



# Australian Payroll Governance Toolkit

[UPDATED 2024]

The Fair Work Ombudsman is targeting inadequate record keeping and governance and controls, making expectations in payroll governance higher than ever.

This toolkit contains practical ideas and tools to help you manage payroll processes, approvals and audit, so you can improve governance.



Peter Forbes,  
Founder of Paytools

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## What is corporate governance?

According to the Governance Institute of Australia: Governance encompasses the system by which an organisation is controlled and operates, and the mechanisms by which it, and its people, are held to account. Ethics, risk management, compliance and administration are all elements of governance.

Here's a short video by the [Governance Institute of Australia](https://www.governanceinstitute.com.au/) to explain:



Payroll governance is a subset of corporate governance and ties into the overall governance, risk and compliance (GRC) of the organisation.

*"In 2020, I wrote to the boards of Australia's top 100 ASX-listed companies, calling on them to elevate employee pay as a governance and compliance priority, and asking them to ensure they have the appropriate systems, expertise and leadership in their human resources areas – particularly in their payroll function."*

**Sandra Parker PSM, Fair Work Ombudsman, Annual Report 2021-2022**

## Why is payroll governance important?

It allows organisations to manage and minimise risks within payroll. It also enables you to demonstrate and comply with all relevant legislation and workplace requirements, providing oversight, transparency and conformity to the business's overall governance, risk and compliance strategy.

Good payroll governance reduces risk of:

- Under/over payments due to misinterpretation of industrial agreements
- Non-compliance against payroll and workforce obligations
- Errors causing hidden payroll liabilities
- Key person dependency
- Fraud and perception of fraud

## 8 essential items required for payroll governance

Payroll governance is the systems, mechanisms and rituals in place to enforce and define how payroll operates. Using tools and frameworks makes it easier to manage and practice good governance.

Here's 8 items every organisation should have to maintain best practice payroll governance:



**Work schedule**



**Process documentation & checklists**



**Payroll controls & proof of work**



**Reviews & hygiene checks**



**Payroll registers**



**Risk management**



**Monitoring & reporting**



**Team, education & training**

# Work schedule

Payroll operations is a cyclical beast. Fortnightly pays, end of month, quarterly super, annual reconciliation.. the list goes on. The work schedule is the critical planning document - a living, communicated plan of all regular and recurring activities that happen in payroll.

## What to include

Recurring activities detailing the what, when, who and how.

## How it helps your business

- Get critical obligations and deadlines out of people's heads
- Increase transparency of critical operations to stakeholders
- Ability to see when key processes haven't been scheduled

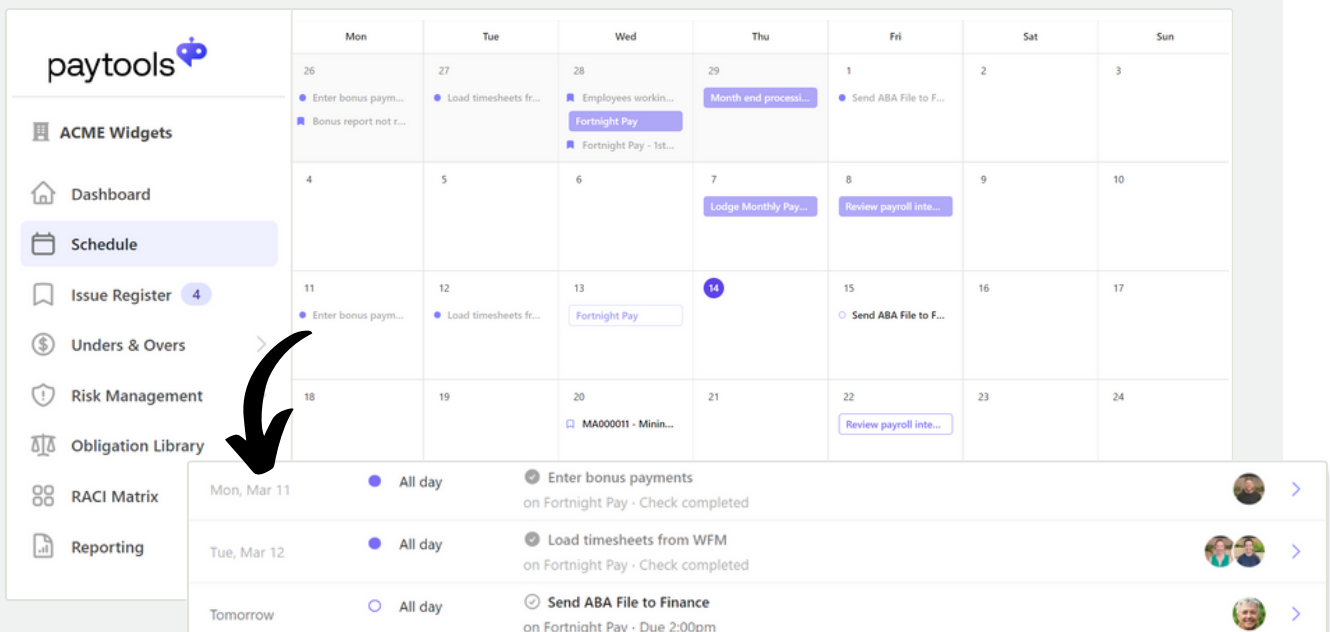
## Tools you can use

Group online calendar, spreadsheets, poster on wall or a payroll operations platform.

## Best practice tip

Using a payroll operations platform like [Paytools](#) gives stakeholders access to a shared online calendar and schedule list, so everyone can see upcoming deadlines and activities in one place.

Most events work on a recurring basis, so you only have to set them up once. All events have the relevant detailed checklists linked, so you can formalise important processes where and when they're executed.



Mon	Tue	Wed	Thu	Fri	Sat	Sun
26 • Enter bonus paym... ■ Bonus report not r...	27 • Load timesheets fr...	28 ■ Employees workin... ■ Fortnight Pay ■ Fortnight Pay - Ist...	29 ■ Month end processi...	1 • Send ABA File to F...	2	3
4	5	6	7 ■ Lodge Monthly Pay...	8 ■ Review payroll inte...	9	10
11 • Enter bonus paym...	12 • Load timesheets fr...	13 ■ Fortnight Pay	14	15 ○ Send ABA File to F...	16	17
18	19	20 ■ MA000011 - Minin...	21	22 ■ Review payroll inte...	23	24

- Mon, Mar 11  
• All day  
✓ Enter bonus payments on Fortnight Pay - Check completed
- Tue, Mar 12  
• All day  
✓ Load timesheets from WFM on Fortnight Pay - Check completed
- Tomorrow  
○ All day  
○ Send ABA File to Finance on Fortnight Pay - Due 2:00pm



# Process documentation & checklists

The only way to ensure consistency in work is by maintaining live process documentation and checklist templates. Following a process reduces the risks of mistakes and forgetting steps in an often-complicated pay process.

## How it helps your business

- Reduce key person dependency
- Build team knowledge of payroll operations
- Reduces risk of errors and missed steps

## Tools you can use

- [Confluence](#) - Atlassian (searchable, version controlled & easy to link)
- [SharePoint](#) - Microsoft (Intranet pages)
- [Microsoft 365](#) - Word and Excel (hard to version control)
- [Payroll operations platform](#) - Paytools (purpose-built for payroll)

## Best practice tips for process documentation

**Take a straw man approach to processes:** Start with the basics steps/checks and fill in as you go.

**Develop a culture of constant improvement:** Improve documentation every time you run the process by making small updates. The process will continue to get better and better.

**Close enough is good enough:** Processes change over time, so capturing 80% of the detail of the process is better than not having anything at all.

## How it looks in Paytools:

The image shows two screenshots from the Paytools application. The left screenshot displays a 'Pay Processing Checklist' with 7 of 8 checks completed. The second item, 'Load timesheets from WFM', is highlighted with a blue box and shows it was completed by Kelly Oldenhof on Tuesday at 1:25pm. The right screenshot shows the 'Load timesheets from WFM' task details, including completion status and assigned team. Below this, a screenshot of the Kronos WFM interface is shown with red arrows pointing to the 'Load Timesheet' button and the 'Approve & Save' button.

# ✓ Payroll controls & proof of work

Payroll controls are checks and mechanisms to ensure work is being performed and approved in a way that minimises conflict of interest, reduces risks from errors and fraud. Proof of work is about providing auditable evidence work has been done and includes spreadsheets, screenshots and report output.

## How it helps your business

- Ensures key activities are being performed
- Proof of work provides auditable evidence that work has been done
- Reduces risk of errors and missed steps

## Best practice tips

**Leverage your payroll system:** Pay controls configure role based security to ensure users can't do conflicting pay processes e.g. payroll config role cannot run pay, pay processing role can't run disbursements. Keep as much proof of work in the payroll system as possible (minimise external records).

**Shared drive for proof of work:** Storing proof of work in shared drives is a common solution. Use consistent naming convention for folders to facilitate search e.g. PayPeriod20-Jun-22. Make sure file and folder permissions are reviewed regularly to prevent unauthorised access and modifications.

**Emails for approval tracking:** Not recommended - while email is commonly used to track approvals, problems arise when a key person leaves and the email account is archived/deleted making it hard to recreate approval audits.

**Use a payroll operations platform:** Storing proof of work and approvals in a secure, searchable and auditable [payroll operations platform](#) is ideal, as it gives visibility outside the payroll department, centralises record keeping and can be used to generate audit and activity reports.

The screenshot displays two panels from a payroll operations platform. The left panel, titled 'Pay Processing Checklist', shows a progress bar for '5 of 8 checks completed'. It lists several tasks, most of which are completed: 'Enter bonus payments' (completed by Andrew Rees), 'Load timesheets from WFM' (completed by Kelly Oldenhof), 'Employees working more than standard hours' (completed by you), 'Finalise leave accruals for pay period' (completed by Andrew Rees), and 'Run payrun chain in NON-UPDATE' (completed by Andrew Rees). The final task, 'Check for \$0 pays', is currently pending and due on Wednesday, March 13, 'Due 3 days ago'. The right panel shows the details for the 'Check for \$0 pays' task. It indicates the task was 'Reverted by you a second ago' and is 'Assigned to Andrew R.'. It includes instructions to 'Check RC831 output' and 'Ensure any employees (excluding casuals) do not have \$0.00 pays'. It also states that if there are \$0 pays, evidence of reason (spreadsheet or comment) should be attached. At the bottom, there are buttons for 'Raise an issue', 'Edit', and 'Mark as complete', along with a comment field.

# ⊕ Reviews & hygiene checks

Often the payroll function is so busy with BAU, they don't get much time to stop, reflect and put in proactive reviews and checks (of config/process). But a 'set and forget' approach in payroll can be extremely risky.

## How it helps your business:

- Enables continuous improvement of the payroll function
- Identifies issues early and proactively stops them from reoccurring
- Saves re-work in the future from easily preventable mistakes



## What to include in your recurring payroll schedule:

- Award and Enterprise Agreement review
- Quarterly retro on payroll operations
- Access control review
- Start of financial year config updates
- Annual audit preparation
- Payroll Continuity Plan table top testing
- [ABA file handling](#) review
- Legislative configuration review

## Best practice tips

Ever had a review by an external consultant? Go through their recommendations and see what you can work into your schedule on a recurring basis.

Paytools also has a best practice library of reviews, outlining what to do and why. To see for yourself [book a demo](#) and we'll get you setup.

<p><b>ABA file handling review</b> 7 checks</p>  <p>Created by Paytools</p> <p>A best practice checklist for processing and handling of the Australian Bankers Association (ABA) file - a known weak spot in the payroll practice for fraudulent activities.</p> <p><b>ABA file handling practices review should be conducted yearly.</b></p>	<p><b>Access Control Review</b> 4 checks</p>  <p>Created by Paytools</p> <p>Review users, roles and permissions in the payroll system to verify active users, segregation of duties and other breaches of user access.</p> <p>This review should be conducted at least yearly.</p> <p>Due Oct 14, 2022</p>
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# Payroll registers

Payroll registers are an often overlooked part of payroll governance. They involve the formal tracking and register of actions impacting payroll operations. Formal registers increase transparency and allow analysis of issues and actions that happen in payroll operations.

## Registers you should be keeping

- **Issue register:** Keep a record of issues that need to be assigned, tracked and resolved. These can be payroll errors, consultant recommendations and payroll config decisions.
- **Underpayment register:** Keeping records of what employees were underpaid, why and when it was resolved.
- **Overpayment register:** Keeping records of employee overpayments, actions taken and outstanding amounts.





## What information to include in your registers

- Name and description of the issue
- Who reported it and when
- Reference - tying this issue back to a specific pay run/employee
- Problem code/description
- Resolution date and who is responsible for resolving the issue
- Log of actions taken to address the issue

## Best practice tip

Paytools has built-in registers that allow you to raise issues directly from events/checklists in your schedule. Improve issue management by assigning owners and approvers. Add comments and documentation in one place.

### Issue register

Mon, Mar 11	<input checked="" type="radio"/> All day	<input checked="" type="checkbox"/> Enter bonus payments on Fortnight Pay - Check completed	 >
Tue, Mar 12	<input checked="" type="radio"/> All day	<input checked="" type="checkbox"/> Load timesheets from WFM on Fortnight Pay - Check completed	  >
Tomorrow	<input type="radio"/> All day	<input checked="" type="checkbox"/> Send ABA File to Finance on Fortnight Pay - Due 2:00pm	 >

### Overpayment register

[+ Add overpayments](#)

Total Net Overpayments <b>\$5,649.16</b> completed \$792.00	Outstanding Net Amount <b>\$2,577.00</b> (estimated)	Leading cause of overpayment <b>Payroll Error</b> 42.9% - \$1,332.00
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Employee ID	Gross	Net	Super	Tax	Reason	Recovery	Balance	Status
<a href="#">+ Add New</a>								
323232	\$500.00	\$450.00	\$0.00	\$0.00	Employee Error	0 repayments	\$450.00	<span style="color: red;">●</span> Not Started
3002383	\$0.00	\$507.16	\$0.00	\$0.00	Manager Error	\$126.79/fortnight	\$0.00	<span style="color: orange;">●</span> Recovering
32322	\$500.00	\$500.00	\$0.00	\$0.00	Payroll Error	\$100.00/fortnight	\$0.00	<span style="color: orange;">●</span> Recovering





# Risk Management

Payroll is a risky business. Stewardship is a value of good governance and that means identifying risks, coming up with mitigation strategies and response plans if the risk eventuates.

## How it helps your business

- Identify, prevent or reduce risks where possible
- Prepare for risks that are out of your control
- Respond and recover with a structured, practised approach if an incident or crisis occurs

## Risks to consider for payroll

- Under/over payment risk
- Payroll system outage
- Key person unavailable/incapacitated
- Data breach of payroll information

## Other things to consider

- Who can activate the Payroll Continuity Plan (PCP)?
- How do you assess and respond to each type of incident?
- What is the communication plan when an incident occurs?
- How often do you need to test your PCP?

## Best practice tip

Paytools comes pre-loaded with a lot of common risks and response plans for payroll operations. These will help you to formalise risk management and guide you through describing and mitigating the risks. You can also attach response plans, which include the actions to be taken if the risk occurs.

**Risks**

- Information security breach  
1 response plan · 5 checks
- Pay processing fails causing...  
1 response plan · 3 checks
- Key person(s) not available  
2 response plans · 7 checks
- Payroll system not available  
2 response plans · 8 checks

**Key Person Not Available Response**

Default assignee Emma L. · Default approver Susan J. Run a drill Respond to incident

**What is the risk?**  
One or more people in the payroll team are not available to perform skilled critical processes.

**How we're mitigating this risk**

- We've retained a payroll consultancy who have expertise in Ascender
- We're members of APA who also have a support desk and short term staff availability
- We use Paytools payroll operations software to capture processes and knowledge on how the payroll function operates

**What's the likelihood?**  
2 : Medium - Happens every 5 years

**What would be the impact**  
3 : High - Major financial loss/reputational damage

**Response Plans**

- Key Person Not Available Response 4 checks >
- Incident Comms Plan Checklist 3 checks >



# Monitoring & reporting

Transparency is a core tenet of payroll governance. Often the head of payroll will report to a head of HR or Finance that has no visibility of payroll operations. The payroll function should be producing regular reports on activity (meeting compliance and workforce obligations) and risk exposure.

## How it helps your business

- Provides accountability for the payroll function
- Demonstrates capability and complexity of payroll
- Creates visibility for parties outside the payroll function including Internal Audit, C-Suite, Finance and HR

## Compliance and activity report

**Audience** - Area responsible for Payroll (HR/Finance)

**Frequency** - Quarterly or monthly

**Contents** - Key activities completed/overdue by area, summary of issues open, closed, resolved and ad-hoc commentary

## The risk report

**Audience** - Area responsible for Payroll, C-suite, Board

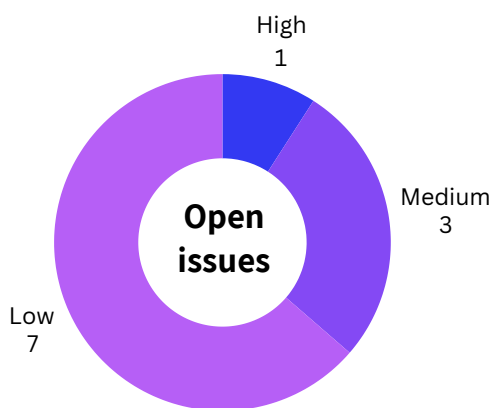
**Frequency** - Quarterly

**Contents** - Open issues by rating, age of open risks and ad-hoc commentary

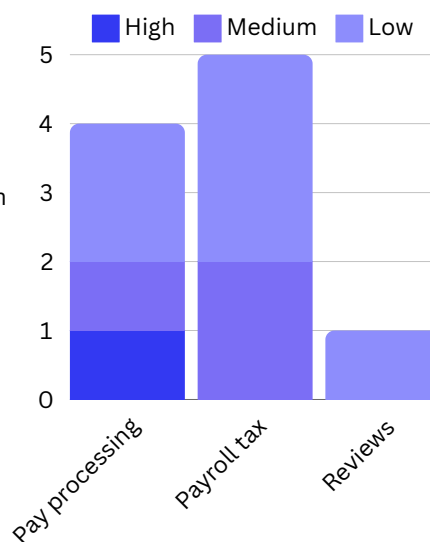
## Best practice tip

Monitor key compliance areas using Paytools easy-to-use dashboards and reports. Access a real-time summary of risks and issues.

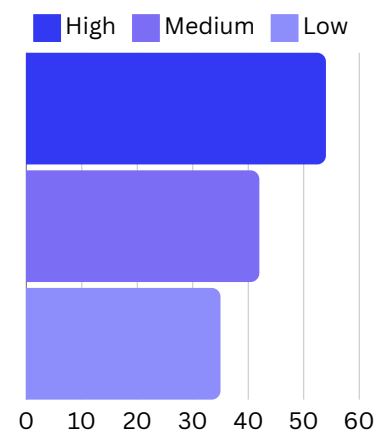
### Issues by risk



### Open issues by area



### Avg. days to resolve





# Team, education & training

The most important part of any governance framework is your people. They need to be engaged and onboard with your vision, values and objectives for the payroll function. Team culture can either be nurtured and developed or left to be whatever it may be - at your own peril!

## How it helps your business:

- Sets the baseline for behaviours and values of payroll staff
- Creates a culture of high achievers and payroll professionals
- Retain and keep good people reducing burnout and frustrations

## Team and culture:

- **Define your payroll team values:** the behaviours they should live & breathe
- Design a framework for how the payroll team will operate
- Create a poster with your payroll team values/mantras

## Education and training:

- What courses and associations should our people be part of?
- Keeping up with payroll and IR legislation
- Ethical conduct and financial responsibility
- Information and cyber security awareness
- Specific payroll system training

## Best practice tips

Create a fun payroll team values poster for your team and put it on the wall so people actually read it! We've created a [free poster example](#) to get you started.

Using Paytools, you can easily track the development of your team, whether they've completed an APA or TAPS course, or just attended a payroll event.

**Training and Skills** Team tracking Training Library + Add Training

Maintain your teams performance and practices through recording training and tracking skills.

- Payroll Tax Masterclass** APA  
Attended 2 times. Last attended January 20, 2024  
This course is suitable for individuals responsible for the payment of Payroll Tax within their organisations. The course works through...
- Understanding the SCHADS award** APA  
November 14, 2023  
This course is suitable for individuals who are responsible for paying employees under the Social, Community, Home Care and Disability...
- Understanding the Hospitality Industry Award** Payroll Edge  
No attendance recorded.  
On completion of this course, the learner will have a comprehensive understanding of the Hospitality Industry Award and will be able...
- Payroll Essentials** APA BAU (Business as usual)  
Attended 3 times. Last attended December 9, 2023  
All delegates will receive a course manual and workbook on the day. This course is suitable for individuals new to the payroll profession...
- Advanced Payroll** APA BAU (Business as usual)  
Attended 3 times. Last attended December 10, 2023  
All delegates will receive a course manual and workbook on the day. This course is suitable for individuals who have had several years...

## So, what's next?

Expectations on payroll governance and transparency are higher than ever. If you're still managing payroll across a disparate collection of Microsoft Office files - yes it works, but you're prone to issues including:

- ✘ Outdated, hard to find process documents/checklists
- ✘ Inability to see where work is up to and who is doing what, when
- ✘ Difficult for new starters to get up to speed quickly
- ✘ No set schedule of hygiene checks & proactive reviews
- ✘ Time consuming to provide auditors with requested information
- ✘ No centralised response & recovery plans for identified risks

It's time to use better tools to manage and orchestrate payroll!

## Elevate payroll to a trusted business partner

Paytools brings together your operational, people & compliance management into one platform.

See how our purpose-built payroll operations platform can help you improve governance & create a sustainable payroll team.

[Book a demo](#)

