

UMZIMVUBU LOCAL MUNICIPALITY



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PAYROLL PROCEDURE MANUAL

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1. PREAMBLE

- 1.1 Umzimvubu Local Municipality (the municipality) has an obligation to run a well managed and balanced payroll system with the purpose of fulfilling its legal obligations as the employer;
- 1.2 In order to give effect to this set of obligations and requirements a new generation of electronic payroll system shall be implemented as a strategic choice of addressing all human capital requirements in relation to monthly and any ad hoc remuneration;
- 1.3 The municipality has found it appropriate to draw a balanced and informative payroll management procedure manual to be used by all key operational role players for the purpose of bringing about an economical efficient and effective payroll management practice;
- 1.4 This procedures manual is both comprehensive and easy to follow step by step guide designed to assist the payroll operators and supervisors to better perform their payroll processing and review functions with relative ease. The underlying purpose is to provide the user with the necessary informative tool that shall enable him/her to take full ownership of the payroll function within their area of responsibilities.

2. PAYROLL MANUAL OBJECTIVES

- 2.1. To provide a constructive and meaningful set of requirements for managing the municipal payroll;
- 2.2. To serve as a blueprint for the efficient, timeous and effective payroll management;
- 2.3. To provide control measure for ensuring a correct and legally compliant payroll management;
- 2.4. To prevent and to counteract potential practices of fraud and corruption;
- 2.5. To provide an information platform for perusal by the payroll users and other interested parties;
- 2.6. To ensure that all important payroll management requirements are dealt with as required by law and good practice;

3. GENERAL PROVISIONS FOR PAYROLL IMPLEMENTATION

- 3.1. The payroll is a function located in both Corporate Services and Budget & Treasury Departments;
- 3.2. It is a shared function necessitated by its complex nature and significance;
- 3.3. The Corporate Services Department is responsible for all the payroll aspects which deal with the human resources;
- 3.4. The Budget & Treasury Department shall be responsible for the payroll aspects which deal with the payment of both salaries and benefits to employees and Councillors as well as all third party payroll related payments (this is after verification by Human Resources Unit);
- 3.5. All changes and updates effected through payroll e.g. medical aid increases and change of banking details are to be filed in employees personal records;
- 3.6. All payments that are determined through employees' conditions of service must start from Human Resources Personnel Administrator before handed over to the Budget & Treasury Department for processing;

- 3.7. The Corporate Services Department shall be responsible for appointment and funding or designate a dedicated post of a Human Resources Personnel Administrator whose key role shall be management and implementation of all respective aspects of the payroll falling within the framework of payroll responsibilities for the Corporate Services Department;
- 3.8. The Budget & Treasury Department shall be responsible for appointment and funding a post of Payroll Administration Officer whose primary role shall be payroll operation within the framework of payroll responsibilities of the Budget & Treasury Department;
- 3.9. There shall be a clear separation of duties and responsibilities assigned to this two positions with a view of avoiding overlapping and conflicting of roles;
- 3.10. The main purpose of the joint management and operation of the payroll by the two departments is to inject the necessary checks and balances in the reinforcing and control of the payroll;
- 3.11. The two departments shall have a joint responsibility to develop, plan and rejuvenate the payroll function in terms of the latest technological innovations and requirements in order to keep the municipality abreast with the latest developments in the field of payroll.

4. DUTIES AND RESPONSIBILITIES

4.1 Amongst other duties, but not limited to the payroll function sharing plan shall be followed:

No	CORPORATE SERVICES	No	BUDGET & TREASURY
1.	Collection of inputs, bonuses, S&T, leave, standby, acting allowance, deductions	1.	Payment processing of salaries creditors and its reconciliations (3 RD Party payments), faxing of schedules and proof of payments
2.	Addition of new employees on PAYDAY, Staff terminations, master file amendments.	2.	Payroll queries relating to payments
3.	Submission of Staff, Fixed Term Contract employees and Councillors increment	3.	Elimination of resigned and deceased employees from PAYDAY payroll system as advised by Corporate Services.
4.	Leave day's management and its processing to PAYDAY	4.	Balancing of monthly payroll for staff payments. Calculation of leave provision
5.	Verification of Working hours and standby compliance with BCEA and Municipal Policies	5.	Monthly posting of payroll to general ledger
6.	Creation of new employees on PAYDAY HR module	6.	Creation of new vote accounts from PAYDAY
7.	Creation of payroll input schedules to be submitted to Budget & Treasury for processing	7.	Monthly reconciliation of salaries control account
8.	Filing of inputs on a monthly basis	8.	Filing of all records or payment vouchers for 3 rd parties.

9.	Advising in writing payroll officials about all new additions or changes in status of employees which affects payroll	9.	Pension Fund Returns and SARS returns
10.	Forwarding all enquiries as per the issued Payslip to Budget & Treasury	10.	Payroll Back up on CD and main server and rolling over to the following month
11.	Payroll queries relating to staff	11.	Journal to Munsoft and clearing of salary suspense account
12.	Schedule of municipal account (Water, rates, fines) Staff to give a standard amount. Memo to be sent to all staff	12.	MANCO Reports
13.	SALGA and Stats SA information	13.	Marking and recording of all payroll files for new filling at the new payroll office
14.	Creating of access to payroll system (PAYDAY) for officials to work on payroll function.	14.	SALGA and Stats SA information

4.2 PAYROLL CYCLE

4.2.1 Monthly Payroll Processing

- 4.2.1** All employees and Councillors shall submit their payroll inputs to their relevant Departmental PA's.
- 4.2.2** All payroll inputs shall be submitted by the Departmental PA's to the Human Resources Personnel Administrator or designee on the 6th (for Councillors) and 10th (for employees) of each month or any day before should the 6th or 10th the month fall on a non working day.
- 4.2.3** All Departmental payroll inputs must be submitted in a prescribed form certified by the relevant Manager/Head of Department and accompanied by all overtime; standby and or any other emoluments.
- 4.2.4** All S & T claims shall be submitted to the Departmental PA's, whom they will submit to the payroll office direct, before or by the 10th of every month or any day before should the 6th or 10th the month fall on a non-working day.
- 4.2.5** No payroll inputs shall be submitted to either the Payroll Admin Officer or the Human Resources Information Systems Administrator by employees and Councillors.
- 4.2.6** First cut-off date for submission of payroll inputs to the Human Resources Division shall be the 6th and 10th of the month, respectively or any day before should the 6th & 10th of the month fall on a non-working day.
- 4.2.7** The Human Resources Personnel Administrator/designee shall then capture and organise all the submitted payroll inputs from the 6th to the 10th of the month;
- 4.2.7** At the end of business on the 6th and 10th of the month the consolidated and well calculated payroll input shall the be submitted to the Payroll Admin Officer in the Budget & Treasury Department for further processing;

- 4.2.8** The Payroll Admin Officer shall then process the input given by capturing and making necessary adjustments on the system with a view of ensuring that all payments and deductions are done as per the payroll input given;
- 4.2.9** All payroll input is to be submitted through the office of Human Resources and no input shall be furnished directly to the Payroll Admin Officer; other than S & T claims.
- 4.2.10** Any payroll input that has missed the deadline shall be reserved for processing in the following month of business;
- 4.2.11** All claims within a particular financial year to be claimed before year end month, which is June of each year;
- 4.2.12** Maximum period of claims shall be two months.
- 4.2.13** All emoluments including but not limited to allowances, salaries, leave pay, exit pay, back pay, subsistence and travel claims, standby allowances and shift allowances shall be paid through the payroll on a monthly basis with no exceptions.
- 4.2.14** On the 10th and 5th of each month draft payslips shall be printed by the Payroll Admin Officer and distributed through departmental PAs;
- 4.2.15** A supplementary input sheet may be submitted by the Human Resources Division for payment of certain things or transacting any other matter arising from the queries raised by the respective employees and councillors or omissions in the main payroll preparation;
- 4.2.16** The draft payroll may then be amended prior to finalisation provided such supplementary payroll input is submitted prior to the 10th and 20th of the month;
- 4.2.17** Payslips of the earners which do not require any changes shall then be treated as final payslips;
- 4.2.18** After the 10th or 20th of the month but not later than 13th or 23rd the Payroll Admin Officer shall then produce final payroll reports including final payslips for the affected earners. The payroll reports to be produced shall include the following:
- i) Company Reconciliation;
 - ii) Payroll Register (both for the current and prior month);
 - iii) Remuneration List;
 - iv) Variance Report;
 - v) Audit Trial;
- 4.2.19** The above reports shall be signed by the following municipal officials for verification and approval:
- i) Payroll Admin Officer
 - ii) Accountant – Expenditure
 - iii) Deputy Chief Financial Officer
 - iv) Chief Financial Officer
- 4.2.20** The payment for the transfer of salaries to the bank shall be authorised by the appointed cheque signatories and this should happen prior to the 15th and 25th of the month respectively, which are the municipality's pay days;

- 4.2.21** The Payroll Admin Officer shall then immediately after the 25th prepare the schedules of all third party payments requiring processing and payment before or on the 30th of each payroll month;
- 4.2.22** The Payroll Admin Officer shall also prepare such schedules for third party payments and ensure that payments are done before the 7th of each month following the payroll month;
- 4.2.23** All payments shall be accompanied by the relevant schedules as remittance advices to the third parties;
- 4.2.24** After the final close of payroll the Payroll Admin Officer shall do the necessary types of backups on the 1st of each month; as determined by the municipality from time to time.

5 FILING

- 5.1** The Human Resources Personnel Administrator or designee shall be responsible for filing of all copies of the payroll input submitted to his or her office;
- 5.2** All information pertaining to personnel changes e.g. change of banking details, etc. must be kept on employee personal file under the custodianship of the Human Resources Personnel Administrator;
- 5.3** The Human Resources Personnel Administrator shall also be responsible for filing consolidated printouts of payroll input;
- 5.4** The departmental PAs are responsible for keeping uncollected original copies of payslips within their respective departments;
- 5.5** The Payroll Admin Officer shall also be responsible for the uncollected copies of IRP5 certificates;
- 5.6** The Payroll Admin Officer shall be responsible for keeping original copies of master payroll reports and copies of all third party payment schedules, copies of payslips, copies of IRP5 certificates and proof of payment of salaries and all third payments;
- 5.7** The Payroll Admin Officer shall ensure that all the records are properly kept in an orderly manner and systematic fashion for easy access.

6 ANNUAL RESPONSIBILITIES

- 6.1** The Payroll Admin Officer shall be responsible for the production of Tax Year End Reports;
- 6.2** This shall be saved on a compact disk;
- 6.3** The compiled electronic information shall be submitted to SARS before the stipulated deadline;
- 6.4** Once the Year End Tax Report has been accepted by SARS the IRP% certificates shall be produced and printed within 10 days after approval of Year End Tax Reports by SARS;
- 6.5** The Human Resources Personnel Administrator shall be responsible for distribution of IRP5 certificates to all the members of staff and councillors;
- 6.6** All employees and Councillors shall be required to sign for the receipt of the IRP5 certificates.