

Aren Payroll

Version 7.0

Premier Kenya Edition

User Guide

Aren Software Ltd

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1 Introduction

About Aren Payroll

Aren Payroll is a payroll program that runs in the Microsoft Windows environment. It enables you to set up a database containing pay details of the employees in your organisation. Data entry is interactive with income tax, loan payments, pension fund balances and other calculated amounts updated and displayed as you work.

The system produces several payroll reports such as payslips, payroll summary, payroll control account, cash and cheque lists as well as monthly and annual tax returns. All reports are formatted for A4 paper so there is no need to buy special stationery.

Access to the system requires a username and a password. There is one permanent user who has unrestricted access to the entire system. Other users can be added at any time and assigned access to those functions they need to use.

The program can be configured to suit the needs of your organisation. For example, you can define an unlimited number of payments and deductions. You can also update the tables used for calculating statutory deductions should the need arise.

Aren Payroll supports multiple organisations which is convenient if you need to run the payroll of more than one organisation on a single computer. A separate licence is required for each organisation.

For each organisation, four pay frequencies are supported, viz monthly, weekly, biweekly and irregular. The irregular pay frequency caters for employees who are not paid after fixed intervals.

Getting Started

To use Aren Payroll you must first install it and configure it to suit your needs. The rest of this section shows you how to begin this process.

Installation

To install Aren Payroll:

1. Insert the installation CD in the CD drive.
2. Run the program *setup.exe* on the installation CD.

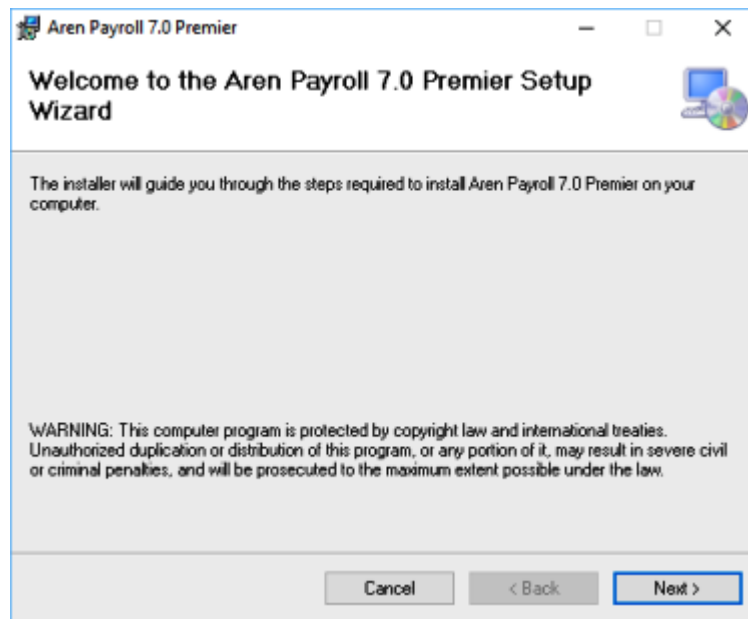


Figure 1.1: Setup Wizard

3. Follow the on-screen instructions that appear during the installation process (figure 1.1).

The installation process copies the files required by Aren Payroll to the folder you specify on the hard disk of your computer. It will also add Aren Payroll and its Help file to the Start menu.

Creating a Data Folder

1. Once the installation process is complete, run Aren Payroll by selecting it from the Start menu.
2. In the Start dialog box that appears (figure 1.2), click on Data Folder to open the Data Folders dialog box (figure 1.3).
3. Click on Create in the Data Folders dialog to create a new data folder in which to store Aren Payroll data.

You can locate your data folder anywhere you want on your computer or on a shared folder on another computer. Make sure you have unrestricted access to whichever

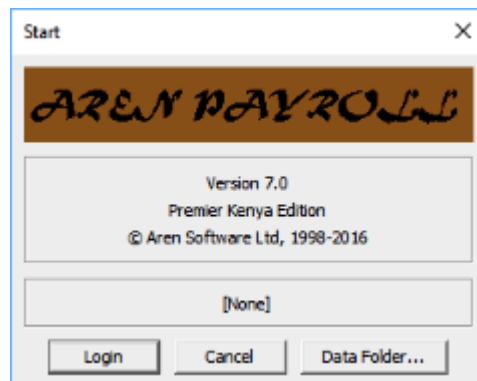


Figure 1.2: Start dialog box

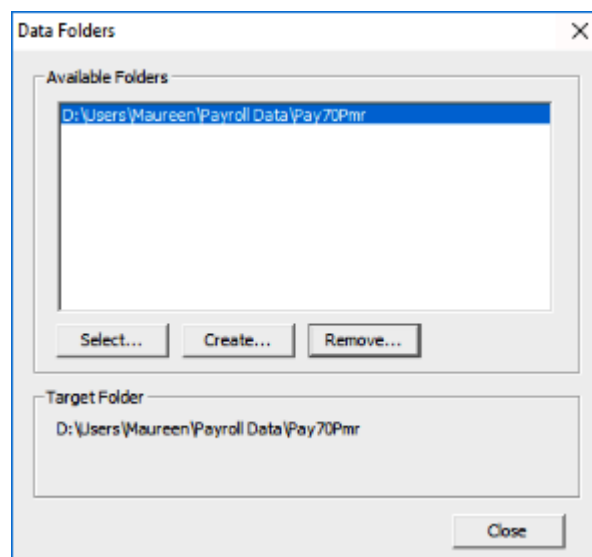


Figure 1.3: Data Folders dialog box

location you choose, otherwise the software may not work properly.

4. Close the Data Folders dialog to return to the Start dialog.
5. Within the Start dialog, click on Login to open the Login dialog box.

Logging In

1. In the Login dialog box enter the username *supervisor* (figure 1.4).
2. You will be prompted to enter a password for use in subsequent logins (figure 1.5). Enter a password of your choice.

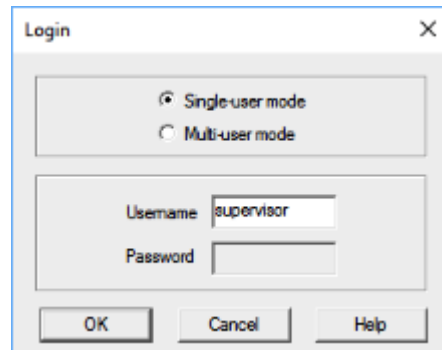


Figure 1.4: Login dialog box

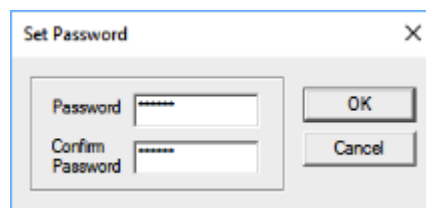


Figure 1.5: Set Password dialog box

3. The New Organisation dialog box is displayed next (figure 1.6). Type in the name of your organisation and the month from which you want to start entering data.

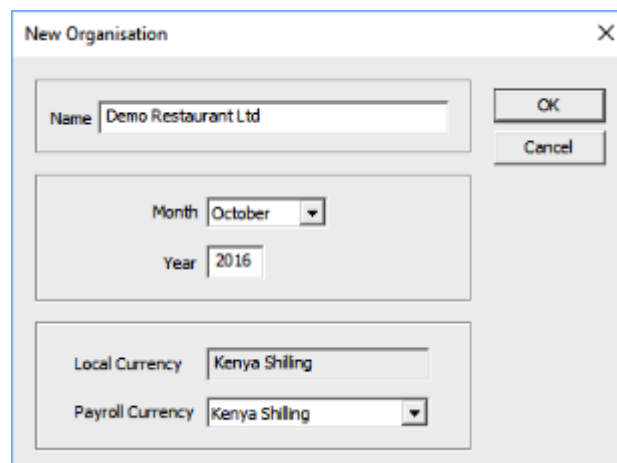


Figure 1.6: New Organisation dialog box

4. Close the New Organisation dialog box to begin using Aren Payroll.

Moving On

Before entering employee data you need to finish setting up the program. Section 2 explains how to do this. To enter

employee data refer to Section 3 which describes the employee data files in Aren Payroll.

After entering employee data you can view the reports described in Section 4. With the exception of the muster roll and payroll variance, all reports can be printed out on A4 paper. Use the muster roll to export payroll data to a text file.

To close the current pay period and start a new one, run a period or month end procedure as described in Section 5. That section also describes how to back up and restore data and create bank transfer files.

2 Setting Up

Before entering details about employees, use the Organisation and System menus to configure the program. The Organisation menu options apply only to the organisation that you are currently working with whereas those of the System menu apply to all organisations that you define.

Setting up the System

Users

Aren Payroll supports an unlimited number of users. There is always at least one user, *supervisor*. The supervisor has access to all functions including adding and deleting other users and assigning such users access to program functions. By restricting users to only those parts of the program they need for their work, it is possible to enforce separation of duties.

To add new users log in as supervisor then do the following:

1. Select Users from the System Menu. This displays the Users dialog box (figure 2.1).

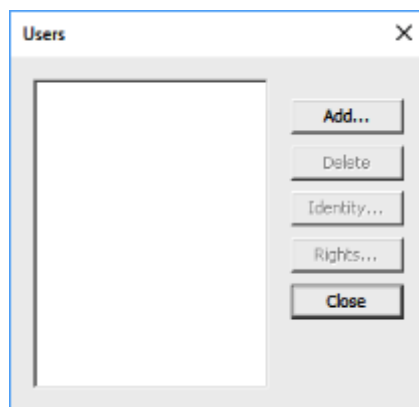


Figure 2.1: Users dialog box

2. Click on the Add button which brings up the User Identity dialog box (figure 2.2).
3. In the User Identity dialog enter the username. Enter and confirm the password if you wish. If you do not

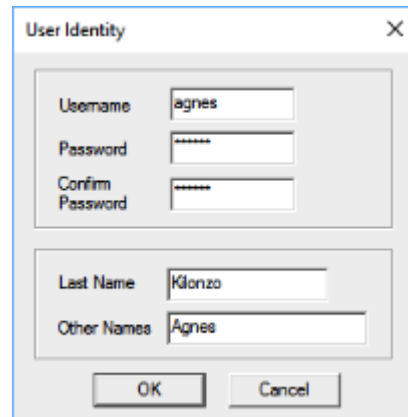


Figure 2.2: User Identity dialog box

enter a password at this stage, the user will be required to enter one when logging in for the first time. You may also enter the user's real name to help you identify him or her in future.

4. Close the User Identity dialog and choose Rights from the Users dialog box. This displays the User Rights dialog box (figure 2.3).

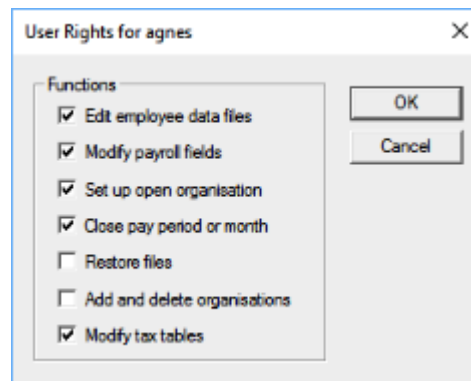


Figure 2.3: User Rights dialog box

5. Use this dialog box to specify the functions that you would like the user to have access to.
6. Close the User Rights dialog box. You can add more users by repeating the procedure above.
7. Click on Close in the Users dialog box.

Banks

Aren Payroll comes with a comprehensive list of banks and their branches. You will need this list for employees paid by

bank transfer rather than in cash or by cheque. The list is shared by all organisations that you create. To review or modify it, select Banks from the System menu which will bring up the Bank and Branches dialog box (figure 2.4).

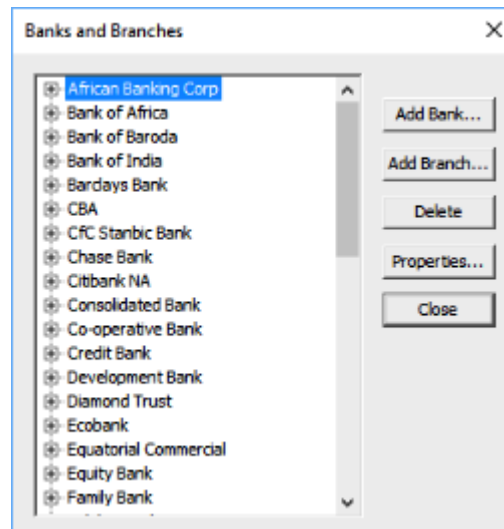
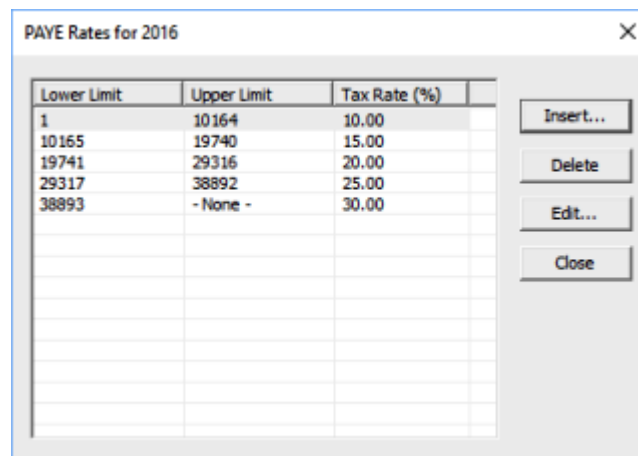


Figure 2.4: Banks and Branches dialog box

Statutory Deductions Parameters

PAYE and NHIF are calculated using brackets and rates that are stored as tables. To view and update these tables select Income Tax > PAYE Rates or NHIF Rates from the System menu (figure 2.5). Refer to the current P7 booklet from the Kenya Revenue Authority (KRA) for an up-to-date PAYE table.

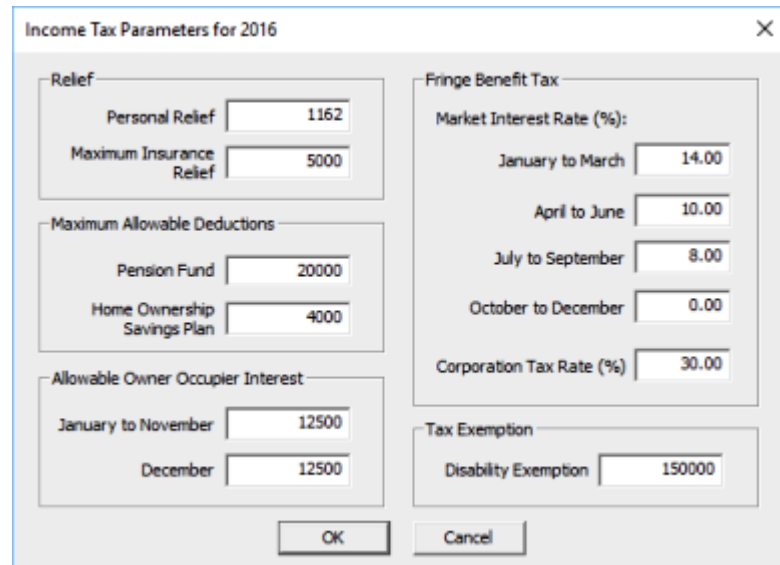


Lower Limit	Upper Limit	Tax Rate (%)
1	10164	10.00
10165	19740	15.00
19741	29316	20.00
29317	38892	25.00
38893	- None -	30.00

Figure 2.5: PAYE Rates dialog box

The calculation of PAYE depends on a number of other pa-

rameters e.g. personal relief, insurance relief and allowable pension fund contribution. Update these parameters by selecting System > Income Tax > Other Parameters to open the Income Tax Parameters dialog box (figure 2.6). This dialog also allows you to edit the parameters used for calculating fringe benefit tax.



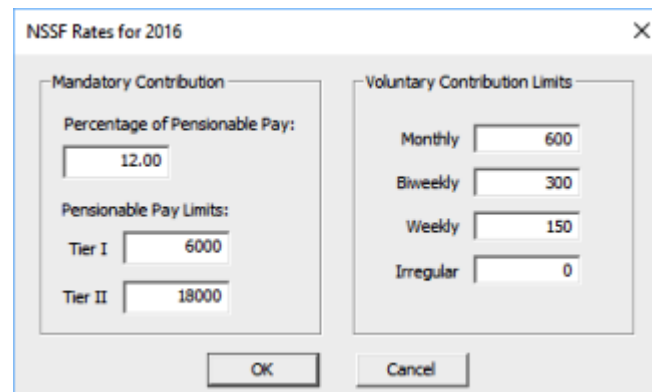
The dialog box titled "Income Tax Parameters for 2016" contains the following fields:

Section	Parameter	Value
Relief	Personal Relief	1162
	Maximum Insurance Relief	5000
Maximum Allowable Deductions	Pension Fund	20000
	Home Ownership Savings Plan	4000
Allowable Owner Occupier Interest	January to November	12500
	December	12500
Fringe Benefit Tax	Market Interest Rate (%)	
	January to March	14.00
	April to June	10.00
	July to September	8.00
	October to December	0.00
	Corporation Tax Rate (%)	30.00
Tax Exemption	Disability Exemption	150000

Buttons: OK, Cancel

Figure 2.6: PAYE Parameters dialog box

Mandatory NSSF contributions are a percentage of pensionable pay and are divided into two tiers. To enter this percentage and the limits of pensionable pay for each tier, select NSSF Rates from the System menu. This opens the NSSF Rates dialog box (figure 2.7) where you can also edit the maximum voluntary contributions for each pay frequency.



The dialog box titled "NSSF Rates for 2016" contains the following fields:

Section	Parameter	Value
Mandatory Contribution	Percentage of Pensionable Pay:	12.00
	Pensionable Pay Limits:	
	Tier I	6000
	Tier II	18000
Voluntary Contribution Limits	Monthly	600
	Biweekly	300
	Weekly	150
	Irregular	0

Buttons: OK, Cancel

Figure 2.7: NSSF Rates dialog box

Working with Organisations

A single installation of Aren Payroll can support up to 99 different organisations. Each organisation requires a separate licence. The name of the organisation that is currently open is displayed in the title bar of the main window.

Adding a new Organisation

To add a new organisation select Add from the Organisation menu. Use the New Organisation dialog box that follows (figure 2.8) to enter the name of the organisation and the month from which you want to start entering data. On closing the dialog box, the previous organisation is closed and the new one opened.

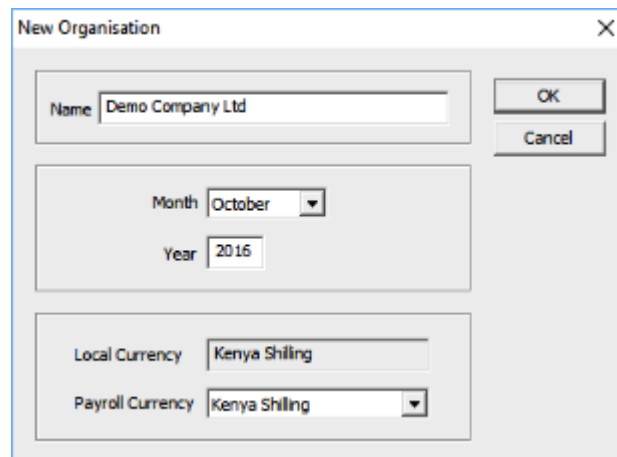


Figure 2.8: New Organisation dialog box

Opening another Organisation

To open a different organisation select Open from the Organisation menu. This will bring up the Open Organisation dialog box (figure 2.9) provided there are other organisations defined. Select the organisation you want to open from the dialog box.

Deleting an Organisation

You can delete any organisation that is currently not open. Deleting an organisation causes all its data files and folders to be deleted. It is strongly recommended that you back up the organisation's data files before deleting it (see Section 5).

To delete an organisation:

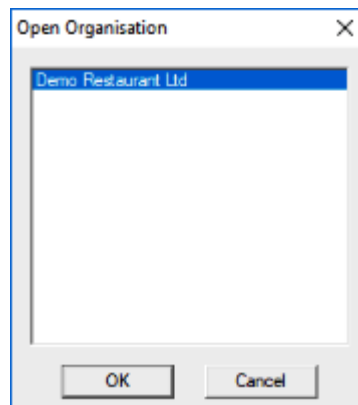


Figure 2.9: Open Organisation dialog box

1. Select Delete from the Organisation menu. To minimise the risk of accidentally deleting an organisation you will be required to enter your password (figure 2.10).

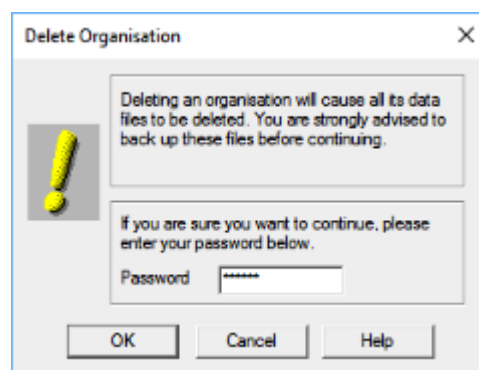


Figure 2.10: First Delete Organisation dialog box

2. Next, a list of all organisations in the system, excluding the one that is open, will be displayed (figure 2.11). Select the one you want to delete. Note that it is not possible to delete the organisation that is currently open.
3. In the two message boxes that follow, confirm that you want to delete the selected organisation and destroy its data files.
4. Aren Payroll will then delete the organisation. A dialog box confirming that the deletion is complete will be displayed.

Setting up an Organisation

To configure the organisation that is currently open, proceed as follows:

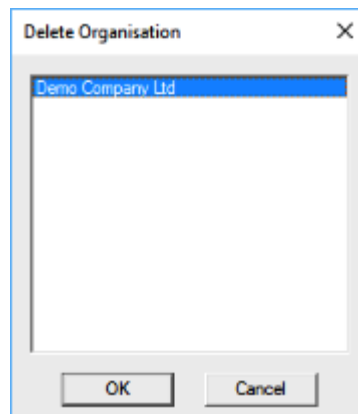


Figure 2.11: Second Delete Organisation dialog box

Basic Organisation Information

Open the Basic Organisation Info dialog box (figure 2.12) from the Organisation menu and enter the organisation's address and telephone number.

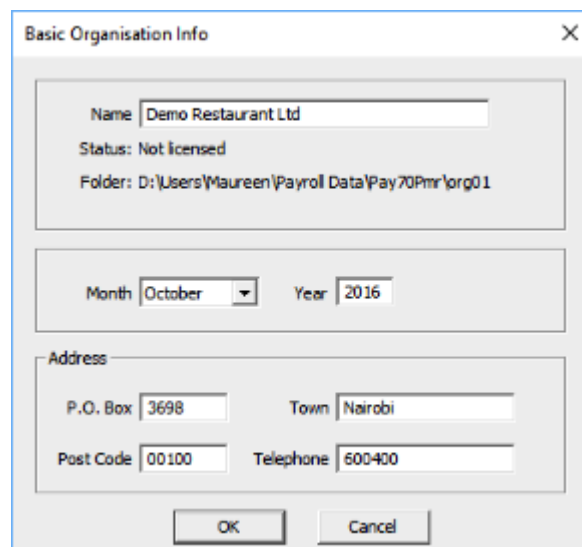


Figure 2.12: Basic Organisation Info dialog box

Also, confirm that you want to start entering payroll details in the month and year shown in the dialog box. Once you run the first period or month end procedure you will not be able to edit either of them.

Licensing

Select Licence from the Organisation menu to open the Licence dialog box (figure 2.13). Type in the licence number supplied

by your dealer. If you do not have a licence number, contact your dealer or Aren Software Ltd.

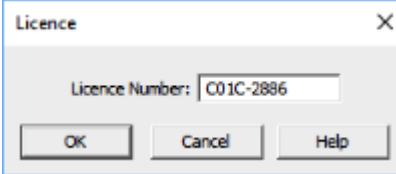
A dialog box titled "Licence" with a close button (X) in the top right corner. It contains a text input field labeled "Licence Number:" with the value "C01C-2886". Below the input field are three buttons: "OK", "Cancel", and "Help".

Figure 2.13: Licence dialog box

Payroll Info

Open the Payroll Info dialog box (figure 2.14) by selecting Payroll Info from the Organisation menu. Enter the bank, branch and account number for the organisation's salary account. Also enter the organisation's PIN, NSSF, NHIF and HELB numbers.

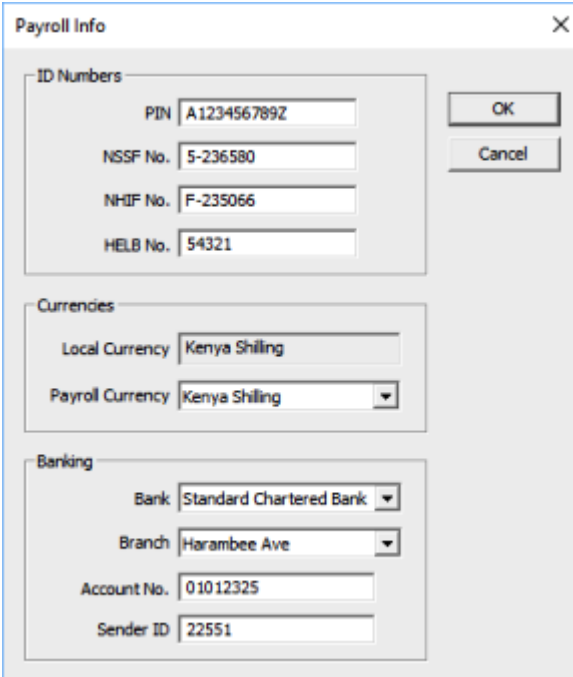
A dialog box titled "Payroll Info" with a close button (X) in the top right corner. It is divided into three sections: "ID Numbers", "Currencies", and "Banking". The "ID Numbers" section contains four text input fields: "PIN" (A123456789Z), "NSSF No." (5-236580), "NHIF No." (F-235066), and "HELB No." (54321). The "Currencies" section contains two dropdown menus: "Local Currency" (Kenya Shiling) and "Payroll Currency" (Kenya Shiling). The "Banking" section contains five text input fields: "Bank" (Standard Chartered Bank), "Branch" (Harambee Ave), "Account No." (01012325), and "Sender ID" (22551). There are "OK" and "Cancel" buttons on the right side of the dialog box.

Figure 2.14: Payroll Info dialog box

In this dialog box, the Standard File Interchange (SFI) Sender ID applies to those who submit their payroll to the bank in electronic form. Leave this field blank if you do not already have an SFI Sender ID.

Jobs

To set up the jobs available in the organisation, open the Jobs dialog box (figure 2.15) by selecting Jobs from the Organisation menu.

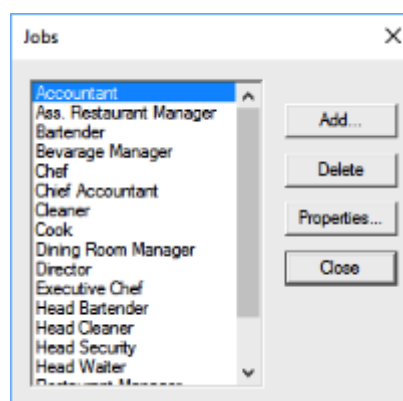


Figure 2.15: Jobs dialog box

Administrative Units

Set up the administrative units (departments, sections, etc) in your organisation. To do this select Units from the Organisation menu.

Stations

Set up the stations (branches) in your organisation. To do this select Stations from the Organisation menu.

Pay Groups

Pay Groups allow you to filter payment reports according to how employees in your organisation are paid. For example, the bank transfer report could be filtered by bank branch or pay date.

To set up pay groups, select Pay Groups from the Organisation menu.

Co-operatives and Pension Funds

Create co-operative societies that employees in the organisation belong to by selecting Co-operatives from the Organisation menu.

Similarly, set up pension funds by selecting Pension Funds from the Organisation menu.

Insurance Companies

If you need to deduct and remit insurance premiums, set up the insurance companies involved by selecting Organisation > Insurance Companies.

Employee Profiles

An employee profile defines attributes that are common to a group of employees. These attributes are pay frequency, basic pay type (i.e., salary, daily rate or hourly rate), standard working hours (per day and per pay period) and whether overtime is payable.

To create a profile, select Profiles from the Organisation menu to open the Employee Profiles dialog box (figure 2.16). If there is an employee profile marked as default, all new employees added to the payroll will be assigned this profile.

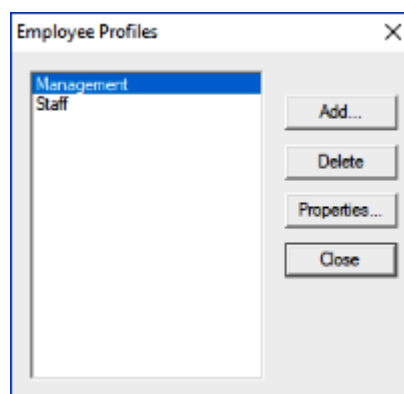


Figure 2.16: Profiles dialog box

General Options

Selecting Options > General from the Organisation menu opens the General Options dialog. This dialog is used to specify the *default pay frequency*. This is the pay frequency that the program defaults to when opening the payroll transactions file or initialising dialog boxes that display pay frequency.

The General Options dialog also allows you to choose the sort order for employee data entry forms. You can also specify when to purge old reports. Deleting old reports saves space on the hard disk and reduces the size of backup files.

In the logo section, you can select a bitmap file that contains the company's logo. This logo will be printed at the top of each payslip.

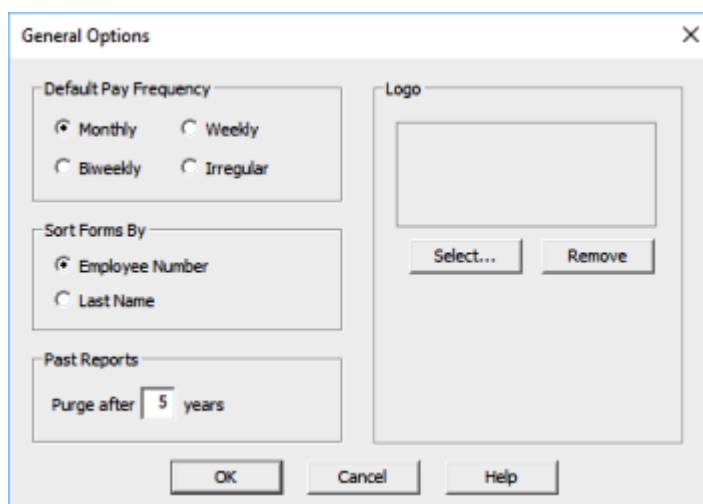


Figure 2.17: General Options dialog box

Payroll Options

Selecting Options > Payroll from the Organisation menu brings up the Payroll Options dialog (figure 2.18). If your organisation is tax-exempt you are required to treat the employer's pension contribution as a taxable benefit. Select the option to tax excess employer pension on employees.

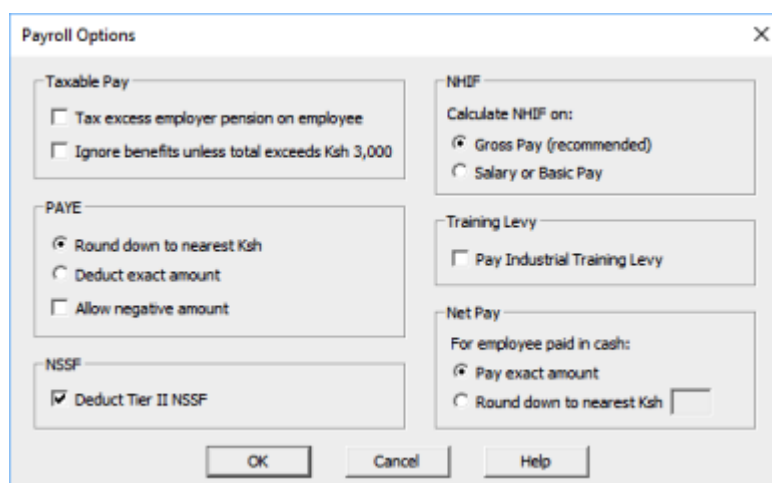


Figure 2.18: Payroll Options dialog box

KRA's online tax administration system, iTax, does not tax benefits unless they total to more than Ksh 3,000. By default, Aren Payroll taxes all non-cash benefits regardless of their total. For it to work like iTax you must check the option *Ignore benefits unless total exceeds Ksh 3,000*.

By default, PAYE is rounded down to the nearest shilling.

However, for compatibility with the iTax system, you should select the option to deduct the exact amount of PAYE.

If your organisation has opted out of tier II NSSF contributions, uncheck the option to deduct tier II NSSF. This option is enabled by default.

You can choose to have NHIF calculated on the fixed monthly salary or on the gross pay earned in a given month. The former option is included for backward compatibility and you should always compute NHIF on gross pay.

If your organisation pays industrial training levy for its employees, check the option to pay industrial training levy. A report will be generated each month for this purpose.

Finally, you have the option to round down net pay for employees paid in cash by an amount that you specify. The excess amount is carried forward to the next pay period.

Pay Period End Days

If the pay frequency is monthly, the pay period is assumed to end on the last day of the month. For other pay frequencies the program requires assistance from the user to determine when each pay period ends.

For weekly and biweekly pay frequencies, the user is required to specify the last day of the very first pay period. The program will work out when subsequent pay periods end. In the case of employees paid at irregular intervals, the pay period end day must be entered for each pay period.

To initialise period end days, you need to do the following for each pay frequency that applies to your organisation (except monthly):

1. Make it the default pay frequency using the General Options dialog box (Organisation > Options > General). The pay frequency selected should appear in the status bar.
2. Open the Pay Period dialog box (figure 2.19) from the Organisation menu and enter the pay period end day for this pay frequency.

In any given month, the pay period end days for weekly and biweekly employees can not be edited once the first period end procedure for that pay frequency is run.

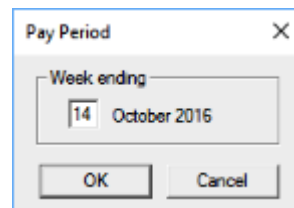


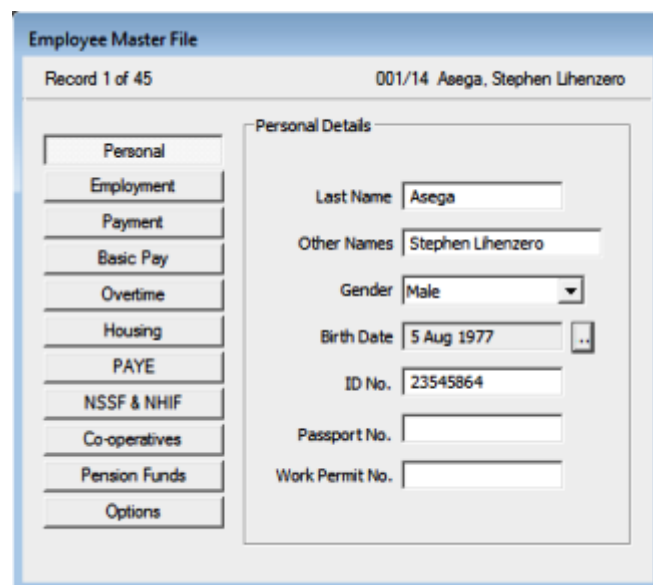
Figure 2.19: Pay Period dialog box

3 Data Files

Data for each employee is stored in two database files, the *employee master file* and one of the *payroll transactions files*. There is a separate payroll transactions file for each pay frequency. This data is used to create the various report files from which reports are printed.

Employee Master File

The employee master file stores static information about each employee. It is accessed by selecting Employee from the File menu (figure 3.1). This brings up a data entry form in which you enter details about each employee.



The screenshot shows a software window titled "Employee Master File". At the top, it displays "Record 1 of 45" and "001/14 Asega, Stephen Lihenzero". On the left side, there is a vertical menu with buttons for: Personal, Employment, Payment, Basic Pay, Overtime, Housing, PAYE, NSSF & NHIF, Co-operatives, Pension Funds, and Options. The "Personal" button is selected. The main area is titled "Personal Details" and contains the following fields: Last Name (Asega), Other Names (Stephen Lihenzero), Gender (Male), Birth Date (5 Aug 1977), ID No. (23545864), Passport No. (empty), and Work Permit No. (empty).

Figure 3.1: Employee Master File form

You can add and delete employee records using the Add, Delete and Terminate commands in the Record menu.

- The Delete command simply deletes an employee record. It is only available if the current record has not gone through a period or month end procedure since it was added.

- The Terminate command transfers an employee record from the employee master file to the *leavers report file*. This transfer takes place in the period or month end procedure that follows the termination date specified by the user.

For easy access the data entry form is divided into eleven pages, i.e., Personal Details, Employment Details, Payment, Basic Pay, Overtime, Housing, PAYE, NSSF & NHIF, Co-operatives, Pension Funds and Options.

Most of the fields in this file are optional. However, Employee Number, Last Name, Other Names, Job Title, Administrative Unit and Station are mandatory. If an employee is paid by bank transfer, then Bank, Branch and Account Number are also mandatory. The optional fields are also used in various reports and should therefore not be left blank.

Payroll Transactions File

Each payroll transactions file stores earnings, deductions, benefits, lump sums payments and refunds for all employees paid in a particular pay period.

Earnings are those cash payments that relate to the current pay period e.g. basic pay or leave allowance. For tax purposes, all cash earnings for all pay periods falling in a particular calendar month are deemed to be the *monthly cash earnings*. A pay period is deemed to fall in a particular month if its last day falls in that month.

Benefits are private expenses of an employee that are paid by the employer e.g. school fees, house rent or telephone bills. These non-cash benefits are considered as income for tax purposes.

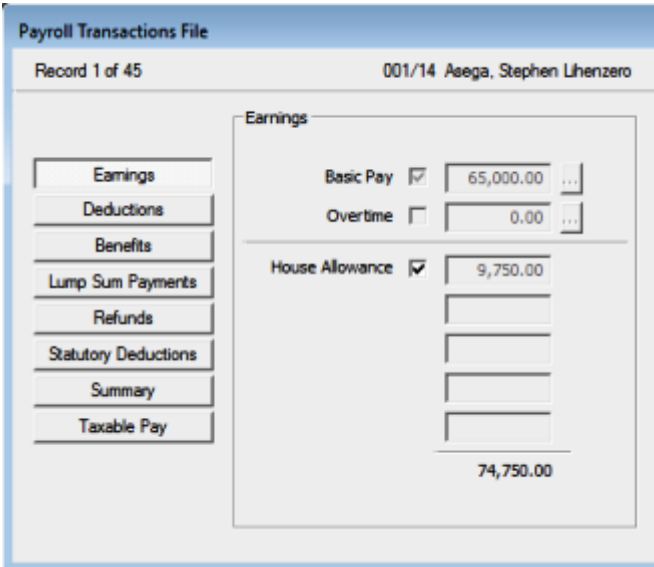
Deductions are those amounts deducted from an employee's pay by the employer. Some of these are called *statutory deductions* because the law requires the employer to deduct them from the employee's pay. The statutory deductions are PAYE, NSSF, NHIF and tax on lump sum payments.

Lump sum payments are those cash payments that do not relate to the current month alone. Some like gratuity and bonuses have accrued over past months while others like terminal benefits may relate to past or future months. We make the distinction between lump sum payments and monthly cash

earnings because the two are treated differently when calculating income tax.

Refunds are payments made to an employee, e.g. travelling or subsistence allowances, for business expenses incurred while on duty. These payments are not income and are therefore not taxable.

The default payroll transactions file is accessed by selecting Payroll from the File menu. This displays a data entry form (figure 3.2) where you enter earnings, deductions, benefits, lump sum payments and refunds for each employee.



The screenshot shows a software window titled "Payroll Transactions File". At the top, it displays "Record 1 of 45" and "001/14 Atega, Stephen Lihenzero". On the left side, there is a vertical menu with buttons for "Earnings", "Deductions", "Benefits", "Lump Sum Payments", "Refunds", "Statutory Deductions", "Summary", and "Taxable Pay". The "Earnings" button is selected. The main area is titled "Earnings" and contains the following data entry fields:

Basic Pay	<input checked="" type="checkbox"/>	65,000.00	...
Overtime	<input type="checkbox"/>	0.00	...
House Allowance	<input checked="" type="checkbox"/>	9,750.00	
		74,750.00	

Figure 3.2: Payroll Transactions File form

Statutory deductions and other calculated amounts such as taxable pay, net pay and gross pay are updated as data is entered. This makes the calculations more transparent and helps to reduce data entry errors.

Each payroll transactions file only includes employees who are present in the employee master file and have the required pay frequency. Use the Remove command in the Record menu to suspend employees from the payroll. Suspended employees can be restored at any time using the Record > Add command.

Payroll Fields

At installation, the payroll transactions file has two earnings (Basic Pay and Overtime), three deductions (Rent, Overdraft Recovery and Rounding C/F), one non-cash benefit (Employer

Pension) and one refund (Rounding B/F). These fields cannot be deleted but you can add more according to your needs.

To add, delete or edit fields, select Earnings, Deductions, Benefits, Lump Sum Payments or Refunds from the File menu. A data entry form will be displayed showing the field attributes listed below (figure 3.3). To add or delete fields select Add or Delete from the Field menu.

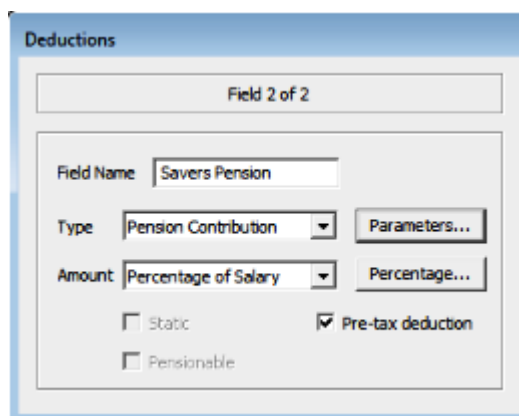
The image shows a software window titled "Deductions" with a subtitle "Field 2 of 2". Inside the window, there is a form with the following fields and options: "Field Name" with the text "Savers Pension"; "Type" with a dropdown menu set to "Pension Contribution" and a "Parameters..." button; "Amount" with a dropdown menu set to "Percentage of Salary" and a "Percentage..." button; and three checkboxes: "Static" (unchecked), "Pre-tax deduction" (checked), and "Pensionable" (unchecked).

Figure 3.3: Deductions form

The following field attributes apply to all fields:

1. *Field Name*: The name of the field e.g. advance, shift allowance.
2. *Type*: This is used to indicate permanent fields (e.g. basic pay and rent). It is also used to specify fields that are calculated in a unique way (e.g. hourly pay and daily pay) and those that are associated with a balance that is updated and displayed by the system (e.g. loan repayments and co-operative contributions). The type advance is used to indicate advance payments so that appropriate reports can be generated.
3. *Amount*: This attribute specifies how the amount paid to or deducted from each employee is arrived at. It may be keyed in, a percentage of salary, a function of the time worked (basic pay, overtime, hourly pay and daily pay) or amortised (loan repayments).
4. *Static*: Static fields retain their value when a period or month end procedure is run, whereas non-static fields are reset to their lower limit. This is only important for fields that are keyed in. It saves you the trouble of having to key in the amount earned or deducted each time a period or month end procedure is run.

5. *Taxable/Pre-tax deduction:* For earnings the taxable attribute specifies whether or not the payment is subject to PAYE. Unless prior permission has been given by the KRA, all income (i.e. earnings, non-cash benefits and lump sum payments) must be taxed. Refunds are not taxable as they are not a form of income.

The pre-tax deduction attribute indicates those deductions to be subtracted from gross income when calculating PAYE. In Kenya the only pre-tax deductions are mortgage interest payments and contributions to registered pension/provident funds and to registered home ownership saving plans (HOSPs).

6. *Pensionable:* NSSF is calculated on the total pensionable earnings. Uncheck the pensionable option to exclude any earning from this calculation.

Depending on the selection for *Type* and *Amount* attributes the following additional attributes may be available:

1. *Co-operative:* The name of the co-operative associated with the field (figure 3.4).

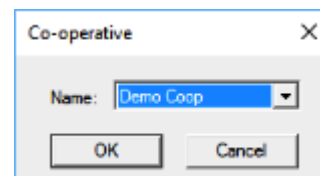


Figure 3.4: Co-operative dialog box

2. *Pension Fund:* The name of the pension fund and other details pertaining to the current field (figure 3.5).
3. *Insurance:* The name of the insurance company associated with the field.
4. *Limits:* The upper and lower limits that the amount paid or deducted should be restricted to (figure 3.6).
5. *Percentage:* The percentage of monthly salary that should be paid or deducted (figure 3.7).
6. *Hourly Rate:* The hourly rate to use for earnings that are of the type Hourly Pay (figure 3.8).
7. *Daily Rate:* The daily rate to use for earnings that are of the type Daily Pay.

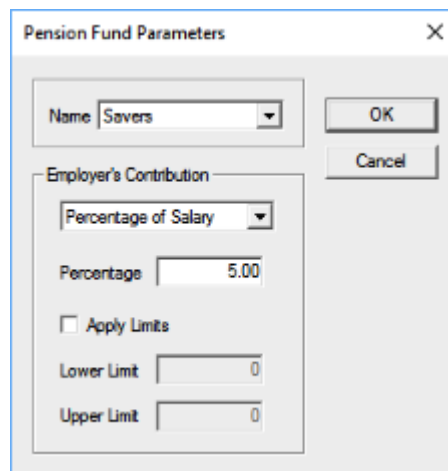


Figure 3.5: Pension Fund Parameters dialog box

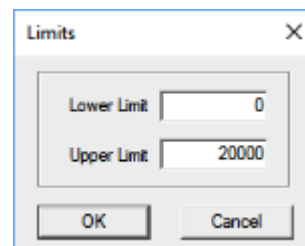


Figure 3.6: Limits dialog box

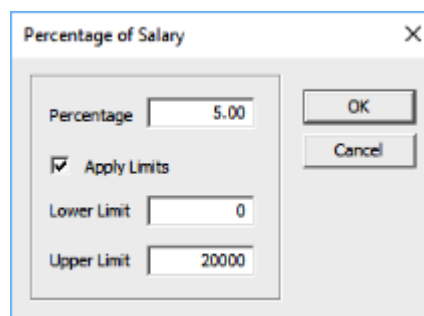


Figure 3.7: Percentage of Salary dialog box

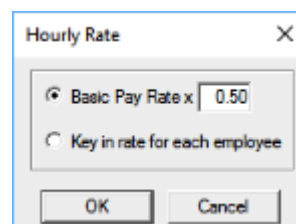


Figure 3.8: Hourly Rate dialog box

4 Reports

Aren Payroll produces numerous reports as described below. These reports can be viewed on the screen and printed out. You can choose to print the entire report, a range of pages, or just the page that you are currently viewing. Internal reports can be sorted by either employee number or name.

You can view and print reports for current and previous pay periods, months or years. You can also filter most reports by administrative unit, station, pay group, bank, co-operative or pension fund.

Reports may be printed on any printer connected to your computer either directly or through a local area network. Because all reports are formatted for A4 paper, the printer must be set to print on A4.

1. To open a report select it from the Report menu and then follow the on-screen instructions. For example, selecting Report > Payslips opens the Open Payslips dialog box (figure 4.1).

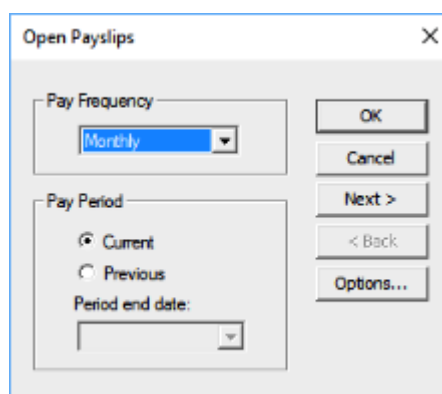


Figure 4.1: Open Payslips dialog box

2. To print the open report select Print from the File menu which brings up the Print dialog box (figure 4.2). Use the Setup button in this dialog box to configure the printer you want to use.
3. Choose Close from the File menu to close the report.

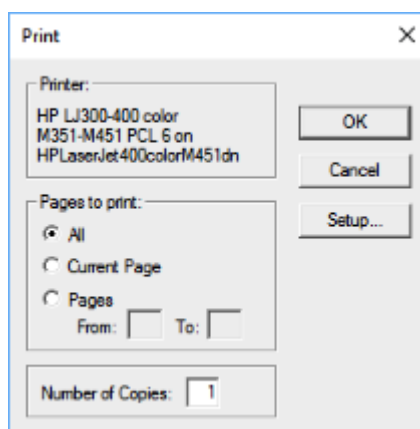


Figure 4.2: Print dialog box

Nominal Rolls

1. *Employees Roll*: List of employees who are currently active. It shows their job title, administrative unit and station.
2. *Joiners Roll*: List of employees who joined the organisation recently. It shows their job title, administrative unit, station and start date.
3. *Leavers Roll*: List of employees who left in a given year. It shows their final job title and administrative unit, the date they left and the reason for leaving.

Pay Period Reports

These are reports for a specific pay frequency and cover one pay period. For a particular pay frequency, reports for the current pay period are updated as you update the employee master file and the appropriate payroll transactions file. Reports for previous pay periods can be viewed and printed out, but they cannot be modified in any way.

Overview Reports

1. *Payroll Summary*: Summarises earnings and deductions for all employees.
2. *Payroll Control Account*: T-account listing total earnings, deductions and net pay for all employees in the organisation.
3. *Muster Roll*: List of employees showing all earnings, lump sum payments, refunds and deductions for the month.

Records in this report can be grouped by administrative unit or station.

4. *Payroll Variance*: List of employees showing the differences in the payments and deductions made in any two pay periods. It is essentially the difference between the muster rolls for the two pay periods.
5. *Gross Pay By Unit*: List of administrative units showing the staff count and total gross pay for each.
6. *Gross Pay By Station*: List of stations showing the staff count and total gross pay for each.

The muster roll and payroll variance can be viewed on the screen or saved to a text file but they cannot be printed out.

Detail Reports

1. *Earning Report*: List showing, for a particular earning, how much each employee was paid.
2. *Deduction Report*: List showing, for a particular non-statutory deduction, how much each employee was deducted. Depending on the type of deduction selected, a loan or HELB report may be printed instead.
3. *Loan Report*: List of employees repaying a specific co-operative or company loan. It shows the opening and closing balances and a breakdown of the repayment amount into interest and principal components.
4. *HELB Report*: List showing the HELB Repayment Schedule in the format required by HELB (Higher Education Loans Board).
5. *Benefit Report*: List showing, for a particular non-cash benefit, how much each employee received.
6. *Lump Sum Report*: List showing, for a particular lump sum payment, how much each employee received.
7. *Refund Report*: List showing, for a particular refund, how much each employee received.

Payments to Employees

1. *Payslips*: Slip giving a breakdown of the earnings and deductions of each employee separately (figure 4.3). The employer's pension contribution and the pension fund balance can be shown in the payslip if required. When

the balance is shown, it includes the employer's portion only if the option to print the employer contribution has been selected.

Demo Restaurant Ltd Payslip		Demo Restaurant Ltd Payslip	
Employee No:	00114	Employee No:	00114
Name:	Aogea, Stephen Lherzero	Name:	Aogea, Stephen Lherzero
Pay Period:	October 2016	Pay Period:	October 2016
Admin. Unit:	Management	Admin. Unit:	Management
Currency:	KES	Currency:	KES
Earnings		Earnings	
Basic Pay	65,000.00	Basic Pay	65,000.00
House Allowance	9,750.00	House Allowance	9,750.00
	74,750.00		74,750.00
Deductions		Deductions	
PAYE	16,033.00	PAYE	16,033.00
NSSF (Tier I)	380.00	NSSF (Tier I)	380.00
NSSF (Tier II)	720.00	NSSF (Tier II)	720.00
NHIF	1,400.00	NHIF	1,400.00
	18,513.00		18,513.00
Net Pay	56,237.00	Net Pay	56,237.00

Figure 4.3: Payslips

2. *Cash List*: List of employees paid in cash showing their employee number, name, net pay or advance payment and a cash analysis of the payment amount.
3. *Cheque List*: List of employees paid by cheque showing their employee number, name and net pay or advance payment.
4. *Bank Transfer Report*: List of employees who are paid by bank transfer showing their name, ID number, bank, branch, account number and payment amount. The payment amount may be the net pay, an advance payment, a bank loan repayment or a HOSP contribution.
5. *Labels*: Envelope labels for employees paid in cash, by cheque or by bank transfer. For cash employees, the net pay can be shown on the label if required.
6. *Coinage Summary Report*: List showing the number of coins and notes of each denomination that are required for workers who are paid in cash. This information is the same as the totals in the cash list but formatted so that it can be used when withdrawing the cash from a bank.

Returns

1. *Co-operative Report*: List of members of a particular co-operative society showing membership number, monthly

contribution and any other payroll deductions to be paid to that co-operative.

2. *Pension Report*: List of members of a particular pension fund showing membership number and employer and employee contributions to that pension fund.
3. *Insurance Company Return*: List of employee premium deductions to be paid to a particular insurance company.

Monthly Payroll Reports

The monthly reports relate to a calendar month. They are:

1. *Payroll Control Account*.
2. *Muster Roll*.
3. *PAYE Report*: List of employees showing their PAYE deductions.
4. *NSSF Report*: List of employees showing NSSF number, ID number and the combined employer and employee tier I and tier II contributions. Voluntary contributions are also shown.

The NSSF return file is available under the Procedure menu (Procedure > NSSF return). This generates a text file which should be opened with Microsoft Excel and saved again as an Excel file.

5. *NHIF Report*: List of employees showing NHIF number, ID number, date of birth and NHIF deduction.

To generate the NHIF return file, select Procedure > NHIF Return. This saves a text file that should be converted into a Microsoft Excel spreadsheet.

6. *Industrial Training Levy Report*: List showing the industrial training levy payable to the National Industrial Training Authority for each employee in the payroll.
7. *Lump Sums Tax Report*: List showing tax payable on lump sum payments for each employee.
8. *Fringe Benefit Tax Report*: List showing tax payable on the fringe benefit arising from company loans issued at an interest rate below the KRA prescribed market interest rate.

These reports are updated after each period end procedure and may not be complete until the month end procedure is

run. For the current month, the information displayed covers the pay periods that have elapsed so far.

Quarterly Payroll Reports

These are payroll reports relating to a particular quarter of the year.

1. *P10D*: Quarterly tax return. It lists each employee's quarterly taxable income and the tax deducted.

Annual Payroll Reports

Annual payroll reports relate to a calendar year and are available throughout the year. For the current year, the information displayed relates to the pay periods that have elapsed so far. The reports are:

1. *Payroll Control Account*.
2. *Muster Roll*.
3. *Annual Pay Sheet*: A report that, for each employee, gives a summary of payments, deductions and benefits for a whole year.
4. *P9A*: KRA form titled *Tax Deduction Card*. Each P9A gives a breakdown of the income of an employee for each month of the year and shows the amount of tax deducted.
5. *P10*: KRA form titled *Employer's Covering Certificate*. It shows the tax deducted by the employer for each month of the year.
6. *P10A*: KRA form titled *Supporting List for End of Year Certificate*. It lists the annual income and total tax deducted from each employee.
7. *NSSF Statement*: A report that shows the standard and voluntary monthly contributions to NSSF for a single employee for a calendar year.
8. *NHIF Statement*: A report that shows an employee's monthly NHIF deductions for a calendar year.

The P9A, P10 and P10A have been approved by the KRA (approval reference number CIT/1037/2/98/20).

Other Reports

1. *Bank Codes*: A listing of banks, bank branches and their sort codes drawn from the banks files.
2. *Audit Trail*: List that shows the date and time of each login, backup, month end procedure and any other major event. It also shows the user responsible for each event. This report is only available to the supervisor.

Report Files

Almost all reports are printed from report files, not directly from the employee data files. Briefly, the report files are:

1. Active employees report file
2. Annual leavers report files
3. Pay period report files
4. Monthly payroll report files
5. Annual payroll report files

Report files are updated automatically by Aren Payroll. Use the General Options dialog box (Organisation > Options > General) to specify how long to keep these files for.

5 Procedures

Backing Up

If your data files are accidentally deleted or corrupted you could lose all your data. Without an up-to-date backup you would be forced to key in the data for the current month again. It is also likely that you would be unable to recreate data for previous months and years. It is therefore very important that you make regular backups of your data files.

To back up files for the organisation that is currently open, select Backup from the Procedure menu. You will be prompted to specify the name and location of the backup file to be created (figure 5.1).

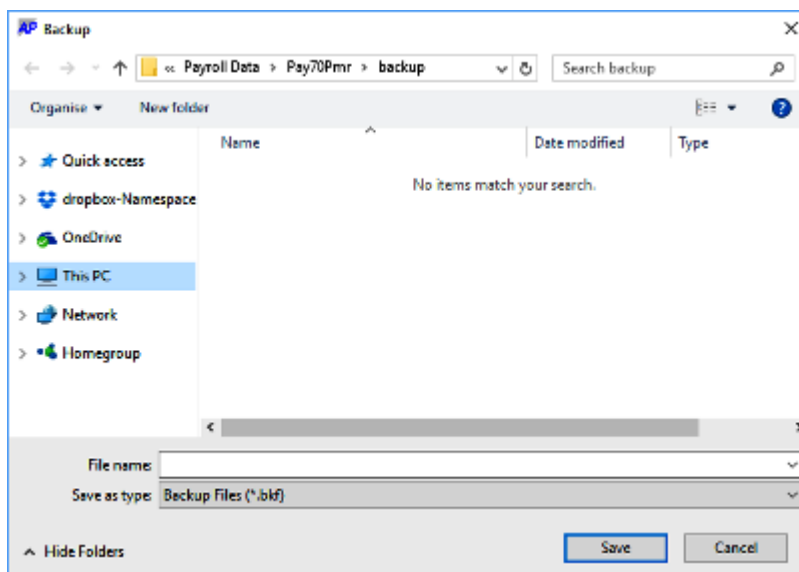


Figure 5.1: Backup dialog box

The backup process copies all data relating to your organisation to the backup file. Should you have set up more than one organisation, you will need to back up each one separately. Note that data that is shared by all organisations is not backed up (e.g. list of banks and statutory deductions parameters).

When running a period or month end procedure you will be prompted to back up. Though you can choose to proceed

without doing so, it is recommended that you back up first. To encourage regular back ups Aren Payroll prompts you to back up each time you exit.

Restoring from Backup

In the event that your data files are corrupted or deleted you will need to recover them from a backup file. You can also use backup files to revert to an earlier period. This is especially useful if you accidentally run a period or month end procedure.

To restore an organisation's files from backup, select Restore from the Procedure menu then follow the on-screen instructions (figure 5.2).

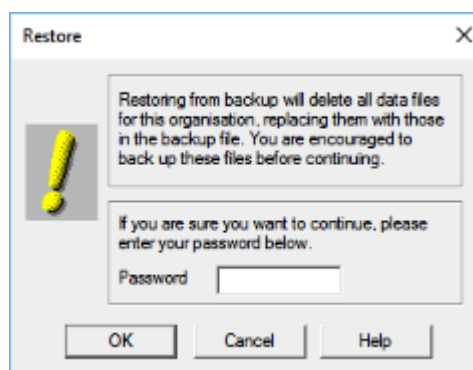


Figure 5.2: Restore dialog box

Creating a Bank Transfer File

A bank transfer file is an electronic version of the bank transfer report. It is used by banks to process payments for employees paid by bank transfer in place of the printed bank transfer report. Aren Payroll can create bank transfer files for numerous banks including Barclays, Co-operative, Equity, KCB and Standard Chartered.

1. To create a bank transfer file select Bank Transfer File from the Procedure menu. The Save Bank Transfer File dialog box appears (figure 5.3).
2. Specify the format of the bank transfer file to create and the name of the payment field (usually net pay). Depending on the file format, you may be able to specify the date you want the bank transfer effected.

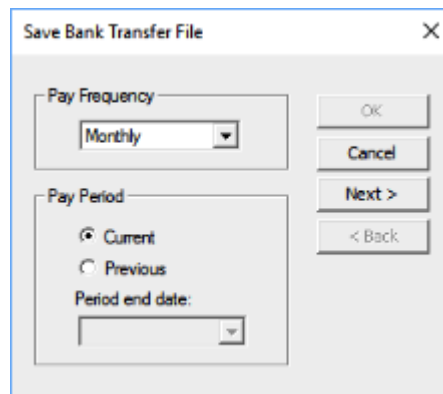


Figure 5.3: Save Bank Transfer File dialog box

3. After closing the Save Bank Transfer File dialog box, a standard Save As dialog box appears. Use this dialog to specify the name and location of the file to be created.

For further details on bank transfer files please contact your bank.

Saving iTax Files

iTax files are text files containing tax details about employees in the payroll. These files help you to fill out the iTax spreadsheet (*P10_Return.xlsx*) that is used for filing tax returns on the KRA website. Two formats are available—Employee Details and Fringe Benefit Tax. In the iTax spreadsheet, data in these two formats should be imported into the tabs *B_Employee_Dtls* and *J_FBT_Dtls*, respectively.

1. To save the Employee Details file, select iTax File > Employee Details from the Procedure menu.
2. In the Save Employee Details File dialog that is displayed (figure 5.4), select the month and year you want.
3. By default only employees who have paid PAYE in the selected month will be included in the file. If you wish to include those with zero PAYE as well, click on Next and select the option *Include all employees*.
4. After closing the Save iTax Employee Details File dialog box, a new dialog box appears. Use this dialog to specify the name and location of the file to be created.
5. To save the Fringe Benefit Tax file, select Procedure > iTax File > Fringe Benefit Tax and then proceed as above.

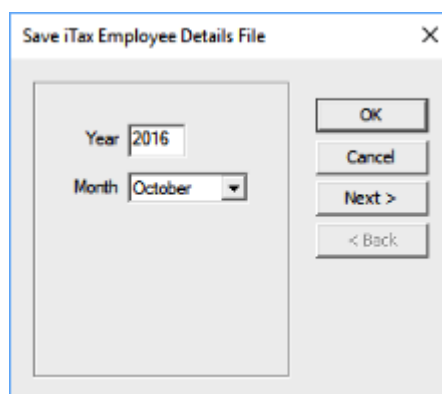


Figure 5.4: Save iTax Employee Details File dialog box

For assistance with iTax please contact the KRA.

Terminating an Employee

To terminate an employee, open the employee master file and display the target employee. Next, select Terminate from the Record menu. In the Terminate dialog box that appears (figure 5.5), enter the termination date, the reason for leaving and, if you like, some brief comments.

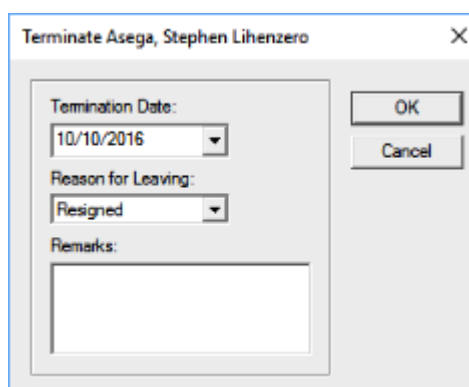


Figure 5.5: Terminate dialog box

The terminated employee will be removed from the employee data files in the next period or month end procedure that is later than or on the same day as the termination date. Once the employee is deleted from the employee data files his record will be added to the leavers report file.

Termination can be reversed by selecting Record > Undo Termination as long as the terminated employee has not been removed from the employee data files.

Closing a Pay Period

The period end procedure is used to close data entry for the current pay period and begin a new one. The procedure does the following:

1. Saves all payroll information for the current pay period to the period, monthly and annual report files.
2. Deletes the current payroll transactions file and creates a new one for the next pay period.
3. Advances the period end day to the last day of the next pay period.

This procedure should only be run after all reports for the current pay period have been verified since, once it is run, reports for this pay period cannot be changed.

To run the procedure:

1. Check that the correct pay frequency is set as default.
2. Select Period End from the Procedure menu. This option is only available if you have licensed the organisation.
3. After reading the dialog box that appears (figure 5.6), confirm that you want to close the pay period stated by entering your password.

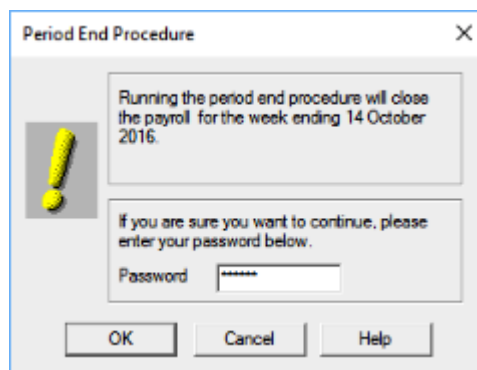


Figure 5.6: Period End dialog box

4. You will now be prompted to back up your data and are strongly encouraged to do so.
5. Once the back up is complete, the period end procedure will automatically follow and eventually a message box confirming its completion will appear.

Closing the Month

The month end procedure is used to close data entry for the current month and begin a new one. It applies only to the organisation that is currently open. It does the following:

1. Runs the period end procedure for all pay frequencies.
2. Transfers terminated employees from the employee master file to the leavers report file.
3. Deletes any report files that have exceeded the maximum age set in the General Options dialog box.
4. Advances the payroll month by one.
5. If the new month is January, it creates statutory deduction files for the new year.

The procedure can only be run if, for each (non-empty) payroll, the forthcoming pay period ends in the next calendar month. This is because, after the procedure is run, all pay period end days will fall in the new month.

To run the procedure:

1. Select Month End from the Procedure menu. This option is not available if you have not licensed the organisation. It is also not available if the next pay period for the default pay frequency does not end in the following month.
2. After reading the dialog box that appears (figure 5.7), confirm that you want to close the month by entering your password.

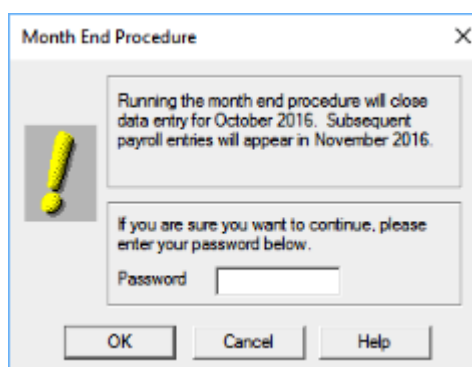


Figure 5.7: Month End Procedure dialog box

3. You will now be prompted to back up your data and are strongly encouraged to do so.

4. Once the back up is complete, the month end procedure will automatically follow. Eventually, a message box confirming its completion will appear.

Appendix A Importing Data

Employee Data

Keying in new employees into the payroll can be very time consuming especially if there are many of them. As an alternative, you can import employee data into the employee master file from a text file.

The easiest way to create the input text file is to capture employee data in a spreadsheet and then save the spreadsheet as a text file.

File Format

The format of the input text file is as follows:

1. Plain text with data items separated by the tab character (i.e. a tab-separated text file).
2. The first row of data is a header with the data items *Employee Number*, *Last Name*, *Other Names*, *ID Number*, *Job Title*, *Admin Unit*, *Station*, *Pay Rate*, *PIN*, *NSSF Number* and *NHIF Number*.
3. From row two onwards, each row has data for a single employee, i.e. employee number, last name, other names, ID number, job title, administrative unit, station, pay rate, PIN, NSSF number and NHIF number.

Note that:

1. The first row (*file header*) is ignored. It is only included for the convenience of the person preparing the input file.
2. A row will not be imported if the employee number matches that of a record already in the employee master file.
3. A row will also be skipped if any of the following data items is blank: employee number, last name, other names, job title, administrative unit, station.

4. Data will be imported into several files—employee master, payroll transactions, jobs, administrative units and stations.
5. Where a default profile has been defined, it will be applied to each record added to the employee master file.

How to Import

1. Make sure you are in single-user mode. If not, switch to this mode by selecting System > Single-User Mode.
2. Back up your data just in case you need to undo the changes you are about to make (Procedure > Backup).
3. Select Procedure > Import Employees to open the first Import Employees dialog box (figure A.1).

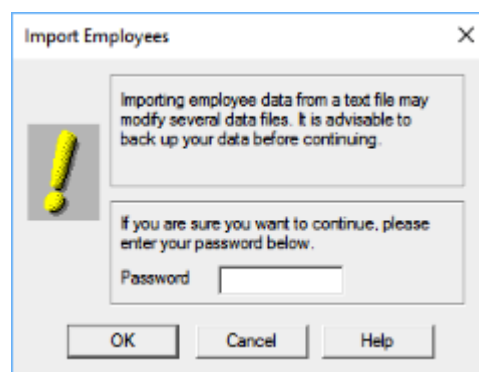


Figure A.1: First Import Employees dialog box

4. Enter your password to open the second Import Employees dialog box.
5. Browse to the text file that you want to import data from and click on Open.
6. Aren Payroll will read the text file and update several data files—jobs, administrative units, stations, employee master and payroll transactions. On completion, a confirmation message box will be displayed. Close the message box.
7. To see which records were updated, refer to the log file *import.log* located in the payroll data folder. Browse through the data files that should have been updated to confirm that they were updated successfully.

Employee Number	Name	Basic Pay	Normal Overtime	Double Overtime
001	NJOROGE, James	0.5	10	3.5
002	MWINZI, Miriam	0	0	8
003	OKUTOYI, Agnes	1.5	8	4
004	MUTUMA, Joe	2	0	0

Table A.1: Time and attendance data format

Time and Attendance Data

Aren Payroll can import time and attendance data from a text file. This provides a quick way of capturing the data generated by a clocking system. Because the format of the input file is standard, Aren Payroll will work with any clocking system provided that the data it generates can be converted to the required format. An input file can also be created by keying in time and attendance data into a spreadsheet program and then saving it as a text file.

File Format

The data to be imported should be saved in a text file with the following specifications.

1. Plain text with data items separated by the tab character (i.e. a tab-separated text file).
2. The first row of data is a header with the data items *Employee Number*, *Name*, *Basic Pay*, *Normal Overtime* and *Double Overtime*.
3. From row two onwards, each row has data for a single employee, i.e. employee number, name, basic pay time worked, normal overtime hours and double overtime hours.

Table A.1 is a simple example of the format required.

Interpretation

The data is interpreted as follows:

1. The first row (*file header*) and the second column (*employee name*) are ignored. They are included for the convenience of the person preparing the input file.
2. The employee number in column one determines which record in the payroll will be updated. It must match the

employee number in the payroll transactions file exactly, except for the case which is ignored.

3. The data in column three (*basic pay*) could be hours worked, hours absent, days worked or days absent. Its interpretation depends on the settings for each employee in the employee master file. If an employee is paid a fixed salary irrespective of the time worked, this value is ignored.
4. Columns four and five contain normal and double over-time hours, respectively. For a given employee, if over-time is not enabled the data is ignored.

How to Import

Here is how you import time and attendance data into the default payroll transactions file.

1. Make sure you are in single-user mode. If not, switch to this mode by selecting System > Single-User Mode.
2. Back up your data just in case you need to undo the changes you are about to make.
3. Select Procedure > Import > Attendance to open the Import Time and Attendance Data dialog box (figure A.2).
4. Browse to the text file that you want to import data from and click on Open.

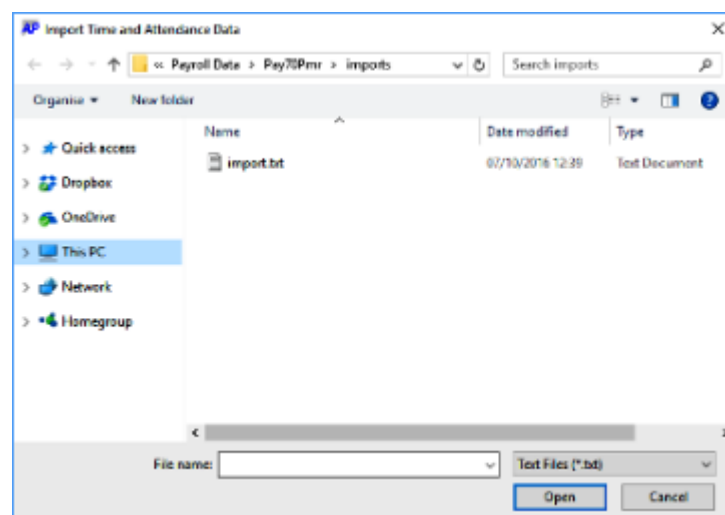


Figure A.2: Import Time and Attendance Data dialog box

5. Aren Payroll will read the text file and update the default payroll transactions file. On completion, a message box showing the number of records updated will be displayed.

To review the imported data, open the basic pay, normal overtime and double overtime reports (Report > Breakdown). You should also review the log file *import.log* located in the payroll data folder.

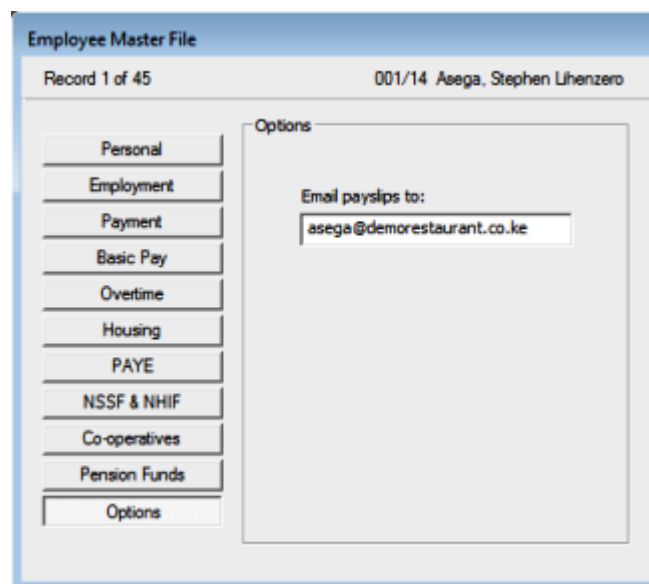
Appendix B Emailing Payslips

Aren Payroll can email payslips to each of the employees in the payroll. This provides an alternative to printing individual payslips for each employee. Payslips are sent as password-protected PDF files.

Entering Email Addresses

Start by capturing the email addresses to send employee payslips to.

1. Open the employee master file (File > Employee) and select the options tab (figure B.1).



The screenshot shows a software window titled "Employee Master File". At the top, it displays "Record 1 of 45" and "001/14 Asega, Stephen Lihenzero". On the left side, there is a vertical list of tabs: Personal, Employment, Payment, Basic Pay, Overtime, Housing, PAYE, NSSF & NHIF, Co-operatives, Pension Funds, and Options. The "Options" tab is selected. The main area of the window is titled "Options" and contains a label "Email payslips to:" followed by a text input field containing the email address "asega@demorestaurant.co.ke".

Figure B.1: Employee Master File form

2. For each employee, enter the address to email payslips to.
3. Close the employee master file.

Setting Up Email Account

In order to send email, you need to set up your email account. For this you require details of the outgoing mail server, also

known as the SMTP server. Consult your IT department if necessary or check the settings in the email software you use.

1. Select System > Email Account to open the Email Account dialog box (figure B.2).

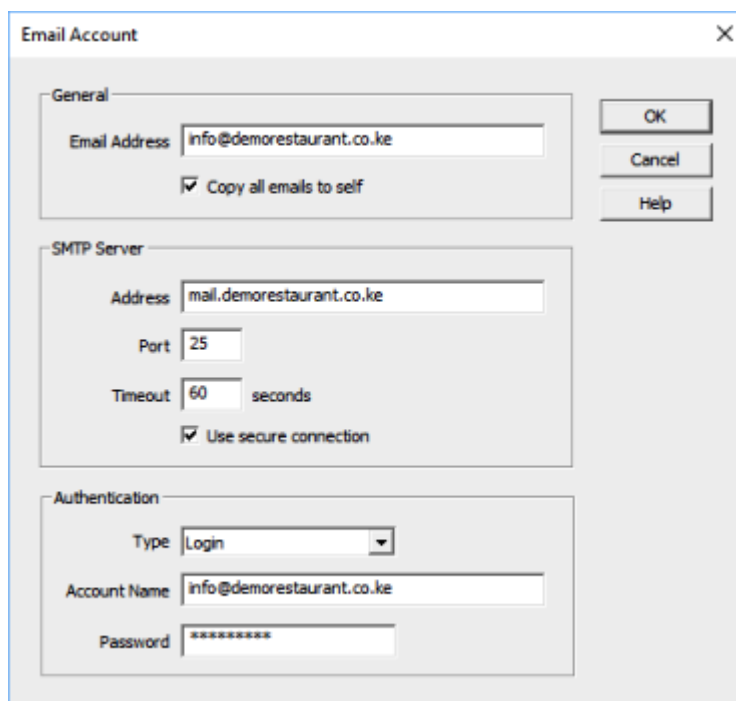


Figure B.2: Email Account dialog box

2. *Email Address*: Enter your email address, say *info@demorestaurant.co.ke* or *example@gmail.com*.
3. *SMTP Server*: Enter the name of the outgoing mail server, e.g. *mail.demorestaurant.co.ke* or *smtp.gmail.com*. You can also enter the server's IP address, e.g. 192.168.0.23.
4. *SMTP Port*: The SMTP port is a unique number that the mail server has set aside for outgoing mail. The most common values are 25, 465 and 587. If your server uses a secure (encrypted) connection, e.g. *smtp.gmail.com* or *smtp.mail.yahoo.com*, try port 465 or 587. If it does not, enter 25.
5. *Timeout*: This is length of time the software should wait for a response from the mail server before giving up.
6. *Use secure connection*: Check this option if the mail server uses a secure connection.

7. *Authentication:* You may select none (no account name or password required), plain or login (requires account name and password).
8. *Account Name and Password:* Enter the login name and password for the mail server if you have selected login or plain authentication.
9. *Copy all emails to self:* Check this option if you want to receive a copy of all the payslips you send.
10. Close the Email Account dialog box.

Sending Payslips

Now you are ready to email payslips to employees.

1. Select Procedure > Email Payslips to open the Email Payslips dialog box (figure B.3).

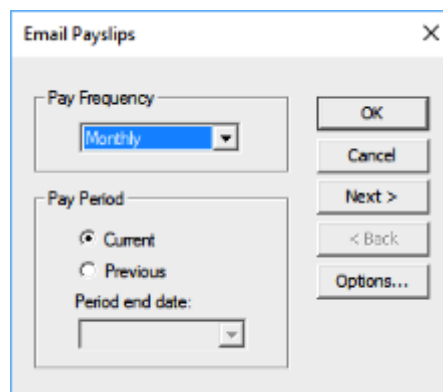


Figure B.3: First Email Payslips dialog box

2. Choose the pay period that you want then click OK. This opens another dialog box with the same title (figure B.4).
3. Click on Send to open the Message Range dialog box (figure B.5).
4. Use the Message Range dialog box to send the current message, all messages or a range of them. On completion, a message box showing the number of messages sent will be displayed.
5. Close the Email Payslips dialog box when you are through.

Details of the last mail session are saved in the log file *email.log* located in the payroll data folder. Refer to this file if you have any difficulty sending messages and to see which messages were actually sent.

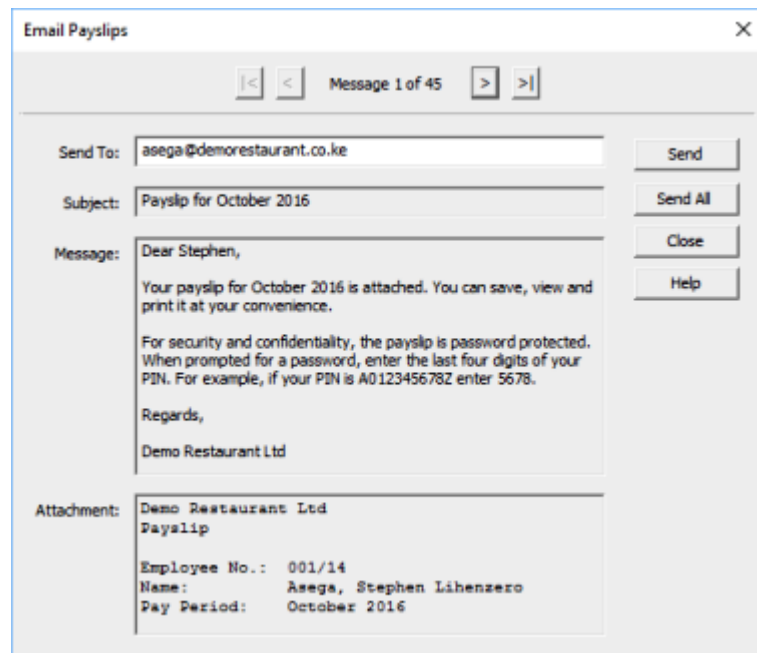


Figure B.4: Second Email Payslips dialog box

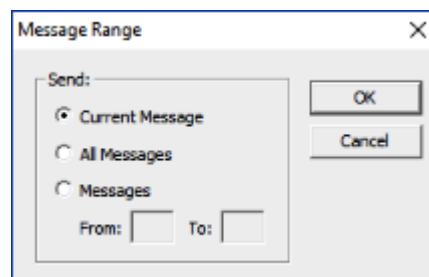


Figure B.5: Message Range dialog box

How to Open Payslips

Once a payslip is sent, the recipient will need a password to open it. Each payslip has two passwords:

1. *Owner Password:* The last four digits of the organisation's PIN. For instance, if the organisation's PIN is P012345678Q, the owner password will be 5678. Should the organisation's PIN be blank, the default password is **owner**.
2. *User Password:* The last four digits of the employee's PIN. Where the employee's PIN is missing, the default password is **user**. This is the password that employees should use.

You can modify the message that is sent to employees to in-

clude help on the password they will use to open the payslip.

1. Go to Procedure > Email Payslips to open the Email Payslips dialog box.
2. Click on Options to open the Electronic Payslip Options dialog box (figure B.6).

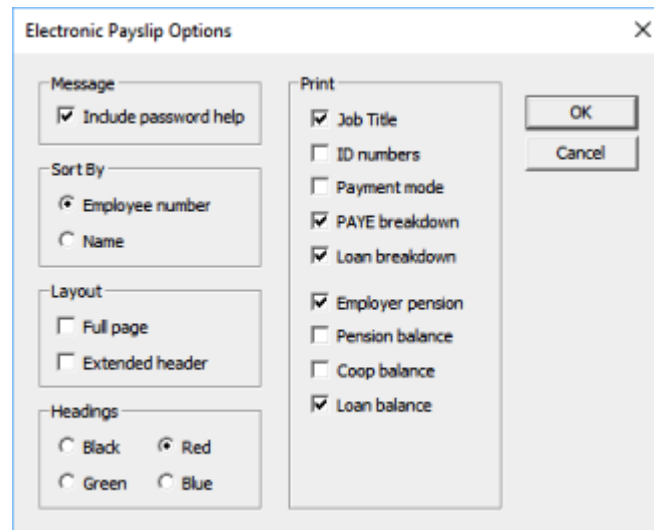


Figure B.6: Electronic Payslips Options dialog box

3. Check the option *Include password help*.
4. Close the Electronic Payslip Options dialog box.
5. Close the Email Payslip dialog box.

Appendix C Formulae

Loans

Amortisation

The loan payment amount is uniform throughout the repayment period. The portion of the payment amount that goes towards repaying the principal increases with time as interest payments reduce.

$$Payment = \frac{W}{\left[\frac{1 - (1 + r)^{-n}}{r} \right]}$$

where W = principal amount, n = total number of payments, r = monthly interest rate (e.g. if annual interest rate is 15%, $r = (15/100)/12 = 0.0125$).

Reducing Balance

The amount paid towards the principal is fixed throughout the loan duration while interest payments reduce with time. Thus the total payment amount reduces with time.

$$Payment = W' \left(\frac{1}{n'} + r \right)$$

where W' = outstanding balance, n' = number of payments outstanding, r = monthly interest rate.