



Underpayments Audit - Some of the Most Common Underpayments We See

Take a look at some of the most common errors we've seen in payroll audits in the past years.



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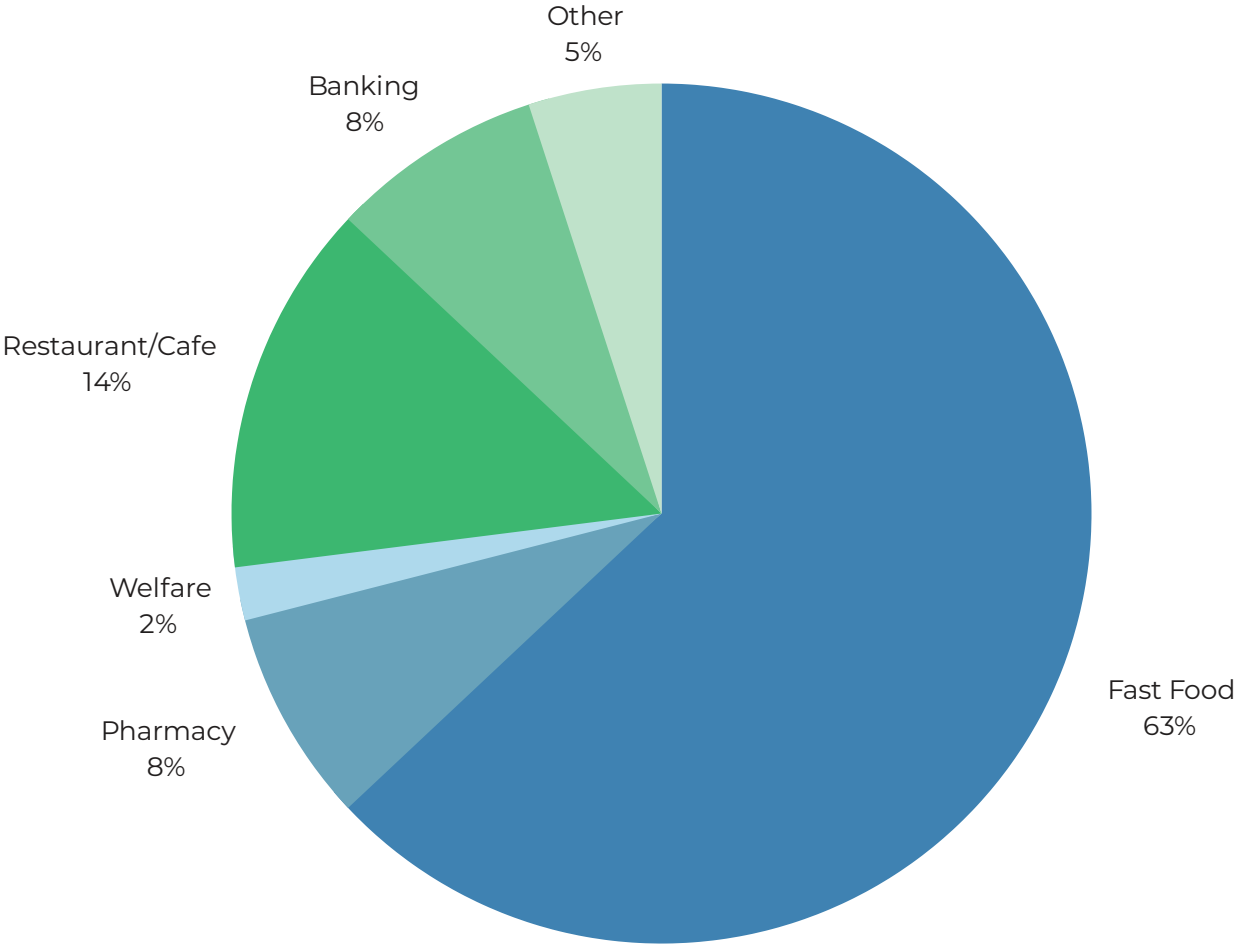
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AUDIT BREAKDOWN

WageSafe have completed many audits for businesses of various sizes and across various industries. Whilst the majority of our audits were conducted for clients in the Fast-Food industry, we also audited numerous businesses in the health care, financial services, restaurant, and pharmacy sectors. This gave us a broad perspective on how businesses were performing when it came to payroll compliance.

Industry Mix %



AUDIT METHODOLOGY

Industrial Instruments

This section tested the knowledge and understanding of employers with regard to what Award or Enterprise Agreement covered the audited business, and their understanding of the National Employment Standards.

General Employment Conditions

This section tested processes and procedures in place for:

- Applying for and taking the various types of leave.
- How meal breaks are managed.
- Payment process.
- Pay slips.

Time & Wage Records

This section tested compliance against the applicable industrial instrument & the Fair Work Act record keeping requirements for the sample period selected.

Specifically, we focused on:

- Base rates.
- Penalty rates (where applicable).
- Leave accrual.
- Superannuation.
- Rosters, timesheets, payroll records matching.
- Records being kept in the prescribed form.

Engagement Process

This section examined the engagement procedures in place within the business.

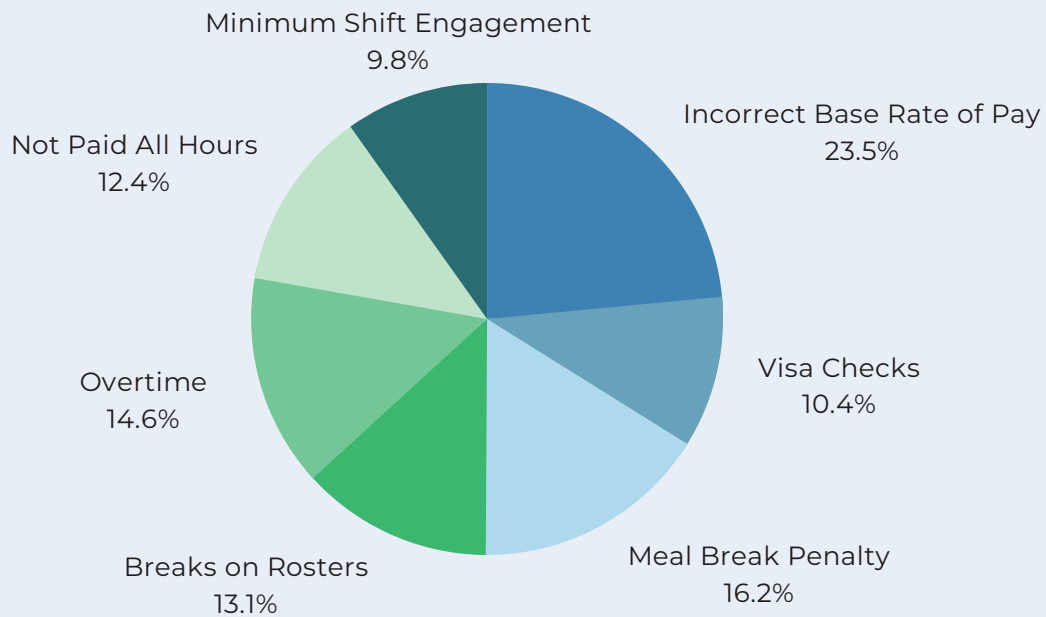
We focused on:

- Application forms.
- Employment contracts.
- Right to Work checks.
- Management processes in place for visa holders.

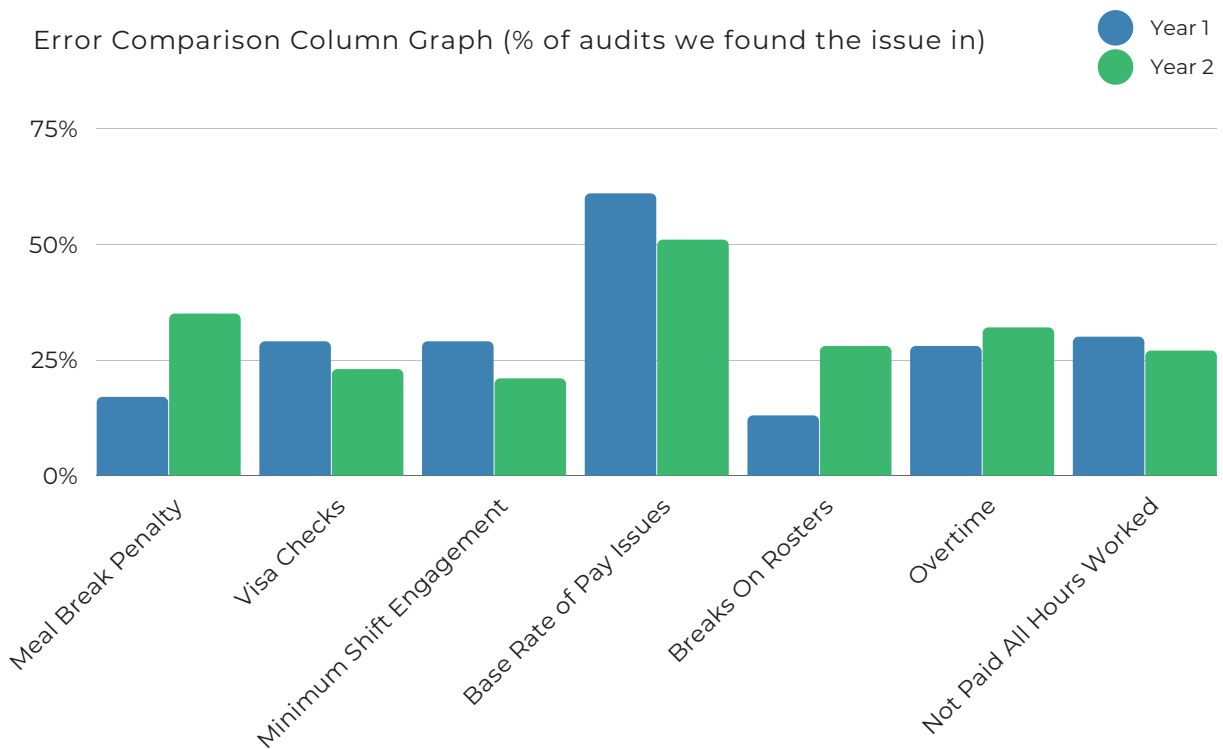


RESULTS SUMMARY

Number of errors – Pie Chart (the % of errors compared to all the errors we found).



Error Comparison Column Graph (% of audits we found the issue in)



KEY FINDINGS

Incorrect Base Rate of Pay (23.5%)

Whilst incorrect base rate of pay issues are still the most common error we found, the overall frequency we found them at was over 16% lower than the previous year. Regardless, the fact that over 50% of businesses audited had this issue, highlights how easy it is for payroll errors to occur. Generally, these issues can be caused by:

- Missed birthdays for employees under 21 who are entitled to pay increases.
- Incorrectly classifying an employee and paying them at a rate of pay for a lower classification.
- Missed National minimum wage increases.

From our perspective, these errors above are occurring due to employers not

being familiar with the Award requirements, and/or not having systems in place to update pay rates periodically (for example, an automated payroll program).

Solutions:

Franchisors have a responsibility to their franchisees to ensure they are providing them with the necessary training and tools to be compliant with Australian Workplace laws.

For all businesses, payroll audits can be considered as a way of identifying any errors within the payroll system before they develop into a much larger issue.

For an automated real time solution to this problem, WageSafe offers you complete assurance that you are getting your Base Rate of Pay correct.



Meal Break Penalty (16.2%) and Breaks on Rosters (13.1%)

There are various requirements regarding meal breaks, such as how breaks are recorded, the length of the meal break and the time the break was taken. These requirements can differ depending on the employee's classification, and the Award or Agreement they are covered by, leading to confusion for those who are not familiar with their Industrial Instrument. The frequency in which we found these issues in our audits has grown substantially. We found this was due to:

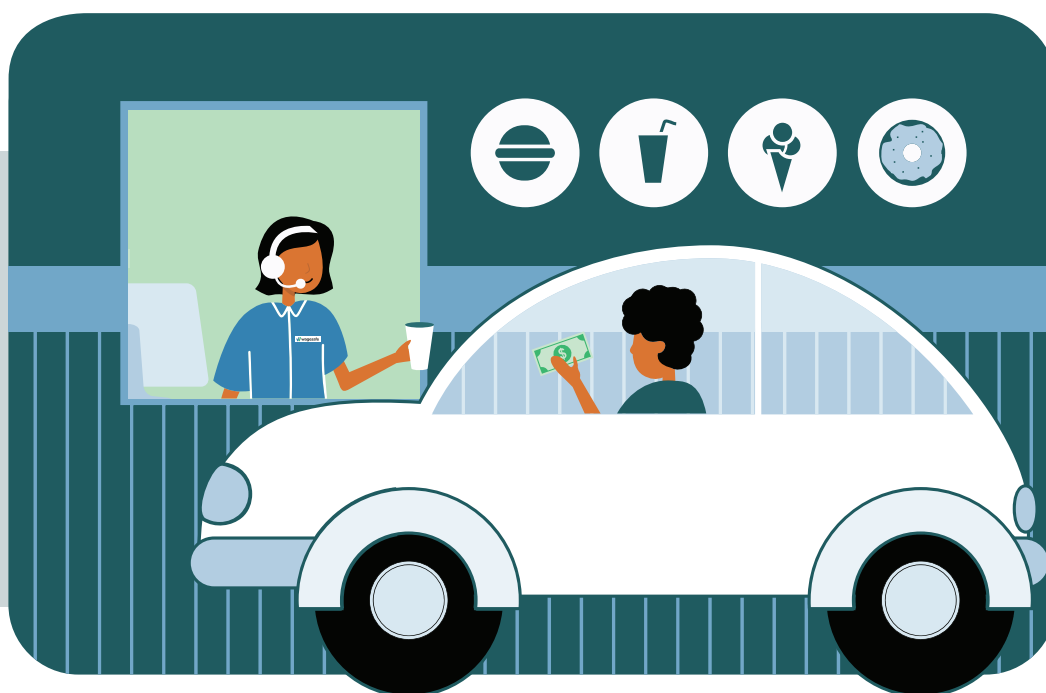
- Employees not taking breaks and not being paid a meal break penalty for a missed or delayed break.
- Employees taking too long a break between different parts of their shift, which triggers split shift penalties.
- Employees' breaks not being recorded.

Solutions:

Education and technology both play a part in potential solutions to ensure meal breaks, and breaks in general, are recorded correctly. Here are some more specific solutions:

- Make employees legally aware of their responsibility to take a break within the given time frame.
- Rostering breaks so employees know when they are expected to take breaks.
- Having employees use electronic time and attendance systems to record when employees take their breaks (i.e. clock on and off).
- Setting alerts for managers to ensure employees take breaks, so they don't forget.

For an automated real time solution to this problem, WageSafe offers you complete assurance that you are getting your Meal Break Penalty & Breaks on Roster pay correct.



Overtime (14.6%)

Overtime can be a complex part of Awards and Agreements and it will be especially difficult to understand when or how overtime is applied if employers don't have a solid understanding of their Award or Agreement.

The main issues we identified in audits which resulted in underpayments from overtime were:

- Employers not being aware of all overtime requirements under the relevant Award or Agreement.
- Employees swapping or covering shifts, especially in unexpected or short notice situations which triggers overtime.
- Not recording agreed work patterns or shift variations in writing.
- Contracts or 'letters of offer' not detailing overtime or offset clauses correctly.

Solutions:

Once again, technology products like WageSafe offer solutions to this problem. However, it is important to consider education in conjunction with these solutions.

Here are some alternative processes that might help:

- Implement a policy in which the swapping and covering of shifts must be prior approved by management and make all management and regular employees aware of this.
- Electronically storing any agreed work patterns and variation.

For an automated real time solution to your Overtime problem, WageSafe offers you complete assurance that you are getting your payroll correct.



Not paid all hours worked (12.4%)

Through our audits, we identified two main reasons as to why some employers were not paying their employees for all hours worked.

Firstly, if employees are clocking in a few minutes early and then staying back a few minutes late, they should be paid for this time. We found that often employers would round shifts up or down in 5-15 minute intervals resulting in underpayments. Even though these underpayments may be small, over several years this can equate to thousands of dollars of underpayments. Similar to this previous issue, we found that some businesses and their processes required some employees to spend extra time at the store after they had technically finished their shift. For example, if an

employee is closing the store at 5:00pm yet actually finishes at 5:10pm, then they should be getting paid to 5:10pm.

Solutions:

A useful way to ensure an employee's time worked is accurately recorded is to have them sign in and out with an electronic time and attendance system. It is important that you clarify with your employees that they should not be clocking on as soon as they enter the premises, through adhering to robust workplace policies. Ideally, employees are then clocking on or off at the correct times and are following a disciplinary process with respect to policies in place.

For an automated real time solution to this problem, WageSafe offers you complete assurance that your staff are being paid correctly for all their time worked .



Visa Checks (10.4%).

Conducting proper 'Right-to work' and visa checks are vital when employing visa holders, to ensure all employees are working lawfully within your business. Employers who may be allowing visa holders to work in the business unlawfully (even if unknowingly) risk facing enormous fines for non-compliance. The main causes we identified for Visa Check issues were:

- Employers weren't aware of how to correctly perform a VEVO check.
- Employers conducting VEVO checks but not on a regular basis (to capture any changes in visa status).
- Employers put the onus on the employees to provide them with their own VEVO checks.
- Employers assuming that an employee was on university break based on an employee's word or other student visa employees being on a break.

Solutions:

- Franchisors should be providing franchisees with training on how to perform VEVO checks and how to record their results.
- Utilise WageSafe to automate the VEVO check and recheck process.
- Businesses and employers must have, and follow, a policy that dictates that a student visa employee must provide official letters from their university that they are on a school break if they intend to work more than 40 hours per fortnight.
- Periodically reviewing and auditing VEVO checks to ensure they are being kept up to date and comply with any working restrictions.



Minimum Shift Engagement (9.8%)

We found that the root cause of this issue was a lack of training and understanding of the relevant Awards and/or Agreements. Primarily, management employees (who run shifts) were sending other employees home prior to them completing the minimum shift requirements, for reasons such as a slow trade day.

Another reason why employees weren't being engaged according to the minimum shift requirements was that franchisees were attempting to average hours over a 2 or 4-week period when they processed payroll weekly.

Solutions:

- Training management teams on their responsibilities and requirements under Awards and Agreements is

crucial and will make management teams think twice before sending employees home early, in breach of the Award requirements.

- There should also be a clear policy and documentation process, so that if an employee requests to go home early then it is properly documented and compliant with the legislation.
- Franchisors should ensure that each franchisee is aware of their requirements and responsibilities under the relevant Award. We recommend that franchisors should implement WageSafe or a current form of training for their franchisees, so they have the skills and knowledge to avoid these type of errors.
- Electronic payroll systems can also ensure that an employee is always paid the required minimum shift unless it is properly documented, or giving an alert on the time and attendance system if an employee is clocking off 'early'.





Your real time solution to payroll auditing.

We understand labour law is complex and compliance is ongoing. WageSafe automates payroll auditing allowing you to remediate staff pay today.

WageSafe not only automates payroll compliance and delivers assurance to payroll accuracy, it also provides business intelligence to assist in predicting underpayments and minimising costs.

For more information, please contact Paul Timms at paul@wagesafe.com.au or mobile +61 414 647 573.