

OVERBERG

DISTRICT MUNICIPALITY

PAYROLL MANAGEMENT AND ADMINISTRATION POLICY

Reviewed: 30 March 2017



TABLE OF CONTENTS

1. BACKGROUND.....	3
2. PURPOSE	3
3. DEFINITIONS	3
4. LEGAL FRAMEWORK.....	3
5. AUTHORITY	4
6. CONFIDENTIALITY	4
7. PAY FREQUENCY	4
8. PAY DELIVERY.....	4
9. SEGREGATION OF DUTIES.....	5
10. PAYROLL DOCUMENT DEADLINES	5
11. TIMEKEEPING SYSTEMS.....	6
12. PAYROLL DEDUCTIONS.....	6
13. OVERPAYMENTS	6
14. UNDELIVERABLE PAYROLL PAYMENTS.....	7
15. PAY ADVANCES.....	7
16. CLASSIFICATION OF PAYROLL LINE ITEMS AND REPORTS	8
17. PAYROLL REVIEW	8
18. PAYROLL RECONCILIATIONS	8
19. STATUTORY RETURNS	8
20. RECORD-KEEPING.....	8
21. RELATED POLICIES.....	9
22. REVIEW	9
23. EFFECTIVE DATE	9

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. The Director: Management Services/CFO or his nominee may use his/her discretion to allow salary payments per 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 Director: Management Services/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 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 Director: Management Services/CFO and/or Manager: Payroll Management.

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 Director: Management Services/CFO 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 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 Director: Management Services/CFO on a monthly basis. Any discrepancies must be reported to the Municipal manager on a monthly basis.

18. PAYROLL RECONCILIATIONS

- 18.1 Payroll reconciliations must be performed at least on a monthly basis. 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 2017.