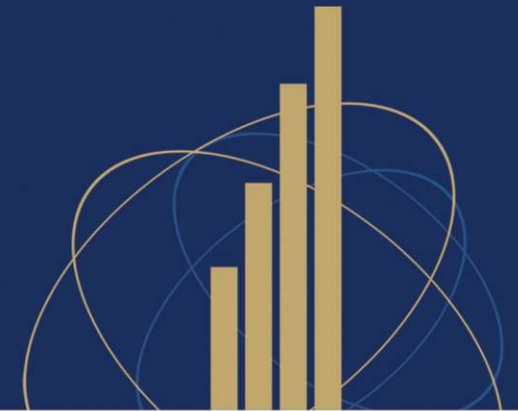




Payroll cycle from Appointment to Termination



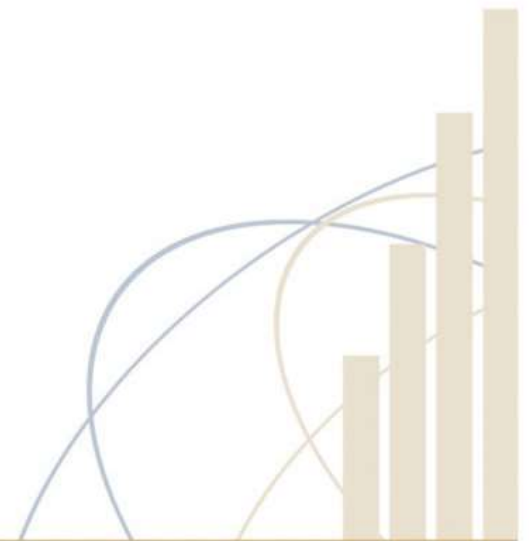
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Payroll Cycle from Appointment to Termination

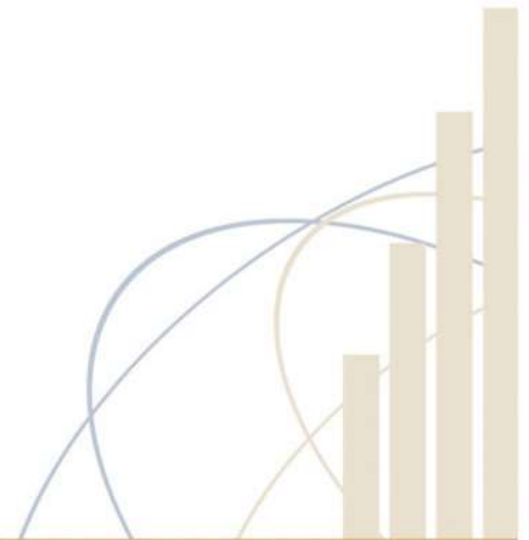
Presentation by
Mokgobu TJ
Assistant Manager Payroll
Polokwane Municipality



Presentation Overview and Outline



- Introduction
- Human Resource Management
 - Appointment
- Payroll Management
 - Salary Processing
 - Employee Termination
 - Third Party Payments
- Common Payroll Audit Requests(RFI'S)
- Previous Audit Findings(COMAF'S)
- Actions Taken to Resolve COMF'S(Audit Action Plans)
- Closure



INTRODUCTION



Legislative Framework Overview

Municipal payroll is governed by multiple laws ensuring fairness, accountability, and financial discipline in operations.

Key Laws Impacting Payroll

Acts like MFMA, BCEA, EEA, Income Tax Act, and UIF, SALGBC Agreements regulate payroll calculations, deductions, and worker rights.

Compliance Importance

Accurate payroll system configurations prevent audit issues, financial loss, and reputational damage in municipalities.

Role of Payroll Practitioners

Understanding legislation is critical for payroll staff to ensure controls, documentation, and approvals throughout payroll cycle.



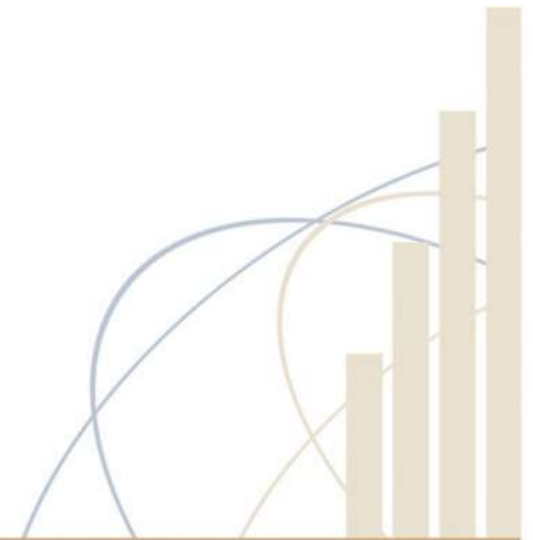
HR Management : Planning & Personnel

- Budget positions in an approved organogram structure
- Advertise vacancies on different media platforms, e.g. local and National newspaper, Municipal websites
- Sorting of posts submissions
- Appointing shortlisting and interview panel
- Run shortlisting and interview process
- Finalise vetting process for recommended candidate
- Appointment and Acceptance of best candidate
- Induction Process which includes signing of performance agreements
- HR captures employee on the system & links employees to mSCOA hierarchy(7Segments)

Payroll Management – Salary Processing

Payroll receives advice from HR and captures salary information i.e. earnings and deductions. **The following are most common earnings on the payroll system:**

- Basic Salary
- Travel Allowance
- Danger Allowance
- Shift Allowance & Overtime
- Fire Bridgate Allowance
- Standby Allowance
- Clothing Allowance
- Long Service Award
- Cellphone Allowance & Tool Allowance
- Leave Pay
- Bonus(13th Cheque) & Performance Bonus



Payroll Management – Salary Processing

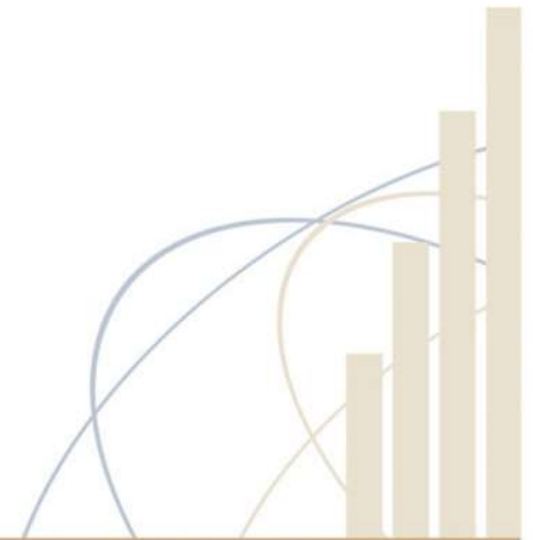
Deductions are categorised into statutory and non statutory,

Statutory Deductions

- PAYE
- UIF
- SDL
- Pension
- Medical Aid
- Bargaining Council Levy

Non Statutory Deductions

- Garnishee Orders / Court Order
- Insurance Premiums
- Political Affiliation Levies
- Unions Levies



Payroll Management - Salary Processing

- Verify and approve captured inputs(HR Advices) on the system
- Run Stop further Entry / Stop all inputs(Close Payroll)
- Run salary reports (Remuneration Lists i.e.)
- Create electronic banking file and upload to the bank
- Release of salaries payments by two signatories
- Ensure seamless integration between financial system and payroll system
- Reconciliations between payroll system and financial system
- Reporting
- Roll over to the next period.

Payroll Management - Employee Termination



- Termination are done mainly to avoid ghost employees or continuing paying employees that are no longer in the employ of the Municipality.
- Two Types of terminations:

Voluntary Terminations – Employee Initiates end of employment

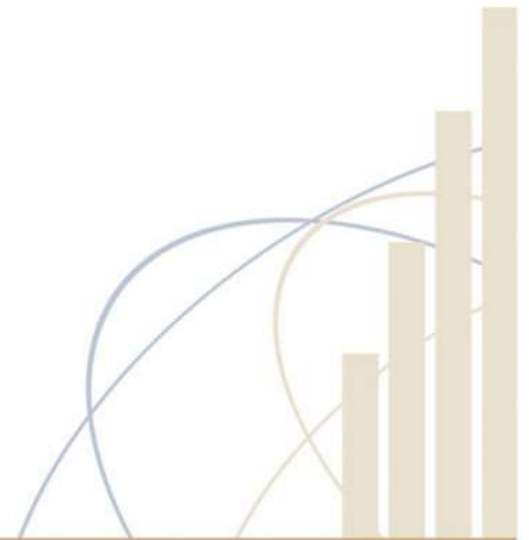
- Resignation
- Retirement

Involuntary Terminations – Employer Initiates end of Employment

- Dismissal
- Retrenchment
- Contract Expiration
- Death(Act of Nature)

Payroll Management - Employee Termination

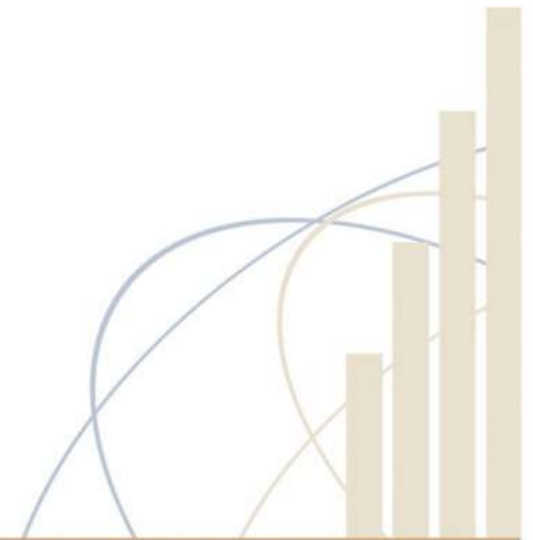
- Check any outstanding assets/ outstanding debts by the employee
- Generate a certificate of service for the terminated employee
- Terminate the employee on payroll system
- Pay final earnings (salary, leave pay, bonus or pro-rata, long service benefits etc.)



Payroll Management - Third Party Payments

After payments of salaries and closing payroll system,
Run Payments to third parties to different stakeholders /
Third parties:

- SARS (PAYE, UIF, Skills Levy - EMP201)
- Bonds
- Court Orders / Garnishee
- Medical Aid (Pensioners and Active Employees)
- Pension Funds
- Unions Subscriptions / Party Affiliations



Common Payroll Audit Requests (RFI'S)

- **Most Common Audit Request on payroll (RFI'S)**
 - Monthly Payroll Reconciliations
 - Payroll 12 Months Reports
 - Employee Master File
 - Payroll Suspense Account Recon and List
 - Related Party Disclosure Notes(Directors, Employees & Cllrs Recons)
 - Workings and supporting schedules (Allowance and service – related Benefits)
 - Payroll Inputs data for preparations of GRAP 25 experts (Actuarial reports - Leave, Long Service Awards, Post retirement – Medical Aid)
 - Methodology and Final Actuarial valuation reports, provisions journals (GRAP25)
 - List of appointed and terminated employees
 - List of Active employees and Physical valuation report, if any from internal Audit.
 - Acting Allowance Report and Disclosures
 - Employees and Councilors debt list

Audit Findings(COMAFS)



Auditor General Findings on Payroll (COMAF)

- **Cut – off/ Prior period error issue on the disbursement of the back pay.**
Municipality did not account for Councilors Backpay which relates to Grade Six correctly(should have provided for expenditure as prior period)
- **Overtime Payment Discrepancy**
Calculations of overtime incorrect, because of manual computation of overtime claims forms.
- **Overtime claims not in line with BCEA**
Hours paid for overtime we excessive and not aligning to the act, because of abuse and wrong interpretation of emergency Overtime.
- **Overtime claims forms not available to support the expenditure.**
Overtime forms kept at Different SBU' s because of the size of the Municipality at times not available when requested by Auditors.
- **Payment of overtime for employees above overtime threshold**
Non –adherence to overtime Threshold.

How COMAFS were Resolved (Actions Taken)

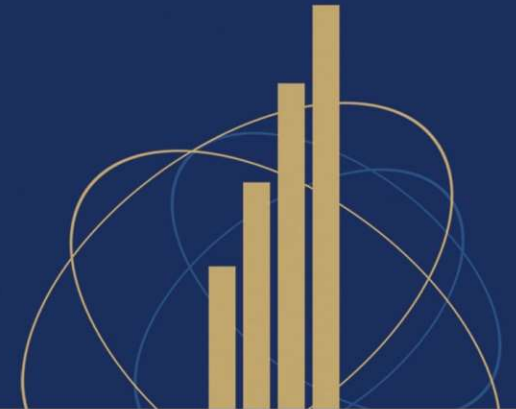


How findings were resolved (Management Action Plans and Responses)

- Perform Reasonability test to check if the Municipality has qualified to be move to another grade or regress, **In terms of Councilors Upper Limits - the grading of the Municipality is determined by audited total income generated(Excluding Grants) and Total Population**
- Avoid Manual calculations of overtime(Use Employee Self Service-ESS for calculations)
- Align Policy with BCEA and configure the payroll system to allow only hours that within prescript of the act(BCEA - 10hRS per Week, Max 40hrs Per Month)
- Ensure that Managers are accountable for all claims signed and are also available during audit
 - Management of Overtime included as one of the KPA in the Managers Performance Agreements
 - Implementation of Action Plan also included as KPA for Managers.
- Ensure your system is configured with latest overtime threshold –Currently **R 269 600.90 Per Annum / R 22 466.74 Per month**



Thank You!



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