

# PAYROLL AUDIT CHECKLIST

Conducting a payroll audit ensures compliance with wage laws, identifies discrepancies, and improves financial accuracy. Follow this detailed checklist to safeguard your business from wage theft allegations and ensure compliance with Fair Work laws.

## ● PRE-AUDIT PREPARATION

- Define the scope of the audit (e.g., time period, departments, employee types).
- Assemble an audit team, including HR, finance, and legal representatives.
- Gather payroll records, employment contracts, and timekeeping data.
- Ensure access to payroll software and financial reporting tools.

## ● EMPLOYEE CLASSIFICATION REVIEW

- Verify all workers are correctly classified as employees or independent contractors.
- Ensure casual, part-time, and full-time employees receive proper entitlements.
- Review award coverage to confirm compliance with relevant Fair Work Awards.
- Check for the correct classification of exempt vs. non-exempt employees.

## ● WAGE AND OVERTIME COMPLIANCE

- Confirm employees are paid at least the minimum wage set by Modern Awards.
- Verify proper overtime calculations, penalty rates, and shift loadings.
- Ensure payments for public holidays, weekends, and special allowances align with industry awards.
- Check for unauthorized deductions or shortfalls in wages.

## ● SUPERANNUATION CONTRIBUTIONS

- Confirm superannuation contributions meet legal requirements (10.5% or as per updates).
- Ensure super payments are made on time and to the correct funds.
- Review contribution records to verify correct payment amounts.
- Address any missed or late super payments.

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## ● PAYROLL RECORD-KEEPING COMPLIANCE

- Confirm that all payroll records are stored for at least seven years.
- Ensure payslips are generated correctly, detailing wages, deductions, and tax information.
- Cross-check timesheets with payroll reports for discrepancies.
- Validate the accuracy of leave records, including annual, sick, and parental leave.

## ● TAX COMPLIANCE AND REPORTING

- Confirm PAYG withholding tax is deducted and reported correctly.
- Verify submission of Business Activity Statements (BAS) to the ATO.
- Ensure fringe benefits tax (FBT) and other employer obligations are met.
- Cross-check end-of-year reporting, including payment summaries and Single Touch Payroll (STP) lodgments.

## ● PAYROLL PROCESSING ACCURACY

- Validate data entry procedures to prevent errors in payroll processing.
- Conduct a reconciliation of bank transactions against payroll reports.
- Ensure payroll system settings align with company policies and industry requirements.
- Confirm proper authorization procedures for payroll adjustments and corrections.

## ● EMPLOYEE BENEFITS AND ALLOWANCES

- Verify that all benefits, bonuses, and allowances comply with company policies and awards.
- Ensure meal, travel, and uniform allowances are correctly calculated.
- Review reimbursement processes for compliance with tax laws.
- Audit salary sacrifice arrangements for proper documentation and deductions.

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## ● PAYROLL SYSTEM SECURITY AND INTERNAL CONTROLS

- Ensure payroll software is updated with the latest compliance features.
- Restrict payroll access to authorized personnel only.
- Conduct audits of user activity logs in payroll systems.
- Implement two-factor authentication for added security.

## ● CORRECTING ERRORS AND IMPLEMENTING IMPROVEMENTS

- Identify and address any payroll discrepancies found during the audit.
- Issue back payments for any underpayments immediately.
- Adjust payroll systems to prevent recurring errors.
- Provide recommendations for improving payroll processes.

## ● EMPLOYEE COMMUNICATION AND TRANSPARENCY

- Inform employees of any adjustments made to wages or entitlements.
- Provide updated payroll policies to all staff.
- Offer training for HR and payroll teams on compliance best practices.
- Set up an anonymous reporting channel for payroll concerns.

## ● ONGOING MONITORING AND COMPLIANCE CHECKS

- Schedule regular payroll audits (quarterly or annually).
- Implement automated compliance monitoring tools.
- Stay updated with changes in Fair Work laws and payroll regulations.
- Engage external payroll compliance experts for periodic reviews.