



Harry Gwala District Municipality

**HGDM-
FINAL DRAFT PAYROLL
MANAGEMENT AND
ADMINISTRATION POLICY
2021-22**



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2 Policy Purpose

The purpose of the policy is to provide a standard framework and basic internal controls and procedures, which must be followed in the preparation, submission and processing of payroll-related transactions and the distribution of payroll results in a Municipality.

3 Policy Objective and scope

This policy is applicable to all payroll-related transactions for employees, pensioners, recipients of disability benefits in terms of the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993), and Councilors falling within a designated scope of the Municipality as an 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 the processing of *ad hoc* claims.

The policy also provides for the recovery of overpayments arising from payroll errors and non-payroll-related errors.



4 Policy Definition

“Collective Agreements” Agreements as defined in the Labour Relations Act, 1995 (Act 66 of 1995) and concluded at the South African Local Government Bargaining Council [SALGBC] or Western Cape Division of the SALGBC.

“Councillor” A member of a Municipal Council.

“Debt” An amount of money owed and payable to the Municipality arising out of a liability or obligation to pay.

“Employee” Any person, excluding an independent contractor, who works for the Municipality and who receives any remuneration; Any other person who in any manner assists in carrying on or conducting the business of the Municipality.

“Overpayment” Any payment made to an employee in error, where a payment in error is one where there is no legal basis for such payment irrespective of the nature or source of the error.

“Underpayment” Any payment not made to an employee where there exists a legal obligation on the part of the Municipality to make the payment.

“Payroll Administration” Transactions arising from the application of statutory provisions, collective agreements, conditions of service, arbitration awards, court orders and approved policy directives.

“Payroll Calendar” The annual calendar, which informs the monthly payroll cycle and which sets out the key dates on the payroll cycle and process.

“Payroll System” The PAYDAY system used to administer or process all payroll and personnel administration-related transactions.



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“Authorized Deductions” 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 the Conditions of Service

“Unauthorized Absences” Refers to instances where an employee’s absence is not authorized before it occurs or where it is not authorized afterwards.

“Legal Interest Rate” The rate of interest prescribed in terms of Section 1 of the Prescribed Rate of Interest Act, 1975 (Act 55 of 1975), as amended from time to time.

“Line Manager” The person with direct authority and/or responsibility over subordinates in their respective directorates, departments, business units, etc.



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5 Legislative Framework

This document is established within the framework of the following legislation and policies:

- Basic Conditions of Employment Act, 1997 (Act 75 of 1997).
- Income Tax Act, 1962 (Act 58 of 1962).
- Municipal Finance Management Act, 2003 (Act 56 of 2003).
- Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).
- Pension Fund Act, 1956 (Act 24 of 1956).
- Unemployment Insurance Contributions Act, 2002 (Act 4 of 2002).
- Prescribed Rate of Interest Act, 1975 (Act 55 of 1975).

6 Policy Procedure/Target Audience

All municipal employees.

7 General Policy Provisions

The following provisions are applicable to this policy:

7.1 Values and Principles

This policy and related procedures are underpinned by the following values and principles:

- Good governance, which imposes a duty to apply the policy and procedures in a consistent and fair manner.
- Honesty and integrity, which require all involved to report unauthorised transactions,



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including administrative and system errors once identified.

- The values and principles contained in various pieces of legislation, especially the Code of Conduct for Municipal Staff Members and the Code of Conduct for Councillors.

7.2 Policy Statement

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.

Line managers must ensure that the internal controls and procedures specified in this policy and procedures are adhered to and, if necessary, advise on the need to modify them to meet the changing organizational and business needs and to eliminate errors and any form of or opportunity for fraudulent activities.

7.3 Payroll System

The Municipality uses an 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.

All manual systems will be phased out from the date that this policy and procedures are approved



7.4 Payroll Calendar

The payroll calendar must be communicated to all line departments.

Line managers must ensure that all documents authorising payroll-related transactions that add employees to the payroll, inform changes in an employee's pay and effect other key payroll-related transactions are submitted before the appointed first pay run date.

All payroll related documents authorising payroll-related transactions in a payroll cycle must be submitted to the salaries office on or before the closing date which is the 7th of each month to allow for accurate and correct capturing as well as processing before the pay date. Documents received after the closing date in a specific payroll cycle will be processed for the next payroll cycle unless otherwise authorised in writing by the director expenditure.

Requests for electronic fund transfers [EFTs] outside of the specific payroll cycle must be duly authorised by the chief financial officer.

7.5 Personnel and Payroll Administration Function

This relates to a centralized 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.

The responsibility entails the critical need to establish and maintain a credible data base on an employee's employment history records.

Line managers must ensure that all source documents authorizing payroll and related administrative actions affected in terms of the above and other relevant documents relating to an employee's employment history are filed in accordance with the approved document management system(s) and procedures.



7.6 Payroll Deductions

6.6.1 Authorised deductions only may be processed and deducted from remuneration.

6.6.2 Authorised deductions include, but is not necessarily limited to, deductions in respect of an employee's 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

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

7.7 Ad-hoc Payments

a) The following ad-hoc payments can be allowed outside the normal payroll run:

- Travel Claims
- Payment of temporary personnel Review Date;
- Leave and Bonus pay due to the termination of employment

b) Payment of the above will only be considered after all duly authorised documentation was received.

c) Documents submitted by the Friday will be included in the next week's payment run.

d) Where documents are not complete – it will be returned to the relevant Department and the payment will only be made with the subsequent payment run after receiving the corrected document



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7.8 Other Staff Debts and Loss Control

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

Incidents as described above must be reported immediately to the human resource section if the affected employee has been found liable for such loss or damage.

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.

7.9 Segregation of Authority

Good governance imperatives require that systems should be put in place to ensure opportunities for internal financial controls.

The salaries office in the Finance department must be granted access to and be accountable for:

- The review of completed payrolls on receipt from Payroll and Personnel Administration;
- Reconciling generated payrolls to personnel and accounting records to ensure that generated transactions match authorized pay amounts; and
- The distribution of payroll results once confirmed as correct.

The human resource under the corporate department is responsible for processing authorized transactions that add employees to the payroll amending all the personal details.

Personnel in Payroll under the finance directorate is responsible for changing the pay, and effect other key transactions that affect employees' pay, and ad hoc claims as per the approved Municipal Policy. This is done after receiving a written instruction from the human resource section.

Personnel in Payroll have responsibilities distinct from those of the Payroll Management team in



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corporate directorate to ensure proper segregation of authority.

7.10 Roles and responsibilities

6.14.1 Line Managers

Line managers are responsible for:

- Ensuring that employees' attendance and absence records are up to date in each pay period/cycle;
- Reporting all unauthorized absences that may lead to an overpayment in a pay period/cycle to Payroll and Personnel Administration within 5 [FIVE] days of becoming aware of the unauthorized absence;
- Advising human resource section 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;
- Checking that all payroll-related claims to be submitted for processing meet the minimum requirements of the approved policies, failing which the processing will be delayed or not be honoured; and
- Establishing a system to record and ensure that all documents to inform payroll-related transactions are duly authorized and are submitted before the first pay run in a pay period/cycle.



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6.14.2 Human resource management

Personnel in human resource management are responsible for:

- Recording and verifying all submissions received for compliance with the approved policies;
- Preparing payroll data for processing, processing of submissions and ad hoc claims that meet the minimum requirements of the approved policies;
- Advising line managers of submissions that do not meet the minimum requirements of the approved policies;
- Recording and reconciliation of leave days;
- 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;
- Giving effect to the procedure defined for termination of the employment contract and advising the affected employee(s) of the status of the final pay; and
- Running the necessary Payroll and/or Business Intelligence reports to monitor and evaluate the accuracy of all transactions processed.

6.14.3 Salaries Office

Personnel in the salaries are responsible for:

- Uploading all electronic interfaces into the payroll;
- Processing all garnishee orders;
- Verifying the accuracy of the tax calculation on the Payroll System and do the SARS



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reconciliations;

- Checking and verifying all balances on payroll general ledger accounts;
- Advising human resource personnel of all systems rejections and returns for investigation and corrective action;
- Extracting payroll reports on the net pay variances, investigating the reasons for any variance and confirming appropriateness with line managers
- Preparing and running of all pay over schedules that balances to third-party payments;
- Processing and transmission of all third-party payments [e.g. pension fund, medical aid scheme, group life, financial institutions – for bonds etc.] and net pay on behalf of all employees;
- On a monthly basis before salaries are paid ensure that all remuneration items on the Payroll System are verified and discrepancies are investigated against supporting documentation.
- On a monthly basis ensure that all reconciliations pertaining to third party deductions are completed and the necessary amendments were made to employee records on the Payroll System
- On a monthly basis that all integrations between the Payroll System and the Financial System are reconciled and all discrepancies resolved
- Ensure that all errors and discrepancies detected are reported via the Accountant: Salaries

6.14.4 The Employees

All employees are responsible for:

- Ensuring full compliance with time management policies;



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- Advising of any change to the baseline information, e.g. marital status, number of dependents, address, bank details, etc.
- Ensuring that all banking detail changes are submitted no later than the 10th of each month on a prescribed form with the relevant bank stamp;
- Directly advising personnel in Payroll and Personnel Administration of any changes to medical information and not relying on the medical aid scheme to do so;
- Submitting updates on beneficiary nominations in respect of pension and group life schemes to Payroll and Personnel Administration;
- Reporting deviations to normal monthly net pay to Payroll and Personnel Administration for investigation and corrective action; and
- Checking their pay slips

8 Record Keeping

All payroll -related documents must be maintained as per the approved document management policy and procedures. The data must be collated and analysed to determine trends and to develop improvements. The data should be externally benchmark to ensure the existing practice is aligned with relevant and emerging external trends.

9 Reporting

The Municipal Manager shall submit a report on all transfers made under this Policy to the Executive Committee every month.

10 Review of Policy

In terms of section 17(1) (e) of the MFMA this policy must be reviewed on annual basis and the review policy tabled to Council for approval as part of the budget process.

The following should be taken into account for future amendments to this policy:

- Changes in financial strategy;
- Changes in non-financial strategies; and
- Changes in legislation

Policy section:	Director: Expenditure
Current date:	30 March 2021
Previous review date:	27 May 2021

11 Approval and Implementation of Policy

The Municipal Manager shall be responsible for the implementation and administration of this Policy.

This Policy, once adopted by Council, shall come into effect on 01 July 2021 once approved by the council.

Policy section:	Director: Expenditure
Approval by council:	