

PAYROLL MANAGEMENT AND ADMINISTRATION POLICY

2021/2022 FINANCIAL YEAR



APPROVED BY:

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MUNICIPAL MANAGER
DATE: 23/06/21

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DATE: 23/06/21

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OBJECTIVE

This policy is clearly written to establish rules pertaining to payroll administration. The policy describes the key features of a payroll management system and payroll administration processes, payroll schedule and payment methods, including the administration of appointments, promotions/demotions, advancements, service benefits and allowances and processing of ad hoc claims.

1. BACKGROUND

- 1.1 Employees expect and should receive prompt and accurate payment for their time and attendance. Therefore, processing and maintaining accurate payroll records is an extremely important function requiring strict controls and close management.
- 1.2 Overall, payroll is the single largest type of expenditure for the Mbashe Local Municipality. Timely and accurate payroll reporting is necessary to appropriately budget, plan and manage costs and to correctly report on the financial position of the Municipality. Payroll transactions are no different than any other expenditure and require the application of the same standard of internal control.

2. PURPOSE

- 2.1 This policy is written to clearly establish rules pertaining to payroll administration:

3. DEFINITIONS

“**GRAP**” are standards of Generally Recognised Accounting Practice.

“**MFMA**” refers to the Local Government: Municipal Finance Management Act (56 of 2003).

“**Municipality**” refers to the Mbashe Local Municipality.

4. LEGAL FRAMEWORK

- 4.1 Legislation pertaining to this policy includes:

- Basic Conditions of Employment Act, 1997;
- Income Tax Act, 1962;
- Municipal Finance Management Act, 2003;
- Local Government Municipal Systems Act, 2000;
- Unemployment Insurance Act, 2002;
- Pension Fund Act, 1956 and,
- Medical Schemes Act, 1998 (Act 131 of 1998)

- Applicable SALGBC Collective Agreement.
- National Archives and Records Service of SA Act 43 of 1996.

(As amended from time to time)

5. AUTHORITY

- 5.1 The Municipality's management is responsible for ensuring this policy is followed throughout the municipality and that designated employees are delegated with appropriate authority when managers and/or supervisors are absent from work.

6. CONFIDENTIALITY

- 6.1 The Mbhashe Local Municipality may collect, maintain, use, transmit, share and or disclose information about employees to the extent needed to administer its programs, services and activities. Mbhashe Local Municipality will safeguard all confidential information about employees and respect individual privacy rights to the full extent required under this policy.

7. PAY FREQUENCY

- 7.1 The Mbhashe Local Municipality has a monthly payroll cycle. All employees are paid on the 15th of each month. Should the 15th fall on a Saturday, Sunday or Public Holiday, the previous working day shall apply as the pay day.
- 7.2 Should the 15th fall on a Monday, the Friday before Saturday and Sunday shall apply at the pay day.
- 7.3 December pay day is linked to the closure of the municipality for the festive holiday which is usually the 15th.

8. PAY DELIVERY

- 8.1 Employees will receive their regular monthly earnings by direct deposit into a bank account in their own name. Only bank approved account information shall be accepted. The CFO or the Finance Manager may use his/her discretion to allow salary payments by cheque.
- 8.2 Requests for electronic fund transfers (EFT) outside the specific payroll cycle may be allowed under exceptional circumstances only and must be duly authorized by the CFO

9. SEGREGATION OF DUTIES

9.1 Payroll Officials are responsible for maintaining adequate internal controls within their section for payroll processing. This includes establishing an appropriate separation of duties in payroll processing functions. The Payroll Office are expected to have at least two staff members trained to process payroll under supervision of a Payroll Accountant , who is responsible for all payroll activities. Payroll officials may not enter his or her own individual pay record. Individuals, who perform payroll entries, should be independent of the personnel function of hiring employees and determining employee salary rate.

10. PAYROLL DOCUMENT DEADLINES

10.1 The HR Department should make every effort to complete and submit payroll documents on the 7th of every month. Payroll documents must reach the Payroll Office on time as specified. The HR Input Memo must be duly approved by the Director: Corporate Services, the CFO and the Municipal Manager.

10.2 Deadlines for submission of forms to Payroll are as follows:

- | | |
|--------------------------------------|-------------------------------|
| • New Employees appointment | 07 th of the month |
| • Terminations, Resignations | 07 th of the month |
| • Increments | 07 th of the month |
| • Salary Deductions | 07 th of the month |
| • EPWP Schedules | 07 th of the month |
| • Overtime/Standby Sheets | 07 th of the month |
| • Subsistence and Travel Allowances | 07 th of the month |
| • Allowances and all other documents | 07 th of the month |

10.3 Documents received after the closing date in a specific cycle, will be processed for the next payroll cycle unless otherwise authorized, in writing by the CFO.

11. PAYROLL DEDUCTIONS

11.1 The Mbashe Local Municipality is subject to deductions mandated by the Government, Collective Bargaining Agreements and the Basic Conditions of Employment Act, 1997 (Act 75 of 1997) and such deductions will automatically be deducted.

11.2 Income taxes, UIF and SDL are issued by the South African Revenue Services (SARS - Income Tax Act, 1962) and will automatically be deducted.

11.3 Receipt of wage garnishments: A wage garnishment is a court order to withhold wages from an employee who has a debt that remains unpaid. The Mbashe Local Municipality is also obligated to honour notices of bankruptcy filings and must compute and report any wages earned up to the date of the bankruptcy filing.

11.4 Voluntary deductions: Only formal union related collective agreements and payroll related deductions are allowed. No voluntary or private payroll deductions are allowed and employees must arrange their own private obligation payments.

11.5 All deductions must be finalised and paid to the third party as applicable on or before the 7th day of the following month.

12. OVERPAYMENTS

12.1 It is important to Mbashe Local Municipality that employees are neither overpaid nor underpaid.

12.2 Overpayments may result from:

- Late notification of a resignation or retirement and, or
- Input error by payroll staff and or,
- System changes
- Leave without pay near the end of a month not anticipated at the payroll cut-off date

12.3 The Municipality will seek reimbursement for all overpayments made to current and former employees in accordance with all collective bargaining agreements, Credit Control and Debt Collection Policy applicable and state law.

12.4 If an employee was overpaid due to leave without pay near the end of a month, the employee's pay and benefit entitlements may be adjusted on the following month's payroll.

12.5 The Municipality will make every effort to arrange a fair and equitable repayment schedule if immediate re-payment is not possible.

13. UNDELIVERABLE PAYROLL PAYMENTS

13.1 When employees leave the Municipality, any payroll payments will be paid according to the last known payment method. After attempts by the HR staff to locate the employees fail, rejected payment(s) are retained in the HR Office. After 6 months from the initial pay date, all unclaimed monies will be forwarded to the Municipality's unclaimed fund account.

14. CLASSIFICATION OF PAYROLL LINE ITEMS AND REPORTS

14.1 The payroll line items and reports must be classified and reported according to the municipal standard chart of accounts as determined from time to time.

14.2 Payroll expenses must be reported according to the requirements of Section 66 of the MFMA and GRAP.

15. PAYROLL REVIEW

15.1 The payroll must be reviewed by the CFO, Finance Manager and Expenditure Accountant on a monthly basis. Any discrepancies must be reported to the CFO on a monthly basis.

16. PAYROLL RECONCILIATIONS

16.1 Payroll reconciliations must be performed at least on a monthly basis. Any discrepancies must be investigated and authorised by the Finance Manager.

17. STATUTORY RETURNS

17.1 Statutory returns based on the payroll must be completed and filed with the relevant authority at least on or before the deadline for the submission of such returns.

18. RECORD-KEEPING

18.1 Payroll information must be regarded as confidential. Access to payroll information and records must be limited to officials with the necessary delegation of authority.

18.2 Payroll records must be kept at least for the longest period specified either in the MFMA, the Basic Conditions of employment act, or National Archives and Records Service of SA Act 43 of 1996.

19. RELATED POLICIES

19.1 The following policies are related to this policy:

- Credit control and debt collection policy

20. REVIEW

20.1 This policy will be reviewed at least annually and updated if needed.

21. POLICY GOVERNANCE

PAYROLL MANAGEMENT AND ADMINISTRATION POLICY

Policy Governance

Policy Title		
Policy Version		
<u>Role & Process</u>	<u>Responsible Individual Name and/or Date</u>	<u>Responsibility Accepted Signature</u>
Senior Manager Corporate Services		
Policy Custodian		
Policy Author		
LLF Consultation Date		
LLF Consultation Reference		
Council Approval Date		
Council Approval Reference		
(UNIT) eg. Manager Human Resources		
Policy Approved		
Policy Inception Date		
Review Start Date		
Review Completion Date		
Legislative References		
Policy Review "Triggers"		
Comments		