



PAYROLL MANAGEMENT AND ADMINISTRATION POLICY

REVIEWED: 30.05.2022

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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 Overberg District 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 Overberg District 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 Overberg District Municipality may collect, maintain, use, transmit, share and or disclose information about employees to the extent needed to administer its programs, services, and activities. Overberg District 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 Overberg District Municipality has a monthly payroll cycle. All employees are paid on the 27th of each month, except for December. Should the 27th fall on a Saturday, Sunday or Public Holiday, the previous working day shall apply as the pay day.
- 7.2 December pay day is linked to the closure of the Roads Branch. The date is determined annually by Management.

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.
- 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 Chief Financial Officer.

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 Manager, 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 Departments should make every effort to complete and submit payroll documents as soon as possible. Payroll documents must reach the Payroll Office on time as specified. All pay related documents must be duly approved by the Department Head and/or the Municipal Manager.

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

- New Employees appointment 15th of the month
- Terminations, Resignations 15th of the month
- Increments/Promotions/Upgrades 15th of the month
- Salary Deductions 15th of the month
- Time Sheets 15th of the month
- Overtime/Standby Sheets 05th of the month
- Travel Log Sheets 05th of the month
- Allowances and all other documents 15th of the month

10.3 As the pay date for December is earlier than the usual monthly pay date, deadlines for submission of forms relating to the December payroll will be communicated annually.

10.4 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 Chief Financial Officer and supported by Accountant Payroll.

11. TIMEKEEPING SYSTEMS

- 11.1 The Payroll Office and Information Services must approve all proposals for new departmental electronic or web-based time keeping systems.

12. PAYROLL DEDUCTIONS

- 12.1 The Overberg District 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.
- 12.2 Income taxes, UIF and SDL are issued by the South African Revenue Services (SARS - Income Tax Act, 1962) and will automatically be deducted.
- 12.3 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 Overberg District 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.
- 12.4 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.
- 12.5 All deductions must be finalised and paid to the third party as applicable on or before the 7th day of the following month.

13. OVERPAYMENTS

- 13.1 It is important to Overberg District Municipality that employees are neither overpaid nor underpaid.
- 13.2 Overpayments may result from:
- Late notification of a resignation or retirement and, or
 - Input error by payroll staff or department staff and or,

- System changes
- Leave without pay near the end of a month not anticipated at the payroll cut-off date

13.3 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.

13.4 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.

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

14. UNDELIVERABLE PAYROLL PAYMENTS

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

15. PAY ADVANCES

15.1 Pay advances are not permitted according to Section 164 of the MFMA however, employees may be accommodated for situations that requires immediate financial attention:

- Death of a close dependent family member or,
- Serious illness condition of a close dependent family member,

15.2 Requests for payroll payments outside the specific payroll cycle may be allowed under exceptional circumstances only and must be duly authorized by the Chief Financial Officer and the Municipal Manager.

16. CLASSIFICATION OF PAYROLL LINE ITEMS AND REPORTS

- 16.1 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.
- 16.2 Payroll expenses must be reported according to the requirements of Section 66 of the MFMA and GRAP.

17. PAYROLL REVIEW

- 17.1 The payroll must be reviewed by the Payroll Manager and Chief Financial Officer monthly. Any discrepancies must be reported to the Municipal manager monthly.

18. PAYROLL RECONCILIATIONS

- 18.1 Payroll reconciliations must be performed at least monthly. Any discrepancies must be authorised by the payroll manager.

19. STATUTORY RETURNS

- 19.1 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.

20. RECORD-KEEPING

- 20.1 Payroll information must be regarded as confidential. Access to payroll information and records must be limited to officials with the necessary delegation of authority.
- 20.2 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.

21. RELATED POLICIES

21.1 The following policies are related to this policy:

- Credit control and debt collection policy

22. REVIEW

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

23. EFFECTIVE DATE

23.1 This policy shall come into effect on 1 July 2022.



EXTRACT FROM THE COUNCIL MINUTES HELD ON 30 MAY 2022

Item A63. 30.05.2022

MTREF BUDGET: 2022-2023 TO 2024/2025 OPERATING AND CAPITAL BUDGET, IDP AND POLICY DOCUMENTS (Ref.-.6/1/1/3)

N Kruger : Chief Financial Officer

(Ref.:6/1/1/B & 6/1/1/1)

PURPOSE

The purpose of the report is to submit the budget for 2022/2023 MTREF to Council for consideration of approval.

BACKGROUND

In terms of section 16 of the Local Government: Municipal Financial Management Act, 2003 (Act 56 of 2003) Council must approve an annual budget before the start of the financial year.

LEGAL FRAMEWORK

The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) stipulates as follows:

Municipal budgets

16. (1) The Council of a municipality must for each year approve an annual budget for the municipality before the start of the financial year.
- (2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

Contents of annual budgets and supporting documentation

17. (1) An annual budget of a municipality must be a schedule in the prescribed format—
 - (a) setting out realistically anticipated revenue for the budget year from each revenue source;
 - (b) appropriating expenditure for the budget year under the different votes of the municipality;
 - (c) setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
 - (d) setting out—
 - (i) estimated revenue and expenditure by vote for the current year; and (ii) actual revenue and expenditure by vote for the financial year preceding the current year; and
 - (e) a statement containing any other information required by section 215(3) of the Constitution or as may be prescribed.
- (2) An annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed.
- (3) When an annual budget is tabled in terms of section 16(2), it must be accompanied by the following documents:

- (a) Draft resolutions—

- (i) approving the budget of the municipality;
- (ii) imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and
- (iii) approving any other matter that may be prescribed;

(b) measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan;

(c) a projection of cash flow for the budget year by revenue source, broken down per month;

(d) any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of section 34 of the Municipal Systems Act;

(e) any proposed amendments to the budget-related policies of the municipality;

(f) particulars of the municipality's investments;

(g) any prescribed budget information on municipal entities under the sole or shared control of the municipality;

(h) particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate;

(i) particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;

(j) particulars of any proposed allocations or grants by the municipality to— (i) other municipalities;

- (ii) any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers;

- (iii) any other organs of state; (iv) any organisations or bodies referred to in section 67(1);

(k) the proposed cost to the municipality for the budget year of the salary, allowances and benefits of—

- (i) each political office-bearer of the municipality;

- (ii) councillors of the municipality; and

- (iii) the municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;

(l) the proposed cost for the budget year to a municipal entity under the sole or shared control of the municipality of the salary, allowances and benefits of— (i) each member of the entity's board of directors; and

- (ii) the chief executive officer and each senior manager of the entity; and (m) any other supporting documentation as may be prescribed.

22. Publication of annual budgets —

(1) Immediately after an annual budget is tabled in a municipal council, the accounting officer of the municipality must—

(a) in accordance with Chapter 4 of the Municipal Systems Act—

- (i) make public the annual budget and the documents referred to in section 17(3); and

- (ii) invite the local community to submit representations in connection with the budget; and

(b) submit the annual budget—

- (i) in both printed and electronic formats to the National Treasury and the relevant provincial treasury; and

(ii) in either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget.

23. Consultations on tabled budgets —

- (1) When the annual budget has been tabled, the municipal council must consider any views of—
 - (a) the local community; and
 - (b) the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.
- (2) After considering all budget submissions, the council must give the mayor an opportunity—
 - (a) to the submissions; and
 - (b) if necessary, respond to revise the budget and table amendments for consideration by the council.
- (3) The National Treasury may issue guidelines on the manner in which municipal councils should process their annual budgets, including guidelines on the formation of a committee of the council to consider the budget and to hold public hearings.
- (4) No guidelines issued in terms of subsection (3) are binding on a municipal council unless adopted by the council.

COMMENTS

The draft 2022/23 Medium Term Revenue and Expenditure Framework (MTREF) report inclusive of the budget schedules, which have been compiled in terms of the Municipal Budgeting and Reporting Regulations (MBRR), have been distributed after tabling it in the Council meeting of 28 March 2022, while a notice has been placed in the local newspapers to invite the public/community to submit comments on the draft/tabled budget.

Input from Provincial Treasury

Provincial Treasury has submitted their 2022 SIME/ LG MTEC Assessment Report on 26 April 2022 and the municipal response was discussed with Provincial Treasury on 6 May 2022. The following aspects were highlighted by the Province Treasury and herewith the issues raised as well as the respective response from ODM Management :

The Municipality's budget reflects funded, but the nett surplus after the application of cash is on a declining trajectory over the MTREF indicating risks to future sustainability

- a) The Municipality tabled an operating surplus budget over the 2022/23 MTREF period which is commendable. As a district municipality, the Municipality has limited revenue sources, but great effort is noted in identifying additional revenue sources. Tariffs are proposed above inflation and may influence the revenue growth assumptions.
- b) The Municipality has over the last two (2) financial years shown great resilience to remain financially stable under exceptionally uncertain economic conditions. The Municipality's continued success depends on its ability to recognise when to adapt and adjust plans during any uncertainty. The Municipality is encouraged to continue with ongoing assessments of assumptions to ensure that revenue, expenditure projections and policy decisions to be accurately informed over the MTREF. It should be noted that based on the prior year audited outcomes, the Municipality has reported a deficit budget in 2018/19 but managed to achieve operating surpluses in 2019/20 and 2020/21 financial years. It has been noted on the Municipality's performance that in the 2021/22 financial year, operational expenditure has increased by two (2) per cent whilst the operating revenue has also increased by six (6) per cent.

- c) It is clear from the budgetary allocation to the strategic objectives that the bulk of the 2022/23 MTREF allocation is focused towards Strategic Goal (1): 'To ensure the well-being of all in the Overberg through the provision of efficient basic services and infrastructure'; this includes an operating budget allocation of R180.9 million (71.2 per cent) and a capital allocation of R7.5 million (73.7 per cent) in 2022/23. It is evident that the Municipality's 2022/23 budget prioritised spending towards delivering on its service delivery mandate.
- d) Annual growth in operating expenditure is below projected inflation in 2023/24 and 2024/25, while capital expenditure declines from a high of R10.2 million 2022/23 over the MTREF, to R3.4 million in 2024/25.
- e) This largest of the allocations, for road transport, will mainly be directed towards refurbishment and rehabilitation as well as upgrades and additions to existing road transport infrastructure, the biggest of these for 2022/23 being for the Hermanus-Gansbaai project (R130.0 million), the reseal of the Stanford-Riviersonderend road (R105.0 million), refurbishment of the Caledon-Sandbaai road (R93.8 million), upgrades and additions to the Draaiberg road and refurbishment of the Barrydale – Ladismith road (R60.0 million).
- f) The District has allocated R20.8 million towards its municipal health function (operating budget) and as well as a capital budget allocation of R40 000 (mostly office equipment) in 2022/23. Districts are mandated to provide municipal health services, which includes the surveillance and prevention of communicable diseases such as the current COVID-19. The allocation for municipal health is part of an investment in future health provision. The importance of strengthening this function and providing it with adequate resources is crucial to attaining and maintaining levels and safety standards with regards to our physical environment. The District has significantly increased its municipal health operating budget allocation in the 2022/23 financial year (21.2 per cent) compared to its 2021/22 allocation.
- g) The District has allocated a total operating budget of R36.0 million to the provision of fire-fighting services for 2022/23. This represents a 7.2 per cent increase from its 2021/22 allocation. A capital budget of R2.6 million is geared primarily towards vehicle replacement (R2.2 million) and vehicle upgrades/refurbishment (R300 000). In total, allocations towards fire-fighting services equates to 14.6 per cent of the overall 2022/23 budget.
- h) For 2022/23, the District has allocated R16.2 million of its operational expenditure budget to 'Sport and Recreation'; the corresponding capital allocation for the year is R1.4 million. If resorts are well managed and maintained, upgraded, and appropriately marketed, it can play a role in promoting domestic and international tourism within the region. The Municipality must consider if the allocation for this function is sufficient given the 1.9 per cent drop in operating expenditure in 2022/23.
- i) Firefighting and health services remain an essential part of the Municipality's service delivery to its community, however huge deficits are incurred in the process of providing these services. The Municipality must identify efficiencies within these functions to minimise the cost and negative financial impact. In this regard, ODM raised the Health Service funding issues at the Cabinet and Municipalities "Meet & Greet Sessions" on 22 April 2022 and ODM was advised to approach Provincial Treasury to make a submission to National Treasury. This was to motivate sufficient funding through an Equitable Share formula review for District Municipalities which would provide a framework for funding of Municipal Health Workers in line with required norms and standards. Currently ODM reflects a deficit of EHP's based on population figures (1 EHP/10 000). An item was placed on the next CFO Forum for 10 June 2022 to discuss this issue with District CFO's.

- j) The Municipality is reliant on own funding to contribute to capital budget and must consider the return on investment to ensure ongoing sustainability. The main fiscal challenge facing the Municipality is the limited revenue base and the identification of revenue opportunities within a cost-efficient governance model of service delivery. Balancing affordability and increasing spending demands is key to maintain a healthy funding position with active contributions to the capital replacement reserve fund.
- k) The liquidity ratios of the Municipality indicate that the Municipality can take care of their financial commitments.
- l) (l) The draft budget data strings over the MTREF period indicates that the Municipality is not exposed to a liquidity risk.

FURTHER COMMENTS

No other comments or inputs had been received on the advertised budget and tariffs.

Other necessary amendments based on changed assumptions and additions were made in the 2022/23 budget document, as proposed and tabled to the Budget Steering Committee for consideration on 17 May 2022.

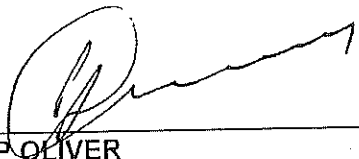
The 2022/23 Medium Term Revenue and Expenditure Framework (MTREF) report, inclusive of the budget schedules, which are compiled in terms of the Municipal Budgeting and Reporting Regulations (MBRR), will be distributed prior to the Council meeting of 30 May 2022.

RESOLVED : (Proposed by Ald A Franken and seconded by Ald J Nieuwoudt)

- 1) The consolidated budget of **R253 440 054**, consisting of an **Operating budget of R253 345 851** (resulting in a **surplus R 94 203** after tariff increases) and a **Capital budget of R10 273 000** and budgeted cash flows, as set out in the Municipal Budget is adopted and approved by Council and that it constitutes the Budget of the Council for 2022/2023 financial year as well as the medium term (indicative) budgets for the 2023/2024 and 2024/2025 financial years.
- 2) The tariffs as per tariff list be approved. That an application for waiver of tariffs be considered by the Municipal Manager, on written application.
- 3) That all other matters prescribed in sections 17(1) (a-e); 17(2) and 17(3) (a-m) of the Municipal Finance Management Act 56 of 2003, are included in or that accompany the budget document be approved.
- 4) The measurable performance objectives for 2022/2023 for operating revenue by source and by vote is approved.
- 5) That the following budget related policies are approved:
 - i Asset Management Policy (as amended)
 - ii Credit Control and Debt Collection Policy (as amended)
 - iii Cash Management and Investment Policy (as amended)
 - iv Tariff Policy (as amended)
 - v Supply Chain Management Policy (as amended)
 - vi Virement Policy (as amended)
 - vii Borrowing Policy (as amended)
 - viii Funding and Reserves Policy (as amended)

- ix Budget Policy (as amended)
- x Customer Care Policy (as amended)
- xi Demand Management Policy (as amended)
- xii Infrastructure and delivery Management Policy (Repealed)
- xiii Infrastructure investment and Capital projects Policy (as amended)
- xiv Liquidity Policy (as amended)
- xv Long term Financial Planning Policy (as amended)
- xvi Management and Admin of Immovable Assets Policy (as amended)
- xvii Payroll Management and Administration Policy (as amended)
- xviii Preferential Procurement Policy (Repealed)
- xix Cost containment Policy (as amended)
- xx Travelling and Subsistence Policy (as amended)

**CERTIFIED A TRUE EXTRACT FROM THE MINUTES OF THE COUNCIL MEETING HELD
ON 30 MAY 2022.**



**P. OLIVER
MUNICIPAL MANAGER (ACTING)**