

taps



peace of mind

payroll management standards

# Payroll Management

Australian Industry Standards February 2003

Prepared By:



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## notes

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These Standards cover the key areas of Payroll Management:

- Payroll Operations
- Payroll System Administration
- Payroll Accounting

These Standards have been accredited by:

TAPS - The Association For Payroll Specialists  
(currently representing over 6,500 Payroll Managers, Payroll Supervisors & Payroll Officers in Australia)

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## contents

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<b>Introduction</b>	<b>4</b>
<b>Payroll Operations - Tasks &amp; Deadlines Documentation</b>	<b>5</b>
<b>Payroll System Administration - Tasks &amp; Deadlines Documentation</b>	<b>5</b>
<b>Payroll Accounting - Tasks &amp; Deadlines Documentation</b>	<b>5</b>
<b>Payment Of Remuneration To Employees</b>	<b>5</b>
<b>A.T.O. PAYG Tax Legislation for Employers</b>	<b>6</b>
<b>A.T.O. Superannuation Legislation for Employers</b>	<b>6</b>
<b>Payroll Tax Legislation - Each State</b>	<b>6</b>
<b>Wages Declaration For Workers Compensation - Each State</b>	<b>7</b>
<b>Payroll Processing Checklists</b>	<b>7</b>
<b>Payroll Management Monthly Schedule - Including KPIs</b>	<b>7</b>
<b>Payroll Yearly Tasks &amp; Deadlines Checklist</b>	<b>8</b>
<b>Payroll Job Descriptions</b>	<b>8</b>
<b>Payroll Staff Training &amp; Development</b>	<b>8</b>
<b>Payroll Productivity &amp; Staffing Levels</b>	<b>9</b>
<b>Payroll Association Membership</b>	<b>9</b>
<b>Payroll Practitioner - Certification</b>	<b>9</b>
<b>Audit Obligations - Payroll Management Standards</b>	<b>10</b>

## introduction

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### **These Payroll Management Standards have been developed to:**

- Provide Organisations with Payroll Management – guidance, direction and best practice requirements.
- Provide guidance and direction to Payroll Practitioners and other staff responsible for the management of - Payroll Operations, Payroll System Administration or Payroll Accounting functions.
- Provide guidance and direction to Payroll Management – Consultants, Compliance Professionals and Auditors.
- Improve the quality in Payroll Management practice and establish standardisation within the Payroll Industry.
- Ensure Organisations comply with key State & Federal Legislation.
- Prescribe the minimum qualifications for a Payroll Practitioner.

### **Who must comply with these Standards:**

- All Organisations who pay employees.
- Payroll Practitioners: - Payroll Managers, Payroll Supervisors, Payroll Officers and Payroll System Administrators.
- Payroll Accountants and Finance / Accounting staff responsible for the management of Payroll.
- Human Resources staff responsible for the management of Payroll.
- Payroll Management - Consultants and Compliance Professionals.
- Payroll Management Auditors ( internal and external ).

### **Payroll Operations - Tasks & Deadlines Documentation (Section PS 1)**

All weekly, monthly and yearly tasks & deadlines in Payroll Operations must:

- be clearly identified and documented
- have clear deadlines for completion
- have an allocated owner
- have detailed documented procedures on how to perform each task

### **Payroll System Administration - Tasks & Deadlines Documentation (Section PS 2)**

All weekly, monthly and yearly tasks & deadlines in Payroll System Administration must:

- be clearly identified and documented
- have clear deadlines for completion
- have an allocated owner
- have detailed documented procedures on how to perform each task

### **Payroll Accounting - Tasks & Deadlines Documentation (Section PS 3)**

All weekly, monthly and yearly tasks & deadlines in Payroll Accounting must:

- be clearly identified and documented
- have clear deadlines for completion
- have an allocated owner
- have detailed documented procedures on how to perform each task

### **Payment Of Remuneration To Employees (Section PS 4)**

Employees of an organisation shall receive remuneration which is in accordance with their terms and conditions of employment; ie:

- Contracts of Employment
- Awards, Certified Agreements, Workplace Agreements, EBAs, etc..
- Government Legislation and Regulations
- Organisations Policies and Procedures

### **A.T.O. PAYG Tax Legislation For Employers (Section PS 5)**

Ensure compliance with A.T.O. PAYG Tax Legislation for Employers (Withholding Tax). Listed below are some of the key areas of compliance:

- A.T.O. Formulaes to be configured correctly in PAYG Tax system base tables
- Earning, Allowance & Deduction codes configuration in system base tables
- Tax calculations on manual & system generated payments
- Tax calculations on Termination & Redundancy payments
- Eligible Termination Payments documentation
- Contractor payments subject to PAYG Tax Withholding
- Tax File Number Declarations (Including Withholding Declarations)
- I T W V – Income Tax Withholding Variations
- A.T.O. payment deadlines for small, medium and large employers
- PAYG Withholding Tax-Annual Reconciliations (including Payment Summary Statement)

### **A.T.O. Superannuation Legislation For Employers (Section PS 6)**

Ensure compliance with A.T.O. Superannuation Legislation for Employers. Listed below are some of the key areas of compliance:

- Superannuation Earnings Base & Percentages configuration in system base tables must comply with Super Guarantee Legislation
- Contractors eligible for Superannuation contributions
- Employer Contributions - Capping
- Employees – Exempted from Superannuation Legislation
- Super Contributions – Age Base Limits
- Super Reports used to pay Contributions
- A.T.O. Superannuation Legislation & Award payment deadlines

### **Payroll Tax Legislation – Each State (Section PS 7)**

Ensure compliance with each state's Payroll Tax Legislation. Listed below are some of the key areas of compliance:

- Payroll Tax – Wages, Percentages & Threshold configuration in system base tables must comply with each State Legislation
- Contractors payments subject to Payroll Tax (each State Legislation)
- Fringe Benefits subject to Payroll Tax (each State Legislation)
- Super Contributions subject to Payroll Tax (each State Legislation)
- Termination Payments subject to Payroll Tax (each State Legislation)
- Travel & Accommodation Allowances subject to Payroll Tax (each State Legislation)
- Reports used to pay Payroll Tax Liability
- Payment deadlines for each State
- Payroll Tax - Grouping Provisions & Annual Reconciliations for each State

### Wages Declaration For Workers Compensation – Each State (Section PS 8)

Ensure wage declarations for Workers Compensation are compliant with each state's Workers Compensation Legislation. Listed below are some of the key areas of compliance:

- Payroll Reports used for Wages Declarations are compliant with each State's - Definition Of Wages for Workers Compensation
- Contractors subject to Workers Compensation Legislation
- Fringe Benefits compliance with each State's Definition Of Wages
- Super Contributions compliance with each State's Definition Of Wages
- Termination Payments compliance with each State's Definition Of Wages
- Travel & Accommodation Allowances compliance with each State's Definition Of Wages
- Different Industry Classifications for Wages Declarations

### Payroll Processing Checklists (Section PS 9)

Document and implement a detailed Payroll Processing Checklists for Weekly, Fortnightly and Monthly Payrolls. These Checklists must itemise all tasks & deadlines involved in processing the payrolls and will be designed to be compatible with the Payroll System being used. The Checklists must show :

- Each individual task
- Time & date of deadline
- Person responsible for task
- Person who completed the task
- Was deadline achieved
- A comments column for each task

The Payroll Processing Checklists generally consist of approximately 30 to 40 tasks / line items.

### Payroll Management Monthly Schedule – Including KPIs (Section PS 10)

Document and implement a detailed monthly Payroll Management Schedule (including KPIs). This Schedule is to be used to enhance the management and productivity of all the Payroll Functions, ie :- ensure compliance with all monthly deadlines, properly manage payroll functions & monthly workloads, assess monthly performance of payroll staff, monthly assessment of your payroll functions, assist 2IC or contractor if payroll manager / supervisor is on extended leave, assist in a smooth transition when replacing your Payroll Manager / Supervisor, etc..The monthly Schedule must show:

- Each individual task
- Time & date of deadline
- Person responsible for task
- Person who completed the task
- Was deadline achieved
- A comments column for each task

The Payroll Management Monthly Schedule generally consists of approximately 60 to 70 tasks / line items.

### **Payroll Yearly Tasks & Deadlines Checklist (Section PS 11)**

Document and implement a detailed Payroll Yearly Tasks & Deadlines Checklist, including Year End. This Checklist must itemise every Yearly Task & Deadline. This will assist in enhancing the management and productivity of all the Payroll Functions, ie : – ensure compliance with all yearly deadlines, better manage the different workloads during the year, etc.. The Yearly Checklist must show :

- Each individual task
- Time & date of deadline
- Person responsible for task
- Person who completed the task
- Was deadline achieved
- A comments column for each task

The Payroll Yearly Tasks & Deadlines Checklist generally consists of approximately 30 to 40 tasks / line items.

### **Payroll Job Descriptions (Section PS 12)**

Document accurate Job Descriptions for all Payroll staff that will install clear ownership & accountability for all Payroll Tasks and Deadlines.

Every task & deadline appearing on the Payroll Processing Checklists, Payroll Management Monthly Schedule and Yearly Tasks & Deadlines Checklist will be listed on the Payroll Job Descriptions.

### **Payroll Staff Training & Development (Section PS 13)**

Conduct thorough Payroll Skills Evaluations against the tasks appearing on each Job Description. Ensuring payroll resources have the required skills to do the job properly is a very important part of the management of your Payroll Functions. It is important that payroll staff perform all tasks within the guidelines of the various State & Federal Legislations, Industry Practice, etc..All Payroll Staff must have the skills and knowledge to accurately perform the tasks and deadlines they are responsible / accountable for.

Industry accredited Payroll Training is provided by The Association For Payroll Specialists (TAPS). TAPS provides education and training programmes that will improve the knowledge and skills of Payroll Staff. They focus on all the key areas of Payroll, ie – Terminations, Industrial Relations, Superannuation, Payroll Tax, PAYG, Workers Compensation, FBT, Salary Packaging, etc...They also provide Payroll Training in various formats, ie – workshops, seminars, certificates, etc..

### **Payroll Productivity & Staffing Levels (Section PS 14)**

Payroll Management must be productive and cost effective. Review Payroll Staffing Levels against the structured and clearly documented workloads.

Industry Best Practice - on average each Payroll staff member should be responsible for approximately 600 to 1,000 employees, depending on the complexity of the payroll, human resources administration function and level of customer service requirements.

### **Payroll Association Membership (Section PS 15)**

Membership to TAPS – The Association For Payroll Specialists ( currently representing over 6,500 Payroll Managers, Payroll Supervisors & Payroll Officers in Australia ) will ensure organisations get the Professional Support & Advice in all areas of Payroll. This will assist organisations with the ongoing management of their Payroll and enable them to remain compliant with - Payroll Industry Standards, State & Federal Legislation, Best Practice and Industry Methodologies.

### **Payroll Practitioner Certification (Section PS 16)**

Staff responsible For the management or supervision of the Payroll Functions must be certified / qualified Payroll Practitioners ( C.P.S. – Certified Payroll Specialist ).

TAPS - The Association for Payroll Specialists offers a 1 day Payroll Proficiency Exam. The examination tests all key facets of payroll knowledge and is divided into 5 main sections. The required pass mark is 60% in each section and 70% overall.

## Audit Obligations - Payroll Management Standards (Section PS 17)

All organisations shall :

- engage an independent and qualified auditor ( internal or external ) to conduct a comprehensive audit to review compliance with the Payroll Management Industry Standards
- provide to the auditor any relevant documents that the auditor requests
- if found to be non-compliant, report to the auditor the proposed actions it will take to address the areas of non-compliance

The qualified auditor will play a crucial role in ensuring compliance and must :

- determine the level of compliance with the Payroll Management Standards - PS 1 to PS 16 (and PS 17)
- prepare a detailed audit report to the organisation explaining areas of non-compliance
- request from the organisation the proposed actions it will take to address the areas of non-compliance

The competency standards/qualifications for a Payroll Management Auditor are :

- auditors must have a minimum of five years Senior Payroll Management experience
- auditors must be C.P.S. qualified (Certified Payroll Specialist)

**Note : Prior to the introduction of the above Standards, organisations were only required to engage an independent auditor to review and validate that their payroll expenses & liabilities were appropriately reported in their Annual Financial Statements.**

**Organisations shall now, through an independent audit, also ensure that they are compliant with the Australian Industry Standards for Payroll Management.**