# FINANCIAL POLICIES AND PROCEDURES

## SECTION 5: OPERATING EXPENDITURE & PAYABLES

## POLICY 1: PAYROLL

### Policy Rationale

In being a responsible employer, [organisation] will pay all employees and contractors accurately and on time.

[organisation] will also comply with all legislative requirements, employer responsibilities, and relevant tax and financial obligations in being an employer.

It should be noted that this payroll policy only covers aspects of paying employees and contractors. [organisation]’s employment policies, processes and procedures are covered under separate Human Resources policies and manuals.

### Policy Statement(s)

All of [organisation]’s payroll obligations will be met in accordance with the following:

1. [organisation] will pay its employees accurately and on a timely basis, in accordance with the terms and conditions of employment agreements
2. [organisation] will maintain a separate wage and salary record for all staff, including holidays entitled to / taken, and sick days entitled to / taken
3. All non-electronic employee payroll information will be kept in a locked facility to ensure the security of that information
4. Upon receipt of appropriately authorised information, [organisation] will endeavour to update employee payroll information in an accurate and timely manner
5. All payroll related payments will be made by direct credit.
6. Manual payments can be made in very special circumstances within [organisation]’s Delegated Authorities
7. All staff will be provided with payslips
8. Any payments to an employee in excess of their Employment Agreement entitlements are required to be authorised by [organisation]’s Board
9. Advances on wages / salaries to staff will not be paid
10. All deductions from Gross Pay are to be made and forwarded to Inland Revenue on time. This includes Withholding Tax on certain contractors as specified in the Income Tax Act 2007
11. All Inland Revenue PAYE and ACC returns (if any) are to be filed and paid in accordance with the [organisation] Tax Policies and required due dates
12. The KiwiSaver Act 2006 will be fully complied with. All requests from staff are to be promptly processed

The [organisation]’s CFO / Finance Manager is responsible for ensuring:

1. [organisation]’s Payroll software and systems are fit-for-purpose, current and secure
2. All changes in remuneration (including bonuses) are appropriately reviewed and authorised, in accordance with [organisation]’s Delegated Authorities, before the processing of payroll system transactions and payments
3. All payroll liabilities are fairly reflected in the Financial Statements and Management Reports of the organisation
4. The segregation of duties, whereby no employee is responsible for both processing payroll transactions and processing payroll payments
5. Any changes in relevant legislation are promptly adhered to

### Policy Implementation and Related Procedure Documents

The implementation and review of these Payroll policies are the responsibility of [organisation]’s Audit, Finance & Risk Committee.

[organisation]’s Audit, Finance & Risk Committee may request that the External Auditors review payroll functions as part of the annual audit.

The [organisation]’s CFO / Finance Manager is responsible for:

* Implementing and updating Payroll systems and procedures in accordance with best practice principles.
* The performance of the payroll function in accordance with [organisation]’s Delegated Authorities.
* Ensuring all PAYE returns are completed accurately, filed and paid on time
* Providing [quarterly] reports to the Audit, Finance & Risk Committee on the status of [organisation]’s employee leave balances.

The following [organisation] policies and frameworks should be referred to in this regard:

* Finance Manual
* Employment NZ website ( https://www.employment.govt.nz/ )
* Employment Contracts
* Delegated Authorities Policy
* Financial Reporting & Monitoring Policy
* Accountability, Internal Controls & Audit Policy
* Financial Systems & Procedures Policy
* Record Management & Data Security Policy
* Tax & Charitable Status Policy
* Tax (Non-charitable Entity) Policy

### Legislative Compliance Considerations

* Employment Relations Act 2000
* Minimum Wage Act 1983
* Holidays Act 2003
* Holidays Act 2003 Assurance Framework from MBIE
* Income Tax Act 2007
* Accident Compensation Act 2001
* KiwiSaver Act 2006
* Tax Administration Act 1994

### Review Protocol

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| --- | --- |
| Policy Reviewed By: | Audit, Finance & Risk Committee |
| Date Reviewed: | [Date] |
| Next Review Date: | [Date] |
| Revokes Policy Reviewed: | [Date] |