

## Not for Profit Payroll: Spending Money Where it Counts

HOT TOPIC

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*Although payroll legislation and rates change every year, it is often a function that is overlooked when it comes to continuous improvement within a Not for Profit, writes Tracy Angwin, Managing Director of Australian Payroll Association.*

I'm a child of the 1970s and as with many of my peers I hate wastage, thanks to all the stories my parents told me about far away famines to encourage me to eat everything on my plate. So I'm a big believer in maximising every dollar available to a Not for Profit to do what they do best; support those who need them.

It's difficult to substantially increase funds for program delivery for the Not for Profit sector. Fundraising is one way to do that, but let's face it, Not for Profits are already very good at working with individuals, corporate and government on fundraising initiatives.

Another way is to cut costs while trying not to cut services or service quality. This one is fraught with danger of course, and often not a realistic option.

The third way is to find efficiencies in your back office. By closely examining your payroll operation, you may be able to release funds that might be tied up in inefficiencies, overpayments and poor payroll processes.

Although payroll legislation and rates change every year, it is often a function that is overlooked when it comes to continuous improvement. This means that organisations are often doing exactly the same things they did a decade ago.

We recently worked with Australian Hearing on their payroll practices and the first thing they noticed after our consultation was that enquiries to the pay office asking them to fix mistakes stopped. This elimination of payroll errors meant it took less time to perform the payroll process, and the payroll team are now able to use that time to produce meaningful information for the business.

Every aspect of the payroll operation was closely inspected including looking at the way Australian Hearing's payroll function was delivered, understanding their technology, automated and manual processes, investigating payroll staffing and productivity levels and ensuring rigour in the payroll process.

The changes that Australian Hearing made following the review are responsible not only for reducing payroll costs by \$250,000, but also for delivering meaningful management information to the HR team and wider organisation.

Australian Hearing has seamless management of staff between 115 locations from the entry of attendance data to payslips. All with minimal manual intervention and minimum risk.

Carel Bothma, Executive Manager of Human Resources concluded: "The payroll review reduced our payroll delivery costs by 55 per cent while reducing risk and errors as well as increasing management information available to the business."

These funds are now dedicated to providing hearing tests and devices to those who need them.

But it's not enough just to look at your processes. We find that even the best payroll teams can have errors in a payroll setup or process that cause overpayments. You'll always be notified of underpayments, but employees will assume that any suspected overpayment is correct and therefore won't bring it to payroll's attention.

This was the case recently for a not for profit organisation who have a high percentage of casual employees. With 200 casuals, even a relatively small error can add up to a huge saving. The payroll team were incorrectly calculating the way that some casual payments were being made and the outcome after fixing this small error was a saving of over \$500,000 per annum. A very welcome increase in funds available to provide services to their clients.

All too often it's easy to see payroll as a function that just repeats itself each week, fortnight or month. Always delivered the same way as last payroll and the one before that. But there are many changes that happen in payroll every year, many minor but often making a material difference.

If you don't keep up to date with these changes and reflect them in your payroll processing, you may be needlessly spending money on administration that would be much better served on the problems that your organisation solves.

**About the Author:** Tracy Angwin is the Managing Director of [Australian Payroll Association](#) (listed on the 2013 BRW Fast Starters List) and author of [The Payroll Revolution; How to Identify and Leverage the Value of Your Payroll Operation](#).