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Backups in the age of cloud based software: top tips before finalising end of year payroll

Key Takeaways

- Adequate employee records must be kept for **seven years**, including:
 - **Records of pay**, including the rate of pay, gross amounts, deductions and net amounts, details of any incentive-based payment, bonuses, leave loading, penalty rates, etc.
 - **Hours of work** undertaken, including overtime hours, a copy of any written agreements for time-in-lieu arrangements, or other alternatives to paid overtime.
 - **Entitlement and leave records**, including any leave taken and balance of leave available (this includes annual, personal, compassionate and parental leave balances), as well as records of cash-out agreements.
 - **Superannuation contribution records** the amounts, dates and relevant periods for contributions made, as well as the relevant fund's details.
 - **Termination records** including whether the employment was terminated by consent, notice, summarily, or in another specific matter, if notice was provided (and the length of the notice period), and the name of the person who terminated the employment.
- Most cloud-based software providers only maintain backups of your data for a short period
 - MYOB Software will delete historical leave balances records when closing a payroll year
 - In MYOB, once a termination date is entered in the employee card, all details of leave taken are permanently removed from the system.
 - These details are not restored if the employee card is reinstated.
- Reliance only on these cloud backups **puts your business at risk**, and a failure to keep adequate payroll records is a direct contravention of the *Fair Work Act 2009 (Cth)*
 - Attracting fines that range from \$6,300 *per contravention* for an infringement notice, up to \$630,000 *per contravention* for serious, systematic breaches.
- Maintaining and archiving detailed employee entitlement records in accordance with the Fair Work requirements is essential to safeguard your business when preparing termination payments

Steps to take before finalising your payroll information this EOFY

- In addition to saving your finalised payroll information reports at year-end, the following reports should be saved and **kept for seven years**:
 - **Employee entitlement detailed reports**, including:
 - Records of any leave taken and accrued throughout the year
 - Details of any manual adjustments made to employee entitlement balances
 - Copies of any agreements made to cash out a leave amount and the applicable rate at the time of payment
 - **Employee payroll activity reports**, including:
 - Details of hours worked, including any overtime
 - The rate of pay paid to the employee, and any additional penalty, incentive-based rates or bonuses provided throughout the payroll year
 - Gross and net amounts paid and any deductions from the gross amounts

Tip! Make sure that your payroll software is calculating ordinary hours as outlined under your industry award, specific employment contract or the Fair Work Act 2009.

- Superannuation payment details, including:
 - Amounts paid to the employee
 - Date the amount was paid to the complying superannuation fund
 - The period in which the super was earned
 - The relevant fund details
- Termination records, including:
 - If the employment was terminated by consent, notice, summarily or in another specific manner
 - Details of if a notice period was provided
 - The name of the person who terminated the employment
 - Details of calculations made in the payment of any long service leave, redundancy amounts and lump sum leave entitlements

Tip! If a significant adjustment is required for an employee's leave entitlement balance due to a system error or miscalculation, request a signed representation letter for your records.

- If your business is using MYOB, create a manual backup before finalising your payroll information. Creating a backup ensures that you can generate 'point-in-time' reports from the backup when required
 - This backup should be stored for seven years ◀

- In the unfortunate event of a Fair Work investigation, any reports requested can be easily generated in real time

The team at Merit Partners are happy to assist you with all of your EOFY payroll needs! Contact us today for more information on the ways you can safeguard your payroll processes in the error of cloud based accounting. ■

Helpful Links

For more information on your record-keeping obligations under the Fair Work Act 2009 see:

<https://www.fairwork.gov.au/how-we-will-help/templates-and-guides/fact-sheets/rights-and-obligations/record-keeping-pay-slips>

Xero:

Xero EOFY resources:

<https://www.xero.com/au/resources/financial-year-resources/small-business/>

EOFY payroll checklist for Xero:

<https://www.xero.com/content/dam/xero/pdf/au-eofy-payroll-checklist.pdf>

Processing a final pay in Xero:

<https://central.xero.com/s/article/Process-a-final-pay-for-redundancy-or-termination#Processfinalpayforaredundancy>

MYOB:

MYOB EOFY Resources:

<http://help.myob.com/wiki/display/ea/End+of+financial+year+in+Australia>

Preparing payment summaries and closing a payroll year in MYOB:

<http://help.myob.com/wiki/display/ar/Closing+a+payroll+year>

Processing a final pay in MYOB:

<http://help.myob.com/wiki/display/ar/Processing+a+final+pay>

Creating a backup:

<http://help.myob.com/wiki/display/ar/Back+up+your+company+file>

**For all up to date information on *Merit Alert* topics
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References: <https://www.fairwork.gov.au/how-we-will-help/templates-and-guides/fact-sheets/rights-and-obligations/record-keeping-pay-slips>