

# BERGRIVIER MUNICIPALITY



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<b>DIRECTORATE:</b>	Corporate Services
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## **1. PURPOSE**

To provide a standard framework and basic internal controls and procedures that must be followed for the preparation, submission and processing of payroll related transactions and distributions of payroll in the Municipality.

## **2. DEFINITIONS**

In this policy, unless the context indicates otherwise:

*“Authorised Deductions”* refers to deductions required or permitted in terms of a law, arbitration award, collective agreement, any other agreement with the employee or court order or as defined in the Employment contract policies of the Municipality and Conditions of Service;

*“Council”* means the Council of the Municipality and includes any political structure, political office-bearer or employee of the Municipality lawfully acting in its stead;

*“Debt”* means an amount of money owed and payable to the Municipality arising out of a liability or obligation to pay;

*“Director”* means an employee of the Council who, in terms of a Council’s resolution or an Act, is directly responsible to the Municipal Manager for the administration of a department, section or branch of the Council’s service, or is acting in such capacity;

*“Employee”* means a person who works for, or renders a service to, the Municipality regardless of the form

of his/her employment contract, and in respect of which any factor enumerated in section 200A(1) of the Labour Relations Act applies;

*“Employer” or “Employers”*

refers to employers/municipalities within the registered scope of the SALGBC (South African Local Government Bargaining Council); furthermore shall the employer have the meaning assigned to it in the MSA, No. 32 of 2000, namely means the municipality employing a person as a municipal staff member; and means the same as Council;

*“Line Manager”*

refers to the person with direct authority and/or responsibility over subordinates in their respective directorates, departments, divisions and sections;

*“Month”*

means one calendar month;

*“Municipal Manager”*

includes a person acting in his/her stead or in terms of a power delegated in writing to him/her by the Municipal Manager;

*“Municipality”*

means the Bergrivier Municipality, a municipality established in terms of section 12 of the Municipal Structures Act, 1998 (Act 117 of 1998), as amended;

*“Overpayment”*

means any payment made to an employee in error – a payment in error is one where there is no legal basis for such payment irrespective of the nature of the source of the error;

*“Pay” or “Payment”*

means the monetary compensation due to an employee for services rendered to the Council

## *Payroll Management and Administration Policy*

including the salary, housing benefits, allowances, bonuses and payment for overtime;

### *“Payroll Administration”*

means transactions arising out of the application of statutory provisions, collective agreements, conditions of service, arbitration awards, court orders and approved policy directives;

### *“Payroll Calendar”*

means the annual calendar which informs the monthly payroll cycle and which sets out the key dates in the payroll cycle and process;

### *“Payroll Systems”*

means the system used to administer or process all payroll and personnel administration related transactions;

### *“Remuneration”*

means any payment in money or in kind, or both in money and in kind, made or owing to any person in return for that person working for any other person, including the State, and “remunerate” has a corresponding meaning;

### *“Salary”*

means an employee’s usual monetary compensation for services rendered to the Council, whether in terms of the appropriate notch on his salary scale or a fixed amount of money, that excludes any allowance, bonus, housing benefit, payment for overtime or monetary fringe benefit;

### *“Underpayment”*

means any payment not made to an employee where there exists a legal obligation on the part of the Municipality to make the payment.

### **3. SCOPE OF APPLICATION**

- 3.1 This policy is applicable to all payroll related transactions for employees, pensioners, recipients of disability benefits in terms of the compensation and Occupational Injuries and Diseases Act and Councillor's falling within a designated scope of the Municipality as an administration.
- 3.2 It describes the key features of a payroll management system and payroll administration process, payroll schedule and payment methods including the administration of appointment, promotions/demotions, advancements, service benefits and allowances and processing of ad hoc claims.
- 3.3 The policy also provides the recovery of overpayments arising from payroll errors and non-payroll related errors.

### **4. LEGAL FRAMEWORK**

- Basic Conditions of Employment Act, 1997
- Income Tax Act, 1962
- Municipal Finance Management Act, 2003
- Municipal Systems Act, 2000
- Pension Fund Act, 1956
- Unemployment Insurance Contributions Act, 2002
- Prescribed Rate of Interest Act, 1975

### **5. VALUES AND PRINCIPLES**

- 5.1 This policy and related procedures will be underpinned by the following values and principles:

- 5.1.1 Good governance, which imposes a duty to apply the policy and procedure in a consistent and fair manner.
- 5.1.2 Honesty and integrity, which require all, involved to reporting unauthorised transactions including administrative and system errors once identified.
- 5.1.3 The values and principles contained in various legislation, especially the Code of Conduct for Municipal Staff Members and the Code of Conduct for Councillors.

## **6. POLICY STATEMENT**

- 6.1 Given the very significant financial impact of payroll costs, it is critical that the Municipality determines administrative and procedural arrangements to appropriately manage and control payroll related risks and ensure good governance.
- 6.2 Line managers are to ensure that the internal controls and procedures specified in this policy and procedure are adhered to and, if necessary, advise on the need to modify them to meet the changing organisational and business needs and to eliminate errors and any form of or opportunity for fraudulent activities.

## **7. POLICY PROVISIONS**

### **7.1 PAYROLL SYSTEM**

- 7.1.1 The Municipality uses and electronic-based payroll system to process all payroll related transactions. This does not preclude special arrangements being made through the approved Supply Chain Management processes for special projects.

### **7.2 PAYROLL CALENDAR**

- 7.2.1 The payroll calendar shall be communicated to all line departments.

- 7.2.2 Line managers are to ensure that all documents authorising payroll related transactions that add employees to the payroll, inform changes in employees pay and effect other key payroll related transactions are submitted before the appointed first pay run date.
- 7.2.3 Documents received after the closing date in a specific payroll cycle, will be processed for the next payroll cycle.
- 7.2.4 Requests for electronic fund transfers (EFT's), outside of the specific payroll cycle shall be duly authorised by the Senior Manager: Human Resources after consultation with the Manager Expenditure and SCM.

### **7.3 PERSONNEL AND PAYROLL ADMINISTRATION FUNCTION**

- 7.3.1 This relates to a centralised role and responsibility for processing formal transactions, which should be followed within the application and operation of the Municipality's conditions of service and human resources policies.
- 7.3.2 The responsibility entails the critical need to establish and maintain a credible database on employees' employment history records.
- 7.3.3 Human Resources/Payroll are to ensure that all source documents authorising payroll and related administrative actions affected in terms of 7.2.2 above and other relevant documents relating to employees' employment history, are filed in accordance with the approved document management system(s) and procedures.

### **7.4 PAYROLL DEDUCTIONS**

- 7.4.1 Only authorised deductions may be processed and be deducted from remuneration.
- 7.4.2 Authorised deductions include, but is not necessarily limited to, deductions in respect of employees' PAYE and UIF obligations, contributions in respect of membership fees to accredited pension



funds, medical aid and group life schemes, repayment agreements on the housing allowance scheme, garnishee orders, union membership and any other approved scheme or deduction authorised in terms of a collective agreement or legislation.

- 7.4.3 Deductions authorised by any legislation do not require an agreement with the employee for such deductions to be made.

## **7.5 ADMINISTRATIVE ERRORS**

- 7.5.1 Errors may occur during the administrative processes mentioned in 7.2.2 above.

- 7.5.2 Errors may lead to overpayments or underpayments and may result in a strain in the relationship between employees and the Municipality as the employer and result in non-compliance with the municipal statutory or contractual obligations. It is therefore important that these errors are reduced and addressed expeditiously.

- 7.5.3 Procedures as defined hereunder are aimed at limiting the error margin to a minimum and are to be used as control measures in this regard.

- 7.5.4 Any error occurring despite the application of predetermined control measures must be investigated to ascertain whether there are elements of negligence or not and corrective action taken to avoid such occurrences.

## **7.6 OVER AND UNDERPAYMENTS**

- 7.6.1 Any over or underpayments once identified must be reported to the Payroll Office immediately so as to ensure there is no delay in addressing it.

- 7.6.2 The line manager of the employee whose action resulted in the error shall investigate the reasons and/or root cause for the error and take

corrective action within a reasonable period of time, but in any event not exceeding thirty (30) days from the date of discovery of the error.

7.6.3 In instances where there is evidence that an error emanated from the affected employee's department e.g. through incomplete documents, incorrect data provided, etc. the relevant supervisor or line manager will investigate and advise Personnel Services accordingly.

7.6.4 Errors so identified, the reasons thereof and action taken shall be logged in the payroll administration logbook for remedial and training purposes.

7.6.5 Any debt resulting from an overpayment shall be dealt with in accordance with this policy and the relevant employee shall be:

7.6.5.1 notified immediately in writing that a debt has been raised in respect of an overpayment the total amount of the overpayment and reasons therefore;

7.6.5.2 advised of the approved Municipal policy and procedure on debt management and recovery of overpayments;

7.6.5.3 requested to repay the total amount which he/she has been overpaid in the same instalments over the same period not exceeding twelve (12) months from the date on which the debt has been raised or where the amount exceed the provision in 8.2 to make appropriate arrangements for consideration by the Municipal Manager, which will be fair to both parties, to recover the relevant amount in instalments over a period not exceeding twelve (12) months;

7.6.5.4 advised that should the employee fail to repay the debt, the provisions of 7.6.7 will apply.

7.6.6 In the event of the employee electing to repay the debt, an agreement will be entered into setting out the terms and conditions of the repayment plan with no interest on the debt.

7.6.7 In instances where agreement cannot be reached, the affected employee will be notified of the intention to implement the recovery of the debt and legal interest will be charged, all other costs of recovery will also be claimed.

## **7.7 OTHER STAFF DEBTS AND LOSS CONTROL**

7.7.1 It is possible that some of the staff debts may result from property loss or damage that may be ascribed to negligence and cannot be covered from the Municipality's insurance.

7.7.2 Incidents in the above regard must be reported immediately to Payroll and Personnel Administration of the affected employee has been found liable for such loss or damage.

7.7.3 Implementation of a decision to recover debt resulting from property loss or damage must follow the process described in clause 7.6\_above with the necessary changes to suit the context.

## **7.8 OVER OR UNDERPAYMENTS RESULTING FROM SYSTEM CHANGES**

7.8.1 Over or underpayments may also occur during the implementation of the Municipality's transformational initiatives and bulk inputs/transactions which are not the fault of the affected employee nor the administrator.

7.8.2 In instances where errors mentioned above occurred such must be investigated and addressed appropriately. These errors will be reported to the Municipal Manager or his/her nominee and corrected

from a current date with no retrospective recovery in the case of a debt, unless if there is proof of any wrongdoing.

- 7.8.3 Decisions made in respect of 7.6, including the recovery of any unauthorised debt, shall be subject to the Municipal Manager approval in consultation with the Director for Corporate Services and the Chief Financial Officer.

## **8. MEASURE RELATING TO RECOVERY OF OVERPAYMENTS AND UNDERPAYMENTS**

- 8.1 If the execution of any payroll and related administrative action which results in an overpayment or underpayment, any employee (including his/her supervisor or manager), after being given an opportunity to be heard in a disciplinary hearing, is found guilty of any unlawful or negligent conduct, the Municipality reserves the right to recover such loss or damages from the employee (including his/her supervisor or manager) after following due process.
- 8.2 In all cases where a debt is recovered by way of a deduction from the employee's monthly salary, a deduction can be up to 30% of the net monthly pay of the employee or higher only where there is an agreement which has been authorised by the Chief Financial Officer or his nominee(s).
- 8.3 Overpayment resulting from authorised and unauthorised leave, short time worked and fines and awards imposed on employees.
- 8.4 In cases where overpayment arise from unauthorised leave, deductions must be made through the recovery of the overpayment in accordance with 7.6.
- 8.5 Where an employee has not worked the required hours provided for in the Main Collective Agreement of the SALGBC, any payment made from time not worked is an overpayment and the recovery of such overpayments shall be dealt with in accordance with 7.6.

- 8.6 In respect of fines and awards in the SALGBC against an employee deductions must be attended to immediately in accordance with 7.6.
- 8.7 Good governance imperatives require the systems to put in place to ensure opportunities for internal financial controls.
- 8.8 Segregation of authority
- 8.8.1 Payroll Management in the Corporate/Finance Directorate shall be granted access and be accountable for:
- 8.8.1.1 The review of completed payrolls when received from payroll and Personnel Administration;
- 8.8.1.2 Reconciling generated payrolls to personnel and accounting records to ensure that generated transactions match authorised pay amounts; and
- 8.8.1.3 The distribution of payroll results once confirmed as correct.
- 8.8.2 Payroll and Personnel Administration shall be responsible for processing authorised transactions that add employees to the payroll change pay, effect other key transactions that affect employees' pay and ad hoc claims as per approved Municipality policies.
- 8.8.3 Personnel in Payroll and Personnel Administration shall have distinct responsibilities from those of the Payroll Management team in Corporate Finance and Payroll team to ensure proper segregation of authority.

## **9. ROLES AND RESPONSIBILITIES**

### **9.1 LINE MANAGERS**

It is each line manager's responsibility to:

- 9.1.1 Ensure that employees' attendance and absence records are up to date in each pay period/cycle;

- 9.1.2 Report all unauthorised absence that may lead to an overpayment in a pay period/cycle to Payroll and Personnel Administration within five days of becoming aware of the unauthorised absence;
- 9.1.3 Advise Payroll and Personnel Administration of all employees on extended sick/unpaid leave and of actions taken to ensure that the affected employees are not overpaid in the relevant pay period/cycle;
- 9.1.4 Check that all payroll related claims to be submitted for processing meet the minimum requirements of approved policies failing which the processing will be delayed or not be honoured; and
- 9.1.5 Establish a system to record and ensure that all documents to inform payroll related transactions are duly authorised and are submitted before the first pay run in a pay period/cycle.

## **9.2 PAYROLL AND PERSONNEL ADMINISTRATION**

Personnel in Payroll and Personnel Administration are responsible for:

- 9.2.1 Recording and verifying all submission received for compliance with approved policy;
- 9.2.2 Preparing payroll data for processing, processing of submissions and ad hoc claims that meet minimum requirements of approved policies;
- 9.2.3 Advising line managers of submissions that do not meet the minimum requirements of approved policies;
- 9.2.4 Extracting Payroll reports on the net pay variances and investigating reason for any variance and confirm with line managers for appropriateness;
- 9.2.5 Advising the employee in instances where the employee's net pay does not allow all the compulsory and allowable deductions to go through e.g. housing allowance;

- 9.2.6 Giving effect to the procedure defined for termination of employment contract and advising the affected employee(s) of the status of the final pay; and
- 9.2.7 Running the necessary Payroll and/or Business Intelligence reports to monitor and evaluate the accuracy of all transactions processed.

### **9.3 PAYROLL MANAGEMENT AND OVERSIGHT**

Personnel in the Expenditure and SCM Department of the Directorate Finance are responsible for:

- 9.3.1 Uploading all electronic interfaces into the payroll;
- 9.3.2 Processing all garnishee orders;
- 9.3.3 Verifying the accuracy of the tax calculation on the Payroll System and do the SARS reconciliations;
- 9.3.4 Checking and verifying all balances on payroll general ledger accounts;
- 9.3.5 Advising Payroll and Personnel Administration of all system rejections and returns for investigation and corrective action;
- 9.3.6 Preparing and running of all pay over schedules that balances to the third party payments;
- 9.3.7 Processing and transmission of all third party payments (e.g. pension funds, medical aid schemes, group life, financial institutions – for bonds etc.) and net pay on behalf of all employees; and
- 9.3.8 Print monthly audit trial reports on the payroll system (PayDay).
- 9.3.9 The Accountant Expenditure must review the pay run for each pay date to ensure that the individuals and amounts paid are correct based on appointment paperwork and charged to the correct vote. Review activity and identify any faulty payments.

## **9.4 HR OFFICER RECRUITMENT AND SELECTION AND PERSONNEL ADMINISTRATION**

- 9.4.1 Checking and verifying any changes made to the payroll during the month (e.g. overtime, banking details. All changes shall be submitted to the Accountant: Expenditure on the day before payments are made.
- 9.4.2 Checking and verifying time sheets and clock cards of weekly-remunerated employees before payments are made.

## **9.5 THE EMPLOYEES**

All employees shall be responsible for:

- 9.5.1 Ensuring full compliance with time management policies;
- 9.5.2 Advising of any change to the baseline information e.g. marital status, number of dependants, address changes, bank details etc.;
- 9.5.3 Ensuring that all banking detail changes are submitted, no later than the closing date in a specific payroll cycle, on the prescribed form with the relevant bank stamp;
- 9.5.4 Directly advising personnel in Payroll and Personnel Administration of any changes to the medical information and not relying on the medical aid scheme to do so;
- 9.5.5 Submitting updates on beneficiary nominations in respect of pension and group life schemes to Payroll and Personnel Administration;
- 9.5.6 Reporting deviations to normal monthly net pay to Payroll and Personnel Administration for investigation and corrective action.



## **10. RECORD KEEPING**

All payroll related documents shall be maintained as per the approved document management policy and procedures.

## **11. BREACH OF THIS POLICY**

Non-compliance with the policy stipulations will be regarded as misconduct.

## **12. DATE OF EFFECT OF THIS POLICY**

This internal policy will be effective from the first day of the calendar month following the date on which Council has approved this internal policy.

## **13. AUTHORITY**

Formulation:	Human Resources Policies
Authorisation and approval:	Council
Ownership and maintenance:	Directorate Corporate Services Human Resources Department