

# GUIDE TO SELF-AUDITING YOUR BUSINESS



Australian Government

Fair Work  
OMBUDSMAN



Australian Security Industry  
Association Limited

## Why use this guide?

We recommend that all businesses, including contractors and subcontractors review their workplace practices regularly to make sure they're complying with the *Fair Work Act 2009* and the *Fair Work Regulations 2009*. This is called a self-audit.

Doing regular self-audits helps you to:

- ▶ plan and run your business better
- ▶ reduce the likelihood of disputes or costly mistakes
- ▶ make you more competitive when tendering for jobs
- ▶ (if applicable) meet the requirements of a contract.

This guide will take you through a simple five step process to audit your records efficiently:

### Step 1 - Check the law

### Step 2 - Check your record-keeping

### Step 3 - Audit your records

### Step 4 - Review the findings

### Step 5 - Fix any problems

*Disclaimer: The Fair Work Ombudsman is committed to providing you with advice that you can rely on. The information contained in this guide is general in nature. If you are unsure about how it applies to your situation you can call our Infoline on 13 13 94 or speak with a union, industry association or a workplace relations professional.*

## Step 1: Check the law

### Make sure you know your workplace basics!

Before doing an audit, it's important to know the basics about workplace laws and how they apply to your business.

To check your knowledge of workplace laws, a good place to start is by completing the FWO's Workplace Basics quiz. The quiz will provide you with tailored feedback and resource links to brush up on any areas you need help with. You can access the quiz at [www.fairwork.gov.au/basicsquiz](http://www.fairwork.gov.au/basicsquiz).

### Check your award(s) or registered agreement(s)

To check you're compliant, you can start by reviewing the applicable award or registered agreement.

## Awards

Awards (modern awards) outline minimum pay rates and conditions of employment.

Awards apply to businesses and employees depending on the industry they work in and the type of job they do.



### Practical tip

Our 3-step Find my award tool will help you find the award that covers your workers at [www.fairwork.gov.au/awards-and-agreements/awards/find-my-award/](http://www.fairwork.gov.au/awards-and-agreements/awards/find-my-award/).

## Agreements

Registered agreements set out minimum employment conditions.

When a workplace has a registered agreement, the award doesn't apply. However:

- ▶ the pay rate in the registered agreement can't be less than the pay rate in the award
- ▶ the National Employment Standards still apply.

### Find a registered agreement

If you're not sure if your business is covered by a registered agreement, you can search the Fair Work Commission's website at [www.fwc.gov.au/awards-and-agreements](http://www.fwc.gov.au/awards-and-agreements).

Some employees aren't covered by an award or registered agreement. These employees are still covered by the National Employment Standards and the National Minimum Wage. For more information go to [www.fairwork.gov.au/awards-and-agreements/award-and-agreement-free-wages-and-conditions](http://www.fairwork.gov.au/awards-and-agreements/award-and-agreement-free-wages-and-conditions).

### Tailored advice from your industry association

Your industry or business association can provide you with tailored advice and assistance to help you understand your rights and your obligations to your employees. A list of organisations that are formally registered under the national workplace relations system can be found at [www.fairwork.gov.au/registeredorgs](http://www.fairwork.gov.au/registeredorgs). There may also be other industry and business bodies in your area that can help.

## Step 2: Check your record-keeping

You need to keep certain information for each of your employees. Before you start auditing your records, a good place to start is by checking that you're keeping the right records. You can use our template in Attachment A of this guide to help you do this or visit our record-keeping page at [www.fairwork.gov.au/recordkeeping](http://www.fairwork.gov.au/recordkeeping).

### Important

Even if you have someone else like an accountant doing your books, you're still responsible for ensuring you're paying your employees correctly and keeping the right records. Good record-keeping can help you avoid fines and resolve issues when they arise.

## Step 3: Audit your records

We suggest that you start by choosing the records of a sample of your employees (25% of your workforce is a good rule of thumb – ensure you include a mix of full-time, part-time and casual employees as well as apprentice or junior employees if you have any. This increases the chance you'll pick up any issues).

If an employee has asked about their pay or entitlements, it's a good idea to start your audit by checking their records first.

It is also helpful to select a timeframe to audit. You may want to select:

- ▶ the most recent pay period or roster cycle (for example, 2 - 4 weeks)
- ▶ a pay period when overtime was worked, to make sure the right entitlements were paid
- ▶ a pay period that included a public holiday.

## Check your records

There are nine different types of business records you need to check. They are an employee's:

- A. General employment details
- B. Pay rate
- C. Pay slips
- D. Record of time worked
- E. Leave records
- F. Superannuation records
- G. Termination records
- H. Transfer of business records
- I. If applicable, records related to individual agreements.

### Important

Use our detailed checklist in **Attachment B** of this guide to help you audit the records of each employee – print it out and record your findings as you progress through this guide.

### A. Check you're recording your employee's general employment details

Start by checking that you are keeping the required general employment details of each of your employees. This includes details like the employee's full name, their start date and employment type (full-time, part-time, casual).

### B. Check you're paying your employees correctly

Check that you are recording the amount you're paying each of your employees, and that you're paying the right amount. You can check pay rates, as well as other entitlements like allowances and penalty rates, using our Pay and Conditions Tool (PACT) at [www.fairwork.gov.au/pact](http://www.fairwork.gov.au/pact).

### Important

An employee's pay rates may increase from time to time, for example:

- ▶ in July each year (after the minimum wage review)
- ▶ if their duties change
- ▶ when they move to the next stage of an apprenticeship or traineeship
- ▶ when they have a birthday (if they're a junior employee).

### C. Check your employee's pay slips

It's important to ensure you're putting the right information on your employee's pay slips. It is a requirement to include information like the employer's name and ABN. **Attachment C** shows you what an example pay slip looks like.

#### Important

Pay slips must be given to an employee within one working day of pay day, even if an employee is on leave. They can be in either electronic form or hard copy.

### D. Check your time records

Check that you are keeping the correct records about the hours your employees are working. This includes all hours by casual, regular or part-time employees.

### E. Check your employee's leave records

It's a requirement to keep records about any leave taken by your employees and how much leave they have.

An employee's leave accumulates during the year and any unused leave will roll over from year to year. You can use PACT to find out how much annual or personal leave an employee has accumulated at [www.fairwork.gov.au/leavecalculator](http://www.fairwork.gov.au/leavecalculator).

### F. Check your employee's super contributions are correct

You need to keep records of how much superannuation you've paid your employees and check that you've paid the correct amount. You will need to check things like the amount paid and the pay period for the contribution.

You can find more information about superannuation contributions at our Tax and Superannuation page at [www.fairwork.gov.au/pay/tax-and-superannuation](http://www.fairwork.gov.au/pay/tax-and-superannuation).

### G. Check your termination records

If a worker's employment with your business has ended, you need to keep a record about it. The record needs to detail information including how the employment was ended and the name of the person who ended the employment.

#### Need help with termination and redundancy?

You can use our Notice and Redundancy Calculator at [www.fairwork.gov.au/noticeandredundancycalculator](http://www.fairwork.gov.au/noticeandredundancycalculator). Sometimes, a registered agreement or contract will give a more generous entitlement at termination.

## H. If there has been a transfer of business, check you have the records

If there has been a transfer of business, the old employer has to give you records of any transferring employee. You should also ask for employment records from the old employer for any transferring employee who becomes an employee within three months of the sale.

## I. If you have individual agreements, check the records

You may have entered into individual agreements with some of your employees. If so, check to see that you've recorded the following:

- ▶ if you have an **individual flexibility agreement**, you must keep a record of the written agreement and any notice/agreement to terminate the flexibility agreement
- ▶ if you have a **guarantee of annual earnings** (a written agreement between an employer and an employee which guarantees that the employee will earn a high income for at least 12 months), you must keep a copy of the written agreement and any record of the cancellation of the agreement.

## Step 4: Review the findings

If your self-audit shows that you've been meeting your requirements, congratulations! It's likely you're complying with workplace laws.

You can remain up to date by registering for an online account with us at [www.fairwork.gov.au/register](http://www.fairwork.gov.au/register). There you'll be able to:

- ▶ make enquiries online for priority support
- ▶ save results from our Pay, Shift, Leave and Notice and Redundancy Calculators
- ▶ save awards and award summaries
- ▶ save your favourite pages from our website to read or refer to later
- ▶ get information tailored to your needs.

However, mistakes can happen and if you identify any issues you need to fix them up. Step 5 tells you how you can do that.

## Step 5: Fix any problems

If you find any underpayments or any other potential compliance issues, you can go back and audit more records to make sure you know the full extent of the issue. This could involve:

- ▶ checking the records of other employees that may be affected
- ▶ expanding the timeframe for your audit back until you find when the issue started.

## Correcting errors

If your self-audit shows that an error has been made, we recommend you do the following:

1. Take steps to prevent the error in the future.
2. Fix any errors for both current and former employees. For current employees, it's a good idea to let them know what's happening. You should explain:
  - ▶ what is being fixed and how you identified the problem
  - ▶ any changes that you've made (eg. that you're now paying the award pay rate)
  - ▶ that the error is specific to that employee – you don't want other employees to hear about the issue and think that they're affected by it if they're not.

For former employees, contact them to confirm the best way to fix any back-pay.

## How much back-pay do I need to pay?

Your employees need to be back-paid any amount they are owed, no matter how large or how small. Your employees should be back-paid as soon as possible.

Your employee might choose to take legal action if they're not back-paid the correct entitlements.

# Attachment A

## Self-audit template

Employee	Classification	Award or Agreement pay rate	Current pay rate	Employment Record	Record of hours worked	Pay Record	Leave Record	Super Record	Termination Record
John Smith	Chef – Grade 2	\$23.00	\$25.00	✓	✓	✓	✓	✓	✓

# Attachment B

## Audit Checklist

Go through this checklist for each of your employees to make sure you've kept the correct records.

Business Record	Information
<b>A. Employment details</b>	<input type="checkbox"/> employee's full name <input type="checkbox"/> start date <input type="checkbox"/> employment type (full-time/part-time/casual) <input type="checkbox"/> employment basis (permanent/temporary) <input type="checkbox"/> employer's full name and ABN
<b>B. Pay rate</b>	<input type="checkbox"/> pay rate <input type="checkbox"/> before and after tax amounts paid <input type="checkbox"/> deductions <input type="checkbox"/> any incentive – based payment, bonus, loading, penalty rate of any other monetary allowance or separate amount
<b>C. Pay slips</b>	<input type="checkbox"/> employer's name and ABN <input type="checkbox"/> employee's full name <input type="checkbox"/> date of payment <input type="checkbox"/> pay period <input type="checkbox"/> before and after tax amounts <input type="checkbox"/> if paid hourly – the hourly rate, hours worked and total amount paid <input type="checkbox"/> if paid an annual salary – the employee's salary rate <input type="checkbox"/> loadings/allowances/bonuses/incentive payments/penalty rates/other separate monetary amounts <input type="checkbox"/> any deductions made <input type="checkbox"/> super contributions made or required for that pay period and the fund name or name and number

<b>D. Record of time worked</b>	<input type="checkbox"/> hours worked for casual or irregular part-time employees, or piece workers <input type="checkbox"/> overtime hours <input type="checkbox"/> agreement to average hours worked
<b>E. Leave records</b>	<input type="checkbox"/> leave taken <input type="checkbox"/> leave balance <input type="checkbox"/> annual leave cashing out agreement, a record of how much was paid, the amount cashed out and when the payment was made
<b>F. Superannuation Records</b>	<input type="checkbox"/> amount paid <input type="checkbox"/> pay period <input type="checkbox"/> date(s) paid <input type="checkbox"/> the fund name the contribution was made to <input type="checkbox"/> reason the employer paid into the fund
<b>G. Termination records</b>	<input type="checkbox"/> how the employment was ended <input type="checkbox"/> if notice was provided and if so, how much <input type="checkbox"/> the name of the person who ended the employment
<b>H. If applicable, transfer of business records</b>	<input type="checkbox"/> records of any transferring employees <input type="checkbox"/> records of employees who have transferred within 3 months of the sale
<b>I. If applicable: records related to individual agreements</b>	
<b>Individual flexibility agreement</b>	<input type="checkbox"/> a copy of the written agreement <input type="checkbox"/> a copy of any notice or agreement to end the flexibility agreement
<b>Guarantee of annual earnings</b>	<input type="checkbox"/> the guarantee <input type="checkbox"/> date the guarantee was cancelled

# Attachment C

## Example Pay slip:

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### Pay Slip

Employer's name: The Shop Company Pty Ltd

ABN 12 345 678 910

Date of payment 10/05/2016

Pay period: 02/05/2016 – 08/05/16

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Employee's name: Joel Smith

Employment status: Casual

Hourly rate: \$18.99 + 25% casual loading

Entitlements	Unit	Rate	Total
Ordinary hours	32 hours	\$23.74	\$759.68
Other entitlements			
Saturday penalty (+35% of base hourly rate)	6 hours	\$25.64	\$153.84
Gross Payment			\$913.52

Deductions	Total
Taxation	\$152.00
Other deductions	
Total deductions	\$152.00
<b>Net payment</b>	<b>\$761.52</b>

Employer superannuation contribution	
Super Duper Fund	
Contribution	\$86.78