



**New Zealand
Payroll Practitioners
Association**

Developing and Supporting
Payroll Professionals

www.nzppa.co.nz

Whanganui District Council

Findings Document

Payroll Audit

NZPPA – New Zealand Payroll Practitioners Association

July 2023

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Scope of Investigation

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| 1. Micro Payroll System Audit covering – all configuration both Pay Codes, Gross Earnings, Leave Setup and Calculations. |
| 2. A one-to-one walk through with the payroll practitioner of the payroll system (remote access and using an online meeting app). The purpose of the walk through is to review how payroll is processed end to end based on payroll best practice in terms of (compliance, security, payroll cost and time). |
| 3. Completed Findings document with recommendations. |
| 4. Findings Review Meeting |
| 5. Online Payroll Assessment for Payroll Team Members to assess current level of knowledge |

Executive Summary

An NZPPA Micro Audit has been undertaken for Whanganui District Council paying particular attention to the adherence of payroll related legislation.

Firstly, we would like to commend Whanganui District Council on endeavouring to pay their employees correctly and focusing on how to improve systems.

From our review we have identified areas for further investigation, and you will find the complete list in the Summary of Recommendations.

Key Findings:

- Average Weekly Earnings calculation incorrect for employees who have had a change to permanent hours within the 52 week Annual Leave period.
- Ordinary Weekly Pay calculation incorrect for employees that receive regular Additional Hours.
- Leave Groups that use proportional accrual are causing over-entitlement to Annual Leave for employees who work Additional Hours/ Variable hours.
- Average Daily Pay impacted by pay codes being excluded from the gross calculation and incorrect divisor.
- Sick Leave entitlement incorrect for employees that work less than 5 days per week.
- Multiple Pay Code adjustment recommendations – some impacting leave calculations.
- Hardcopy workflow is unnecessary and increases risk for secure auditable process and storage.

We would suggest that Whanganui District Council may then have a liability to perform remediation reconciliations for affected employees.

Key messages for employers

- It is the employer's legal duty to make sure their employees' holiday and leave entitlements that are set out in the Act – along with the payment for these entitlements - are correct and meet minimum employment standards. Employers cannot contract out of their responsibilities under the Act, even if employees agree.
- Employers are free to choose the work arrangements that best suit their business objectives, consistent with the law, but should also recognise that complicated pay and/or variable or unpredictable work arrangements are likely to increase the time and cost of complying with the Act.
- To ensure compliance with minimum standards and other legal obligations requires the employer to engage with their employees and their payroll staff or provider on an ongoing basis – taking a 'set and forget' or a 'one size fits all' approach to payroll carries a high risk of non-compliance.
- In many situations, correctly implementing the Act requires a judgement to be made based on the specific facts of an employee's working arrangements and pay. Certain situations also require explicit agreement with the employee, though employers are strongly advised to be open and transparent with their employees about all aspects of the provision of these entitlements. Agreements should follow a good faith discussion with the employee. The key points in the Act relating to holidays and leave which require these kinds of judgements are:
 - agreeing what genuinely constitutes a working week for each employee.
 - agreeing what portion of the annual holiday is taken when annual holidays are requested.
 - determining what is, and is not, 'regular' for the purpose of calculating an employee's ordinary weekly pay.
 - determining when it is not possible to identify an employee's ordinary weekly pay and so using the four-week average formula.
 - determining what is an otherwise working day for the purpose of establishing entitlement to bereavement leave, family violence leave, alternative holidays, public holidays and sick leave.
 - determining relevant daily pay or average daily pay where applicable, for an employee who takes bereavement leave, family violence leave, alternative holidays, public holidays and sick leave.
- Payroll software or third-party providers can make managing employees' holiday and leave provisions easier, but it is still the duty of the employer to make sure the pay is correct. There are also limits to what payroll software can achieve – it cannot make the kind of judgement calls referred to above. These must be made by the employer and inputted into the system. This may be required each time holidays and leave are taken.
- Missing data, inaccurate entries, changes in an employee's working arrangements, not keeping updated with the law, and wrongly configured payroll systems can all contribute to not giving an employee the correct holidays entitlements and pay. The Act sets out the legislative minimum entitlements and payments. This does not prevent employers and employees agreeing to enhanced holiday and leave entitlements and payments above the minimum.

Key steps for reducing the risk of non-compliance.

MBIE considers that the following steps will significantly reduce the risk of non-compliance with the Act:

- ***Employers should engage with their employees in good faith on the issue of provision of the minimum entitlements (and the relevant payment for them)*** – this is especially important when it is not clear, and a judgement needs to be made. Some holiday and leave provisions require specific agreement with employees. Employers educating their employees about their minimum entitlements will also support compliance and assist identification of issues relating to holidays and leave.
- ***Employers must respond to changes in employees' work patterns*** – employers (and their payroll staff or providers) need to be aware of any permanent or temporary changes to an employee's agreed work pattern. Sometimes these changes might not be immediately obvious. They must discuss these changes, and their implications for the provision of the Act's entitlements – particularly the annual holiday entitlement – in good faith and in a timely manner.
- ***Employers must keep accurate records for each of their employees that are compliant with the requirements in both the Employment Relations Act 2000 and the Holidays Act 2003*** – this includes having a record of the hours worked each day in a pay period by each employee and the pay received for those hours.
- ***Employers need to ensure that their payroll systems and processes (whether internal or third-party) are fit-for-purpose*** – it is the employer's responsibility to provide their employees with their holiday and leave entitlements in accordance with the Act. It is therefore the employer's responsibility to ensure that the payroll system they use calculates entitlements and pay in accordance with the Act.
- ***Employers need to ensure that payroll has all the relevant information from across the business to correctly calculate their employees' entitlements and pay*** – it is the employer's responsibility to provide their employees with the minimum entitlements in accordance with the Act. It is therefore the employer's responsibility to ensure that payroll receives, on an ongoing basis, all the relevant information from across the business (for example, from HR, line managers, the employees themselves). This is especially important for employees whose hours/days and pay vary.
- ***Employers may want to err on the side of caution*** – in many cases there is no single 'correct' answer as to what the minimum entitlement or pay is. If there is more than one choice for calculating entitlements, choosing the ones that are more favourable to the employee may significantly reduce risk and, potentially, the compliance costs associated with trying to determine the minimum.

Reference: <https://www.employment.govt.nz/assets/Uploads/d53229842c/holidays-act-2003-guidance-holidays-leave-.pdf>

Payroll Information

Payroll System: Pay Global

Payroll Vendor: MYOB

- Currently implementing Pay Global Time and Attendance for a specific group in the organisation (from July 2, 2023)
- Employees use Pay Global Employee Self Service.

Agreements

Whanganui District Council has the following agreement types:

- Collective Employment Agreement – ACE September 2021 – 2023
- Collective Employment Agreement – PSA September 2021 – 2023
- Individual Employment Agreement - Various

Payroll information

Payroll Name	Number of employees	Pay cycle	Pay period	Pay day	Notes
Whanganui District Council	378	Fortnightly	Monday - Sunday	Wednesday	Includes Casuals and Non-Employees

Section 1 – System Leave Calculations

1.1 Annual Leave Calculations

The three calculations for Annual Leave are:

- Ordinary Weekly Pay (OWP)
- Average Weekly Earnings (AWE)
- and the accrual payment which is 8% of gross earnings.

Annual Leave minimum entitlement is paid at the greater of OWP and AWE (in most instances).

See Section 21 of the Holidays Act 2003 – Calculation of Annual Holiday Pay – attached in Appendix 3.

OWP is set out in Section 8 of the Holidays Act 2003 – also see Appendix 3. It means the amount of pay that the employee receives under his or her agreement for an ordinary working week. It defines inclusions, exclusions and how you should come to this figure. There are 3 progressions of OWP –

- OWP section 8(1) – OWP is easily defined as there is no or very little variation
- OWP section 8(2) – OWP has some variation and is harder to define so an average is used
- and OWP section 8(3) – Employment agreement specifies a special rate which must be the same or better than 8(1) and 8(2).

AWE is determined in Section 5 of the Holiday Act 2003 where the interpretation states that Average Weekly Earnings means 1/52 of an employee's gross earnings. Importantly this makes the divisor 52 only. (Not 52 weeks' worth of hours for example)

8% Accrual Payments

The 8% accrual calculation is used:

- on termination (before entitlement is reached)
- on termination (from last entitlement to termination date)
- pay as you go for casual employees or fixed term less than 12 months.
- Closedown periods

Cashing up Annual Leave

Section 28A and 28B of the Holidays Act 2003 state the terms for requesting and paying out a portion of an employee's annual holidays.

- 1 week of the minimum annual holiday entitlement can be paid out on request to the employee each entitlement year.
- Cashing up Annual Leave is at the employer's discretion.

Notes:

- Leave entitlement provided above the minimum is by agreement. 8% accrual is used even if entitlement is above minimum unless in employment agreement to pay a higher accrual. Check the employment agreement to determine how above minimum entitlement is to be treated.
- Annual Holiday entitlement earned on Parental Leave is paid at AWE only – see parental leave section.

1.1.1. Leave Groups

Payment rates and rules for Entitlement

		Rate/ Rule	Rate				
Leave Type	Leave Group	Total number of current employees	1. Outstanding unit payout rate/rule	2. Rate Code A	2a. Rate Calculation	3. Rate Code B	3a. Rate Calculation
Annual Leave	PRO4WKS-WGD	32	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay
Annual Leave	PRO4WKS-WGD2	0	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay
Annual Leave	PRO4WKS-WGD3	5	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay
Annual Leave	PRO4WKS-WGD4	7	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay
Annual Leave	PRO5WKS-WGD	10	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay
Annual Leave	PRO6WKS-WGD	0	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay
Annual Leave	ROS4WKS-SAL	33	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay
Annual Leave	ROS4WKS-SAL2	20	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay
Annual Leave	ROS4WKS-SAL3	17	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay
Annual Leave	ROS4WKS-SAL4	11	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay
Annual Leave	ROS5WKS-SAL	161	R2 - Greater of X and V	X - Last Years AL Rate	F. Last Years AL/LC Rate	V - Hourly Rate	D. Standard Default
Annual Leave	ROS6WKS-SAL	2	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay
Annual Leave	CAS10	7	V-Default Hourly Rate	V - Hourly Rate	D. Standard Default Hourly	n/a	n/a
Annual Leave	CAS8	43	V-Default Hourly Rate	V - Hourly Rate	D. Standard Default Hourly	n/a	n/a
Annual Leave	FIXTERM	0	R2 - Greater of X and V	X - Last Years AL Rate	F. Last Years AL/LC Rate	V - Hourly Rate	D. Standard Default
TOTAL		348					

Payment rates and rules for Accrual

		Rate/ Rule	Rate				
Leave Type	Leave Group	4. Accrued unit payout rate/ rule	5. Rate Code A	5a. Rate Calculation	6. Rate Code B	6a. Rate Calculation	
Annual Leave	PRO4WKS-WGD	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay	
Annual Leave	PRO4WKS-WGD2	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay	
Annual Leave	PRO4WKS-WGD3	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay	
Annual Leave	PRO4WKS-WGD4	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay	
Annual Leave	PRO5WKS-WGD	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay	
Annual Leave	PRO6WKS-WGD	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay	
Annual Leave	ROS4WKS-SAL	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay	
Annual Leave	ROS4WKS-SAL2	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay	
Annual Leave	ROS4WKS-SAL3	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay	
Annual Leave	ROS4WKS-SAL4	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay	
Annual Leave	ROS5WKS-SAL	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay	
Annual Leave	ROS6WKS-SAL	AL-ORD - Greater AL or OD	AL - 52 Week Hourly Rate	Q. Average Hourly Earnings	OD - Ordinary Hourly Rate	O. Ordinary Hourly Pay	
Annual Leave	CAS10	V-Default Hourly Rate	D. Standard Default Hourly	n/a	n/a		
Annual Leave	CAS8	V-Default Hourly Rate	D. Standard Default Hourly	n/a	n/a		
Annual Leave	FIXTERM	V-Default Hourly Rate	D. Standard Default Hourly	n/a	n/a		
TOTAL							

1.1.2. Average Weekly Earnings

a. Average Hourly Earnings

Q. Average Hourly Earnings (H2003calc)

New Zealand databases only.

Sum of the last 52 weeks Average Earnings 52 UDA / Sum of the last 52 weeks Average Earnings 52 (hours) UDA

This formula complies with the Department of Labour's Holiday Pay specification 2004

All Leave Groups excluding Casuals and Fixed Term groups use the Rate/ Rule, AL ORD – Greater AL or OD. AL refers to the rate – AL-52 Week Hourly Rate which uses the calculation Q. Average Hourly Earnings (above) and is used in place of Average Weekly Earnings.

Finding:

Average Weekly Earnings should be calculated using the 52-week Gross Earnings divided by 52. The above calculation uses a divisor of hours accumulated over the 52-week period. The hours used are determined by the Allowances included in the AVGHRS Allowance Group.

For most employees the hours accumulated using this method can relate back to a 52- week period – e.g., 40 hours per week x 52 = 2080 hours, or 20 hours x 52 = 1040 hours. WDC record hours worked over the agreed profiled hours as Additional Hours for most (or Overtime in some cases) and as these pay elements are not included in the AVGHRS group this allows the divisor to remain stable. However, where an employee has a change to their permanent hours the divisor then no longer equals 52 weeks' worth of hours at the employees current profiled hours.

Example:

Employee 1600

- Hours decrease from 40 per week to 20 per week from the 5/12/2022.
- The highlighted Annual Leave payment was paid at base rate as the Q. Average Hourly Earnings Calculation was lower than the OD. Calculation (base rate). See Hourly Rate Q.
- The correct Average Weekly Earnings calculation is much higher. See Hourly Rate (AWE). Therefore, an underpayment is made in this instance. The AWE rate reflects that the value of the Annual Leave week is still much higher than base rate x current profiled hours as the employee earned much of the last 52 weeks gross when working more hours and accumulating more value.

Sort	Pay Sequence	Code	Transaction Description	Start Date	End Date	Quantity	Total Amount	Cost Centre Code	Sequence Description	Rate (Amount)	Factor
1. Taxable	1584	AL	Annual Leave	16/06/2023	16/06/2023	8	260.45	13002295	Standard Pay 5/6/23-18/6/2023	32.5567	1
1. Taxable	1584	R	Salary	5/06/2023	18/06/2023	-16	-520.91	13002295	Standard Pay 5/6/23-18/6/2023	32.5567	1
1. Taxable	1584	R	Salary	5/06/2023	18/06/2023	40	1302.27	13002295	Standard Pay 5/6/23-18/6/2023	32.5567	1
1. Taxable	1584	SL	Sick Leave	8/06/2023	8/06/2023	8	260.45	13002295	Standard Pay 5/6/23-18/6/2023	32.5567	1
1. Taxable	1580	R	Salary	23/05/2023	4/06/2023	-16	-520.91	13002295	Standard Pay 22/5/23-4/06/2023	32.5567	1
1. Taxable	1580	R	Salary	23/05/2023	4/06/2023	40	1302.27	13002295	Standard Pay 22/5/23-4/06/2023	32.5567	1
1. Taxable	1580	SL	Sick Leave	2/03/2023	3/03/2023	16	520.91	13002295	Standard Pay 22/5/23-4/06/2023	32.5567	1
1. Taxable	1576	R	Salary	8/05/2023	21/05/2023	0	0	13002295	Standard Pay 8/5/23-21/5/2023	32.5567	1
1. Taxable	1576	R	Salary	8/05/2023	21/05/2023	40	1302.27	13002295	Standard Pay 8/5/23-21/5/2023	32.5567	1
1. Taxable	1576	R	Salary	24/04/2023	7/05/2023	0	0	13002295	Standard Pay 24/4/23-7/5/2023	32.5567	1
1. Taxable	1576	R	Salary	24/04/2023	7/05/2023	40	1302.27	13002295	Standard Pay 24/4/23-7/5/2023	32.5567	1
1. Taxable	1573	AL	Annual Leave	21/04/2023	21/04/2023	8	260.45	13002295	Standard Pay 10/4/23-23/4/2023	32.5567	1
1. Taxable	1573	R	Salary	10/04/2023	23/04/2023	-8	-260.45	13002295	Standard Pay 10/4/23-23/4/2023	32.5567	1

AWE Gross 52 Weeks	49609.07
Hours worked 52 Weeks	1560
Hourly Rate Q.	31.50069
AWE (AWE Gross divided by 52)	954.0206
Profiled Hours at time of Annual Leave	20
Hourly Rate (AWE)	47.70103

b. F. Last Years AL/LC Rate

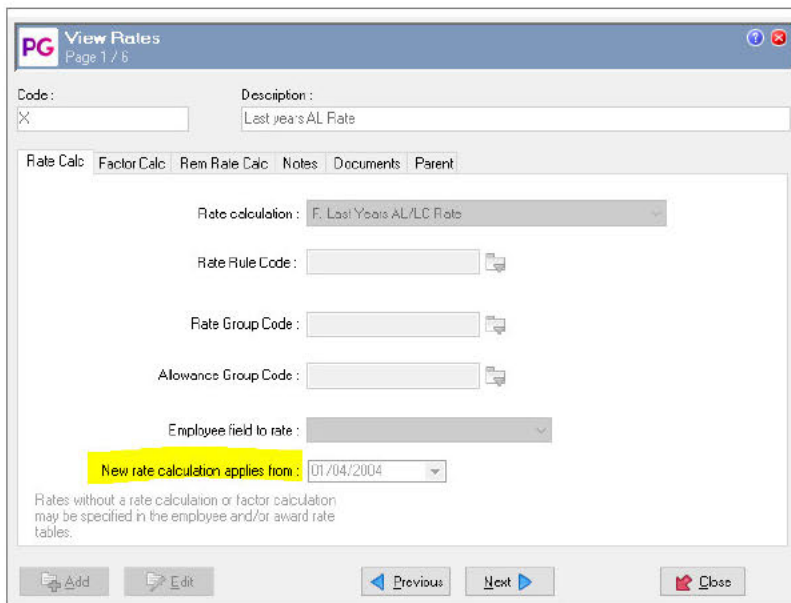
The Leave Groups ROS5WKS SAL and FIXED TERM use the Rate/ Rule of R2 – Greater than X and V. The Rate X – Last Years AL rate uses the below calculation F. Last Years AL/LC Rate. We have reviewed this and confirmed it is an historical rate and has now been redirected to also use the Q. Average Hourly Earnings calculation. This is simply a clarification that even though the Leave Groups appear to use this different rate, it has been redirected. See the screenshots below.

F. Last Years AL/LC Rate New Zealand databases only.

Note: This rate calculation is redundant under the NZ Holidays Act 2003. However, some companies still use it to make a three-way comparison when they pay holiday pay (Holidays Act 1981 rate versus Holidays Act 2003 rate versus base rate).

PayGlobal calculates the rate based on last year's annual leave rate.

- Calculations prior to 01/04/2004 are based on the employee's outstanding annual leave rate. Refer to the [Employees Annual Leave O/s tab page](#).
- Calculations from 01/04/2004 (provided the field *New rate calculation applied from* is populated):
 - If leave is calculated in hours, then the Rate calculation = **Q. Average Hourly Earnings (H2003calc)**.
 - If leave is calculated in days, then the Rate calculation = **V. Average Daily Earnings (H2003calc)**



1.1.3. Ordinary Weekly Pay

a. Default Hourly Rate

The calculations used in place of Ordinary Weekly Pay are O. Ordinary Hourly Pay and D. Standard Default Hourly Rate. Using the base hourly rate is acceptable for employees that don't receive extra payments or work extra hours regularly.

O. Ordinary Hourly Pay (H2003calc)	New Zealand databases only.
	Intended for assisting with compliance of Annual Leave payments where an employee does not receive payments as described by section 8 (1) (b) of the Holidays Act 2003.
	Formula: Standard Default rate / Profiled hours per pay period.

D. Standard Default Hourly Rate	Uses employee's Default Hourly Rate.
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Finding:

Where an employee works varied hours or receives extra payments each period and the weekly pay can't easily be determined the OWP 4-week calculation should be used. This means base rate would be the incorrect comparison rate for these employees. An example for WDC is regular payments of Additional Hours.

Example:

Employee 2268

- This example shows that the OWP rate isn't always equal to base rate, however this doesn't mean the employee is paid incorrectly every time they take Annual Leave as AWE could be higher than OWP in many instances.
- The below employee works regular Additional Hours and should use the OWP 4 week calculation to compare with AWE as the value of the pay varies each period and can't easily be determined.
- Using the OWP 4 week calculation the rate is higher than the base rate.
- However for this payment the AWE calculation is still higher and the system has paid correctly.
- The risk here would be if an employee works many additional hours in the 4 weeks prior to taking leave this would inflate the OWP rate potentially making it higher than the AWE rate.

Port	Pay Sequence	Code	Transaction Description	Start Date	End Date	Quantity	Total Amount	Cost Centre Code	Sequence Description	Rate Amount	Factor		
1. Taxable	1534 R		Salary	5/06/2023	18/06/2023	-4	-96.5	2001295	Standard Pay 5/6/23-18/6/2023	24.125	1	AWE Gross	23086.77
1. Taxable	1534 R		Salary	5/06/2023	18/06/2023	42	1013.25	2001295	Standard Pay 5/6/23-18/6/2023	24.125	1	AWE Weeks	42
1. Taxable	1534 SL		Sick Leave	7/06/2023	7/06/2023	4	96.5	2001295	Standard Pay 5/6/23-18/6/2023	24.125	1	Profiled hrs pw	21
1. Taxable	1530 H20		Additional Hours Wkcd	22/05/2023	4/06/2023	5	120.62	2001295	Standard Pay 22/5/23-4/06/2023	24.125	1	AWE	549.685
1. Taxable	1530 R		Salary	22/05/2023	4/06/2023	0	0	2001295	Standard Pay 22/5/23-4/06/2023	24.125	1	AWE hourly	26.17548
1. Taxable	1530 R		Salary	22/05/2023	4/06/2023	42	1013.25	2001295	Standard Pay 22/5/23-4/06/2023	24.125	1		
1. Taxable	1573 AL		Annual Leave	13/05/2023	19/05/2023	21	549.69	2001295	Standard Pay 8/5/23-21/5/2023	26.1765	1		
1. Taxable	1573 R		Salary	8/05/2023	21/05/2023	-37	-892.62	2001295	Standard Pay 8/5/23-21/5/2023	24.125	1	OWP Gross	2147.12
1. Taxable	1573 R		Salary	8/05/2023	21/05/2023	42	1013.25	2001295	Standard Pay 8/5/23-21/5/2023	24.125	1	OWP Weeks	4
1. Taxable	1573 SL		Sick Leave	10/05/2023	12/05/2023	16	386	2001295	Standard Pay 8/5/23-21/5/2023	24.125	1	OWP	536.78
1. Taxable	1573 H20		Additional Hours Wkcd	24/04/2023	7/05/2023	5	120.62	2001295	Standard Pay 24/4/23-7/5/2023	24.125	1	OWP hourly	25.56095

1.1.4. Recommendations for section 1.1 Annual Leave Calculations

- AWE - Identify employees that have had a change in permanent hours and reconcile payments.
 - Quantify – how many have potentially been impacted?
 - Understand the impact – potentially a decrease in permanent hours will cause an underpayment.
 - Reconcile payments for impacted employees (what was paid vs what should have been paid).
 - Determine which employee pays will be remediated (for example – underpayments actioned; overpayments written off)
 - Going forward resolve the issue by either:
 - considering a change to using the weekly calculations Pay Global has (this would need to be considered carefully as to what impacts would occur due to the change and how this can be managed.)
 - Applying a manual process to monitor employees where these changes occur and manually calculate any Annual Leave payments for the following 52 weeks to ensure payments are applied correctly.

- OWP - Identify employees that receive regular additional payments making their pays variable and not easily determinable.
 - Quantify – how many have potentially been impacted?
 - Reconcile payments for impacted employees to understand where incorrect payments have occurred.
 - Determine which employee pays will be remediated.
 - Going forward resolve the issue by:
 - Creating a leave group or groups that apply the correct OWP 4-week calculation for employees in that group. Similarly, to AWE consider the weekly calculations Pay Global has in place rather than hourly.

1.2 Annual Leave Entitlement

Section 16 of the Holidays Act 2003 determines the minimum entitlement to Annual Holidays:

16 Entitlement to annual holidays

- (1) After the end of each completed 12 months of continuous employment, an employee is entitled to not less than 4 weeks' paid annual holidays.

Importantly it refers to "continuous service" and clarifies what is included as continuous service in Section 16(2):

- (2) For the purposes of subsection (1), the 12 months of continuous employment—
- (a) includes any period during which the employee was—
 - (i) on paid holidays or leave under this Act (for example, family violence leave); or
 - (ii) on parental leave under the [Parental Leave and Employment Protection Act 1987](#); or
 - (iii) on volunteers leave within the meaning of the [Volunteers Employment Protection Act 1973](#); or
 - (iv) receiving weekly compensation under the [Accident Compensation Act 2001](#) or former Act as well as, or instead of, payment from the employer; or
 - (v) on unpaid sick leave or unpaid bereavement leave or unpaid family violence leave; or
 - (vi) on unpaid leave for any other reason for a period of no more than 1 week; but
 - (b) unless otherwise agreed, does not include any other unpaid leave, being leave other than that referred to in paragraph (a)(v) and (vi).

In section 3 it outlines that **if the employer and employee agree that unpaid leave greater than 1 week for reasons other than sick, bereavement or family violence, are to be included as continuous service, the divisor for AWE will be reduced by the number of whole or part weeks that exceed the initial 1 week unpaid. So, when reducing the divisor, the first week is not counted.**

- (3) If, for the purposes of subsection (2)(b), an employer and employee agree that any period of unpaid leave of more than 1 week is to be included in the employee's 12 months of continuous employment, the divisor of 52 to be used for the purposes of calculating the employee's average weekly earnings must be reduced by the number of whole or part weeks greater than 1 week that the employee was on the unpaid leave.
- (4) An employee's entitlement to annual holidays remains in force until the employee has—
- (a) taken all of the entitlement as paid holidays; or
 - (b) been paid out under [section 28B](#) for the entitlement in the entitlement year.

In summary:

- Entitlement is 4 weeks paid Annual Holidays due at 12 months (recurring annually)
- Continuous service inclusions are in Section 16(2) Holidays Act 2003
- Unpaid leave not deemed continuous service in the act can only be included as continuous service by employee and employer agreement and would then change the AWE calculation – see Section 16(3)

1.2.1. Proportional Accrual

Leave Type	Leave Group	Total number of employees	Method of accrual	Notes
Annual Leave	PRO4WKS-WGD	32	Proportional	These leave groups are mainly part time employees. Where employees in these leave groups work additional hours they are receiving over entitlement.
Annual Leave	PRO4WKS-WGD2	0	Proportional	
Annual Leave	PRO4WKS-WGD3	5	Proportional	
Annual Leave	PRO4WKS-WGD4	7	Proportional	
Annual Leave	PRO5WKS-WGD	10	Proportional	
Annual Leave	PRO6WKS-WGD	0	Proportional	
Annual Leave	ROS4WKS-SAL	33	Rostered	Entitlement accruing correctly.
Annual Leave	ROS4WKS-SAL2	20	Rostered	
Annual Leave	ROS4WKS-SAL3	17	Rostered	
Annual Leave	ROS4WKS-SAL4	11	Rostered	
Annual Leave	ROS5WKS-SAL	161	Rostered	
Annual Leave	ROS6WKS-SAL	2	Rostered	
Annual Leave	CAS10	7	Standard	Entitlement is PAYG
Annual Leave	CAS8	43	Standard	
Annual Leave	FIXTERM	0	Standard	

Leave Groups prefixed with PRO use proportional accrual and consist of mainly Part Time employees.

Finding:

Employees in the PRO leave groups that work additional hours are receiving an over entitlement of Annual Leave. It is unlikely that any employees would receive an under entitlement due to a work pattern being in place and minimum salaried hours.

Example

Employee 2249

- This employee should receive 4 weeks at 26 hours per week, which is 104 hours.
- The accrual setting for these leave groups is proportional it accrues based on units in each pay.
- The AL Start and End date shows a full year of accrual has occurred.
- The Actual Accrual to date shows that excess units have accrued for the Annual Leave period.

AL GROUP	PRO4WKS WGD
Profile Hours	26
4 weeks Annual Leave equals:	104
Actual accrual to date	113.6735
AL Start	20/06/2022
AL End	19/06/2023
Worked Hours for current AL Period	1486.2
Profiled Hours for current AL Period	1352

1.2.2. Rostered and PAYG

- Leave groups prefixed with ROS are accruing correctly.
- Casual and Fixed term Leave Groups are set use PAYG.

1.2.3. Recommendations for 1.2. Annual Leave Entitlement

- Identify employees that work additional hours and are receiving over entitlement.
- Consider setting the accrual method to Rostered for the impacted leave groups.
 - Determine what change the identified employees will see.
 - Determine what communication the employee needs prior to the change.

1.3 Average Daily Pay and Relevant Daily Pay

Other leave types include:

- Bereavement
- Education
- Family Violence
- Alternative Holiday
- Public Holiday
- Sick Leave

To calculate these leave types, you must always first attempt to establish Relevant Daily Pay and if this cannot be determined – then Average Daily Pay can be used.

Relevant Daily Pay – means the amount of pay that the employee would have received had the employee worked on the day concerned. See definition, inclusions and exclusions in Section 9 of the Holidays Act 2003 – Meaning of relevant daily pay – Also attached in Appendix 3 of this document.

Average Daily Pay – this may be used if it is not practicable to determine an employee’s relevant daily pay or when the employee’s pay varies within the pay period that the leave falls. The calculation is 52 weeks gross (from before the end of the pay period immediately prior to the affected period), DIVIDED BY, the number of whole or part days worked (or on paid leave, excludes days not worked). See definition, calculation, inclusions and exclusions in Section 9A of the Holidays Act 2003 – Average Daily Pay – also in Appendix 3.

1.3.1. Sick Leave Groups

Number of Employees		Rate/ Rule	Rate								
Leave Type	Leave Group	Total number of employees	1. Outstanding unit payout rate/rule	2. Rate Code A	2a. Rate Calculation	3. Rate Code B	3a. Rate Calculation	Entitlement	Months in cycle	Move to table below at end of cycle	Accrual
Sick Leave	WDC-I ST YE	11	OD-RL52WK	RL52WK	8. Average Hourly Pay 52 weeks (H2010calc)	OD	O. Ordinary Hourly Pay (H2003calc)	2 Weeks (hours)	12	WDC-ANNUAL	Rostered
Sick Leave	WDC - ANNUAL	290	OD-RL52WK	RL52WK	8. Average Hourly Pay 52 weeks (H2010calc)	OD	O. Ordinary Hourly Pay (H2003calc)	2 Weeks (hours)	12	blank	Rostered
Sick Leave	Blank (no ent)	77									

- Both Sick Leave groups are set up to make a comparison between 8. Average Hourly Pay 52 Weeks and O. Ordinary Hourly Pay. Unlike Annual Leave where calculations are compared, Relevant Daily Pay and Average Daily Pay are not meant to be compared at each pay. Relevant Daily Pay should be used in the first instance and if it is not practicable to determine RDP, the Average Daily Pay calculation can be used.
- For employees that receive standard pays (no variation) there is likely to be no impact. Both calculations would likely equal the employees default hourly rate.
- For employees that do receive extra payments or work additional hours there may be an impact due to the 8. Average Hourly Pay 52 Weeks calculation.

1.3.2. Average Hourly Pay

8. Average Hourly Pay 52 weeks (H2010calc)

New Zealand databases only. Replaced "S. Relevant Hourly Pay 4 Week Rule (H2003calc)" from 01/04/2011.

Sum of the last 52 weeks Average Daily Pay UDA / Sum of the last 52 weeks Average Daily Pay (hours) UDA

- The calculation for Average Daily Pay is 52 weeks gross (from before the end of the pay period immediately prior to the affected period), DIVIDED BY, the number of whole or part days worked (or on paid leave, excludes days not worked). The above calculation does not use the worked days as the divisor, it uses a total of the hours in the last 52 weeks for specific allowances that are determined by being included in the RELHRS 4 Allowance Group.
- The Average Daily Pay UDA (Sum/ Gross of the last 52 weeks) is determined in the Allowance Group REL DLY 4. Currently this is excluding some payments that should be included. See more information on specific Pay Elements in Section 2.
- As the calculation is broken down into hours it is then applied to the work pattern, therefore if the employee was meant to work 2 hours they receive 2 hours at the rate, if they were meant to work 8 hours, they receive 8 hours at the rate. This application is correct for Relevant Daily Pay where you pay what you would have earned on the day, but Average Daily Pay is meant to be applied to a day. For employees that have a work pattern with different hours on different days this causes underpayments and overpayments.

1.3.3. Other Leave.

Other leave, determined as Bereavement, Education, Family Violence, Alternative Holiday, Public Holiday and Sick Leave should be paid at either Relevant Daily Pay or where that can't be determined Average Daily Pay.

Allowance Code	Description	Rate Calculation	Rate Rule Code	Rate Code	Rate Description	Type
130	Public Holiday	D. Standard Default Hourly Rate		V	Hourly Rate	H. Hourly
140	Stat Penal Payment T0.5	D. Standard Default Hourly Rate		V	Hourly Rate	H. Hourly
BL	Bereavement Leave - 3 days	C. Rate Rule Evaluation	OD-RL52WK	OD-RL52WK	Greater OD or RL52week	V. Leave Credit Paid
BL1	Bereavement Leave - 1 day	C. Rate Rule Evaluation	OD-RL52WK	OD-RL52WK	Greater OD or RL52week	V. Leave Credit Paid
DL	Domestic Leave	C. Rate Rule Evaluation	OD-RL52WK	OD-RL52WK	Greater OD or RL52week	S. Special Leave
LD	Alternative Hours Taken					V. Leave Credit Paid

- Public Holiday/ Stat Penal Payment T 0.5 and Alternative Holiday is being paid at standard default hourly rate. Payment should be at Relevant Daily Pay or Average Daily Pay. Where employees receive standard pays there may be no impact. However, for other employees that should be paid ADP they are only being paid at base rate and where sick leave and public holiday is paid in the same period it is quite visible.
- Bereavement and Domestic Leave are using the same calculations as Sick Leave and have the same issues as identified in 1.3.1. and 1.3.2.

1.3.4. Recommendations for 1.3. Average Daily Pay and Relevant Daily Pay.

- Ensure the correct Pay Elements are included in the RELDLY 4 and RELHRS 4 Allowance Groups. (These groups are historical hence the name REL but are now used for the ADP calculations in Pay Global.)
- To be compliant, consider identifying employees that receive standard pays and can be separated into a Leave Group that applies Relevant Daily Pay.
- Discuss with Pay Global how to align the Pay Codes used for Other Leave to mirror the Sick Leave Group calculations.
- For employees that fall into the ADP category, consider discussing the following with Pay Global
 - The use of a Days Worked Calculation/ Counter
 - The use of a compliant calculation for Average Daily Pay.
- For employees that fall into the ADP category, reconcile pays to determine the impact to those employees and determine if any remediation payments are required.

1.4 Sick Leave entitlement

1.4.1. 2 Weeks Sick Leave.

Both Sick leave Groups give 2 weeks sick leave.

View Sick Leave Tables
Page 2 / 7

Code : WDC-ANNUAL Description : WDC 10 Days Per Annum

Setup Values Cycle Roll over Notes Documents Parent

Type of unit: Hours
Accrual method: Rost
Accrue entitlement weekly: No
Accrual rate per pay period: 0.000000
Stand down period (months): 0.00
Entitlement (weeks): 2.00
Entitlement (units): 0.0000
Maximum units accrued per week: 0.0000
Calculation of qualifying hours: E. Use Quantity (paying i)

Add Edit Previous Next Close

The Holidays Act 2003 refers to Sick Leave in days.

Sick leave

65 Sick leave

(1) An employee may take sick leave if—

- the employee is sick or injured; or
- the employee's spouse or partner is sick or injured; or
- a person who depends on the employee for care is sick or injured.

(2) An employee is entitled to 10 days' sick leave for each of the 12-month periods specified in section 63(2).

Section 65(1)(b): amended, on 26 April 2005, by section 7 of the Relationships (Statutory References) Act 2005 (2005 No 3).
Section 65(2): amended, on 24 July 2021, by section 4 of the Holidays (Increasing Sick Leave) Amendment Act 2021 (2021 No 18).

For employees that work 5 days per week this will not be an issue.

Where an employee works less than 5 days per week they will receive less than 10 days per year entitlement.

For example:

Employee 2353

- Works 2 x 5-hour days per week, i.e., 10 hours per week.
- Receives 20 hours sick leave entitlement per year which is only equivalent to 4 days.

View Employees
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HR
T&A/Rostering
Payroll

Last name : [REDACTED] Code : [REDACTED]
First Names : [REDACTED]

Details
Payroll
Leave
Payroll Notes
Breakdowns

Payroll	Contract	Rates	Payments	Definition Of Week	Bank	Tax	Accum	Superannuation
Payment type:	Salaried			Monday :			0.00	
Payment method:	Direct Credit			Tuesday :			0.00	
Round payments:	No			Wednesday :			0.00	
Auto-pay:	Yes			Thursday :			0.00	
Auto-pay suppress date:	/ /			Friday :			0.00	
Cash amount:	0.00			Saturday :			5.00	
Last overpayment:				Sunday :			5.00	
Generate payslip:	Yes			Total profiled hours :			10.00	
				Total non-zero days :			2	

Self-Service Add Edit Previous Next Close

View Employees
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HR
T&A/Rostering
Payroll

Last name : [REDACTED] Code : [REDACTED]
First Names : [REDACTED]

Details
Payroll
Leave
Payroll Notes
Breakdowns

Leave	Annual Leave	O/s	Extra Week	Extra Week O/s	Sick Leave	Long Service	Leave Cred
Total hours paid :	164.75						
Total days paid :	24.00						
Total weeks paid :	12.00						
End date :	04/12/2023				Average hours per day :	6.86	
					Average hours per week :	13.73	
Unit balances				Liability			
Outstanding :	20.0000				Nett outstanding (\$):	487.00	
Total accrued :	0.0000				Nett accrued (\$):	0.00	
SL taken this year :	0.0000				Total (\$):	487.00	
SL hours available :	20.0000						

Self-Service Add Edit Previous Next Close

1.4.2. Recommendation for 1.4 Sick Leave Entitlement

- Identify employees that work less than 5 days per week.
- Perform a leave reconciliation for those employees.
- Update Leave groups for affected employees to correct the entitlements awarded moving forward.

Section 2 - Pay Elements

Several Pay Element recommendations have been made and submitted in a separate spreadsheet. The spreadsheet should be reviewed and each code considered carefully. Then any impact for changing the code should be considered – will this change be seen in the employees pay? Do you need to communicate this first? Will it impact retrospectively? Put a plan in place for how and when the changes can be made.

Further to this it was noted that there is currently no Annual Leave cash-up code to cash up the minimum entitlement annually when requested and Whanganui District Council does practice Annual Leave cash up however pays out on the AL – Annual Leave code. This means that it is difficult to identify when Annual Leave was cashed up to prove that only the minimum entitlement is being paid out per year and it is also not in line with NZ Record Keeping requirements.

See section 81 of the Holidays Act 2003, specifically – 81 (2) (ha) and (hb).

Holiday and leave record

81 Holiday and leave record

- (1) *[Repealed]*
- (2) An employer must at all times keep a holiday and leave record showing, in the case of each employee employed by the employer, the following information:
- (a) the name of the employee;
 - (b) the date on which the employee's employment commenced;
 - (c) the number of hours worked each day in a pay period and the pay for those hours;
 - (d) the employee's current entitlement to annual holidays;
 - (e) the date on which the employee last became entitled to annual holidays;
 - (f) the employee's current entitlement to sick leave;
 - (g) the dates on which any annual holiday, sick leave, bereavement leave, or family violence leave has been taken;
 - (h) the amount of payment for any annual holiday, sick leave, bereavement leave, or family violence leave that has been taken;
 - (ha) the portion of any annual holidays that have been paid out in each entitlement year (if applicable);
 - (hb) the date and amount of payment, in each entitlement year, for any annual holidays paid out under [section 28B](#) (if applicable):
 - (i) the dates of, and payments for, any public holiday on which the employee worked;
 - (j) the number of hours that the employee worked on any public holiday;
 - (ja) the day or part of any public holiday specified in [section 44\(1\)](#) agreed to be transferred under [section 44A](#) or [44B](#) and the calendar day or period of 24 hours to which it has been transferred (if applicable);
 - (k) the date on which the employee became entitled to any alternative holiday;
 - (l) the details of the dates of, and payments for, any public holiday or alternative holiday on which the employee did not work, but for which the employee had an entitlement to holiday pay;

Recommendation for recording the Cashing Up of Annual Leave

- Create a code that is used to Cash Up Annual Leave going forward.
- Establish and document the process for identifying cashed up Annual Leave prior to creating the new code. For example, this may be directing to any Annual Leave Cash-up application forms, personnel records etc.

Section 3 – Whanganui District Council Payroll Process

The payroll process has been reviewed and key findings are noted in the table below. In summary the main finding is the use of a hardcopy workflow is still in place and this is unnecessary. It also increases risk regarding privacy and secure information processing and storage.

The general structure of the process is satisfactory and is minimally supported by having the pay run process documented which is great for Business Continuity. Multilevel authorisation is in place and sufficient checks that are supported by the use of reports (such as the variance report) are performed. There is obvious segregation of duties. The manual process of timesheet data entry is currently being improved by implementing a time and attendance system for some.

Process	Finding	Recommendation
Paper timesheets	At the time of the audit approximately 60 – 70 paper timesheets were being processed per fortnight. This is mainly for casual employees. Pay Global’s time and attendance was in the process of being implemented for the “Splash” employees. The time and attendance data would be entered by the manager at site.	<ul style="list-style-type: none"> Once implemented review the number of paper timesheets still received and consider how to also move these exceptions to an online workflow using the pay global capability. Consider the use of a biometric scanner or clock in/ clock out system to compliment the time and attendance system. This would capture true data and change the managers role to amendments/ approvals, removing the data entry aspect.

<p>Hardcopy workflow</p>	<p>Currently employee information is delivered between HR and Payroll in hardcopy format, contained in a folder. The employee folders are left on Payroll/ HR desks to action. Issues with this are – loss of auditable workflow, more risk to ensure employee information remains secure and private, inefficient/ unnecessary process.</p> <p>Employee personnel files are stored on network drives. HR and Payroll have access to these. Issues with this can be – too many people with access to files.</p> <p>Timesheets are emailed and then printed and stored in a box. Issues with this are – inefficient/ unnecessary process.</p>	<ul style="list-style-type: none"> ● Reduce the use of unnecessary hardcopy files. Having electronic files that are backed up is sufficient. All documents are digitally stored anyway. <ul style="list-style-type: none"> ○ Ensure electronic information is backed up with restricted access. ○ Confirm the process around the destruction of any unnecessary paper documents. ○ Going forward do Payroll Processors have dual screens to work with electronic documents allowing different documents to open on different screens? ● Timesheets are also emailed to Payroll, so available in electronic format, however consideration is obviously required on the ease of transfer of information using these timesheets. To be reviewed after the time and attendance system implementation. Can this process be managed without printing and only stored electronically. <p>WDC may have a department responsible for business records or information management to discuss some of these points with.</p>
<p>No checklists</p>	<p>WDC does have the pay run process documented at an instructional level for Business Continuity purposes.</p>	<p>The process could further be supported by implementing checklists for key tasks. For example – Processing the pay and authorising the pay. This ensures that each pay run consistent and transparent processes occur. This can be especially important for the authorisation process to ensure that the checks occurring capture everything and each role knows their responsibility.</p>

Appendix 1 – Information submitted by Whanganui District Council

- NZPPA received access to the payroll system – MYOB/ Pay Global.



Collective Employment Agreement - ACE Sept 2021 - 2023



Collective Employment Agreement - PSA Sept 2021 - 2023



Copy of Pay Codes for RFI

Appendix 2 – NZPPA Payroll Security, Essential Checks and Audit Checklist (From the NZPPA - Payroll Practice Guide)

The purpose of this template is to support payroll teams by providing detail of essential security and payroll checks that should be in place. This checklist can be modified to meet your business needs and is a guideline only.

Principle 5	Storage and Security of Personal Information	Protected against: Loss Access, use, modification or disclosure Other Misuse
Principle 10	Limits on use of Personal Information	Information requested, used and retained only for the purpose of payroll-related activities
Section 1:	Security	
Payroll System	List Users	I.e. Payroll, HR, Finance, Managers, Employees
	What can they access	
	Termination Process for Payroll Staff	documented
	Perform Regular Operator Audits	
	Lock Down Modules/Payrolls	
	Limit Users to the system	
	Business Continuity Plan	documented
Payroll Staff	Signed Confidentiality agreement	
	Segregation of duties	(refer to Payroll System security)
	Secure/Private location	
Record Keeping	What must be kept - ensure you cover:	employment legislation requirements tax legislation requirements employee specific payroll related information principles of the Privacy Act
	Softcopy	backup, remove from site, refer to Payroll System Security
	Hardcopy	secured at all times, locked cabinet
Policy/ Process Documents	At a minimum have the below written policy documents:	
	Process on termination	for removal of payroll access -payroll staff
	Policy - Access of Information	who is privacy officer who can request info what can be requested internal/external parties covered in this

	Procedure/Process - Changes to payroll system	A document that states what is prepared, tested, reviewed, confirmed and signed off when any change happens within the Software or configuration of the payroll system
	Policy on anything payroll related that is outside or above the minimum requirements under legislation	Examples: cash up of Annual Leave, Parental Leave, Long Service Leave, Redundancy Compensation
Section 2:	Essential Payroll Checks - Payroll System, Payroll Data, Payroll Processing, Payroll Authorisation	
The Rule – If a change is made - CHECK IT!		
Payroll Software Updates	What has been updated/changed	Refer to the document from payroll provider on the upgrade to prepare your checklist
	Do we have any company configuration impacted	Add these items to the checklist for testing
	What else could/does this impact	Add these items to the checklist for testing
	Prepare Checklist and Testing Documents	Test, Review, Confirm, Signoff
If possible, test in a demo/test system that has your company specific configuration, the updated software and updated employee data prior to loading into live. This avoids any complications within the live system if retesting etc is required prior to signoff.		
01st April Changes (Legislation, New Tax Year)	Any software changes	Refer to the document from payroll provider on the upgrade to prepare your checklist, take into account any company configuration and any other items that could be impacted by these changes. Prepare checklist and testing documents, test, review, confirm, signoff
	Minimum wage increases	All employees meet minimum requirement Wage rate is increased accordingly Piece meal or other rates are checked that revert back to the hours this employee works to ensure minimum is met
	Tax Rates – random selection	Random selection of different tax codes Compare to IRD online calculation to confirm tax tables have been updated accordingly
	ACC	Check Tax Tables updated correctly (test at same time as tax rates) Confirm Maximum Earners Levy is updated
	Special Tax Codes	New Certificate has been received and updated in system Else: New IR330 has been completed Else: Revert to the no notification rate
	KiwiSaver KSE/KSR – 3%	Current Rates are Correct Thresholds and minimum payments are correct Any extra deductions are correct (SLCIR, SLBOR)

	Student Loan – 12%	Current Rates are Correct Thresholds and minimum payments are correct Any extra deductions are correct
	ESCT	Current Rates are Correct Thresholds and minimum payments are correct
	YTD values are cleared down	Ensure Employee YTD values are cleared for the new tax year
	Any other company specific items that happen at this time	Think about the other impacts to your business, or other tasks that may happen at this time Example: Company Pay Increases, Superannuation Changes, Allowance Increases or changes, Deduction updates (union etc)
Other Legislation Changes	Legislation changes that become effective other than 01st April	Refer to the document from payroll provider on the upgrade to prepare your checklist, take into account any company configuration and any other items that could be impacted by these changes. Prepare checklist and testing documents, test, review, confirm, signoff
Payroll Configuration		
During the Year	Configuration Change	Add, Test, Review, Confirm, Signoff
	Adding/Modifying Pay Components	Add, Test, Review, Confirm, Signoff
	Any other additions/modifications/deletions	Add, Test, Review, Confirm, Signoff
	What else could/does this impact	Test, Review, Confirm, Signoff
<p>If possible, test in a demo/test system that has your company specific configuration, the updated software and updated employee data prior to loading into live.</p> <p>This avoids any complications within the live system if retesting etc is required prior to signoff</p>		
Yearly Review	Leave Calculations	are the right pay components in are the calculations correct are there any changes to make Test, Review, Confirm, Signoff
	Pay Component Setup	are there duplicates any new ones during the year have been tested archive unused sensitivity check
	Special Company Specific Config	has anything changed (i.e. company policy etc) does we need to change/add, test/check anything
Payroll Data	Check for Duplicates	Employees, bank accounts, IRD numbers, addresses
	Pay Rate Changes, Frequency	monthly check in place that meets the business needs
	Operator Audits	monthly check in place that meets the business needs
	Data Change Audits	monthly check in place that meets the business needs

	Any other company specific you may require	monthly check in place that meets the business needs
Payroll Information/Data Changes		
	Any changes to the employee	is information/form completed correctly has the correct process been followed (approval etc)
	New Employees	does it have the correct approval has setup been actioned correctly
	Employee Masterfile changes	has the change been actioned correctly
	Employee Remuneration, or T&C changes	does it have the correct approval has the change been actioned correctly
<p>should always be captured at source and interaction points minimized to protect the integrity of the data and reduce the risk of errors during transposing of information</p> <p>manual data entry should always be independently checked, if not possible, then recheck tick it off again</p>		
Payroll Processing	New Employee First Pay	check - tax code IRD number, KiwiSaver, hours/wage/salary correct, allowances, deductions, gross & net pay, bank account
	Terminated Employee Final Pay	check - final wages/salary payment correct leave balances paid out leave calculations correct other payments calculated and taxed correctly
	Allowance/Deduction	correct rate and payment allowance - should it be in the leave rate does it need to be pro-rata - first pay, term pay, when emp on leave deduction - check reducing balance deduction - employee authorisation obtained
	Timesheet Information	should come from the source of knowledge - employee and/or manager
	Timesheet Approval and Content	Managers/ Supervisors / Team Leaders should validate the units paid to waged employees, allowances awarded etc
	Leave Approval	over entitlements advance leave payments calculation rates
	Extra Payments, One off payment	loaded/coded correctly taxed correctly
	Payroll Components	Variances at total or subtotal level - set values Exceptions, one off code used, totals from time sheeting

	Employee	Variances at \$ value Exceptions, one off code used Last pay this pay variations
	Variances and exception reporting	full variance/exception reports should be used to check and validate variances of last processed information vs information due to be processed
Payroll Authorisation	Ensure you have received correct reports from Payroll Team Should be independent of the payroll team	
	Checks to be carried out:	Variance Report - Variation to last pay at summary level, reasonability check
		Audit Report - Random check of changes made
		Bank Variance Report
		hash totals check
		any other exceptions you deem relevant
	Banking	Processing the payroll should be segregated if possible and bank files sent automatically to the bank upon processing to reduce the risk of the bank file being manipulated prior to or during the process of uploading to the bank

Holidays Act 2003

14 Meaning of gross earnings

In this Act, unless the context otherwise requires, **gross earnings**, in relation to an employee for the period during which the earnings are being assessed,—

- (a) means all payments that the employer is required to pay to the employee under the employee's employment agreement, including, for example—
 - (i) salary or wages;
 - (ii) allowances (except non-taxable payments to reimburse the employee for any actual costs incurred by the employee related to his or her employment);
 - (iii) payment for an annual holiday, a public holiday, an alternative holiday, sick leave, bereavement leave, or family violence leave taken by the employee during the period;
 - (iv) productivity or incentive-based payments (including commission);
 - (v) payments for overtime;
 - (vi) the cash value of any board or lodgings provided by the employer as agreed or determined under [section 10](#);
 - (vii) first week compensation payable by the employer under [section 97](#) of the Accident Compensation Act 2001 or former Act; but
- (b) excludes any payments that the employer is not bound, by the terms of the employee's employment agreement, to pay the employee, for example—
 - (i) any discretionary payments;
 - (ii) any weekly compensation payable under the [Accident Compensation Act 2001](#) or former Act;
 - (iii) any payment for absence from work while the employee is on volunteers leave within the meaning of the [Volunteers Employment Protection Act 1973](#); and
- (c) also excludes—
 - (i) any payment to reimburse the employee for any actual costs incurred by the employee related to his or her employment;
 - (ii) any payment of a reasonably assessed amount to reimburse the employee for any costs incurred by the employee related to his or her employment;
 - (iii) any payment of any employer contribution to a superannuation scheme for the benefit of the employee;
 - (iv) any payment made in accordance with [section 28B](#).

Appendix 3 - Legislation

Annual Leave

Holidays Act 2003

Payment for annual holidays

21 Calculation of annual holiday pay

- (1) If an employee takes an annual holiday after the employee's entitlement to the holiday has arisen, the employer must calculate the employee's annual holiday pay in accordance with subsection (2).
- (2) Annual holiday pay must be—
 - (a) for the agreed portion of the annual holidays entitlement; and
 - (b) at a rate that is based on the greater of—
 - (i) the employee's ordinary weekly pay as at the beginning of the annual holiday; or
 - (ii) the employee's average weekly earnings for the 12 months immediately before the end of the last pay period before the annual holiday.

Compare: 1981 No 15 s 16

Key terms defined

8 Meaning of ordinary weekly pay

- (1) In this Act, unless the context otherwise requires, **ordinary weekly pay**, for the purposes of calculating annual holiday pay,—
 - (a) means the amount of pay that the employee receives under his or her employment agreement for an ordinary working week; and
 - (b) includes—
 - (i) productivity or incentive-based payments (including commission) if those payments are a regular part of the employee's pay;
 - (ii) payments for overtime if those payments are a regular part of the employee's pay;
 - (iii) the cash value of any board or lodgings provided by the employer to the employee; but
 - (c) excludes—
 - (i) productivity or incentive-based payments that are not a regular part of the employee's pay;
 - (ii) payments for overtime that are not a regular part of the employee's pay;
 - (iii) any one-off or exceptional payments;
 - (iv) any discretionary payments that the employer is not bound, under the terms of the employee's employment agreement, to pay the employee;
 - (v) any payment of any employer contribution to a superannuation scheme for the benefit of the employee.
- (2) If it is not possible to determine an employee's ordinary weekly pay under subsection (1), the pay must be calculated in accordance with the following formula:

$$\frac{a - b}{c}$$

where—

- a is the employee's gross earnings for—
 - (i) the 4 calendar weeks before the end of the pay period immediately before the calculation is made; or
 - (ii) if the employee's normal pay period is longer than 4 weeks, that pay period immediately before the calculation is made
 - b is the total amount of payments described in subsection (1)(c)(i) to (iii)
 - c is 4.
- (3) However, an employment agreement may specify a special rate of ordinary weekly pay for the purpose of calculating annual holiday pay if the rate is equal to, or greater than, what would otherwise be calculated under subsection (1) or subsection (2).

5 Interpretation

- (1) In this Act, unless the context otherwise requires,—
- annual holiday** means an annual holiday provided under [subpart 1](#) of Part 2
- authorised representative**, in relation to an employee, means a person who is authorised under [section 236](#) of the Employment Relations Act 2000 to represent the employee
- average daily pay** means a rate of pay calculated in accordance with [section 9A\(2\)](#)
- average weekly earnings** means 1/52 of an employee's gross earnings
- bereavement leave** means paid bereavement leave provided under [subpart 4](#) of Part 2
- closedown period** has the meaning given to it by [section 29](#)

Entitlement to Annual Holidays and Continuous Employment definition:

Entitlement to annual holidays

16 Entitlement to annual holidays

- (1) After the end of each completed 12 months of continuous employment, an employee is entitled to not less than 4 weeks' paid annual holidays.
- (2) For the purposes of subsection (1), the 12 months of continuous employment—
- (a) includes any period during which the employee was—
- (i) on paid holidays or leave under this Act (for example, family violence leave); or
 - (ii) on parental leave under the [Parental Leave and Employment Protection Act 1987](#); or
 - (iii) on volunteers leave within the meaning of the [Volunteers Employment Protection Act 1973](#); or
 - (iv) receiving weekly compensation under the [Accident Compensation Act 2001](#) or former Act as well as, or instead of, payment from the employer; or
 - (v) on unpaid sick leave or unpaid bereavement leave or unpaid family violence leave; or
 - (vi) on unpaid leave for any other reason for a period of no more than 1 week; but
- (b) unless otherwise agreed, does not include any other unpaid leave, being leave other than that referred to in paragraph (a)(v) and (vi).
- (3) If, for the purposes of subsection (2)(b), an employer and employee agree that any period of unpaid leave of more than 1 week is to be included in the employee's 12 months of continuous employment, the divisor of 52 to be used for the purposes of calculating the employee's average weekly earnings must be reduced by the number of whole or part weeks greater than 1 week that the employee was on the unpaid leave.
- (4) An employee's entitlement to annual holidays remains in force until the employee has—
- (a) taken all of the entitlement as paid holidays; or
 - (b) been paid out under [section 28B](#) for the entitlement in the entitlement year.

17 How employee's entitlement to annual holidays may be met

- (1) An employer and employee may agree on how an employee's entitlement to 4 weeks' annual holidays is to be met based on what genuinely constitutes a working week for the employee.
- (2) If an employer and employee cannot agree on how an employee's entitlement to 4 weeks' annual holidays is to be met, a Labour Inspector may determine the matter for them.
- (3) In making a determination, the Labour Inspector may take into account any matters that the Labour Inspector thinks fit, including the matters specified in [section 12\(3\)](#).

Section 17(1): amended, on 1 April 2007, by [section 42](#).

Section 17(2): amended, on 1 April 2007, by [section 42](#).

27 When payment for annual holidays must be made

- (1) An employer must pay an employee for an annual holiday before the holiday is taken unless—
 - (a) the employer and employee agree that the employee is to be paid in the pay that relates to the period during which the holiday is taken; or
 - (b) the employee's employment has come to an end.
- (2) If subsection (1)(b) applies, the employer must pay the annual holiday pay in the pay that relates to the employee's final period of employment.

28 When annual holiday pay may be paid with employee's pay

- (1) Despite [section 27](#), an employer may regularly pay annual holiday pay with the employee's pay if—
 - (a) the employee—
 - (i) is employed in accordance with [section 66](#) of the Employment Relations Act 2000 on a fixed-term agreement to work for less than 12 months; or
 - (ii) works for the employer on a basis that is so intermittent or irregular that it is impracticable for the employer to provide the employee with 4 weeks' annual holidays under [section 16](#); and
 - (b) the employee agrees in his or her employment agreement; and
 - (c) the annual holiday pay is paid as an identifiable component of the employee's pay; and
 - (d) the annual holiday pay is paid at a rate not less than 8% of the employee's gross earnings.
- (2) If an employee to whom subsection (1)(a)(i) applies is employed by the same employer beyond 12 months on a series of fixed-term agreements of less than 12 months each, the employer and employee may agree that the employee is to be paid in accordance with subsection (1) regardless of the number of agreements.
- (3) If the fixed-term agreement of an employee to whom subsection (1)(a)(i) applies is followed by permanent employment with the same employer, the employee—
 - (a) becomes entitled to paid annual holidays at the end of 12 months' continuous employment (including the period of that fixed-term agreement) under [section 16](#); but
 - (b) the amount of the holiday pay that the employee is entitled to be paid for the holidays is reduced by the amount that the employee has already received under subsection (1).
- (4) If an employer has incorrectly paid annual holiday pay with an employee's pay in circumstances where subsection (1) does not apply and the employee's employment has continued for 12 months or more, then, despite those payments, the employee becomes entitled to annual holidays in accordance with [section 16](#) and paid in accordance with this subpart.

Section 28(1)(a)(ii): amended, on 1 April 2007, by [section 42](#).

Section 28(1)(d): amended, on 1 April 2007, by [section 42](#).

Other Leave

Holidays Act 2003

9 Meaning of relevant daily pay

- (1) In this Act, unless the context otherwise requires, **relevant daily pay**, for the purposes of calculating payment for a public holiday, an alternative holiday, sick leave, bereavement leave, or family violence leave,—
 - (a) means the amount of pay that the employee would have received had the employee worked on the day concerned; and
 - (b) includes—
 - (i) productivity or incentive-based payments (including commission) if those payments would have otherwise been received had the employee worked on the day concerned;
 - (ii) payments for overtime if those payments would have otherwise been received had the employee worked on the day concerned;
 - (iii) the cash value of any board or lodgings provided by the employer to the employee; but
 - (c) excludes any payment of any employer contribution to a superannuation scheme for the benefit of the employee.
- (2) However, an employment agreement may specify a special rate of relevant daily pay for the purpose of calculating payment for a public holiday, an alternative holiday, sick leave, bereavement leave, or family violence leave if the rate is equal to, or greater than, the rate that would otherwise be calculated under subsection (1).
- (3) To avoid doubt, if subsection (1)(a) is to be applied in the case of a public holiday, the amount of pay does not include any amount that would be added by virtue of [section 50\(1\)\(a\)](#) (which relates to the requirement to pay time and a half).

Section 9: substituted, on 1 April 2011, by [section 5](#) of the Holidays Amendment Act 2010 (2010 No 126).

Section 9(1): amended, on 1 July 2019, by [section 259\(1\)](#) of the Family Violence Act 2018 (2018 No 46).

Section 9(1): amended, on 1 April 2019, by [section 21](#) of the Domestic Violence—Victims' Protection Act 2018 (2018 No 21).

Section 9(2): amended, on 1 July 2019, by [section 259\(1\)](#) of the Family Violence Act 2018 (2018 No 46).

Section 9(2): amended, on 1 April 2019, by [section 21](#) of the Domestic Violence—Victims' Protection Act 2018 (2018 No 21).

9A Average daily pay

- (1) An employer may use an employee's average daily pay for the purposes of calculating payment for a public holiday, an alternative holiday, sick leave, bereavement leave, or family violence leave if—
 - (a) it is not possible or practicable to determine an employee's relevant daily pay under [section 9\(1\)](#); or
 - (b) the employee's daily pay varies within the pay period when the holiday or leave falls.
- (2) The employee's average daily pay must be calculated in accordance with the following formula:

$$\frac{a}{b}$$

where—

- a is the employee's gross earnings for the 52 calendar weeks before the end of the pay period immediately before the calculation is made
 - b is the number of whole or part days during which the employee earned those gross earnings, including any day on which the employee was on a paid holiday or paid leave; but excluding any other day on which the employee did not actually work.
- (3) To avoid doubt, if subsection (2) is to be applied in the case of a public holiday, the amount of pay does not include any amount that would be added by virtue of [section 50\(1\)\(a\)](#) (which relates to the requirement to pay time and a half).

Section 9A: inserted, on 1 April 2011, by [section 5](#) of the Holidays Amendment Act 2010 (2010 No 126).

Section 9A(1): amended, on 1 July 2019, by [section 259\(1\)](#) of the Family Violence Act 2018 (2018 No 46).

Section 9A(1): amended, on 1 April 2019, by [section 22](#) of the Domestic Violence—Victims' Protection Act 2018 (2018 No 21).

49 Payment if employee does not work on public holiday

If an employee does not work on a public holiday and the day would otherwise be a working day for the employee, the employer must pay the employee not less than the employee's relevant daily pay or average daily pay for that day.

Section 49: amended, on 1 April 2011, by [section 17](#) of the Holidays Amendment Act 2010 (2010 No 126).

50 Employer must pay employee at least time and a half for working on public holiday

- (1) If an employee works (in accordance with his or her employment agreement) on any part of a public holiday, the employer must pay the employee the greater of—
 - (a) the portion of the employee's relevant daily pay or average daily pay (less any penal rates) that relates to the time actually worked on the day plus half that amount again; or
 - (b) the portion of the employee's relevant daily pay that relates to the time actually worked on the day.
- (2) In subsection (1)(a), **penal rates**—
 - (a) means an identifiable additional amount that is payable to compensate the employee for working on a particular day of the week or a public holiday; but
 - (b) does not include, for example, any additional payment for a sixth or seventh day of work.
- (3) This section is subject to [section 51](#).

Section 50: substituted, on 22 October 2004, by [section 5](#) of the Holidays Amendment Act 2004 (2004 No 85).

Section 50(1)(a): amended, on 1 April 2011, by [section 17](#) of the Holidays Amendment Act 2010 (2010 No 126).

Alternative holiday

56 Alternative holiday must be provided if employee works on public holiday

- (1) An employee is entitled to another day's holiday (an **alternative holiday**) instead of a public holiday if—
 - (a) the public holiday falls on a day that would otherwise be a working day for an employee; and
 - (b) the employee works (in accordance with his or her employment agreement) on any part of that day.
- (2) If subsection (1) applies, an employer must—
 - (a) provide the employee with an alternative holiday; and
 - (b) pay the employee for working on the public holiday in accordance with [section 50](#).
- (3) The entitlement to an alternative holiday remains in force until—
 - (a) the employee has taken the holiday; or
 - (b) the employee has been paid for the holiday in accordance with [section 60\(2\)](#) or [section 61](#).
- (4) An employee is not entitled to an alternative holiday under this section if the employee works for the employer only on public holidays.

61A Sickness, injury, bereavement, or family violence on public holiday

- (1) This section applies to an employee who is required, or has agreed, to work on a public holiday but who does not work on the day because—
 - (a) the employee—
 - (i) becomes or remains sick or injured; or
 - (ii) has a spouse or partner or dependant who becomes or remains sick or injured; or
 - (b) the employee suffers or has suffered a bereavement as described in [section 69\(2\)](#); or
 - (c) the employee becomes entitled to take family violence leave under [section 72C](#).
- (2) If this section applies,—
 - (a) the public holiday must continue to be treated as a public holiday and not as sick leave, bereavement leave, or family violence leave for the employee; and
 - (b) to avoid doubt, the employee—
 - (i) must be paid for the day in accordance with [section 49](#) and is not entitled to be paid at time and a half in accordance with [section 50\(1\)\(a\)](#); and
 - (ii) is not entitled to an alternative holiday under [section 56](#).

71 Payment for sick leave and bereavement leave

- (1) An employer must pay an employee an amount that is equivalent to the employee's relevant daily pay or average daily pay for each day of sick leave or bereavement leave taken by the employee that would otherwise be a working day for the employee.
- (2) Despite subsection (1), an employer is not required to pay an employee for any time for which the employee is paid weekly compensation under the [Accident Compensation Act 2001](#) or former Act.
- (3) An employer must not require an employee to take as sick leave any time for which the employee is being paid—
 - (a) first week compensation by the employer under [section 97](#) of the Accident Compensation Act 2001 or former Act; or
 - (b) weekly compensation for a work-related injury within the meaning of that Act or former Act.
- (4) However, if an employer pays the difference between the employee's first week compensation or weekly compensation and ordinary weekly pay, the employer may agree with the employee that he or she may deduct from the employee's current sick leave entitlement 1 day for every 5 whole days that the employer makes that payment.

Compare: 1981 No 15 s 30A(4), (6)

Section 71(1): amended, on 1 April 2011, by [section 17](#) of the Holidays Amendment Act 2010 (2010 No 126).

Section 71(2): amended, on 1 April 2019, by [section 30](#) of the Domestic Violence—Victims' Protection Act 2018 (2018 No 21).

Section 71(3)(a): amended, on 1 April 2019, by [section 30](#) of the Domestic Violence—Victims' Protection Act 2018 (2018 No 21).

72 When payment for sick leave or bereavement leave must be made

- (1) An employer must pay an employee for sick leave or bereavement leave in the pay that relates to the pay period in which the leave is taken.
- (2) However, if an employee is required to provide proof of sickness or injury under [section 68](#) and fails, without reasonable excuse, to do so, the employer is not required to pay the employee for any sick leave in respect of which the proof is required until the employee complies with that requirement.

Section 72(2): amended, on 22 October 2004, by [section 11](#) of the Holidays Amendment Act 2004 (2004 No 85).

Employment Relations Act 2000

79 Eligible employee taking employment relations education leave entitled to ordinary pay

- (1) An employer must pay to an eligible employee the employee's relevant daily pay as defined in [section 9](#) of the Holidays Act 2003 or average daily pay calculated in accordance with [section 9A](#) of that Act (as the case may be) for every day or part of a day taken by the employee as employment relations education leave.
- (2) However, an employer is not required to comply with subsection (1) in respect of any day for which the eligible employee is paid weekly compensation under the [Accident Compensation Act 2001](#).

Section 79(1): substituted, on 1 April 2011, by [section 18](#) of the Holidays Amendment Act 2010 (2010 No 126).

Section 79(2): amended, on 1 April 2002, by [section 337\(1\)](#) of the Accident Compensation Act 2001 (2001 No 49).

Section 79(2): amended on 3 March 2010, pursuant to [section 5\(1\)\(b\)](#) of the Accident Compensation Amendment Act 2010 (2010 No 1).

Accident Compensation Act 2001

Employer's duty to pay first week compensation

97 Employee's right to receive first week compensation

- (1) First week compensation for loss of earnings is payable to a claimant who—
 - (a) has an incapacity resulting from—
 - (i) a work-related personal injury for which he or she has cover; or
 - (ii) a motor vehicle injury to which [section 29\(2\)](#) applies, being a motor vehicle injury that is also a work-related personal injury; and
 - (b) was an employee immediately before his or her incapacity commenced.
- (2) The compensation payable is 80% of the amount of earnings as an employee lost by the employee, as a result of the incapacity, during the first week of incapacity.
- (3) For the purposes of this section, there is a presumption that the earnings the claimant loses as a result of the incapacity is the difference between—
 - (a) the claimant's earnings in the 7 days before his or her incapacity commenced; and
 - (b) the claimant's earnings in the first week of incapacity.
- (4) The presumption can be rebutted by proof to the contrary.

Compare: 1998 No 114 s 76

