Xero Integration

These instructions cover the setting up of SmoothPay goPayroll to permit the transfer of payroll costing information to Xero (http://www.xero.com) either automatically or via file import.

goPayroll caters for any mix of Account and one or both Tracking Categories as needed.

A set of **Quick Instructions** is provided below for those already familiar with SmoothPay, followed by a **Detailed Instructions** section, as well as a **Troubleshooting** section to help you resolve any integration issues.

Automatic costing journal transfer is available in goPayroll online (auto-transfer is not available in the desktop edition).

Manual costing transfer can also be performed using the Xero format file created by SmoothPay. Import into Xero using Business..Bills to pay..Import.

*Additional guides are available on our website that discuss **Basic Payroll Accounting** (explains the concepts and shows you how simple your payroll accounting processes can be), and **Overheads** (accounting for extra payroll costs as accruing liabilities).*

Quick Instructions

Set up Xero, optional tracking categories and ledger codes

There's an easy way to get things set up (*this way*):

- ☺ ***Codes..Cost centres***: CHANGE the current codes to match their equivalents in your Xero chart of accounts (*they must match for costing transfers to work correctly*). *Try to resist deactivating existing codes and adding your own - it just makes the setup much harder.*

> *NOTE: Xero does not permit use of it's default Net Pay current liability account by anything outside Xero (a petty restriction - you will need to create another Net Pay Holding account to use instead)*

- ☺ ***Configure..Accounting***: Set ledger type to Xero and select your preferred transfer option.

- ☺ **Check** that all the Holding (*current liability*) accounts and default cost centres and tracking categories match those you have in Xero (*edit as above if you need to*).

- ☺ If you are using **Tracking Categories** in Xero, click the *Posting options tool* and select one or both Tracking categories and enter the name you gave each tracking category in Xero (*they must match for costing transfers to work correctly*). You can edit their item names now and at any time in the future (*Codes..Tracking 1, or Tracking 2*)

- ☺ If you wish to use **automatic posting** then click the *Posting options tool* to connect and set your Xero connection (*as some sites have multiple companies they can post to*)

> *TIP: It's a good idea to test the import using Xero's file import to iron out any issues before attempting to use the automatic posting option.*

Generate Costing Information

- ☺ A costing transfer file (*glcosting.txt*) and optional auto-posting of that data can be produced when you run the ***Pay reports..Cost Centre Analysis*** - *it's optional at this point in the Pay Process and generally only used for initial testing when setting up, as mid-process reports are subject to further changes and correction.*
- ☺ Costing reports and files may also be reproduced **at any time for any processed pay period**, or range of pay periods, from *Reports..Pay..Cost Centre Analysis (and also provide a choice of posting options)*.
- ☺ **download** the glcosting.txt file from Files (*if you want to import it manually - handy during initial setup*)

Transfer the costing journal to Xero

- ☺ ***Logon to Xero,*** then navigate to the import utility (*Business..Bills to pay..Import*). The glcosting.txt file produced by Smoothpay is in Xero format - just select Browse and navigate to the glcosting.txt file you downloaded (*the file produced by the report process will be in your Files section, ready to download*).
- ☺ If any errors are reported when the costing file is checked, you will need to repair them or enter the batch manually, and rectify the cause of the problem so it does not occur in future (*wrong or missing account and/or tracking codes are usually the main culprits*)

> *Once you have the manual import process sorted without errors you can set the transfer to occur automatically whenever you run a Cost Centre Analysis report (these are created as draft invoice journal so you can approve, edit or delete as required).*

Paying staff, tax, super and other agencies

Here's a summary of how you apply cost centre analysis to an employee's pay inputs:

Every pay input transaction can have it's own cost centre and tracking categories (*select from the list of available codes - add more if you need to in the Codes section*).

The coding used in the employee's contract settings and standard pay (*if any*) provides the default values for additional transactions. If no standard or current pay transactions exist then default values are obtained from the employee's contract setup.

There is no practical limit to the number of transactions you can create - for example, you can create multiple entries for a particular day, costing each entry in different ways.

In the majority of cases, an employee's wages will all be charged to a single, default cost centre.

Here's a summary of what the costing journal contains:

The costing journal is created when you run the cost centre analysis report (current or historical), and it contains the following entries:
• **debits for the expense codes** used during pay input, and
• **credits for the relevant Payroll Holding Accounts** with tax, deductions and net pay amounts

> *Note: Overheads can also be included in the costing analysis (things such as accruing liabilities for Superannuation, Annual Leave, Long Service Leave, Payroll Tax, Workcover, etc.).*
>
> *A separate guide is provided that discusses the set up and use of Overheads.*
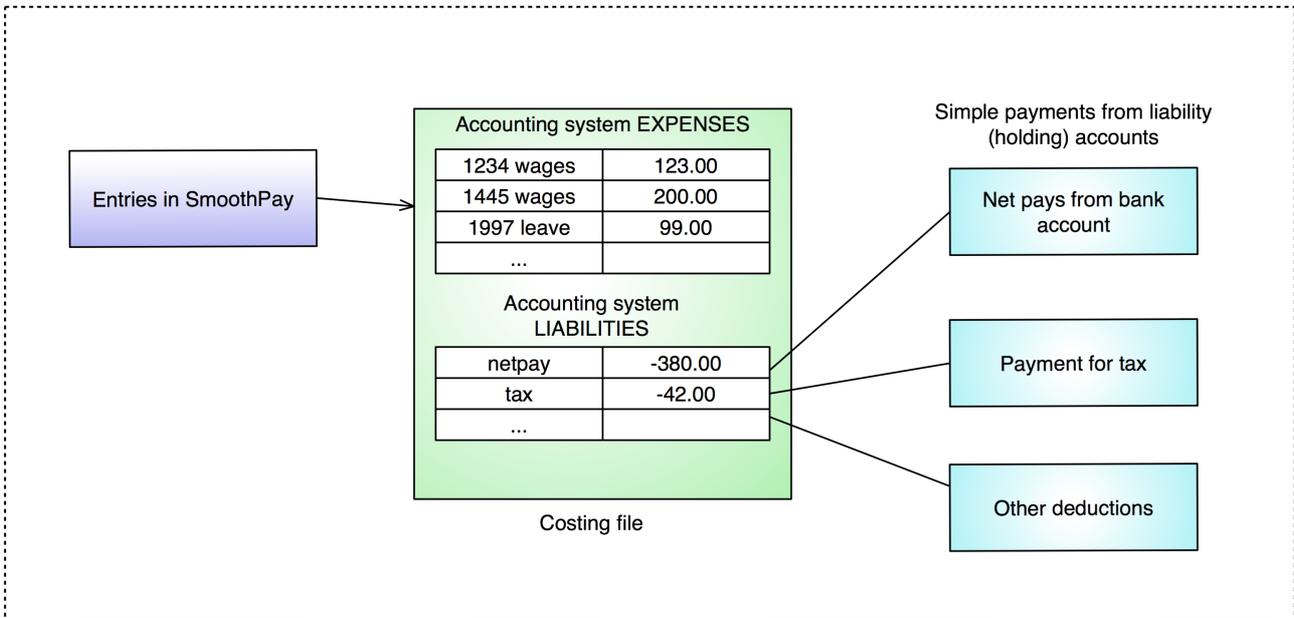
Here's a summary of the actual payments process to staff, super, tax etc.:

Pay the net pays to staff from the Net Pay Holding account.

This is usually the total paid electronically using the Direct Credit file produced by SmoothPay (*you upload it to the bank and authorise it for payment*), but could also comprise any combination of cash, cheque and direct credit amounts.

Charge the net wages entry(s) to your Net Pay Holding account when they appear on the bank statement feed, as **Wages** (you shouldn't identify individual staff in these transactions).

> **Note**: *the direct credit file may include agency payments (garnishee orders and /or amounts withheld and direct credited to the applicable agency's account)*

Pay deductions withheld for tax from the Tax Holding Account.

When it comes time to pay your tax deductions, produce your schedule from SmoothPay's Reports menu, then create the payment in Xero and charge it to your Tax Holding account.

Pay Superannuation (except NZ) contributions

Produce your superannuation schedule from the Reports menu as required.

If you include Superannuation employer contributions as expenses in your costing analysis, pay the superannuation fund/s from the Superannuation Holding Account when payment falls due (the super schedule will advise you the total owed).

If you don't include your superannuation expenses in your costing analysis and accrue it to a specified holding account, then pay as usual from your normal superannuation cost centre (it is much easier to let SmoothPay cost this out for you).

> **Note**: *NZ users pay super contributions with PAYE returns once (or twice for larger employers) each month, so the super holding account should be the same as your tax holding account.*

Paying other agencies for amounts withheld from wages

If you withhold Union fees or other charges and they are not paid directly to the agency as part of your direct credit file (*e.g. union fees paid monthly or quarterly etc*), then pay each agency direct from the relevant Deductions Holding Account (*deductions normally accrue as a liability into a single Deductions Holding Account, but you may specify different holding accounts for every agency payment and deduction if you wish*).

Keeping it simple

This method of making payments (*from holding accounts*) simplifies your payroll accounting, as you do not need to set up your staff as suppliers or creditors and it ensures employee privacy (*as their names no longer appear in your accounting system*).

Detailed Instructions

By far **the easiest and fastest way to get connected** is to edit the provided template accounting codes (*Cost Centres, Tracking 1 and Tracking 2*) in SmoothPay's Codes section (*you need to have set Xero as your accounting system*).

Accounting Settings

Choose ***Configure..Accounting***:

Make sure that you have the correct <u>Holding accounts</u> displayed (you might only have one account for all payroll amounts withheld from wages or you can split any and all individual deductions into their own Holding accounts if you wish - it just depends on the level of control you need.

If you have <u>GST-registered staff</u> (usually contractors), select how you want **GST amounts** to be processed. Use ***Codes..GST codes*** to set up GST codes that match what you use in Xero. Each pay input code (*time, allowances, deductions etc*) can have a specific GST code applied (*affects GST registered staff only*).

Posting options tool (and your Xero connection)

Posting Options tool allows you to tailor which (*if any*) Tracking Categories you are using in Xero and their names *(Smoothpay will display these labels to identify the tracking options - rather than "Tracking 1 and Tracking 2")*.

This is also where you set your Xero connection if you wish to use automatic posting:
• **Connect**: opens the Xero login page and asks if you want to give access permission to goPayroll
• **Select book**: refreshes the company selection so you can select which company in Xero you want to connect to.

Edit existing codes, add new codes

Begin by setting up the holding accounts and cost centres, and any Tracking categories you might wish to use.

When you start SmoothPay, the Control Centre is displayed. Choose **Codes**..***Cost Centres (accounts)***:

Edit these codes to suit your chart of accounts in Xero (*e.g. change the code "WAGES" to "477" to match the wages expense cost centre in Xero*).

You should only add new codes if you REALLY NEED THEM.

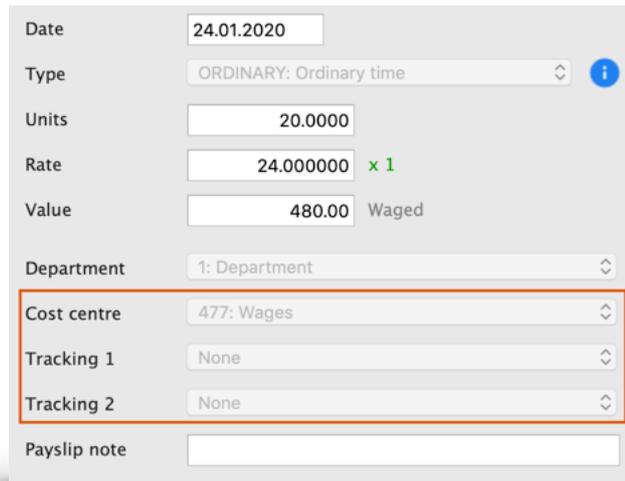Repeat for **Tracking 1** and **Tracking 2** codes (if required).

> **WARNING**: *If you do not set these items correctly, your costing transfer may not operate successfully and cost centres will need to be entered after the costing file has been imported (mis-matched account codes are blanked out during the import).*

Entering account and department information
(analysing your pay input data to departments, cost centres and jobs)

Each employee can be allocated to a specific department (*see employee's Contract tab*).

During time and allowance input you have the opportunity to specify the cost centre that each of the employee's pay entries is to be charged to, as well as any tracking categories *(if used)*.

Time entries can also be imported directly from the FlexiCSV import tool, or direct from your supported TimeClock or online time and attendance system to save payroll preparation time (*refer separate guides for all these*):

Generating Costing Information

After you have completed our pay input editing you can produce the costing file (named **glcosting.txt**) as part of your Pay Reports process or by printing the Cost Centre Analysis report.

Once satisfied that all your standard reports are correct and you have produced an up to date Cost Centre Analysis report, the costing file is ready to be imported into Xero.

The file glcosting.txt can be downloaded from Files.

Manually importing the costing file to Xero

- In Xero, choose **Business..Bills to pay..Import..Browse**, then select the glcosting.txt file you downloaded from Files in goPayroll:
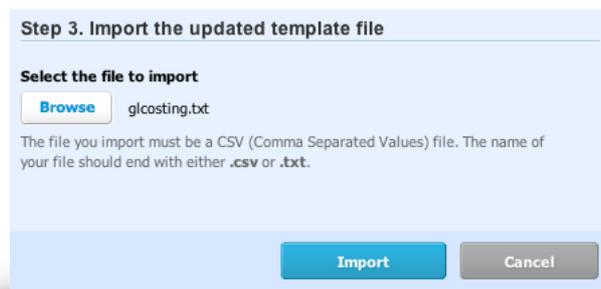
- Choose **Import**. Xero will check the file for consistency and report any errors. If any are reported, you need to correct them (*in SmoothPay, then re-run the costing report*) and retry the import. Otherwise click

the **Complete Import** button to bring the transactions into Xero (*as a draft invoice, so you can check and edit it if you need to*).
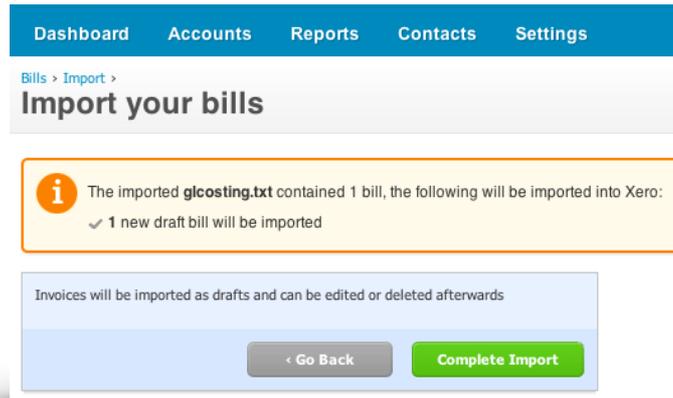
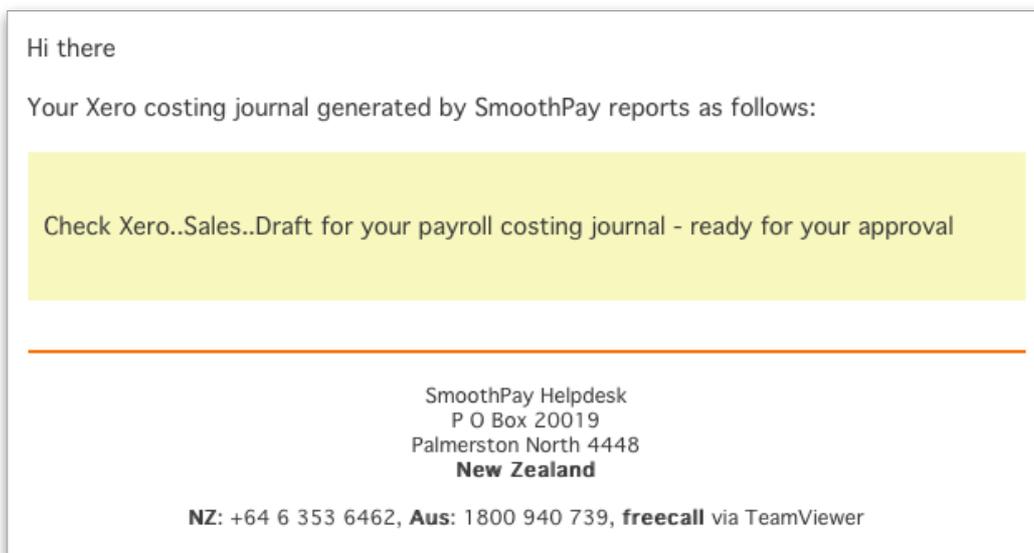## Automatically transferring the costing file to Xero

If you have set your Xero costing to transfer automatically (*Settings..Accounting*) then your costing data will be transferred automatically when you run a costing analysis report from Payrun..Pay reports, or from Reports..Pay..Cost centre analysis (batch)

You will need to authenticate when connecting to Xero for the first time or whenever the access tokens have expired (the usual Xero login page will be displayed in your browser).

The automatic transfer process checks for or creates a Contact named SmoothPay payroll costing, ContactNumber: sppaycost, email: helpdesk@smoothpaygold.com

It also checks that the cost centres and any Tracking Categories and Tax Types used in the costing journal are correct (any errors are reported in an email from the web service).

After processing you'll be emailed a status report from the web service indicating success of the journal creation or identifying any errors in your costing journal.

Example success costing transfer message

The journal created in Xero

Example error report if journal failed to pass

Troubleshooting

Usually, everything will go just fine - but sometimes you might run into problems.

Use the following checklist and suggested solutions to help get things working again:

Problem	Solution
Costing Analysis report shows incorrect (or blank) cost centre codes and Tracking categories	If you're still in your pay input process, correct the entries and re-run the report to check - you can easily check tho information by examining the report produced by SmoothPay. If you're re-running an analysis from the Reports..Pay menu you might be able to edit the incorrect codes so that they transfer correctly (SmoothPay's Codes section) Cost centres can also be corrected retrospectively - contact the HelpDesk if you need assistance with this (or anything else).
Connecting and Disconnecting from Xero	Settings..Accounting..Tools provides options to connect or disconnect. In cases where you have multiple Xero companies or you just want to test against a demo company before going live then you will need to disconnect after processing your costing analysis journal to allow connection to another Xero instance.

Help, I'm stuck!

We hope you enjoy using SmoothPay and the easy costing transfers provided for your Xero accounting system.

If you need assistance with SmoothPay at any time, please call or email our helpdesk.

* END *