

Lecturer responsible for AUE2602:
Topic 7: Payroll & Personnel Cycle
Ms Nicolene Coetzee

Contact details:

AUE2602@unisa.ac.za



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P&P cycle

Functions & Documents

Activity 2 – Study guide page 58

Function	Documents
1. Personnel (HR)	<ul style="list-style-type: none"> •Payroll amendment form (PAF) •Employee (individual) file •Employee register (list of employees)
2. Timekeeping	<ul style="list-style-type: none"> •Clock cards •Batch control sheet •Batch register
3. Payroll preparation	<ul style="list-style-type: none"> •Clock cards •Deduction tables •Employee register •Payroll
4. Payment preparation & payout	<ul style="list-style-type: none"> •Payroll •Payslips •Paypackets •Unclaimed wages register
5. Deductions: Payment & Recording	<ul style="list-style-type: none"> •GL •Payroll (Wage journal) •Cash payment journal •Return form

P&P cycle

Risks & Internal controls

Manual controls – Jackson & Stent p 13/9 – 13/13

Computerised controls – Jackson & Stent p 13/16 – 13/28

When you get a weakness / risk / internal control, ask:

- 1) What cycle are you in?
- 2) What function are you in?
- 3) What is being asked?
(Are we asking for weaknesses, risks or internal controls?)

- As I've done below, link each IC to a risk / risks for each of the functions (J&S p 13/9 – 13/13)
- Risks and Internal controls become more logical and therefore easier to remember in the exam
- Can be that a question is not limited to 1 function, then you need to think logically and approach the question the same as described above (Cycle?, Function? Weakness/Risk/IC?) for each activity provided.
- Remember the “**What, on what, why and by whom**”

P&P cycle: Risks & ICs

Personnel (HR)

(J&S p 13/9)

Risk	Internal control
1. Recruiting/retaining unsatisfactory or unnecessary employees → could result in unnecessary exp for co, thus a decrease in profits	6. Sound personnel practices should be followed to obtain honest, competent personnel: interviews, background checks, etc
2. Incorrect dismissal procedures → could result in lawsuits being filed against co leading to decrease in profit	1. All requests for the appointment / dismissal of employees should originate from the section making the request, e.g. factory, etc and should be in writing & a motivation provided. 3. All changes should be documented & authorised by the authorising body. 7. A file should be kept for each employee and should include: The employment contract, performance appraisals and disciplinary warnings

P&P cycle: Risks & ICs

Personnel (HR)

(J&S p 13/9)

Risk	Internal control
<p>3. Unauthorised amendments to employee records: 3.1 Fictitious additions 3.2 Unauthorised changes in wage rates → could result in unnecessary exp for co, leading to decrease in profit</p>	<ol style="list-style-type: none"> 1. All requests for the appointments/ dismissals should originate from the section making the request, should be in writing with a motivation. 2. Requests should be signed by the section head and countersigned by the section manager after ref to budget. 3. Changes to pay rates etc, should be decided by personnel dept/wage committee after: <ol style="list-style-type: none"> 3.1 consultation with interested parties 3.2 consideration of relevant laws and regulations 4. All changes should be documented and authorised by authorising body 5. The file of PAF's should be regularly reviewed for validity&gaps in sequence 7. A file should be kept for each employee & should include: rel PAF's; employment contract; performance appraisals&disciplinary warnings; personal details.

P&P cycle: Risks & ICs

Personnel (HR)

(J&S p 13/9)

Risk	Internal control
<p>4. Inaccurate or incomplete records</p>	<ol style="list-style-type: none"> 2. Requests should be signed by the section head and countersigned by the section manager after reference to budget. 5. All amendments to employees details should be promptly committed to sequenced payroll amendment forms which should be cross-referenced to the supporting documentation and authorised by a senior member of the personnel section. From time to time, the file of PAF's should e reviewed for validity and gaps in sequence.

P&P cycle

Computerised controls

Same functions as with the manual systems

What is a Masterfile?

The masterfile contains the “Permanent” or “Semi-permanent” info.

e.g. Employee masterfile would contain inter alia:

- The employee’s name
- The employee’s ID number
- The employee’s personnel number
- The employee’s bank account number
- The employee’s physical and postal address
- The employee’s next of kin information
- The employee’s wage rate / max hours allowed to work etc.