

# **HUMAN CAPITAL SYSTEM**

## **BUSINES REQUIREMENTS SPECIFICATIONS**

### **PAYROLL**

## HC PAYROLL BUSINESS REQUIREMENTS, FUNCTIONAL REQUIREMENTS

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### Contents

|                                                                                     |    |
|-------------------------------------------------------------------------------------|----|
| 1. PROJECT BACKGROUND .....                                                         | 3  |
| 2. HC PAYROLL BUSINESS, FUNCTIONAL & SUPPORT REQUIREMENTS – RFP SPECIFICATION ..... | 4  |
| 3. TRAINING & CHANGE MANAGEMENT REQUIREMENTS .....                                  | 7  |
| 4. DEPLOYMENT AND HOSTING REQUIREMENTS.....                                         | 7  |
| 5. LICENCE REQUIREMENTS .....                                                       | 9  |
| 6. DATA MIGRATION .....                                                             | 11 |

## HC PAYROLL BUSINESS REQUIREMENTS, FUNCTIONAL REQUIREMENTS

### 1. PROJECT BACKGROUND

The South African Bureau of Standards (SABS) is undertaking a digital transformation programme aimed at modernising core enterprise systems, improving efficiency, and strengthening compliance across all business units. A critical component of this programme is the **Human Capital (HC) Payroll System**, which directly supports one of the organisation's most important functions: the accurate, compliant, and timely management of employee remuneration.

Currently, payroll processing is fragmented and highly manual, relying on multiple legacy systems, spreadsheets, and manual reconciliations. This has led to challenges including:

- **Compliance Risks:** Difficulty in meeting statutory requirements from SARS, UIF, and retirement fund administrators due to inefficiencies and limited system capabilities.
- **Operational Inefficiency:** Duplicate data entry across systems, limited automation, and significant reliance on manual interventions for payroll runs, reconciliations, and reporting.
- **Lack of Integration:** Minimal integration between payroll, HC, and finance systems, leading to data inconsistencies, delays, and increased error rates.
- **Limited Transparency & Access:** Employees and managers lack real-time self-service access to payslips, benefits information, claims, and approvals, placing additional strain on payroll and HC staff.
- **Inadequate Security & Controls:** Current systems lack robust access controls, encryption, and audit functionality required to safeguard sensitive payroll data and ensure compliance with POPIA.

To address these gaps, SABS requires a modern, integrated payroll solution that will:

- Ensure **full compliance** with statutory and regulatory requirements (SARS, UIF, retirement funds, medical aids).
- Provide **accuracy and efficiency** through automation of payroll runs, statutory submissions, and reporting.
- Enable **seamless integration** with HC, Finance, and ERP systems (Oracle, JD Edwards, etc.).
- Empower employees and managers through **self-service functionality** for payslips, claims, leave, and pay package structuring.
- Provide **robust security** including role-based access, audit trails, and encryption of payroll data.
- Ensure **scalability and flexibility**, supporting multiple payrolls, cost centers, currencies, and employee types.
- Deliver **long-term operational stability** through a structured support and maintenance agreement, including statutory updates, penetration testing, and system upgrades over a 36-month period.

The payroll system is therefore positioned as a **mission-critical enabler** within the SABS digital transformation journey, underpinning organisational efficiency, compliance, financial control, and employee experience.

## HC PAYROLL BUSINESS REQUIREMENTS, FUNCTIONAL REQUIREMENTS

### 2. HC PAYROLL BUSINESS, FUNCTIONAL & SUPPORT REQUIREMENTS – RFP SPECIFICATION

| Requirement Category        | Business Need                         | Functional / Non-Functional Requirement                                                                                                                                                                                                                                                                                                             | Priority | Integration / Dependencies           |
|-----------------------------|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|--------------------------------------|
| <b>Data Requirements</b>    | Handle diverse workforce and entities | Support multiple payrolls (companies/divisions)                                                                                                                                                                                                                                                                                                     | High     | HC Master Data, Finance              |
|                             |                                       |                                                                                                                                                                                                                                                                                                                                                     | Medium   | Finance, Treasury                    |
|                             | Allocate costs accurately             | Multiple cost centers with split-pay option                                                                                                                                                                                                                                                                                                         | High     | Finance (GL, Cost Centre Accounting) |
|                             | Flexible pay structures               | Multiple employee types, pay scales, pay rates (hourly, weekly, monthly)                                                                                                                                                                                                                                                                            | High     | HC Job Data                          |
|                             | Manage employee benefits              | Multiple banks, medical aids, pension/provident funds with default fund allocation                                                                                                                                                                                                                                                                  | High     | Vendors (Medical Aid, Pension)       |
|                             | Retain historical data                | Maintain historical payroll & employee pay records                                                                                                                                                                                                                                                                                                  | High     | HC & Finance Archiving               |
| <b>Employee Master Data</b> | Organisational Management             | Ability to create and manage organisational structure<br>Creation of positions and align to correct organization/company, location, job code, title, shift and workdays<br>Audit trail on changes made on the Organisational Structure                                                                                                              | High     | HC                                   |
|                             | Compensation & Benefits               | Ability to track salary changes<br>Manage employee benefits                                                                                                                                                                                                                                                                                         | High     | HC                                   |
|                             | Leave Management                      | Set up leave parameters<br>Capability to perform batch uploads<br>Allow for user defined calendars<br>Set up reporting to function to ensure workflow management of the employee leave transactions                                                                                                                                                 | High     | HC                                   |
|                             | Administration                        | Creating, modifying and querying employees and ensure all employee data is captured – eg Biographical, banking, tax, pay, etc<br>Ensure that mandatory fields are completed fully before moving to the next transaction<br>Track and manage onboarding activities<br>Set up reminders for contract end dates<br>Audit logs of all changes and views | High     | HC                                   |
| <b>Payroll Processing</b>   | Ensure accurate and compliant payroll | Standard payroll runs (monthly/weekly/bi-weekly)                                                                                                                                                                                                                                                                                                    | High     | Finance                              |

## HC PAYROLL BUSINESS REQUIREMENTS, FUNCTIONAL REQUIREMENTS

|  |                                      |                                                                                                               |        |                          |
|--|--------------------------------------|---------------------------------------------------------------------------------------------------------------|--------|--------------------------|
|  | Test and validation before execution | Dummy payroll simulation capability                                                                           | High   | HC /Finance              |
|  | Detect payroll exceptions            | Payroll for individual employee                                                                               | Medium | HC                       |
|  | Accurate net pay                     | Gross-to-net calculation, accurate statutory deductions and any other employee deductions                     | High   | SARS, UIF                |
|  | Process allowances/deductions        | Allowances, loans, garnishes, medical aid, pension/provident fund                                             | High   | Vendors                  |
|  | Manage payroll adjustments           | Retroactive increases, corrections with full audit trail                                                      | High   | HC /Finance              |
|  | Enable salary management             | Salary increases (fixed/percentage), "What-if" scenario modelling                                             | High   | HC /Management Approvals |
|  | Manage on/off-boarding of employees  | Process all employee movement related calculations                                                            | High   | HC Termination Process   |
|  |                                      |                                                                                                               |        |                          |
|  |                                      |                                                                                                               |        |                          |
|  | Financial integration                | Interface with financial systems (Oracle, JD Edwards, Great Plains)<br>GL Integration including leave costing | High   | Finance ERP              |

|                                    |                                        |                                                                                                                                                         |        |                              |
|------------------------------------|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------|------------------------------|
|                                    | Data import/export ability             | Import/export via MS Excel with field selection                                                                                                         | Medium | HC & Finance                 |
| <b>Reporting</b>                   | Provide statutory compliance           | Generate SARS, UIF, IRP5 Statutory reports                                                                                                              | High   | SARS, UIF                    |
|                                    | Customization of payroll reporting     | Generate ad-hoc, user-defined, and consolidated payroll reports                                                                                         | High   | HC & Finance                 |
|                                    | Support management insights            | Internal reports that combine relevant data to provide decision-makers with actionable insights                                                         | Medium | HC Planning                  |
|                                    | Employment Equity & Skills Development | Customize reports for compliance reporting                                                                                                              | High   | HC                           |
| <b>Employee Self-Service (ESS)</b> | Employee Access                        | Empower employees to independently access and manage their HC data e.g. View/download payslips/IRP5s, online leave applications and viewing of balances | High   | ESS Portal                   |
|                                    | Streamline employee data               | Update employee information, viewing of leave balances                                                                                                  | High   | ESS Integration with Payroll |
|                                    | Deliver employee information           | Automatic transmission of encrypted payslips to employees via email. Bulk distribution of employee information such as increases letters etc.           | High   | ESS Portal                   |
|                                    | Automated leave workflows              | Check leave balances, submit leave application and route approvals accordingly                                                                          | High   | HC, Vendors                  |

## HC PAYROLL BUSINESS REQUIREMENTS, FUNCTIONAL REQUIREMENTS

|                                              |                                                       |                                                                                                                                                                                                          |        |                                |
|----------------------------------------------|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------------------------------|
|                                              | Streamline requests                                   | Run leave applications                                                                                                                                                                                   | High   | HC Workflow                    |
|                                              | Enable pay planning                                   | Dummy simulation                                                                                                                                                                                         | Medium | HC /Payroll                    |
| <b>Manager Self-Service (MSS)</b>            | Improve decision-making                               | Access workflows for leave applications, confirmation of new hires, etc.                                                                                                                                 | High   | MSS Portal                     |
|                                              | Improve efficiency                                    | Approve workflows for leave, new hires and terminations.<br>View leave transactions for team.<br>Workflow to various departments (e.g. ICT) for creation of new hires profiles and allocation of laptops | High   | HC Workflow                    |
|                                              | Support staff management                              | Facilitate employee addition/termination processes                                                                                                                                                       | High   | HC Admin                       |
| <b>Security Requirements</b>                 | Protect sensitive payroll and employee financial data | Role-based access control (RBAC), read-only/read-write restrictions, segregation of duties                                                                                                               | High   | ICT Security, Active Directory |
|                                              | Secure employee access                                | Multi-factor authentication (MFA) for payroll and ESS/MSS                                                                                                                                                | High   | ICT Security                   |
|                                              | Maintain accountability                               | Comprehensive audit trail at record-level for all logins as well as any payroll transactions performed                                                                                                   | High   | HC & ICT Audit                 |
|                                              | Protect data in motion & at rest                      | End-to-end encryption (AES256 or equivalent), SSL/TLS for data exchange                                                                                                                                  | High   | ICT Infrastructure             |
|                                              | Control privileged access                             | Workflow overrides only under exceptional approval, with alerts & logging                                                                                                                                | High   | ICT Governance                 |
|                                              | Prevent unauthorized entry                            | IP whitelisting, VPN requirement for remote access                                                                                                                                                       | High   | Network Security               |
|                                              | Ensure compliance                                     | Alignment with POPIA, GDPR (if applicable), and SARS security guidelines                                                                                                                                 | High   | Compliance                     |
| <b>System Penetration Testing</b>            | Ensure resilience against cyber threats               | Annual independent penetration testing covering application, network, and database layers                                                                                                                | High   | Vendor/ ICT Security Team      |
|                                              | Validate security fixes                               | Post-patch penetration/ethical hacking tests after major upgrades                                                                                                                                        | High   | ICT Security                   |
|                                              | Transparent reporting                                 | Vendor must supply penetration test reports & remediation plan                                                                                                                                           | High   | ICT Governance                 |
| <b>Support &amp; Maintenance (36 Months)</b> | Ensure operational continuity                         | 36-month post-implementation support & maintenance contract                                                                                                                                              | High   | Vendor                         |
|                                              | Defined support structure                             | Tiered support (L1–helpdesk, L2–technical, L3–vendor/functional experts)                                                                                                                                 | High   | Vendor & Internal ICT          |

## HC PAYROLL BUSINESS REQUIREMENTS, FUNCTIONAL REQUIREMENTS

|  |                          |                                                                                                                                     |        |                      |
|--|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------|--------|----------------------|
|  | Skilled resources        | Minimum vendor team: Payroll Functional Consultant, Payroll Systems Engineer, Application DBA, Security Specialist, Support Manager | High   | Vendor               |
|  | SLA rules                | Response Times: Critical issues <4hrs, High <8hrs, Medium <24hrs, Low <72hrs                                                        | High   | Vendor Contract      |
|  | Support channels         | Multi-channel support (ticketing system, email, hotline)                                                                            | High   | Vendor               |
|  | Maintenance inclusions   | Bug fixes, statutory/tax updates (SARS, UIF), system upgrades, security patches                                                     | High   | Vendor               |
|  | Knowledge transfer       | Quarterly knowledge-sharing/training sessions with SABS Payroll team                                                                | Medium | Vendor & Internal HC |
|  | Monitoring & reporting   | Vendor must provide monthly support performance reports and compliance with SLA                                                     | High   | Vendor               |
|  | Exit/transition planning | Vendor must prepare exit strategy and documentation for knowledge handover at end of 36 months                                      | High   | Vendor & Internal HC |
|  |                          |                                                                                                                                     |        |                      |

## HC PAYROLL BUSINESS REQUIREMENTS, FUNCTIONAL REQUIREMENTS

### 3. HUMAN CAPITAL (HC) PERFORMANCE MANAGEMENT SYSTEM

| Category                 | Functional Requirement             | Description                                                                                                                  |
|--------------------------|------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Goal & Objective Setting | Strategic alignment                | Cascading of corporate, divisional, and individual goals.                                                                    |
|                          | Individual goal setting            | Employees set personal goals aligned to organisational strategy.                                                             |
|                          | KPI/scorecard definition           | Configurable KPIs and balanced scorecard formats.                                                                            |
| Performance Reviews      | Review scheduling                  | Supports quarterly, mid-year, and annual reviews.                                                                            |
|                          | Configurable templates             | Customizable review forms and rating scales.                                                                                 |
|                          | 360-degree feedback                | Peer, subordinate, and manager feedback functionality.                                                                       |
|                          | Automated workflows                | Routing of reviews to employees, managers, and HR.                                                                           |
| Talent Development       | IDP integration                    | Link individual development plans to review outcomes.                                                                        |
|                          | Learning recommendations           | Suggest training and development interventions.                                                                              |
|                          | Succession planning                | Tools for identifying and tracking successors for critical roles.                                                            |
| Performance Management   | PIP (Performance Improvement Plan) | Ability to create, track, and manage PIPs.                                                                                   |
|                          | Calibration                        | Manager calibration of scores across teams.                                                                                  |
| Notifications & Alerts   | Automated reminders                | Email/system alerts for pending reviews, feedback, and approvals.                                                            |
| Analytics & Reporting    | Dashboards                         | Real-time performance dashboards for managers and executives.                                                                |
|                          | Standard reports                   | % completion of reviews, distribution of scores, high/low performers.                                                        |
|                          | Custom reports                     | Ability to generate custom analytics.                                                                                        |
| Integration              | ERP/HR systems                     | Interface with payroll, HR records, ERP (Oracle/JDE etc.).                                                                   |
|                          | Data import/export                 | Secure transfer of employee and performance data.                                                                            |
| Security & Access        | Role-based permissions             | Differentiated access for employees, managers, HR, and executives.<br>Audit trail for all activities conducted on the system |
|                          | POPIA compliance                   | Ensure data privacy and audit trails.                                                                                        |

### 3. TRAINING & CHANGE MANAGEMENT REQUIREMENTS

| Category | Business Need | Requirement | Priority | Dependencies |
|----------|---------------|-------------|----------|--------------|
|----------|---------------|-------------|----------|--------------|

## HC PAYROLL BUSINESS REQUIREMENTS, FUNCTIONAL REQUIREMENTS

|                          |                                                                        |                                                                                                                                        |        |                                  |
|--------------------------|------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|--------|----------------------------------|
| <b>User Training</b>     | Equip payroll users, HC staff, and finance teams with system knowledge | Vendor must provide structured training for different user groups: Payroll Admins, HC Staff, Finance, ICT Support, Managers, Employees | High   | Training Facilities, User Guides |
|                          | Ensure sustainability and skills transfer                              | Training must include system navigation, payroll processing, statutory reporting, ESS/MSS functions                                    | High   | Vendor Trainers                  |
|                          | Provide ongoing support                                                | Vendor to provide training manuals, e-learning modules, quick reference guides, and video tutorials                                    | Medium | LMS Integration                  |
| <b>Change Management</b> | Ensure smooth adoption of payroll system                               | Vendor to provide a structured change management plan aligned to SABS digital transformation strategy                                  | High   | HC & PMO                         |
|                          | Manage user transition                                                 | Communication plan to inform employees/managers of changes and benefits of the new system                                              | High   | Internal Comms                   |
|                          | Support business readiness                                             | Change impact assessment, surveys, and end-user adoption tracking                                                                      | Medium | PMO                              |
|                          | Build internal capability                                              | Train-the-trainer programme to enable internal champions within SABS                                                                   | High   | HC /Payroll Super Users          |

## 4. DEPLOYMENT AND HOSTING REQUIREMENTS

| Category                      | Business Need                                                             | Requirement                                                                                                  | Priority | Dependencies                |
|-------------------------------|---------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|----------|-----------------------------|
| <b>Deployment Flexibility</b> | Allow choice of hosting model based on SABS policies and security posture | Vendor must provide options for Cloud Hosting (private/public cloud) or On-Premise Hosting                   | High     | ICT Infrastructure Strategy |
| <b>Cloud Hosting</b>          | Enable scalability and remote access                                      | Cloud hosting must be secure, POPIA compliant, and hosted within South Africa (data sovereignty requirement) | High     | Cloud Service Provider      |
|                               | Ensure system resilience                                                  | Cloud deployment must include SLAs for uptime (≥99.5%), redundancy, disaster recovery, and backups           | High     | Vendor Infrastructure       |
|                               | Security of cloud environment                                             | Cloud must include ISO 27001 certified environment, data encryption, and 24/7 monitoring                     | High     | ICT Security                |
| <b>On-Premises</b>            | Support organizations with                                                | On-premises option must be fully                                                                             | Medium   | SABS ICT                    |

## HC PAYROLL BUSINESS REQUIREMENTS, FUNCTIONAL REQUIREMENTS

|                        |                                       |                                                                                                                      |        |              |
|------------------------|---------------------------------------|----------------------------------------------------------------------------------------------------------------------|--------|--------------|
| <b>Hosting</b>         | restricted data policies              | supported by vendor including setup, installation, and performance tuning                                            |        |              |
|                        | Maintenance & upgrades                | Vendor must provide support for OS updates, database patches, and system upgrades                                    | High   | Vendor/ ICT  |
| <b>Hybrid Approach</b> | Ensure flexibility in future strategy | Vendor should allow migration between on-premises and cloud hosting without data loss or extensive re-implementation | Medium | Vendor/ ICT  |
| <b>Access</b>          | Enable user access securely           | System must be accessible via SABS Intranet and Internet with secure authentication                                  | High   | ICT Security |

## 5. LICENCE REQUIREMENTS

### 1. Licensing Model

Vendors must clearly state their licensing model, including whether it is:

- Per User (Named or Concurrent) – specify the number of licences required for payroll admins, HC staff, finance users, managers, and employees.
- Enterprise/Organisation-Wide – unlimited users across the organisation.
- Subscription-Based (monthly/annual) – indicate terms, renewal, and escalation clauses.
- Perpetual Licensing – with annual maintenance and support fees.

### 2. Headcount Coverage

- The payroll system must accommodate a headcount of 850 employees, plus 350 pensioners including:
  - Payroll Administrators – ~10 core users with full access.
  - HC & Finance Users – ~40 users requiring edit/reporting rights.
  - Managers – ~100 users requiring MSS (approval, reporting).
  - Employees – ~700+ users requiring ESS (payslips, leave, claims, banking details).

### 3. Vendor Requirements

- Vendors must specify:
  1. Number of licenses required under their model to cover 850 employees plus 350 pensioners.
  2. Scalability provisions (costs for growth to 1,300+ employees).
  3. Named vs. concurrent user definitions (if applicable).
  4. Whether ESS/MSS licenses are included in the enterprise license or priced separately.
  5. Statutory compliance updates (SARS/UIF tax changes) must be included in license/subscription fees.
  6. Integration licenses (if separate) for interfacing with Oracle, JD Edwards, medical aid/pension fund vendors.
  7. License terms for cloud vs. on-premises deployment.

### 4. License Cost Transparency

- Vendors must provide a detailed breakdown of:
  - Initial license acquisition fees.
  - Annual maintenance/support fees.

## HC PAYROLL BUSINESS REQUIREMENTS, FUNCTIONAL REQUIREMENTS

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- Subscription escalation rates (if subscription-based).
- Additional license cost per user (for future growth).
- Any hidden costs (reporting tools, database, middleware).

## HC PAYROLL BUSINESS REQUIREMENTS, FUNCTIONAL REQUIREMENTS

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### 7. DATA MIGRATION

#### Scope of Migration

The service provider must:

- Conduct a full migration of all payroll-related data from the existing payroll solution to the new system.
- Ensure migration covers historical and current data, including but not limited to:
  - Employee master data (personal details, bank details, tax numbers, dependents).
  - Employment records (contracts, job grades, position history).
  - Payroll history (earnings, deductions, benefits, allowances, overtime, garnishments).
  - Leave balances and accruals.
  - Statutory compliance history (EMP201, EMP501, IRP5, UIF, SDL submissions).
  - Audit trails and governance records.

#### Data Assessment and Cleansing

- Conduct a data quality assessment before migration.
- Identify, document, and cleanse duplicate, incomplete, or inconsistent data.
- Provide SABS with a data cleansing report and obtain formal sign-off prior to migration.
- Establish data validation rules to ensure accuracy and completeness.

#### Migration Approach

The provider must:

- Develop a data migration plan aligned with project timelines.
- Use automated migration tools where possible, with minimal manual handling.
- Ensure mapping of legacy data fields to the new system data structures.

## HC PAYROLL BUSINESS REQUIREMENTS, FUNCTIONAL REQUIREMENTS

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- Provide at least two trial migration runs (mock migrations) before the final cutover.
- Define a rollback/contingency plan in case of migration errors.

### Data Verification and Reconciliation

- Perform **parallel payroll runs** in both systems for at least **two consecutive payroll cycles** to validate results.
- Provide reconciliation reports comparing:
  - Gross to net pay results.
  - Tax deductions and benefits.
  - Leave balances and accruals.
  - Year-to-date (YTD) values.
- Obtain formal SABS sign-off before production cutover.

### Security & Compliance in Migration

- Ensure all data migration activities comply with:
  - Protection of Personal Information Act (POPIA).
  - SABS data protection and information security policies.
- Apply data encryption during extraction, transfer, and loading.
- Provide an audit trail of all migration activities (including logs of changes).
- Guarantee that no data is stored on provider devices post-migration.

### Roles and Responsibilities

- **Service Provider:**
  - Develop and execute the migration plan.
  - Provide technical and functional migration expertise.
  - Ensure payroll accuracy post-migration.
- **SABS:**
  - Provide access to existing systems and legacy data.
  - Assign a data owner for validation and approvals.
  - Participate in user acceptance testing (UAT) for payroll migration.

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### Deliverables

The provider must deliver:

- Data migration strategy and detailed plan.
- Data cleansing and validation report.
- Data field mapping documents.
- Migration test results and reconciliation reports.
- Final migration cutover report with SABS approval

## HC PAYROLL BUSINESS REQUIREMENTS, FUNCTIONAL REQUIREMENTS

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