resource availability tracker
- Decision register
- Governance Framework
- Business process models (current and future state)
- Business requirements
- Testing strategy and plan
- Change management strategy and plan (including communications planning)
- Exit and entry criteria of each project phase
- Roll out plan
- PMO (Project Management Office) to administrate project(s)

The art of getting people to engage and do what they need to do, when they need to do it, is what separates the wheat from the chaff.

It's also easy to fall into the trap of focusing on the development of the process or system itself and assume that once it's deployed, the job's done – happy days.

My personal experience with poor Project Management

I'll take you back to the Queensland Health Payroll Project – now considered one of Australia's worst IT disasters. During 2006 and 2008 Queensland Health were searching for the replacement of its then soon-to-be-obsolete Payroll system and contracted IBM Australia to design and implement a new system.

I was the User Acceptance Test (UAT) Manager for Queensland Health for the last 12 months of the program. I witnessed colossal failures of Project Management, Contract Management and poor implementation practices from both IBM and Queensland Health. I made multiple formal attempts to halt the project to avoid inevitable disaster should the system go-live.

All of my attempts to stop the madness were ignored or rebuffed. The aftermath of the go-live in March 2010 was that thousands of workers were underpaid or didn't receive payment at all, whilst thousands of other employees were overpaid by a total of \$400 million.

The total cost of the project ended up at around \$1.2 billion.

One of my biggest take-aways from this project and the subsequent Parliamentary Inquiry was the understanding that an organisation cannot outsource its risk management to a Systems Integrator (SI) or Vendor. IBM was working as a Systems Integrator and effectively reselling the Vendor product into Queensland Health. In this role, they were effectively an extension of the Vendor and therefore had a different definition of success to their client. A client's definition of success is a well performing and user adopted system, whereas the Systems Integrator/Vendor definition of success is a profitable implementation where the client has signed off. These two outcomes are not always synonymous.

Queensland Health should have engaged an equally experienced and specialised organisation on the client (Queensland Health) side to deliver Project Management and other project roles to balance the power of the Systems Integrator in this Payroll Project delivery. There should always be a natural tension and balance of power and expertise between both parties to a delivery – on the client side and the vendor side.

Source: <https://www.agilexperts.com.au/post/what-Payroll-project-lessons-we-can-learn-from-the-queensland-health-Payroll-disaster>

Why businesses put the wrong people on the bus:

It's certainly not due to a lack of intent to get the best result. No one sets out to fail but how many system change projects come out on time and budget let alone ahead of either?

There are various dynamics at play and it's rarely any individual's fault but unfortunately, the fish normally rots at the head first.

Here are a few tips for senior management to not end up like that fish:

- Don't use your subject matter experts as project managers;
- Don't ask people to work on the project without backfilling their BAU duties;
- A star performer does not necessarily make a good Project Manager;
- Listen to what the project team tells you in terms of the time and effort required;
- Don't try to impress the board or be coerced into committing to an aggressive timeline;
- Don't assume you have the capability internally to get the job done; and
- Insist on an "agile implementation methodology" – if the person you are considering appointing to manage the project asks, "what's that?" find someone else who knows it back to front and has used it successfully before.

An AgileXperts Success Story - Delivering a Complex T&A Project in KFC

KFC ran an 18-month project to configure a new Enterprise Agreement into a new interpretation engine, and to integrate it into the 45 instances of 5 different Payroll systems across their 750 stores.

The project risks included:

- Highly complex technical integration across the full workflow;
- Remote teams;
- Highly complex stakeholder structure;
- A drop-dead date by which the solution needed to be up and running correctly; and
- 37,000 people's livelihoods depending on correct functioning of the system.

The project was successfully delivered after 15 months, with 37,000 employees paid correctly. The key stakeholders were very happy with the interactions/drive of the core project.

"I've been very impressed with the deliverables of AgileXperts. They were asked at very short notice to step in and help us take our challenging project to a successful conclusion. The project was very complex, delivering a pay interpretation engine with integrations to 5 different Payroll systems and 55 different Franchisees, having to engage many stakeholders. AgileXperts were on site within two days of our call, and within a week had helped us identify the key risks to our successful go-live as well as their mitigations. I fully endorse the work done by AgileXperts as extremely valuable and one of the key components to the success of this critical project." – Karen Ancira, Chief People Officer, KFC

Watch now: KFC Case Study Webinar



Underestimating the Non-financial Cost of Failure

Because Payroll systems can fail silently, new Payroll systems aren't typically ringing alarm bells from day one. The implementation of a new system normally involves User Acceptance Testing (UAT) and Parallel Pay Run Testing (PPRT) so an organisation normally starts using a system with a certain amount of confidence.

At some point in the future, however, some people within the organisation may get a sinking feeling when they begin to worry that they may have just invested a huge amount of time, money and resources into a system that might not be fit for purpose.

Because a Payroll and/or Time and Attendance system affects every staff member, it will be visible across every department in the organisation from bottom to top.

If a sales tool or a marketing campaign fails, it's relatively easy to write it off as a failed experiment or even hide and bury it.

The same is true for other areas of HR, such as deploying a new learning management system that people don't readily adopt – doesn't harm anyone really, it's just not actively used. **But with Payroll, everything's different. People are emotionally invested in how much they get paid even if it's a minor amount.**

Why businesses underestimate the non-financial costs:

If a company gets the implementation of a new Payroll system wrong, there can be ramifications inside and outside the organisation.

There is the **cultural impact** withing the organisation. If it was poor to begin with, it has just had a match thrown on it. If the culture had previously been positive, it can still be destroyed in a heartbeat.

The press and social media also love a bad news story when it involves corporate failure or worse, negligence. This was emphatically demonstrated in the QLD Health Payroll rollout we discussed earlier, but also with large organisations like Woolworths, Coles, Commonwealth Bank, NAB, and many others.

Brand reputations built over decades can be tarnished and take you from an employer of choice, to one to avoid at all costs.



Putting the Cart Before the Horse (System Before Process)

Everything, I mean EVERYTHING, comes back to process. Your processes should inform your technology systems, not the other way round.



In other words, you don't want your IT

systems to determine your process; you want the IT system to support the business's needs, and the business needs are reflected in the processes which are needed to deliver the business outcomes.

It's easy to be seduced by a new IT system that's pitched to you as the answer to all your problems.

Yes, it may be better than your legacy systems but there are no silver bullets. That's not how it works.

A new system poorly deployed can cause more problems than it was meant to solve.

Define and design your business processes first before you consider any new technical systems. There will almost certainly be gaps in what any IT system can do, but with your processes well documented and understood, you will be able to identify the gaps, and design workarounds and solutions before you implement.

Why businesses put system before process:

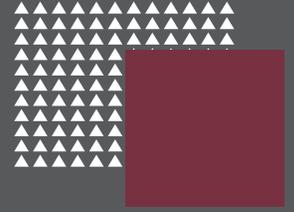
Technology is fundamentally just automation.

It's designed to do a lot of things as quickly as possible and to do that without the need for human input or oversight.

Your IT systems will do what you've configured them to do. Get the configuration wrong and then it's like driving a car at top speed in the wrong direction.

Rather than accept a software vendor telling us how things must work, we need to ask ourselves questions like, "How do we want the Payroll team to work? What are the roles within our business? Who should be responsible for assigning people into roles? What are our minimum requirements around people clocking in and out? Who will approve timesheets and when will they do that? Who has what oversight over changes to timesheets?"

A Case in Point



Okay, enough of the theory – time to talk about a real-life example of “when things go wrong”. One of our clients, let's call them Company A, is a business with close to 20 factories all around the country.

When Company A first came to us, they told us that everything was fine, but they needed help with project managing the implementation of a new Payroll system.

As with any project, there is a discovery phase where we need to view and understand all the processes that are impacted by the project and system rollout.

Before we even started, our experience told us that we should assess the consistency of processes across the whole organisation. In this case, each factory was operating as a self-contained business unit, so we knew that it was likely that each would have been working in a slightly different way.

Think of the entropy over time leading each factory to gradually diverge from their known good state when they were first set up. It's inevitable when there is a minimal investment in the maintenance of these processes in each factory.

Company A, however, assured us that this wasn't the case and instructed us to focus only on the areas they thought were the problem ie. the Project Management of the new technical system. So, in good faith, we did what the client asked us to do. After six months into the implementation, it became apparent to our client management team that each factory was following different processes.

Pandora's Box was officially opened.

In each factory the local managers had set up their processes to be as simple and efficient as possible - which was great – except that they weren't consistent, nor were they compliant.

Benefits and entitlements were calculated and paid differently in each location even though they should have all been the same.

This had been going on unknown and undetected for years. No one knew until we were halfway through their project.

Through no particular individual's fault, compliance had been compromised in the name of efficiency.

The end result was that we had to spend another 6 months retrofitting everything we had already done. This would have been completely unnecessary had we able to focus on process first.

We were able to support this organisation to identify, understand and agree on the way the business wanted to run, and then have every location adopt those new processes through Change Management techniques.

This is a major simplification of the steps needed to have the organisation change, but I'll list the key aspects of Organisational Change Management in the box below.

Often organisation put all their energy into building the technology and tools needed to meet the requirements, putting very little regard on the people who will eventually use the solution.

Initiatives fail when people are not able to transition into the new operative environment, adopt the new ways of working and stick with it.

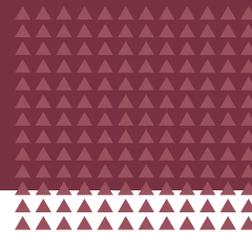
Organisational Change Management when undertaken in a structured and consistent manner is an enabler for preparing, empowering, and supporting people through the change journey. The ADKAR® model underpinned by the five key areas of practice provides a robust framework for introducing and sustaining change in your organisation.



A	Awareness	Of the dire need for change now
D	Desire	To be part of the change journey and support the initiative
K	Knowledge	On how to change / transition
A	Ability	To perform the needed actions and achieve the desired outcome
R	Reinforcement	To sustain the change

The structured model enables organisations and teams managing change to articulate the goals and outcomes for sustainable change and focus their energies on bringing about real change for individuals, teams, and the whole organisation

Do You Understand Your Risk?



We all know that understanding and mitigating your risk is critical to staying in business. If you're flying by the seat of your pants, it's likely that you are going to be surprised when something goes wrong. Identifying and managing risks is essential to maximise your chance of success. Despite its relatively low internal profile, Payroll risk is one of the biggest risks that your organisation faces.

Of course, there are all sorts of other risks, but few have the same potential impact. Paradoxically, Payroll is one of the few risks that you have complete control over – think competitors, COVID-19, natural disasters, fire, politics etc.

The Most Common Payroll Risks and Their Impact

#1: Data missing in action:

When the right data isn't fed into your system in the first place, it's impossible to know how much you've underpaid or overpaid people. You can't reverse engineer the data to determine what people should have been paid.

When this happens, you're left open to employees' making assertions that you're unable to disprove. If they tell you that they worked two hours of overtime every shift but there's no data to disprove it, you have to take that at face value and pay them accordingly.

#2: Poor operational process:

When operations managers don't consider the compliance implications of their operational processes and just think about how to get a business outcome.

Because managers on the floor aren't experts in award/EA interpretation, it can often happen that they ask staff to do things without appropriate data capture, and this can lead to incorrect payment calculations for employees.

A very recent example of this issue was the Commonwealth Bank's underpayment of \$40M. Staff were asked to work through their paid breaks because of short staffing. No additional compensation was paid to the workers and so this caused the significant underpayment.

#3: Incomplete cross-checking:

No Time & Attendance system or Payroll can perfectly calculate and pay every employee, every pay cycle, in every situation. We live in a real world and the real world is complex. No system on the market can deal with every real-world complexity without additional process and human intervention.

Because of this, it's critical that every payroll team have documented processes that revolve around the technical system, to ensure that the output of the whole payroll execution is correct and complete.



There is no Payroll “Magic Button”.

#4: Incorrect interpretations:

Incorrect interpretations are a common occurrence. It's usually a simple configuration mistake that doesn't arise until someone makes a complaint.

Because these mistakes are generally invisible, it is important that Payroll teams are actively looking for these errors and validating that their interpretations are in fact correct.

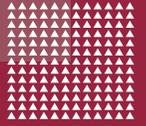
#5: Not appropriately resourcing change activities:

Whenever you're implementing change, you need to make sure that you're staffing it correctly with enough people, time and resources.

You also need to ensure that those people you enlist for a change project have the right skills and capabilities to make change happen.



Assessing Your Risk Profile



Starting to feel uncomfortable about your risk exposure? There's possibly more for you to consider. Read through our 5-point checklist and assess your current position.

1. Does your Payroll team rely heavily on manual processes performed outside the Payroll system?

Payroll is always going to rely on a number of manual processes outside of the Payroll system. But how many is too many?

The more manual processes your team performs, the more room for error, especially if there is little or no documentation of these workarounds.

Many of these manual workarounds may actually be able to be executed automatically within your Payroll system as long as it is configured to enable it.

2. Do you know the last time your documented Payroll processes and procedures were validated?

Most organisations have some form of documentation. The completeness or the correctness of the documentation, however, is usually questionable .

The documentation of processes and procedures needs to be succinct yet detailed enough that it can be performed by any replacement staff member who picks it up and reads it.

Not only does your documentation need to be of quality, it also needs to be updated and reviewed on a regular basis. I'm not talking about every 5 years either. It should be reviewed and validated at least every 6 months, or it is likely to be obsolete.

You certainly don't want to discover that your processes are incomplete or out of date when you actually need them – better to proactively maintain them.

3. Do your Payroll team frequently work significant additional hours to execute the regular Payroll process?

Typically speaking, the time a Payroll team takes to process a pay run should be consistent each pay period.

A variation in the timeframe from one period to another is a red flag that something has gone wrong in the end-to-end process.

It is also probably an indication that your Payroll team isn't following a formulated process and there is a real risk if no one can tell you why the additional hours were worked.

4. How frequently does Payroll get error enquiries or have to process an adjustment (eg. to leave balances, tax, super) or process a backpay after a pay run?

Although Payroll can fail silently in some cases, other times it can be very obvious to employees who end up with the incorrect amount in their bank account.

While it's great that these errors can be mitigated quickly, it is a clear sign that mistakes or errors have occurred in the Payroll process.

The frequency or number of enquiries that are brought to Payroll should be a clear indication of how confident you can be that all employees are being paid (or not being paid) correctly.

Process is the source of all issues – so an incorrect payment can always be traced back to an incorrect or incomplete process.

5. Are you investing time and/or money into improving Payroll processes?

Most organisations only make changes when they become aware of errors or issues.

However, it's a common occurrence that miscalculations or errors can bubble away in the background without any awareness.

So, how confident can you be that everything is performing perfectly without errors occurring?



You can often see the symptoms of bad processes and configurations. These symptoms are the identification of a bad payment to an employee. But the source of these symptoms is always process.

Bad interpretation? What's the process you have to identify you need an interpretation and then to define and confirm the interpretation? Bad configuration? What's the process you have to configure the system? Bad pay? What's the process you have to confirm and cross-check pay before it's sent to the bank?

That's why it's so important that organisations invest in improving their processes. You will actually find that by investing time, you end up saving money or vice versa.

If any of these questions resonate with you or have raised some doubt, please do refer to our roadmap to compliance at the end of this guide.

Watch now: [The Risk of Not Innovating](#)



Immediate Steps To Take

So, where to next? If you feel as if you're in a vulnerable position, there are steps that you can immediately implement internally to get the ball rolling.

#1: Ask your Payroll team what issues they are aware of

During business-as-usual, employees get used to making requests for improvement in processes or tools. Most often, these requests are turned down due to budget issues or other priorities.

For the sake of this exercise, you need to ask your Payroll team to imagine that anything is possible. Forget all the rejections or refusals that they've endured in the past, and just tell you the top three things that they would fix if there were no constraints. What exactly are their pain points or areas of concern?

Tesla does a great job of this. Before they came along, everyone thought that electric cars were limited by battery technology. Tesla forgot about the constraints and ended up reinventing battery technology from the ground up.

#2: Stay up to date with the latest Payroll information

Our next tip is to make sure you have the latest information from independent payroll focussed bodies. These relevant bodies include [The Association for Payroll Specialist \(TAPS\)](#), the [Australian Taxation Office \(ATO\)](#) and the [Fair Work Ombudsman](#).

Assign some regular BAU time for your Payroll team to continually keep themselves abreast with these updates. Get your Payroll team to informally check and test each other internally. Instigate regular workshops within the Payroll team so that they can discuss what's new or changed and make sure that everyone agrees when it comes to how to interpret the latest updates.

If you only have one Payroll person on your team, potentially engage an external partner to support the ongoing interaction and development of your payroll person. It's worth it!

#3: Ask staff what they want

Just as you can get great ideas by asking your Payroll team what's wrong, it's also important to understand what resources and training they need to improve their job performance.

Most employees already have an understanding of what they are missing and they'll be more than happy to share that information with you – especially if you demonstrate that you're going to assist them to get what they need.

What is Ongoing Compliance and How to Achieve it

What is ongoing compliance?

Traditionally, when companies carry out an audit, it covers a period of one or a couple of years and, if they find errors, they must retrospectively correct everything.

Ongoing compliance is a much more effective approach. As the word "ongoing" implies, you regularly audit your data to make sure that, if there is a problem, you can tackle it before it becomes too widespread. Even though you're carrying out more audits, it does save your people time and your organisation money because each audit is small, and all relevant data is readily at hand.

It also has the advantage of being much more palatable to staff. Doing occasional smaller audits can become just a regular part of the job, but waiting for over a year means that people have to spend long hours going back through all of their records, many of which are no longer easily accessible.

The important thing to remember is that it's not a matter of checking just the numbers.

There are technical systems out there that can do that. They run their own independent interpretation alongside your own Time and Attendance system and if two systems return the same payroll result then you know that your calculations have been carried out correctly.

The problem is that just checking the numbers won't flag up if the processes are wrong. If hours aren't being logged correctly or people are being paid based on the wrong awards, these tandem checks will not alert you to a problem. They'll show only that the calculation is right but they will not reveal that the input data itself was wrong. They'll agree that two times two is four, but they won't tell you that what you should have been calculating was three times five.

At the heart of every wrong piece of data input or incorrect calculation, is an incorrect or incomplete process. Focus on fixing the processes, and you'll continually improve your outcomes, and you'll continually improve your payroll employees' work lives.

Carrying out this ongoing compliance means that you and your Payroll team can sleep soundly at night because they know that they're not walking blindly into a minefield.



Your ongoing compliance efforts are essentially like sweeping the ground ahead of you to make sure that you can move forward with confidence.

Your Future Compliance

Unfortunately, Payroll governing bodies don't assist you to proactively check that you're compliant. You're basically on your own until a complaint is made, at which point they'll come in and investigate if you're non-compliant. **It's tough!**

Accordingly, the best way to know that you're compliant is to carry out audits yourself and to practice ongoing compliance. By auditing both your numbers and your processes in synergy, you'll be able to feel confident of your compliance.

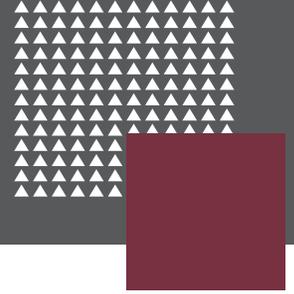
You can also bring in external resources, but make sure that they're specialists in interpretation and process analysis and that they know what the legal precedents are. They'll have seen it all before, and that qualifies them to come into your company and to ensure that you're as compliant as it's possible to be from a Payroll process perspective.

Remember that if you're not taking steps to proactively maintain and improve your processes, you're probably heading backwards. And while you're making those tweaks, you'll also need to make sure that you're documenting those changes so that people are following your new processes instead of your old ones.

As a beautiful side-effect, you'll be mitigating your Business Continuity risks through having your payroll processes able to be executed consistently without dependency on any specific individual.



Where to Now?



So, what's next? Well, the next steps are to capture your processes in a way that people will be able to read and understand. The staff responsible will need to have experience documenting processes with Business Process Model and Notation (BPMN), or you will need to bring in outside help that can bring that experience to you.

The most important aspect of knowing what you need to do is to start by knowing where you are. However, don't think of it as a journey with a fixed destination. It's an ongoing journey that your company will be on for as long as it's in business.

Knowing where you are tells you what steps you need to take to "be good", but then you need to focus on staying there. The goal should be to improve continually and incrementally - and that's exactly the direction our roadmap to compliance will take you.

The Roadmap to Continual Payroll Compliance

For most clients this is the ideal starting point.

Driven by Payroll Project Xpert, Brett Cowan, this intensive 2 week engagement will critically analyse your payroll processes, identify your risk profile and present you with a roadmap to immediate and ongoing compliance.

START YOUR ROADMAP

