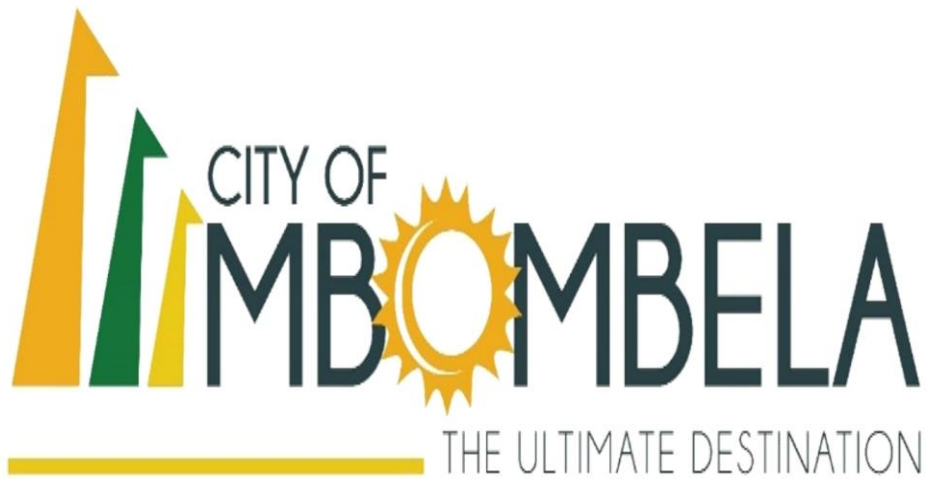


# **CITY OF MBOMBELA**



## **PAYROLL POLICY**

## **1. INTRODUCTION:**

The Council is required to ensure that employees are paid correctly at all times. If an overpayment of salary or any other payment of public funds occurs for any reason, the Council will recover the overpayment from the employee.

Similarly the Council will take steps to correct any underpayment of salary or any other payment to which an employee is entitled.

If an overpayment is considered to have been brought about fraudulently then the matter will be reported to the Internal Audit Unit for investigation.

## **2. APPLICABILITY:**

This policy applies to all City of Mbombela (COM) Employees and Councilors

## **3. PURPOSE:**

To establish COM policy and procedures for identifying, correcting and recovering salary overpayments and correcting underpayments.

The purpose of this procedure is to ensure that the action taken when dealing with the above is consistent throughout the Council.

## **4. LEGISLATION:**

**The Basic Conditions of Employment Act, 1997 (No. 75 of 1997) states that**

### ***34. Deductions and other acts concerning remuneration***

*(5) An employer may not require or permit an employee to--*

- a) Repay any remuneration except for overpayments previously made by the employer resulting from an error in calculating the employee's remuneration;*

## **5. RESPONSIBILITIES:**

### **5.1 Employees / Councilors:**

- a) All Employees/Councillors have responsibility to remain aware of their position and obligations under the Payroll Discrepancy Policy.
- b) All Employees/Councillors have a responsibility for checking each payslip they receive and to advise the Salary Office (Accountant: Salaries) if they have been overpaid by any amount.

- c) All Employees/Councillors have a responsibility to ensure that their personal details as held on the Electronic Human Resources / Payroll system is correct and must inform Human Resources of any changes in detail, including but not limited to:
  - i. Changes in names and surnames
  - ii. Postal and Residential Address
  - iii. Telephone numbers home and place of work
  - iv. Identification numbers
  - v. Income Tax Reference numbers
  - vi. Bank Details
- d) Failure to do so may result in disciplinary action and referral to the Internal Audit Unit.
- e) The Internal Audit Unit will decide whether to carry out an investigation that may culminate in criminal proceedings and/or disciplinary action being commenced/taken against an Employee/Councillor in the event of a failure to disclose an overpayment.
- f) If employees chose to advise their Salary Office (Accountant: Salaries) of any overpayment, responsibility in terms of (d) ends once they have reported it and received acknowledgment.

## 5.2 Salary Office

- a) The Salary Office has a responsibility to ensure that employees are paid correctly at all times. The Salary Office must therefore
  - i. on a monthly basis before salaries are paid ensure that all remuneration items on the Payroll System are verified and discrepancies are investigated against supporting documentation.
  - ii. on a monthly basis ensure that all reconciliations pertaining to third party deductions are completed and the necessary amendments were made to employee records on the Payroll System
  - iii. on a monthly basis that all integrations between the Payroll System and the Financial System are reconciled and all discrepancies resolved
  - iv. ensure that all errors and discrepancies detected are reported via the Accountant: Salaries
  - v. ensure that supporting documentation (including verification documents and reconciliations) regarding the above are signed off by the responsible employee performing the function and the employee who verified the information. These documents must be submitted to the Accountant Salaries, filed and available for reference, audit and investigation purposes.
  - vi. **Failure to comply may lead to disciplinary action.**
- b) Once the Salary Office (Accountant: Salaries) become aware of any overpayments:
  - i. The rectification must be captured on the Payroll System and the net amount of the overpayment calculated
  - ii. The overpayment must be recorded in an "Overpayment Register"
  - iii. The overpayment must be communicated in writing to the relevant employee, the Chief Financial Officer and the Manager: Expenditure - Appendix A
  - iv. The communication must be delivered within 2 working days of discovering the overpayment.

- c) Recover overpayments in terms of the policy / “Extended Payment Terms” reached with the Employee / Councillor that received the overpayment
- d) The Accountant: Salaries is responsible for recording all salary overpayments in the “Overpayment Register” and monitoring collection of these amounts.
- e) A copy of the updated register must be submitted to the Chief Financial Officer and the Internal Investigation Unit on a quarterly basis
- f) The Accountant: Salaries will be responsible to inform the Billing Section to open a sundry debtor’s account for all employees from whom the overpayment cannot be recovered within one month.

### **5.3 The Manager: Expenditure**

- a) Monitor and review filed information as per 5.2 (a)
- b) Perform preliminary investigation regarding 5.2 (b) and report any suspicion of fraudulent activities to the Chief Financial Officer for further consideration and action to be taken.
- c) Monitor and review “Overpayment Register” on a monthly basis.
- d) Approve Extended Repayment Terms of overpayment up to R10,000 and/or 6 months in terms of the policy

### **5.4 The Chief Financial Officer**

- a) Consider any suspected fraudulent activities regarding overpayments and determine action to be taken
- b) Report any cases as per (a) above to the Internal Investigation Unit for investigation
- c) Approve Extended Repayment Terms for overpayment up to R50,000 and/or 36 months in terms of the policy

### **5.5 The Municipal Manager**

- a) Approve Extended Repayment Terms for overpayment above R50,000 and/or 36 months in terms of the policy

### **5.6 The Internal Audit Unit**

- a) Investigate suspected fraudulent overpayments and actions regarding the payroll that may culminate in criminal proceedings and/or disciplinary action being commenced/taken against an Employee/Councillor.
- b) Report to the Audit Committee on all fruitless, wasteful and irregular expenditure incurred regarding overpayments on the payroll and the recovery thereof.

## **6. RECOVERY PROCEDURE:**

### **6.1 General Procedures / Automatic Recovery:**

- a) Once the Salaries: Accountant becomes aware that an overpayment has occurred – the employee will be provided with written notice of the background to the overpayment, the amount, how immediate payment can be made and the planned reversal (appendix A).
- b) Should an employee decide to make an immediate payment regarding the overpayment – the monies must either be paid in at Council's cashiers or paid/transferred to Council's bank account. It is the responsibility of the employee to supply the Salary: Office (Accountant: Salaries) with proof regarding such payment in order to avoid any deductions from their salaries.
- c) If the date of the written notification is prior to the 15th of the month the reversal will automatically occur in the following month's payroll (i.e. the reversal for an overpayment detailed in a letter dated the 10th of January will be reversed in the February pay run).
- d) If an employee considers that due to exceptional circumstances the timing of the reversal is not possible (i.e. that it will cause financial hardship), they have the responsibility to contact the Salary: Office (Accountant: Salaries) in order to complete an application for "Extended Repayment Terms" before the 5th of the following month to suspend the automatic reversal of the overpayment (i.e. if the reversal is due the February pay run – the application must be submitted for approval by the 5<sup>th</sup> of February).
- e) If the date of the written notification is between the 16th and the last day of the month the reversal will automatically occur in the second month's payroll (i.e. the reversal for an overpayment detailed in a letter dated the 20th of January will be reversed in the March pay run).
- f) If an employee considers that due to exceptional circumstances the timing of the reversal is not possible (i.e. that it will cause financial hardship), they have the responsibility to contact Salary: Office (Accountant: Salaries) in order to complete an application for "Extended Repayment Terms" before the 5th of the second month to suspend the reversal of the overpayment until a mutual (i.e. if the reversal is due the March pay run – the application must be submitted for approval by the 5<sup>th</sup> of March).
- g) The "Extended Payment Terms" must be approved as set out in 5.3, 5.4 and 5.5 above, any disputes regarding the payment terms will be escalated to the Chief Financial Officer and there after the Municipal Manager for final decision.
- h) Should an employee not respond to the written notification as per (c) and (e) it will be considered that the employee is in agreement with the recovery terms as set out in Appendix A.

- i) In cases where the automatic correction causes the employee's net pay to reduce by over 25% of the previous month's net pay, the automatic reversal will be limited to 25% of the previous month's net pay (excluding any adjustments). For example if you were paid R 1,000 net in January, the maximum automatic reversal payment would be R 250 in subsequent months. Repayments will continue each month until the overpayment is repaid in full.
- j) Should an employee receive his/her annual bonus during the period where the overpayment or portion thereof is still outstanding – the bonus will be considered available in order to recover any outstanding overpayments.
- k) The Accountant: Salaries will be responsible to ensure that a debtor is created on Council's Debtor Ledger for the employee and overpayment, should the overpayment not be recoverable within the next salary run.
- l) Interest will be charged on any overpayment or portion thereof outstanding for a period longer than 2 months after an employee was notified of such overpayment.
- m) The interest rate which was approved by Council in terms of the Credit Control and Debt Collection Policy will be utilised for the calculation as per (k)

## **6.2 Extended Repayment Terms of a Salary Overpayment**

- a) Further to the automated recovery of overpayments detailed in section 6.1, if an employee considers that due to exceptional circumstances the timing of the reversal is not possible (i.e. that it will cause financial hardship), they have the responsibility to contact Salary: Office (Accountant: Salaries) in order to complete an application for "Extended Repayment Terms" as per 6.1 (d) and (f)
- b) Any employee has a right to be accompanied by a companion. The companion may be a fellow employee or union representative.
- c) After the completion of the application for "Extended Repayment Terms" the Accountant Salaries will forward the application for consideration and approval as set out in 5.3, 5.4 and 5.5 above.
- d) Should the offer made by the employee on the application form not be satisfactory – the matter will be referred to the next level for consideration.
- e) In the event of an dispute - the final discretion and approval will rest with the Municipal manager
- f) "Extended Repayment Terms" will be granted on a case-by-case basis in order to recover the overpayment as quickly as possible and generally within 6 months by equal instalments taking into account any annual bonus payments due to the employee
- g) After the approval of the extended payment terms the Accountant: Salaries will be responsible to ensure that a debtor is created on Council's Debtor Ledger for the said employee and overpayment.

- h) Interest at the rate which was approved by Council in terms of the Credit Control and Debt Collection Policy.
- i) If during the period of repayment of an “Extended Payment Terms” agreement the employee’s employment terminates, the final balance will be deducted from their last salary payment. If there is a shortfall the residual sum will be claimed from the employee’s pension fund.
- j) If during the period of repayment of an “Extended Payment Terms” agreement, the employee’s salary is affected by maternity leave, half pay due to sickness absence or no pay for any other reason, then the “ Extended Payment Terms” agreement may be renegotiated subject to repeating the above procedure.

### **6.3 Willful Misrepresentation by the Employee**

- a) If an overpayment of salary is caused because the employee has wilfully misrepresented facts or relevant data, all possible steps must be taken to effect immediate recovery.
- b) The Internal Audit Unit will decide whether to carry out an investigation that may culminate in criminal proceedings and/or disciplinary action being commenced/taken following due process.
- c) In terms of this policy and the general accounting terms, it must be stated though that misrepresentation of fact by any employee in whichever manner particularly on the matter of financial transactions is illegal and must be viewed as such and subsequently (b) above is triggered
- d) No overpayment loan will be contemplated in this circumstance.

## **7. UNDERPAYMENT OF SALARY OR ANY OTHER PAYMENTS**

### **7.1 Underpayment of Salary**

- a) The principle after an underpayment of salary is that if the underpayment was due to an error made by the Salary Office, the rectification will be made in the next available payment run (please refer to 7.2 (c) in this regard).
- b) The employee must request in writing that the Salary Office consider the interim payment in (a) and submit proof of such underpayment.
- c) No interim payments will be made where the shortfall in pay was caused by the employee / his/ her representative submitting timesheets to payroll after the published payroll deadlines.

### **7.2 Ad-hoc Payments**

- a) The following ad-hoc payments will be allowed outside the normal payroll run:
  - i. Travel Claims
  - ii. Payment of temporary personnel

iii. Leave and Bonus pay due to the termination of employment

- b) Payment of the above will only be considered after all duly authorised documentation was received.
- c) Documents submitted by the Friday will be included in the next week's payment run.
- d) Where documents are not complete – it will be returned to the relevant Department and the payment will only be made with the subsequent payment run after receiving the corrected documents



## CITY OF MBOMBELA

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## TREASURY OFFICE

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### IN STRICT CONFIDENCE

Date: \_\_\_\_\_

Dear \_\_\_\_\_ Pay Number: \_\_\_\_\_

### NOTIFICATION OF SALARY OVERPAYMENT

I write to confirm that a salary overpayment relating to incorrect payment of \_\_\_\_\_ during the period \_\_\_\_\_ has recently been discovered which has led to a net overpayment of \_\_\_\_\_. This overpayment is after the adjustment for income tax, UIF, pension and other contributions where appropriate.

In accordance with Council's Policy for the Resolution of Overpayment and Underpayment of Salary or any other Payments made via Payroll ("Policy"), we are required to correct this overpayment, and therefore we will deduct R\_\_\_\_\_ from your \_\_\_\_\_ salary.

If you consider that due to exceptional circumstances, the timing of the reversal is not possible or you dispute the overpayment, you have the responsibility to contact the Chief Financial Officer before the 5th of \_\_\_\_\_ to suspend the reversal of the overpayment until Extended Payment Terms is agreed as detailed in the Policy.

In cases where the automatic correction causes the your net pay to reduce by over 25% of the previous month's net pay, the automatic reversal will be limited to 25% of the previous month's net pay (excluding any adjustments). **For example** if you were paid R1,000 net in January, the maximum automatic reversal payment would be R250 in subsequent months. Repayments will continue each month until the overpayment is repaid in full.

Should you receive your annual bonus during the period where the overpayment or portion thereof is still outstanding – the bonus will be considered available to recover any outstanding overpayment.

Should you leave employment before the overpayment has been fully recovered, the balance outstanding will be deducted from your final salary or any arrears subsequently due to you. In the

event that there is a shortfall an invoice will be raised to recover any outstanding amount and Council's Credit Control Policy will be effected.

Should you prefer to immediately refund Council the overpayment amount stated above the payment can be made either at Council's Cashiers or directly to Council's bank account:

Bank: **ABSA**  
Branch code: **334-252**  
Account number: **4053-215-785**

Proof of such payment must be submitted to the Salary: Office (Accountant: Salaries) in order to avoid any deductions from the payroll.

Please accept my apologies for this error and any inconvenience. Should you require any further information, please do not hesitate to contact me.

Yours sincerely

**Accountant Salaries**

**Received by:**

**Name:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

Copies to: The Chief Financial Officer  
The Manager: Expenditure

# CITY OF MBOMBELA

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## TREASURY OFFICE

### ADMISSION OF LIABILITY AND UNDERTAKING TO PAY IN INSTALMENTS (IN TERMS OF SECTION 57 OF ACT 32 OF 1944)

I, the undersigned, \_\_\_\_\_ ID \_\_\_\_\_,  
residing at \_\_\_\_\_, which address I choose as  
domicilium citandi et executandi, employed by \_\_\_\_\_,  
of \_\_\_\_\_, Pay/Employee no. \_\_\_\_\_

1. acknowledge that I am lawfully indebted to the City of Mbombela in the sum of R \_\_\_\_\_  
being for an salary overpayment made to me, which payment is not lawfully owing by City of Mbombela plus  
interest at the rate of 15.5% from \_\_\_\_\_ to date of final payment plus costs charged against  
my account in terms of applicable legislation;
2. offer to pay the said amount in full and final payment of R \_\_\_\_\_, which payment shall be  
made immediately upon my signing of this acknowledgement of debt or not later than two (2) working days thereof.
3. In the event of my failure or neglect or refusal to pay, City of Mbombela shall be entitled to recover the money by  
whatever legal means including interest at the rate of 15.5% from \_\_\_\_\_ to date of final  
payment plus costs charged against my account in terms of applicable legislation;
4. I consent to an immediate deduction of an amount of R \_\_\_\_\_ from my salary in the event of my non-  
payment as per clause 1, 2, and 3 above until the money is paid in full.
5. I consent that any annual bonus payments due to myself may be deducted as full or partial payment of the amount  
due by myself.
6. Should I resign, get dismissed or by any other means my employment relationship with City of Mbombela is  
terminated, I irrevocably consent that the balance as will be confirmed by the Chief Financial Officer or her nominee  
be deducted from my pension, leave payout and / or any other monies due to me.
7. I irrevocably and unconditionally consent to judgment of the debt, cost on a attorney and client scale together with  
VAT plus interest as stipulated above;

8. agree that amounts paid by me shall first be apportioned to the payment of costs, secondly interest and thereafter capital and that should I fail to pay any installment promptly, the full outstanding balance will become due and payable;
9. agree that, should I fail to make payment in terms of this offer, the Municipality may, without any notice to me:
  - 9.1 apply for judgment for the amount of the outstanding balance of the debt in terms of this acknowledgement, together with interest and costs; and
  - 9.2 an order for payment thereof in accordance with this offer; and/or
  - 9.3 disconnect the electricity supply to the property in respect whereof payment is in arrears.
10. I consent to an Emoluments Attachment Order being issued and undertake to pay any commission, which my employer may deduct;
11. I agree to pay the costs for drawing up this Admission of Liability and all costs resulting from non-compliance therewith.
12. I confirm that I shall have sufficient means left to support myself and my dependants (if any) after the amount of the installment as mentioned in paragraph 2 above has been deducted from my Emoluments, which will accrue to me in the future from my employer.
13. I further agree and consent that the judgment granted in terms hereof and the Emoluments Attachment Order to be issued, may be issued in terms of Section 45 of the Magistrate Court for the district of Nelspruit held at Nelspruit and I specifically consent to the Jurisdiction of the said Court for the proceedings about to be instituted against me.

Dated at \_\_\_\_\_ on the \_\_\_\_\_ day of \_\_\_\_\_

\_\_\_\_\_  
DEBTOR

CELL NO. \_\_\_\_\_

As Witnesses:

1. \_\_\_\_\_

Address: City of Mbombela

P.O. Box 45, 1 Nel Street, Nelspruit

2. \_\_\_\_\_

Address: City of Mbombela

P.O. Box 45, 1 Nel Street, Nelspruit