



# ***PAYROLL OPERATING PROCEDURE MANUAL***

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## PREAMBLE

Greater Uthukela District 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.

In order to give effect to this set of obligations and requirements a new generation of electronic payroll system will be implemented as a strategic choice of addressing all human capital requirements in relation to monthly and any ad hoc remuneration. The municipality has found it appropriate to draw a balanced and informative payroll operating 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.

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 will enable him/her to take full ownership of the payroll function within their area of responsibilities.

### **SAGE 300 PAYROLL SYSTEM**

Uthukela District Municipality uses Sage 300 Payroll System as its primary payroll system.

## 1. PAYROLL OPERATING PROCEDURES OBJECTIVES

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

## 2. GENERAL PROVISIONS FOR PAYROLL IMPLEMENTATION

- 2.1 The payroll is a function located in both Corporate Services and Financial Services Departments.
- 2.2 It is a shared function necessitated by its complex nature and significance.
- 2.3 The Corporate Services Department is responsible for all the payroll aspects which deal with the human resources.
- 2.4 The Financial Services Department will be responsible for the payroll aspects which deal with the payment of both salaries and benefits to employees as well as all third-party payroll related payments;
- 2.5 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 (this is kept by Human Resources Unit).
- 2.6 All payments that are determined through employees' conditions of service must start from Human Resources Practitioner before handed over to the Financial Services Department for processing.
- 2.7 The Corporate Services Department will be responsible for appointment and funding a dedicated post of a Human Resources Practitioner whose key role will be management and implementation of all respective aspects of the payroll falling within the framework of payroll responsibilities for the Corporate Services Department.

## 3. DUTIES AND RESPONSIBILITIES

- 3.1 Payroll Officer:
  - 3.1.1 The primary responsibility of the Payroll Officer is to update and maintain the payroll information system and to process salary payable to members, allowances and deductions applying laid down procedures to insert, adjust, reconcile and integrates pay data into schedules, reports and accounting systems.
  - 3.1.2 The Payroll Officer further executes procedures and applications associated with the verification and processing payroll information by:
  - 3.1.3 Inputting relevant data against individual fields referring to source documentation in respect of salaries, allowances, benefits.
  - 3.1.4 Processing and payment of pro-rata bonuses.
  - 3.1.5 Checking, and distributing the salary advice notification to individual employees;
  - 3.1.6 Preparing schedules to reflect statutory and other relevant returns, forwarding to the immediate superior for approval and submitting approved reconciled schedules to the respective institutions.;
  - 3.1.7 Printing and distributing member's income tax certificates, reconciling and seeking approval from the immediate superior prior to creating and forwarding electronic income tax data file to the Receiver of Revenue.
  - 3.1.8 Further Duties and responsibilities of the Payroll Officer:
  - 3.1.9 Processing of leave paid out

- 3.1.10 The Payroll Officer receives a schedule from the leave processing section (also part of the Human Resources Department) with a list of employees who have to be paid out for leave due to them either resulting from leave encashment, on termination of service, on death of an employee or any other internal arrangement approved by management.
- 3.1.11 The calculation of leave to be paid out is based on the number of annual leave days due to an employee at any given point.
- 3.2 The Payroll Accountant:
  - 3.2.1 Is specifically charged with the responsibility to attend to the application of verifying processes associated with updating the Payroll System parameters by:
    - 3.2.2 Referring to letters of appointments/termination correspondence and adding/deleting members on the system.
    - 3.2.3 Inserting changes to the remuneration structure and related parameters based on published adjustments and/ or internal policies.
    - 3.2.4 Checking information, making adjustments and calculations prior to extracting and forwarding the salary reports and schedules for approval.
    - 3.2.5 Printing, salary advice notifications;
    - 3.2.6 Integrating pay system records to the general ledger, reconciling and correcting salary misallocations through the processing of relevant journals.
    - 3.2.7 Verify and approve statutory schedules and other relevant returns, before schedules is submitted to the respective institutions.
    - 3.2.8 Verify member's income tax certificates,
    - 3.2.9 Printing of audit trials and forwarding same to Management: Payroll for review and verification.to ensure the payroll system is efficiently administered in accordance with laid down procedures and guidelines.
  - 3.3 Stop further entry
    - 3.3.1 At the end of each payroll month processing the Payroll Accountant shall ensure that he/she maintains 'stop further entry' function on Sage 300 to prevent any further processing of payroll entries on Sage 300 once payroll for the month is closed.

## 4. PAYROLL CYCLE

### 4.1 Monthly Payroll Processing

- 4.1.1 All employees and Councillors shall submit their payroll inputs to their relevant Departmental PA's.
- 4.1.2 All payroll inputs shall be submitted by the Departmental PAs to the Office of the Chief Financial Officer on the prescribed closing day of each month or any day before.
- 4.1.3 All Departmental payroll inputs must be submitted in a prescribed form certified by the relevant Manager and accompanied by all S&T claims;

- overtime; standby and or any other emoluments. No payroll inputs shall be submitted to either the Payroll Officer or the Human Resources by employees and Councillors.
- 4.1.4 Cut-off date for submission of payroll inputs to the Chief Financial Officers office shall be in line with prescribe dates by Management.
  - 4.1.5 At the end of business on the prescribed closing day of the month the consolidated payroll input will then be submitted to the Payroll Office in the Financial Services Department for processing.
  - 4.1.6 The Payroll 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.
  - 4.1.7 All payroll input is to be submitted through the office of the Chief Financial Officer and no input shall be furnished directly to the Payroll Office.
  - 4.1.8 Any payroll input that has missed the deadline shall be reserved for processing in the following month of business.
  - 4.1.9 All claims within a particular financial year to be claimed before year end month, which is June of each year.
  - 4.1.10 Maximum period of claims shall be two months.
  - 4.1.11 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 exception;
  - 4.1.12 Each month payslips shall be printed by the Accountant Payroll;
  - 4.1.13 After the 21th of the month but not later than 23rd the Payroll Accountant shall then produce final payroll reports including payslips for the affected earners. The payroll reports to be produced shall include the following:
    - Company Reconciliation;
    - Payroll Register (both for the current and prior month);
    - Remuneration List
    - Variance Report
  - 4.1.14 The above reports shall be signed by the following municipal officials for verification and approval:
    - Payroll Officer
    - Accountant-Payroll
    - Manager Expenditure
    - Senior Manager Finance
    - Chief Financial Officer
  - 4.1.15 Payslips of the earners which do not require any changes will then be treated as final payslips and distributed by the Payroll Officer.
  - 4.1.16 The payment for the transfer of salaries to the bank shall be authorised by the appointed signatories and this should happen prior to the 25th of the month which is the municipality's pay day;
  - 4.1.17 The Payroll 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.

- 4.1.18 The Payroll 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.
- 4.1.19 All payments shall be accompanied by the relevant schedules as remittance advices to the third parties.
- 4.1.20 After the final close of payroll, Sage 300 will be responsible of backups as authorised practitioner for keeping under locked key for safety purposes.
- 4.1.21 Any deadline date falling on a non-working day, the preceding working day immediately following that date will then become the deadline. Should any date of the month mentioned on this manual fall on a weekend, public holiday or any non-working day an immediate working day preceding such date will apply as deadline.

## 5. FILING

- 5.1 The Human Resources 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.
- 5.3 The Human Resources shall also be responsible for filing consolidated printouts of payroll input.
- 5.4 The Human Resources is responsible for keeping uncollected original copies of payslips.

## 6. ANNUAL RESPONSIBILITIES

- 6.1 The Payroll Officer will be responsible for the production of Tax Year End Reports.
- 6.2 This shall be saved on the municipalities central filing system provided by ICT.
- 6.3 The compiled electronic information will be submitted to SARS before the stipulated deadline.
- 6.4 Once the Year End Tax Report has been accepted by SARS the IRP5 certificates will be produced and printed within 10 days after approval of Year End Tax Reports by SARS.
- 6.5 The Human Resources will be responsible for distribution of IRP5 certificates to all the members of staff and councillors.
- 6.6 All employees and Councillors will be required to sign for the receipt of the IRP5 certificates. The Human Resources will also be responsible for the uncollected copies of IRP5 certificates.
- 6.7 The Payroll Officer will 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.

- 6.8 The Payroll Officer shall ensure that all the records are properly kept in an orderly manner and systematic fashion for easy access.

## 7. THE STATUTORY ASPECT OF PAYROLL

### 7.1 Income Tax

- 7.1.1 Remuneration earned is in terms of the Income Tax Act subject to direct taxation in the form of SITE and PAYE. SITE is a form of employees' tax that is applicable only on the annualised net remuneration. The employer has a duty to ensure that the calculation of tax is strictly in terms of the Act and in accordance with the annual tax Figures published by SARS from tax year to tax year.

- 7.1.2 The municipality is obliged to withhold employees' tax and pay such to South African Revenue Services (SARS) within seven (7) days after the end of the month. Should payment not be made within the required time, the act makes a provision that SARS may impose a penalty of 10% of the amount owing. Where the municipality fails to withhold employees' tax the act stipulates that the municipality (in its capacity as the employer) becomes personally liable for the payment of such tax to SARS and should this payment not be made the penalty rule will apply accordingly.

### 7.2 Unemployment Insurance Fund (UIF)

- 7.2.1 This is a compulsory contribution to fund unemployment benefits,
- 7.2.2 The contribution is deducted from the remuneration payable to the employee (i.e. Basic salary) and the employer has an obligation to contribute to the fund on behalf of the employee an amount equivalent to the employee's contribution;
- 7.2.3 The total contribution to the fund equals both the contribution of the employee and that of the employer;
- 7.2.4 In enforcing the obligation on the employer to deduct UIF contributions from employees' remuneration and paying over such contributions, Section 4 (a) of the Unemployment Insurance Contributions Act (UIC Act, 2002) stipulates that where an amount of an employee's contribution which has been deducted or withheld by an employer in terms of this section has not been paid over to the Commissioner or the Unemployment Insurance Commissioner, as the case may be, the employer and every director and shareholder of that company who controls or is regularly involved in the management of the company's overall financial affairs shall be personally liable for the payment of that amount to the Commissioner or the Unemployment Insurance Commissioner and for any penalty contemplated in section 13(2) which may be imposed in respect of that payment. SARS is charged with the responsibility of administering contributions on behalf of the Unemployment Insurance Commissioner.

### 7.3 Calculation of UIF

- 7.3.1 The UIF contribution is calculated at 1% of basic salary;



- 7.3.2 A limit otherwise referred to as a ceiling amount is applied.
- 7.3.3 The rate of 1% only applies to the maximum of the ceiling amount and once the calculation is in excess of this ceiling the contribution will be limited to the ceiling amount. The ceiling amount is determined from time to time by the Minister of Finance by notice in the Gazette, after consultation with the Minister of Labour and the Unemployment Insurance Commissioner usually at yearly intervals.
- 7.4 Skills Development Levy(SDL)
- 7.4.1 This is a compulsory levy scheme for the purposes of funding education and training as envisaged in the Skills Development Act of 1998. The levy is calculated at 1% of taxable earnings and is only cost to company, meaning that employee does not contribute directly to the fund.