Digitising timesheets with Xtracta helps conquer payroll remediation headaches

Integrity1 is a payroll and HR consultancy determined to bring new rigour to how New Zealand organisations practice payroll. Its partnership with automated data extraction software specialist, Xtracta, is already improving compliance and reducing costs for its customers.

The company recently used Xtracta to help a sizeable kiwi healthcare provider remediate payroll. The project involved extracting data from years' worth of manual timesheets to accurately redress historical payroll issues and fully comply with the New Zealand Holidays Act 2003.

The science of payroll

Sue Hancock, Director of Integrity1, says her company has worked with over 300 clients and has over 50 payroll and HR experts on staff. Its driving ambition is to help companies identify payroll issues and improve processes.

"Poor payroll practice is unfortunately widespread in New Zealand. There are a lot of bad habits companies fall into. Our objective is to teach payroll theory and practice and provide end-to-end services, solutions and support."

As a specialist in payroll/HR and management consulting, Integrity1 helps customers run payroll systems and remediate payroll calculations so they are compliant with all legislation, employment agreements and workplace policies. It also helps companies uncover wage theft and fraud.

"Payroll is very complex and varies from company to company," observes Hancock. "Often staff don't use computer databases properly, and problems are compounded when they don't understand how to apply payroll theory systematically."

The elephant in the room

The New Zealand Ministry for Business, Innovation and Employment is encouraging large employers to undertake payroll reviews as some current and past employees may have inadvertently received underpayments.

The issues mainly relate to entitlements under the Holidays Act 2003 and primarily impact permanent and fixed-term employees (as opposed to casual or contractor staff) and those on a guaranteed hours contract who work variable and unpredictable work patterns or work above their contracted hours.

Hancock says Integrity1 was asked to help a large services provider complete its remediation and implement a compliant payroll system.

Payroll remediation issues

Hancock explains that every day a person works is counted in the system and forms part of a divisor to calculate their average daily rate. However, Integrity1 couldn't perform the calculation because the data in the payroll system was in an aggregated form.

"It wasn't separated into the days that the employee worked on, or took paid leave on, so there was no way of determining either Otherwise Working Days or calculating the correct accumulation for the average daily pay divisor."

"Like many other organisations, the customer had paper-based timesheets and manual payroll processes. Once we delved into it, we realised there were several underlying issues, but the key one that needed redress was recreating the days worked count for each employee. We also needed to determine an Otherwise Working Day for employees to calculate the correct entitlements and payments."

Sue Hancock
Director Integrity1

Hancock said that the payroll system used by the customer could capture the granular information, but it hadn't been switched on. "We ensured that it was turned on so they could automatically obtain the hours per day for each employee going forward as an added process, but that left us with tens of thousands of historical employee timesheets we needed to extract data from."

She says to do it manually would have been a herculean task. "Getting the timesheets out of archives and tasking someone to add up all the days and keep a running total would have been hugely time-consuming and costly – and it would have introduced a high risk of human error."

Xtracta goes to work

Luckily Integrity1 was told about Xtracta's data automation solution and asked its experts to help.

> "We gave them some sample timesheets to run through their software. The trial proved we could get the hours worked each day in an electronic format that we could then include in our remediation calculation."

Xtracta was then put to work on all the timesheets, disaggregating the information into hours worked daily. By combining the optical character recognition smarts of Xtracta with a team doing data validation, Integrity1 was able to speed up the extraction of timesheet data significantly. Xtracta also put rules in place to cater for days that were not to be counted—such as hours worked attributed to leave without pay.

"We continually checked the results against the timesheets to ensure the right data was being extracted," explains Hancock. "If necessary, we could dive deeper into the information by accessing the scanned timesheet and not just rely on the data."

Removing non-compliance risks

With the breakdown of daily hours, Integrity1 could complete the remediation exercise accurately without making estimates or assumptions.

"That's the key point," explains Hancock. "From what we have been told, we believe many companies are simply estimating some remediation components due to a lack of information in the electronic data. It's too laborious and expensive to add it manually; however, if the data exists, as you are legally required to keep accurate time and wage records, it should be used."

If they are estimating, she says, this leaves them open to challenge if employees don't think it hasn't been calculated correctly. "Using Xtracta, we have taken the guesswork out of the equation.

"Hancock believes many businesses in New Zealand and Australia could benefit immensely from the intelligence of Xtracta's character recognition software.

Says Hancock: "All companies have to get the remediation right, and in the absence of electronic data, Xtracta has been invaluable. Many businesses still use manual, paper-based processes, and these need to be addressed and replaced with electronic automation. This removes the need to make assumptions or interpret data manually. It provides peace of mind."

"I would estimate that almost every business of significant size has made mistakes with the Holiday Act, and that is only one piece of legislation. There are many other potential pitfalls, such as KiwiSaver (a New Zealand-wide superannuation scheme), ESCT, taxation, parental leave and minimum wage, as well as misinterpretation of agreed entitlements.

"Much of the information needed to do remediation is available to them, but trying to extract it in a timely and efficient way is cost prohibitive for most organisations if they don't have an automated way of doing it. But they can't abdicate responsibility just because it is too expensive to do."

Sue Hancock,
Director Integrity1

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