

# PAYROLL MANAGEMENT POLICY



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## 1. PREAMBLE

- 1.1 This policy is applicable to all payroll-related transactions for employees, pensioners and Councillors falling within designated scope of the scope of the municipality.
- 1.2 The policy describes the key features of a payroll management system and payroll administration processes, payroll schedules and payment methods, including the administration of appointments, service benefits, allowances and the processing of subsistence and travel claims.
- 1.3 The policy also provides for the recovery of overpayments arising from payroll errors and non-payroll errors.

## 2. PURPOSE OF THE POLICY

- 2.1 The purpose of the policy is to provide a standard framework and basic internal controls and procedures, which must be followed in the preparation, submission and processing of payroll-related transactions and the distribution of payroll results in the municipality.

## 3. DEFINITIONS

**“Collective Agreements”** Agreements are defined in the labour Relations Act, 1995 (Act 66 of 1995) and conducted at the South African local Government Bargaining Council (SALGBC) or Eastern Cape Division.

**“Councillor”** A member of a municipal council.

**“Debt”** An amount of money owed and payable to the Municipality arising out of a liability or obligation to pay.

**“Employee”** Any person, excluding and independent contractor, who works for the Municipality and who receives any remuneration; any other person who in any manner assists in carrying on or conducting the business of the Municipality.

**“Overpayment”** Any payment made to an employee in error, where a payment in error is one where there is no legal basis for such payment irrespective of the nature or source of the error.

**“Underpayment”** Any payment not made to an employee where there exists a legal obligation on the part of the Municipality to make the payment.

**“Payroll Administration”** Transactions arising from the application of statutory provisions, collective agreements, conditions of service, arbitration awards, court orders and approved policy directives.

**“Payroll Calendar”** The annual calendar, which informs the monthly payroll cycle, and which sets out the key dates on the payroll cycle and process.

**“Payroll System”** The Promun system used to administer or process and personnel administration-related transactions.

**“Authorised Deductions”** Deductions required or permitted in terms of the law, arbitration award, collective agreement, any other agreement with the employee or court order or as defined in the Employment Contract of the Municipality and the Conditions of Service.

**“Line Manager”** The person with direct authority and/or responsibility over subordinates in their respective departments, directorates, etc.

#### **4. APPLICATION AND SCOPE**

This policy applies to all Permanent, Casual, Fixed term contractual employees and Councillors of the Municipality.

#### **5. LEGISLATIVE FRAMEWORK**

This policy is established within the framework for the following legislation and policies:

- 5.1 Basic Conditions of Employment Act, 1997 (Act 75 of 1997)
- 5.2 Income Tax Act, 1962 (Act 58 of 1962)
- 5.3 Municipal Finance Management Act, 2003 (Act 56 of 2003)
- 5.4 Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)
- 5.5 Unemployment Insurance Contributions Act, 2002 (Act 4 of 2002)
  
- 5.6 Prescribed Rate of Interest Act, 1975 (Act 55 of 1975)

#### **6. PROBLEM STATEMENT**

This policy gives all Permanent, Casual, Fixed term contractual employees and Councillors the right to be remunerated. All payroll submissions must be with the office before or on the 10<sup>th</sup> of each month.

## **7. POLICY PRINCIPLES**

The following are applicable to this policy:

### **7.1 Principles and Values**

7.1.1 Good governance, which imposes a duty to apply the policy and procedures in a consistent and a fair manner.

7.1.2 Honesty and integrity which require all involved to report unauthorised transactions, including administrative and system errors once identified.

7.1.3 Values and principles contained in various pieces of legislation, especially the Code of Conduct for Municipal Staff members and the Code of Conduct for Councillors.

### **7.2 POLICY STATEMENT**

7.2.1 Given the significant financial impact of payroll costs, it is critical that the Municipality determines administrative and procedural arrangements to appropriately manage and control payroll-related risks and ensure good governance.

7.2.2 Line managers / Supervisors must ensure that the internal controls and procedures specified in this policy are adhered to and, if necessary, advise on the need to modify them to meet the changing of the Municipality's needs and to eliminate errors and any form of or opportunity for fraudulent activities.

### **7.3 PAYROLL SYSTEM**

7.3.1 The municipality uses Promun system as its payroll system to process all payroll-related transactions.

### **7.4 PAYROLL CALENDAR**

7.4.1 The payroll calendar must be communicated to all departments.

7.4.2 All submissions and memorandums of remunerations from different departments and Human Resources section should be submitted on or before the 10<sup>th</sup> of each month to allow Payroll Section to process the data in time so that any errors are detected early before the salary run. If the 10<sup>th</sup> is on the weekend, then the next working day will be the due date.

7.4.3 All submissions after the due date will be considered in the following month salary run.

7.4.4 Salaries are payable on the 25<sup>th</sup> of each month only if the date does not fall on a weekend or a public holiday.

- 7.4.5 If the 25<sup>th</sup> is on a Monday, the payment will take place on a Friday prior to the actual date.
- 7.4.6 December salaries will be paid the 15<sup>th</sup>.
- 7.4.7 If the 15<sup>th</sup> falls on a weekend or on a Monday, payment will take place on a Friday prior to the weekend.
- 7.4.8 The above Payroll calendar will apply provided there are no disruptions beyond control.

## **7.5 PAYROLL DEDUCTIONS**

7.5.1 Authorised deductions only must be processed and deducted from remuneration.

7.5.2 The municipality will make deductions from an employee's and councillor's monthly remuneration in accordance with legal requirements relating to such a deduction and/or the stipulation of the agreed benefit funds. However, the municipality reserves the right to refuse to deduct any amount unless mutually agreed upon.

## **7.6 OVERPAYMENTS**

7.6.1 The municipality reserves the right to recover all the monies from the affected employees / councillors the moment the error is detected.

- 7.6.2 The recovery will take effect after consultation with the employee or councillor.
- 7.6.3 The communication will be delivered within 2 working days of discovering the overpayment.
- 7.6.4 Should the affected employee or councillor decides to make an immediate payment regarding the overpayment, such an employee or councillor must deposit the monies to municipality's bank account or in any other manner that the Accounting Officer may from time to time determine.
- 7.6.5 Should an employee or councillor does not respond to the written notification as per 7.6.3 above it will be considered as the employee or the councillor agrees with the recovery terms as set out in the communication.
- 7.6.6 Should an employee or a councillor decides to make payment arrangement, the arrangement must not exceed 3 months after he or she has been notified.
- 7.6.7 In the event of a dispute, the final discretion and approval will rest with the Accounting Officer.
- 7.6.8 It is the duty of the employee or councillor to declare any overpayments or underpayments.

## **7.7 PAYROLL ADVANCES AND STAFF LOANS**

7.7.1 The granting of salary advances and loans to employees / councillors are prohibited.

## **7.8 PRINTING AND COLLECTION OF PAYSLEIPS**

7.8.1 Payslips are printed and submitted to each Directorate.

7.8.2 Payslips will be printed 2 days before salary run and for those with email addresses they will be emailed.

## **7.9 THIRD PARTY PAYMENTS**

7.9.1 Payments to third parties are paid on or before the 7<sup>th</sup> of the following month.

7.9.2 The employee must be informed about any garnishee orders submitted prior to deduction.

## **8. ROLE OF DIFFERENT STAKEHOLDERS**

### **8.1 Head of Department**

8.1.1 All submissions to the Payroll Section must be checked and verified by the Head of Department.

### **8.2 Payroll Office**

8.2.1 Payroll Section will reject all incomplete submissions.

8.2.2 Salaries will be paid in South African currency, into a bank account of the employee's / councillor's choice.

8.2.3 No cheque payments will be made.

## **9. CONSULTATION WITH STAKEHOLDERS**

9.1 All Councillors, Directors, Managers, Supervisors and Union representatives need to be part of this policy.

## **10. COMMUNICATION OF POLICY**

10.1 The policy will be uploaded in SRVM website where all employees will have access to all the Municipality's policies.

## **11. DISPUTE RESOLUTION MECHANISM**


11.1 It is the duty of the employees / councillors to check their payslips to see that everything is in order especially their insurance policies and other deductions.

11.2 If there are no disputes, the payroll section will proceed with the salary run.

11.3 Should one file a dispute after the salary run the dispute will be rectified in the following salary run.

## **12. REVIEW OF POLICY**

The policy will be reviewed annually and when there are any changes to the system.



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S H RINE  
MAYOR

08 JULY 2022