PROGRAM TITLE

HUMAN RESOURCES

PROCESS TITLE

Payroll Transactions

1. SCOPE

This policies and procedures manual establishes policies, systems, procedures and controls on payroll transactions. All duties and responsibilities stated in this manual are not exclusive to the personnel’s designated responsibilities in this process title.

1. OBJECTIVES

* To establish proper procedures on the requisition and approval of timekeeping forms.
* To establish proper procedures, controls and monitoring of payroll transactions.
* To clearly define the duties and responsibilities of all personnel involved in this process title.

1. PERSONNEL INVOLVED
   1. Employee
      1. Prepares the following:

* Daily Time Form (DTF)
* Official Business Travel Form (OBTF)
* Overtime Authorization Slip (OAS)
* Undertime Authorization Slip (UAS)
* Leave Form (LF)
  + 1. Responsible for maintaining his daily attendance on time through the biometrics system or other manual attendance/timekeeping forms.
    2. Acknowledge the pay slip upon receipt of payroll.
  1. Department Supervisor

Verifies timekeeping forms prepared by requesting employee.

* 1. Department Manager

Approves timekeeping forms prepared by requesting employee.

* 1. HR Staff
     1. Receive duly accomplished timekeeping forms from requesting employees and record the same to the System.
     2. Checks accuracy and authorization of timekeeping forms forwarded by the requesting employee.
     3. Temporarily files timekeeping forms received and prepares summaries to be forwarded to the Payroll Master prior to payroll cut-off period.
     4. Maintains and updates employee compensation records and other relevant information.
  2. Payroll Master
     1. Receives timekeeping summaries with attached approved timekeeping forms from HR Staff.
     2. Checks/tally timekeeping summaries and attached forms.
     3. Responsible for preparation, generation and revision of Payroll Register.
  3. Payroll Specialist
     1. Reviews and checks SSS/PHIC/HDMF loans and contributions and corresponding tax withheld on compensation.
     2. Analyze payroll movements, prepare variance analysis and government reportorial requirements relevant to payroll.
     3. Checks tax compliance on compensation benefits granted to employees.
  4. HR Manager

Verifies the following:

* Payroll register
* Request for payment
* Bank remittance list
  1. Approving Authority

Approves the following:

* Payroll register
* Request for payment
* Bank remittance list
  1. Accounting Staff
     1. Prepares the following:
* Journal Voucher (JV)
* Check Voucher (CV)
  + 1. Updates General Journal (GJ) and Cash Disbursements Journal (CDJ).
    2. Responsible for proper classification and recording of entries to the ABAS Accounting System.

1. ACCOUNTS

| **Account Code** | **Account Title** | **Account Description** |
| --- | --- | --- |
|  |  |  |
| 000-00-00-000-0000-1101-1050 | Cash In Bank | This account is used for payment of salaries and wages. |
| 000-00-00-000-0000-1102-1180 | Advances to Officers & Employees | This account is credited (closed) during payroll to deduct for any unliquidated cash advances to officers and employees which are already overdue. |
| 000-00-00-000-0000-2121-2020 | Accrued Salaries and Wages | This account pertains to the net amount payable to officers and employees (total gross salary less government and other authorized deductions). |
| 000-00-00-000-0000-2121-2035 | Withholding tax - Compensation | This account pertains to the corresponding withholding tax on compensation of taxable officers and employees. |
| 000-00-00-000-0000-2121-2050 | SSS Premium Payable | This account pertains to employees’ share on monthly SSS contributions. |
| 000-00-00-000-0000-2121-2051 | SSS Loan Payable | This account pertains to employees’ monthly remittances/payments for loans from SSS. |
| 000-00-00-000-0000-2121-2055 | HDMF Premium Payable | This account pertains to employees’ share on monthly HDMF or PAG-IBIG contributions. |
| 000-00-00-000-0000-2121-2051 | HDMF Loan Payable | This account pertains to employees’ monthly remittances/payments for loans from HDMF or PAG-IBIG. |
| 000-00-00-000-0000-2121-2060 | PHIC Premium Payable | This account pertains to employees’ share on monthly Philhealth contributions. |
| 000-00-00-000-0000-5157-5067 | Direct Cost - Salaries & Wages | This account pertains to salaries and wages of employees directly related to cargo handling and other operations. |
| 000-00-00-000-0000-5157-xxxx | Direct Cost - Employee Benefits | This account pertains to benefits paid to employees directly related to cargo handling and other operations. This includes, but not limited to, bonuses, 13th month pay, employer’s share on SSS, HDMF and PHIC contributions, VL/SL, uniform, meal, financial assistance, medical and hospitalization, separation and other benefits. |
| 000-00-00-000-0000-6166-6000 | Salaries and Wages | This account pertains to salaries and wages of all administrative, office-based, and any other employees not directly involved in cargo handling and other operations. |
| 000-00-00-000-0000-6166-xxxx | Employee benefits | This account pertains to employee benefits paid to administrative, office-based, and any other employees not directly involved in cargo handling and other operations. This includes, but not limited to, bonuses, 13th month pay, employer’s share on SSS, HDMF and PHIC contributions, VL/SL, uniform, meal, financial assistance, medical and hospitalization, separation and other benefits. |

1. JOURNAL ENTRIES
   1. Monthly accrual of payroll

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Account Code** |  |  | **Account Title** | | **Dr.** | **Cr.** |
| 000-00-00-000-0000-5157-5067 |  |  | Direct Cost - Salaries & Wages | | xx |  |
| 000-00-00-000-0000-5157-xxxx |  |  | Direct Cost - Employee Benefits | | xx |  |
| 000-00-00-000-0000-6166-6000 |  |  | Salaries and wages | | xx |  |
| 000-00-00-000-0000-6166-xxxx |  |  | Employee benefits | | xx |  |
| 000-00-00-000-0000-2121-2035 |  |  |  | Withholding tax - Compensation |  | xx |
| 000-00-00-000-0000-2121-2050 |  |  |  | SSS Premium Payable |  | xx |
| 000-00-00-000-0000-2121-2051 |  |  |  | SSS Loan Payable |  | xx |
| 000-00-00-000-0000-2121-2055 |  |  |  | HDMF Premium Payable |  | xx |
| 000-00-00-000-0000-2121-2051 |  |  |  | HDMF Loan Payable |  | xx |
| 000-00-00-000-0000-2121-2060 |  |  |  | PHIC Premium Payable |  | xx |
| 000-00-00-000-0000-1102-1180 |  |  |  | Advances to Officers & Employees |  | xx |
| 000-00-00-000-0000-2121-2020 |  |  |  | Accrued Salaries and Wages |  | xx |
| 000-00-00-000-0000-1101-1050 |  |  |  | Cash in bank |  | xx |
|  |  |  | *To record accrual of payroll*  *for the period (month/day/year).* | |  |  |

* 1. Upon payment of accrued payroll

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Account Code** |  |  | **Account Title** | | **Dr.** | **Cr.** |
| 000-00-00-000-0000-2121-2020 |  |  | Accrued Salaries and Wages | | xx |  |
| 000-00-00-000-0000-1101-1050 |  |  |  | Cash in bank |  | xx |
|  |  |  | *To record payment of*  *salaries and wages.* | |  |  |

1. POLICIES
   1. **General**
      1. The Company shall adopt a computerized systems-generated payroll system and timekeeping module for recording and monitoring of duly approved timekeeping forms (i.e., daily time record, overtime authorization slip, leave form, *etc*.). The payroll system shall be linked to the timekeeping module allowing the information recorded in the module be automatically reflected in the payroll system.
      2. The computerized payroll system shall be capable of the following features:

* Systematic computation for SSS, PHIC and HDMF contributions in accordance with the contributions table prescribed by the respective government agencies.
* Systematic computation for the corresponding taxes to be withheld on compensation in accordance with the tax table prescribed by the BIR.
* Generate list of monthly and total SSS/PHIC/HDMF loans and contributions and taxes withheld on compensation of each employees.
* Generate payroll variance reports for any period (monthly, quarterly, semi-annually, annually, *etc*.)
* Generate bank remittance list for payroll which are paid directly through ATM accounts.
* Generate individual pay slips which shall clearly indicate that the same was paid by the Company, duly received and acknowledged individually by the employee.
  + 1. Reports generated per system shall be capable of printing and extraction or conversion into spreadsheet files.
    2. The System shall prohibit or restrict function for revision, modification or changes to any forms or reports recorded in the system once it is finalized and duly approved by the Company. Any discrepancies, errors or omissions discovered subsequently shall be adjusted prospectively or reflected in the succeeding payroll periods and the reason or cause thereof shall be duly indicated.
    3. For employees in which timekeeping and payroll preparation are done manually, the Company shall refer to the guidelines and procedures discussed in Annex A of this process title.
    4. Timeliness and accuracy of information shall be taken into consideration so as not to hamper or delay the scheduled date for releasing of payroll.
    5. All payroll and other compensation records shall be held confidential and shall not be made available to unauthorized officers and employees.
  1. **Timekeeping Forms**
     1. All employees shall log-in and out through the biometrics system daily. However, in cases when the biometrics is unavailable, the following forms shall be used:

|  |  |
| --- | --- |
| **Manual Forms** | **Description** |
| Daily Time Record (DTR) | This form shall be used when biometrics is not yet installed or is impracticable to be installed. |
| Daily Time Form (DTF) | This form shall be used when the biometrics is not functional or having a technical problem. |
| Official Business Travel Form (OBTF) | This form shall be used during official business travels outside the office premises which makes it impossible for the officer or employee to log in and out from the biometrics system. |

Refer to *HR Policy on Attendance* for details of policies and procedures of the above-mentioned manual forms.

* + 1. The DTR shall be verified and approved as follows:

|  |  |  |
| --- | --- | --- |
| **Employee** | **Verified by** | **Approved by** |
| Sea-based | Chief Mate | Vessel Master |
| Office-based | Department Supervisor | Department Manager |

* + 1. All overtime, undertime and planned leave shall be pre-approved.
    2. Excess of actual over authorized overtime hours shall not be paid unless approved by the department head. Moreover, the employee shall justify why work was not or cannot be accomplished within the pre-approved overtime hours.
    3. Undertime without prior authorization from the concerned department head shall be considered as tardiness and will be subjected to disciplinary action.
    4. Absence without duly approved leave form shall also be subjected to disciplinary action.
    5. All duly approved forms shall be forwarded to the Payroll Master five (5) days before the scheduled payroll date (i.e., 15th day and last day of the month) unless otherwise a shorter period is agreed due to some justifiable reasons which shall be properly documented by the Payroll Master and the HR Staff.
    6. All forms shall be duly filled-out as to details, signed by the signatories, and any alternations thereof shall be duly countersigned.
  1. **Payroll Preparation**
     1. The Payroll Master shall be responsible for the preparation, generation and revision of the payroll register which shall be reviewed and checked by a Payroll Specialist, verified by the HR Manager and approved by the appropriate approving authority.
     2. Benefit entitlements, contributions, taxes withheld on compensation and all other elements comprising the payroll register shall be properly reviewed, checked, recalculated, vouched to supporting documents/attachments, and ensure whether everything is completely recorded until it is reasonably assured that the payroll register is duly supported and is free from errors, omissions, miscalculations and any other forms of discrepancies.
     3. Duly approved forms after the cut-off date shall be processed and reflected in the subsequent payroll period.
  2. **Payroll Releasing**
     1. A bank remittance list and request for payment (RFP) shall be generated and prepared by the Payroll Master for employees paid through ATM accounts and employees paid through cash, respectively, upon receipt of duly approved payroll register, which shall be forwarded to the HR Manager for verification and approval of the appropriate approving authority. Total amount stated per bank remittance list and request for payment shall tally with the total net take home pay stated in the payroll register. Refer to process title “*Check Request and Disbursements”* for details of RFP preparation.
     2. The HR Department shall ensure that all payroll for a particular payroll period are duly received and acknowledged by employees either manually or electronically.
  3. **Regulatory Compliance**
     1. SSS/PHIC/HDMF contributions and taxes withheld on compensation shall be properly filed and remitted on the date prescribed to avoid unnecessary fines, penalties and compromise imposed by the government agencies.
     2. From time to time, as necessary, the Company shall make a proper estimate of its annualized withholding tax on compensation at year-end based on the tax tables prescribed by the BIR. Adjustments shall be made on subsequent remaining months for any over or under computation of taxes withheld in the previous months.
     3. The Company shall comply with the Electronic Filing and Payment System (eFPS) and shall use the latest or acceptable version of Alphalist Data Entry and Validation Module as required by the BIR.

1. PROCEDURES

| Requisition and Approval of Timekeeping Forms | | | |
| --- | --- | --- | --- |
| Step No. | Activity | Personnel  Involved | Business  Forms |
| 1 | Obtain two (2) copies of appropriate timekeeping forms from HR staff:   * Daily Time Record (DTR) * Overtime Authorization Slip (OAS) * Undertime Authorization Slip (UAS) * Leave Form (LF) * Official Business Travel Authorization Slip (OBTAS) | Employee |  |
| 2 | Properly fill-out require information and sign the form. | Employee | Duly filled-out form |
| 3 | Forward duly filled-out form to concerned department heads for verification and approval. | Employee |  |
| 4 | Verify form. | Department Supervisor | Duly filled-out and verified form |
| 5 | Approve form. | Department Manager | Duly filled-out, verified and approved form |
| 6 | Receive duly accomplished timekeeping forms from requesting employee. | HR Staff | Duly accomplished form |
| 7 | Record data to HR Timekeeping System under ABAS. | HR Staff |  |
| 8 | Temporarily file duly approved and recorded and forward the same to payroll master every payroll cut-off period for payroll processing. | HR Staff |  |

| Payroll Preparation | | | |
| --- | --- | --- | --- |
| Step No. | Activity | Personnel  Involved | Business  Forms |
| 1 | Receive timekeeping summaries and forms from HR Staff prior to cut-off date.  Note: Timekeeping summaries and forms must be submitted by the HR Staff to the Payroll Master within a reasonable number of days prior to payroll cut-off date to give the Payroll Master an ample time for payroll preparation and later adjustments discovered during checking and review, if any. | Payroll Master | Duly accomplished timekeeping forms |
| 2 | Check/tally timekeeping summaries and forms. | Payroll Master |  |
| 3 | If there are discrepancies discovered on the review of timekeeping summaries and forms, notify the HR Department for said discrepancies and let the HR Staff update, revise or adjust the data recorded in the ABAS. | Payroll Master |  |
| 4 | Finalize and generate Payroll Register. | Payroll Master | Systems-generated Payroll Register |
| 5 | Verify government loans and contributions such as SS, PHIC and HDMF contributions and corresponding tax withheld on compensation. | Payroll Specialist |  |
| 6 | Prepare payroll variance analysis and government reportorial requirements such as SSS, PHIC and HDMF remittances forms, BIR Form No. 1601-C, Alphalist on Withholding Tax on Compensation, *etc.* | Payroll Specialist |  |
| 7 | Forward Payroll Register together with other reports to HR Manager. | Payroll Specialist |  |
| 8 | Verify Payroll Register and other reports. | HR Manager | Duly verified systems-generated Payroll Register |
| 9 | Approve Payroll Register and other reports. | Appropriate Approving Authority | Duly verified and approved systems-generated Payroll Register |

| Payroll Releasing | | | |
| --- | --- | --- | --- |
| Step No. | Activity | Personnel  Involved | Business  Forms |
| 1 | Receive duly approved payroll register from Accounting Department. | Payroll Clerk | Duly accomplished payroll register |
| 2 | Prepare Request For Payment (RFP) for employees which are paid through cash/check and Bank Remittance List (BRL) for employees which are paid directly through ATM. | Payroll Clerk | Duly filled-out RFP/BRL |
| 3 | Verify RFP and BRL. | HR Manager | Duly filled-out and verified RFP/BRL |
| 4 | Approve RFP and BRL. | SVP – Finance/  President | Duly filled-out, verified and approved RFP/BRL |
| 6 | For duly approved RFP, refer to process title “*Check Requests and Disbursements*”.  For duly approved BRL, refer to process for preparation of Journal Voucher. | Accounting Staff | Check Voucher and Journal Voucher |
| 7 | Generate pay slips and release payroll to employees. | Payroll Clerk | Duly filled-out pay slips |
| 8 | Obtain duly acknowledged pay slips and validated transaction acknowledgment receipt from bank. | Payroll Clerk | Duly acknowledged pay slips |
| 9 | Update Payroll System. | Payroll Clerk |  |

1. FLOWCHARTS
   1. Requisition and Approval of Timekeeping Forms



* 1. Payroll Preparation



* 1. Payroll Releasing



1. BUSINESS FORMS
   1. Daily Time Record (DTR)



No. of copies - 1

Prepared by - Employee

Checked and verified by - Department Supervisor/Chief Mate

Noted by - Department Manager/Vessel Master

Received by - HR Staff

Distribution - HR Department

* 1. Daily Time Form



No. of copies - 1

Prepared by - Employee

Verified by - Security Guard on Duty

Approved by - Department Manager

Received by - HR Staff

Distribution - HR Department

* 1. Official Business Travel Form



No. of copies - 1

Prepared by - Employee

Verified by - Department Supervisor

Approved by - Department Manager

Received by - HR Staff

Distribution - HR Department

* 1. Overtime Authorization Slip



No. of copies - 1

Prepared by - Employee

Verified by - Department Supervisor

Approved by - Department Manager

Received by - HR Staff

Distribution - HR Department

* 1. Undertime Authorization Slip



No. of copies - 1

Prepared by - Employee

Verified by - Department Supervisor

Approved by - Department Manager

Distribution - HR Department

* 1. Leave Form



No. of copies - 1

Prepared by - Employee

Verified by - Department Supervisor

Approved by - Department Manager

Distribution - HR Department

* 1. Payroll Register



No. of copies - 1

Explanation - A payroll system-generated document showing detailed computation of compensation and authorized deductions of employees for the payroll period. This will be used as basis in preparing the journal entry of payroll.

Prepared by - HR Payroll Staff

Verified by - HR Manager

Approved by - SVPs and President

Distribution - HR Department

* 1. Bank Payroll Remittance List



No. of copies - 2

Explanation - A payroll system-generated document showing the list of payroll accounts to be credited to employee’s individual bank accounts and forwarded to the Bank for processing.

Prepared by - Payroll Clerk

Verified by - HR Manager

Approved by - President/SVP for Finance

Distribution - Copy 1 – Bank

Copy 2 – HR Department (File Copy)

* 1. Pay Slip



No. of copies - 1

Prepared by - Payroll Clerk

Distribution - Copy 1 – Employee

Copy 2 – HR Department

1. EFFECTIVITY

This Policies and Procedures Manual shall take effect upon approval and shall supersede any memorandum/SOP inconsistent with this Policies and Procedures Manual. Any changes to the manual shall comply with the policies and procedures indicated in the process title *“Amendment of Manual”*.

**ANNEX**

ANNEX A

SAMPLE PROCEDURAL STEPS FOR MANUAL PAYROLL PREPARATION

*The tables and figures below are only illustrative examples.*

**Step 1**

Prepare payroll register format and list down names of employees classified by job rank and designation.



**Step 2**

Compute for gross pay which comprise the basic pay, overtime, undertime and absences.



Overtime and undertime should be properly supported with duly approved authorization slip. Absences should be reflected in the daily time record or other manual timekeeping forms duly verified and noted by the concerned department heads.

**Step 3**

Compute for corresponding government contributions, loans and taxes to be withheld on compensation.



SSS/PHIC/HDMF contributions and withholding tax on compensation should follow the proper or correct computation based on tables prescribed by the appropriate government agencies.

**Step 4**

Determine net salary pay by deducting the total government deductions from the gross pay.



**Step 5**

Determine other payroll adjustments such as incentives, allowances, per diem and other benefits granted to employees, refunds, reimbursements, unliquidated cash advances (if any), *etc*.



**Step 6**

Compute for the total net take home pay which comprise the total net salary pay after identified compensation adjustments.



**Step 7**

Perform wrap-up procedures, review and check attachments, ensure that all data in the payroll register are properly supported with duly approved forms, recompute and tally totals.

**Step 8**

Forward payroll register and attachments to appropriate signatories for further review, checking, verification and final approval.