

Chapter 6

Accounting and Control of Payroll

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6.1 PAYROLL OVERVIEW

The objective of this section is to give guidance to departments in respect of payroll expenditures and to outline certain responsibilities, procedures and controls.

Employees, other than casual and some auxiliary employees, hired in accordance with the Public Service Commission Act are paid a fixed periodical payment through the payroll system, which continues on a recurring basis until changes are authorized.

Casual and some auxiliary employees are paid at hourly rates of pay in accordance with the official pay plan. Normally, these employees are excluded from pension and group benefit plans and receive their holiday and vacation pay in addition to their regular earnings according to the employment contract in force.

The payroll system also serves other functions that do not fall within the general definition of payroll expenditures, such as:

- Payments pursuant to various pension acts.
- Payments to Ministers and Ministerial Assistants.
- Payments to certain individuals who are not public servants, the production of historical reports of earnings required to be made periodically to external agencies and for costing purposes.

Payroll requires specialized processing procedures. This section describes how payroll transactions are processed and the responsibilities of those participating in the process.

The procedures described apply to all recurring payments made through the payroll system. All employees of the Government of the Yukon are required to be paid through the payroll system.

Payments to individuals who are not employees are generally made through the accounts payable system.

6.2 BUDGETARY AUTHORITY

Budgetary requests for personnel funds (ie. the personnel allotment) are supported by details of positions and person-years required.

General pay reviews and merit increases are budgeted as part of the annual estimates of salary and related costs.

Budgetary allocations for salaries, wages, personal service contracts, allowances and supplementary benefits are aggregated for budgetary control purposes, and expenditures are controlled for personnel costs as a whole, at the program level.

All indeterminate and term person years, must receive budgetary approval prior to hire, either at the time of Main or Supplementary Estimates approval or subsequently, as must the total personnel cost including the cost of casual and auxiliary employees.

Employee pay is produced and charged to departments routinely on a bi-weekly basis without prior verification that sufficient funds are available in the budgetary allocations.

Budget managers and financial management personnel must monitor payroll expenditures very closely, particularly towards fiscal year-end, to ensure that budgetary allocations are not exceeded. If it appears that personnel budgetary allocations are inadequate, appropriate steps should be taken to transfer additional funds into the relevant allotment.

Financial officers should monitor the hiring of casual and other temporary employees to ensure that total person-years as well as budgetary allocations are not exceeded.

Funds that accumulate due to vacancies may only be transferred to another program with the approval of the Management Board.

Prior to requesting a transfer from budgetary allocations for personnel costs, managers must demonstrate that the remaining funds are sufficient for all personnel cost requirements to the end of the fiscal year.

6.3 PAYROLL PROCESS

Static Nature of Salary Data

The payroll system operates on the basis that the salary data used remains constant until changed by action of the employing department or some other authority. Personal particulars of the employee and employment status are recorded on hire and are changed only on requests being made by the department or other authority.

Employees who are placed in an approved position are paid at a set salary and that pay can only be changed by the action of the department or through general pay adjustments authorized by the Public Service Commission. By contrast, casual employees require their hours of work to be input to the system each pay period.

Deductions are based on calculations varying with remuneration or are fixed amounts. Specific changes are initiated by the department, the employee, the Payroll Section, or the Public Service Commission.

The integrity of the system depends on the accuracy of the information received. In order that the payroll system function reliably, all changes should be input and processed promptly. Both those responsible for initiating changes and those responsible for processing them must act promptly if employees are to be paid what they are entitled and the financial data is to be accurate and up-to-date.

Once a position receives budgetary approval it is classified and assigned an appropriate pay rate by the Public Service Commission. All contracts of service and any changes, extensions, or amendments thereto require the approval of the Public Service Commission.

Positions which have been classified are assigned a pay grade in the salary system. The establishment of the position includes identification of the input code to which the position is to be charged. The form used to establish the position is approved by a personnel officer who verifies that the input code to which the position is charged is appropriate.

Payroll Initiation

When an employee is hired the Public Service Commission assigns an employee number and forwards the notice of employment to the Payroll Section of the Department of Finance. Payroll verifies the employment authorizations and proceeds with payroll preparation for the employee.

A new employee joining a department completes information needed for deductions from earnings. Any changes during employment are

6.3 Payroll Process (Continued)

made by the Payroll Section for statutory and compulsory deductions without reference to the employee except when personal information is required to make the change.

Changes of employment status, salary rate, increments, lost time, retroactive increments and other supplementary adjustments must be initiated by the authorized officer in the department and forwarded by the finance officer to the Public Service Commission. In all instances these changes will require approval by the Public Service Commission. Forms for these purposes are part of the system. These reports and input forms should be completed correctly and on time to ensure that the employee receives the correct pay and proper deductions are made. Responsibility for this action rests with the employing department and the Public Service Commission.

General Pay Adjustments

On completion of salary negotiations and approval by Management Board, the Public Service Commission gives written notice to the Deputy Minister of Finance and requests the Department of Finance to update personnel payroll files to record the new pay scales and applicable earning rates.

Bi-weekly Pay

Government of the Yukon employees are paid on a bi-weekly basis. Every second Wednesday is considered pay day.

Terminations

When an employee terminates, the departmental finance officer should request the Public Service Commission to prepare the necessary documentation and payroll data. The responsible program manager should ensure that all time sheets, and other necessary documents, are submitted to the Public Service Commission for completion and transmission to the Payroll Section of the Department of Finance.

In computing termination pays departments must ensure that any outstanding advances are brought to the attention of the Public Service Commission so they can be recovered.

Attendance Reporting

Certain categories of employees are required to report hours of work and reasons for absences. Authorized officers should verify these reports, initialing that they have done so. These records, with the

6.3 Payroll Process (Continued)

exception of time certificates for hourly wage earners are retained by the personnel officers of departments.

Payroll Processing

Except as otherwise directed, all departmental payroll transactions should be processed through the Public Service Commission for necessary verification and approval and then forwarded to the Payroll Section of the Department of Finance.

The Payroll Section carries out the following action with respect to payroll documentation:

- Review the documentation, make necessary calculations and prepare the payroll for computer processing.
- Ensure that payroll expenditures are authorized.
- Ensure that payroll expenditures are charged to the user code and element for which there is authority and the appropriate mandatory object-of-expenditure code.
- Ensure that salary positions have received necessary approvals.
- Ensure that salaries and wages are paid in accordance with applicable personnel regulations and at pay rates set by the official pay schedule, personal service contract or other authority.
- Ensure that deductions are appropriately withheld.

Transactions that do not meet these criteria will be rejected and returned to the initiating department.

6.4 PAYROLL RESPONSIBILITIES

General

The responsibilities of those participating in the payroll process are described as follows:

Public Service Commission

The Public Service Commission carries out classification reviews; allocates positions to classes; conducts collective bargaining; recommends pay for non-union employees; approves exceptional salary transactions per regulations; approves individual employment contracts; recommends and regulates all other employee benefits, allowances and employment conditions; and applies the regulations and collective agreements.

Employing Departments and Agencies

Departments determine staff and positions needed for their program requirements and, where applicable, initiate pay action when the position is filled; report the information necessary to compute the employee's pay; direct the allocation of the payroll expenses; provide necessary information for any withholdings; and receives and distributes pay cheques and information slips to employees.

Department of Finance - Payroll Section

The Payroll Section in the Department of Finance is responsible for:

- Ensuring that payroll expenditure transactions are in accordance with the Financial Administration Act.
- Verifying the positions, rates of pay, gross pay, allowances and deductions and ensuring the documents are correct on completion.
- Ensuring that payroll transactions are processed correctly.
- Authorizing the release of payroll cheques.
- Ensuring that employee deductions are remitted and accounted for.
- Withholding those amounts required by statute, agreement or employee election.
- Maintaining employee histories to provide information for: the employer, individual pay review, financial analysis, classification review and the employee's own information.
- Reporting and accounting to the appropriate agencies for all amounts withheld.
- Preventing improper or unauthorized payments through segregation of duties within the payroll system.

6.4 Payroll Responsibilities (Continued)

- Providing information for use in setting pay rates and allowances for permanent and temporary employees.
- Allocating personnel costs and established positions to programs.
- Preparing T4 information slips for employees.

Responsibilities of Program Managers with Spending Authority

The requirements of the Financial Administration Act apply to payroll expenditures in the same way as to other expenditures, including the need to designate responsible officers.

Subject to limitations prescribed by the *Public Service Commission Act*, program managers are responsible for employee recruitment and termination.

Program managers entrusted with spending authority should approve and verify all payroll expenditures charged to their budgetary allocations.

All changes to payroll, except for those initiated by the Public Service Commission or the employee in respect of voluntary deductions, require the approval of a program manager. This is provided prior to the preparation of the payroll. Program managers are also responsible for verifying attendance, hours of work, leave and absence.

Another responsibility of program managers is to check all charges to the budgetary allocations for which they are responsible.

The persons responsible for managing a program or any portion thereof should be the managers with spending authority since only they can certify that the expenditure is fair and just.

6.4 Payroll Responsibilities (Continued)

Responsibility of Public Service Commission Personnel Officers

Public Service Commission Personnel Officers are responsible for ensuring that:

- There is authority to hire and that a position is established and classified.
- Hiring is carried out in accordance with the Public Service Commission Act.
- Attendance is recorded.
- Personnel regulations and the collective agreement are correctly interpreted and applied.

Responsibility of Departmental Financial Officers

Financial officers receive payroll documentation, approve it and forward it to the Payroll Section in the Department of Finance.

Their responsibilities include determining that:

- Proper spending authority has been provided for all payroll transactions.
- Personnel officers have verified the documentation to ensure that the Public Service Commission Act, regulations and policies have been adhered to.
- The transactions are for the purposes and within the limits of the appropriations to which they are charged.

The finance officer should make certain there is adequate internal control. This includes ensuring that those on whom he relies are sufficiently independent, have performed all necessary checks, have the qualifications and knowledge to perform their duties, and are assigned duties in such a way that the work of each employee is independently checked by others. In this way, the financial officer can certify that the transaction is appropriate.

Procedures must be in place to ensure that employees receive all their entitlements and are paid promptly. Time records and other documentation should be reviewed to ensure that employees have performed their duties and are not receiving more than they're due. Necessary computations should be made for input to the payroll system and documents should be batched, forwarded to the departmental financial officer for authorization and then sent to the Payroll Section in the Department of Finance. Individuals performing these checks and calculations report to the departmental financial officer.

Departmental finance officers should receive a copy of the payroll

6.4 Payroll Responsibilities (Continued)

registers in respect of each pay period. New payroll registers should be compared to those of the prior period to ensure that all changes requested on input data forms have been made and that the new payroll is reasonable. These officers should sign each payroll register after review.

The Finance officer receives and ensures that payroll cheques and information slips are properly controlled and distributed. Persons assigned by the finance officer to distribute cheques and information slips should identify employees to ensure correct distribution. Those distributing should not normally be involved in initiating or processing payroll transactions.

6.5 PAYROLL DEDUCTIONS

Withholdings from employees are made by statutory requirement, as a condition of employment, by legal process or at the direction of the employee. During a temporary leave of absence an employee may continue to participate in certain payroll plans and receive benefits by making payments in lieu of deductions.

The Payroll Section is responsible for accounting for all deductions from employees.

Remittances of amounts withheld are requisitioned to satisfy requirements of the payee. Employer contributions, if applicable, are also remitted at this time. Some withholdings eg. garnishees are held in trust and remitted as soon as possible directly to the payee.

It is the Payroll Section's responsibility to ensure that all amounts received from employee withholdings, and employer contributions, are paid and fully accounted for. Reconciliations are made monthly of deduction accounts.

At the end of the calendar year the Payroll Section summarizes payroll data to show gross pay, taxable allowances and benefits and details of withholdings. This information is used to prepare T4 information slips for employees. The aggregate of amounts remitted to Canada Revenue Agency must agree with the amount withheld and the employer's contributions.

6.6 PAYROLL REPORTING

The payroll system, in addition to its primary function of preparing payroll cheques, produces a number of financial reports. Reports showing details of charges to input codes and object-of-expenditure codes are prepared.

Various reports are also available which inform outside agencies of the deductions made on their behalf. These reports show, by name of employee, the amount withheld in respect of each plan and are prepared monthly.

Then payroll section receives a report from the payroll system enabling it to control changes during ensuing pay periods. This report displays employee number, date of appointment, anniversary month, birth date, pension plan membership, social insurance numbers, Canada Pension Plan contributions, union membership, group insurance plan contributions and the amount of Canada Savings Bond deductions.