



**NQUTHU MUNICIPALITY
UMASIPALA WASE NQUTHU**

Private Bag X5521, NQUTHU, 3135

Tel: +27(0) 34 271 6100, Fax: +27(0) 34 271 6111

**PAYROLL MANAGEMENT AND
ADMINISTRATION POLICY**

Policy Adoption Date: 13 DECEMBER 2018

Resolution Number: C/05/12/14

Authorised Signature:

Table of Contents

1	DEFINITIONS	3
2	LEGISLATIVE FRAMEWORK	3
3	OBJECTIVES.....	4
4	APPLICABILITY.....	4
5	POLICY PROVISIONS	4
5.1	PAYROLL ADMINISTRATION.....	4
5.2	PAYROLL DEDUCTIONS.....	5
5.3	OVER AND UNDER PAYMENTS.....	6
5.4	RECORD KEEPING.....	7
6	ROLES AND RESPONSIBILITIES.....	7

1 DEFINITIONS

- **Authorised Deductions** means any deduction against an employee's salary required and/ or permitted in terms of the law, collective agreement, arbitration award and any other agreement with the employee or court order.
- **Collective agreement** refers to the agreement between trade unions and employers on the terms and conditions of employment conducted under the auspices of the South African Local Government Bargaining Council.
- **Debt** means any amount of money owed and payable by an employee to any person and/ or juristic body.
- **EFT** refers to electronic funds transfer
- **Employment benefits** refers to the various types of direct and indirect non-cash compensation provided to employees in addition to their normal salaries.
- **Employee** refers to any person excluding an independent contractor who works for the municipality and who receives any remuneration.
- **Payroll Administration** refers to the organised compensation of employees for work done and the transactions arising from the application of statutory provisions, collective agreements, conditions of service, arbitration awards, court orders and approved policy directives.
- **PAYE** refers to Pay As You Earn tax.
- **UIF** refers to the Unemployment Insurance Fund.

2 LEGISLATIVE FRAMEWORK

This policy is established within the framework of the following legislation and regulations:

- The Basic Conditions of Employment Act, 1997 (Act no 75 of 1997)
- Income Tax Act, 1962 (Act 58 of 1962)
- Municipal Finance Management Act, 2003 (Act 56 of 2003) [MFMA]
- 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)
- Medical Schemes Act, 1998 (Act 131 of 1998)

- All collective agreements as amended from time to time, concluded in the South African Local Government Bargaining Council (SALGBC)

3 OBJECTIVES

The objective of this Policy is to set out guidelines and a framework for internal controls relating to the administration of the payroll.

4 APPLICABILITY

4.1 This Policy is applicable to all employees of the Municipality.

5 POLICY PROVISIONS

5.1 Payroll Administration

5.1.1 The municipality should determine administrative and procedural arrangements to appropriately manage and control payroll related risks to ensure good governance.

5.1.2 The municipality uses an electronic based payroll system for processing salaries and all payroll related transactions. All employees are required to have bank accounts and new employees must ensure that their banking details are submitted timeously to the payroll department.

5.1.3 Timely and accurate payroll reporting is necessary to appropriately budget, plan and manage costs.

5.1.4 Payroll officials are responsible for maintaining adequate internal controls for effective payroll processing. This includes establishing appropriate separation of duties in payroll processing functions.

5.1.5 Payroll officials must be independent of the personnel function of hiring employees and/ or determining employee salaries.

5.1.6 The payroll calendar which informs monthly payroll cycles and sets out key dates on the payroll cycle and process must be communicated to all departments.

5.1.7 Department Heads and their nominees should ensure that payroll documents are authorised and submitted on time for payroll processing.

5.1.7 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 on time for payroll processing.

5.1.8 The payroll must be reviewed by the payroll manager and the CFO or relevant Director monthly. Any discrepancies must be reported to the Municipal Manager monthly.

5.1.9 Payroll expenses must be reported according to the requirements of the MFMA and GRAP.

5.2 Payroll Deductions

5.2.1 Authorised deductions only may be processed and deducted from employee's remuneration. Authorised deductions by any legislation do not require an agreement with the employee for such deduction to be made.

5.2.2 Authorised deductions include and not limited to PAYE, UIF obligations, pension funds, medical aid, group life schemes, garnishee orders, union membership and any other approved scheme or deductions authorised in terms of collective agreements or legislation.

5.2.3 Voluntary deductions shall only include formal union related collective agreements. Private payroll deductions are not allowed, employees must arrange private obligation payments

5.2.4 Garnishee Orders: A garnishee order is a court order to withhold monies from employee's salaries who have specific debts. The municipality is obligated to honour wage garnishments.

5.2.5 A deduction may be to reimburse an employer for the loss and / or damage which occurred in the course of employment and due to the fault of the employee. The employee must be informed of such deductions and employer should follow fair procedure and give employee reasonable opportunity to show why the deduction should not be made. The total amount of debt should not exceed the actual amount of the loss or damage.

5.3 Over and Under Payments

5.3.1 Any over and / or underpayment once identified must be reported to the Payroll Office to ensure that it is addressed.

5.3.2 The municipality must investigate the cause and reasons for the error and address the error appropriately.

5.3.3 Any errors occurring despite the application of predetermined control measures must be investigated to ascertain whether or not there are elements of negligence and corrective action must be taken to avoid further occurrence.

5.3.4 All identified errors and their causes and reasons must be recorded in the payroll administration logbook/ document for remedial actions and training purposes.

5.3.5 The municipality may seek reimbursement for all overpayments in accordance with collective agreements and other applicable municipality policies. Any debt resulting from an overpayment must be dealt with in accordance to this policy and the approved municipality's debt management and recovery policies.

5.3.6 An overpaid employee must be informed in writing and requested to repay the total amount within 30 days from date on which debt was raised or to make appropriate arrangements to repay the total amount in instalments over a period not exceeding 12 months.

5.4 Record Keeping

5.4.1 Payroll information must be regarded as confidential. Access to payroll information and payroll records must be limited to officials that fall within the necessary delegation of authority.

5.4.2 All payroll related documents must be maintained as per the approved municipality's document management policy and procedures. The data must be collated and analysed to determine trends and to develop improvements to the system.

6 ROLES AND RESPONSIBILITIES

The Municipal Manager or his / her nominee accept overall responsibility for the implementation and monitoring of the policy.