

NORTHERN  
CAPE  
EDUCATION  
DEPARTMENT

2008

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[This policy outlines the identification, treatment, recording and disclosure of employee benefits of the department according to the requirements of the PFMA]

## **EMPLOYEE BENEFITS POLICY**

## **1. GENERAL**

In terms of section 38(1) (d) of the PFMA and section 13.1.4 of the Treasury Regulations The accounting officer of a department is responsible for the management, including the safe-guarding and the maintenance of the assets, and for the management of the liabilities, of the department.

## **EMPLOYEE BENEFITS**

### **2. DEFINITION**

Employee benefits can be defined as benefits that employees accumulate as a result of rendering their services to an employer up to the reporting date.

### **3. PURPOSE**

To outline policy and procedures for officials to have an understanding of employee benefits and the accounting treatment thereof in the annual financial statements.

### **4. OBJECTIVE**

The objectives of the policy include -

- emphasising the accountability of employees for the Department's resources;
- ensuring that employees have a clear and comprehensive understanding of the procedures they must follow;
- ensuring that resources made available to employees are utilised efficiently, effectively, economically and for authorised official purposes; and ensuring that the Department's resources are managed in compliance with the Public Finance Management Act, the Treasury Regulations and other relevant legislation
- ensure that employee benefits are adequately disclosed in the annual financial statements.

### **5. RECOGNITION**

#### **ACCOUNTING POLICY**

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements. These amounts are not recognised in the statement of financial performance or the statement of financial position..

## 6. PROCEDURES

The procedures for the treatment of employee benefits are described below:

Not all employee benefits are recognised under the cash basis of accounting. Therefore certain benefits that give rise to a present legal or constructive obligation is shown in the disclosure notes to the annual financial statements.

Employee benefits should be made up of the following accrual amounts:

- Leave entitlement (see calculations below) \*(Report #7.11.13)
- Thirteenth cheque (amounts payable as at year-end) \*(Report #7.11.14)
- Performance bonuses (amounts payable as at year-end) \*(Manual report prepared by the Human Resource Development Unit)

*\* Reports per the Persal application*

The following types of leave payouts have to be disclosed:

### ***Leave payouts in the event of death, retirement and medical boarding***

Officials are entitled to payouts of capped leave credits as well as leave credits in respect of the current and previous leave cycle.

#### Calculation:

$$\frac{\{(A - B) + (C - D) + E\} \times F}{261}$$

Where

- |   |   |  |
|---|---|--|
| A | = | Full annual or pro rata leave entitlement in a leave cycle |
| B | = | Leave taken in the previous leave cycle                    |
| C | = | Pro rata leave entitlement in the new leave cycle          |
| D | = | Leave taken in the new leave cycle                         |
| E | = | Capped leave   |
| F | = | Employee's annual basic salary as at the last day of duty  |

***Leave payouts in the event of Casual Employees***

Employees who have been in employment for longer than 4 months are entitled to payments in respect of any unused annual leave credits in event of termination of their services.

With effect of 1 June 2000 casual employees are entitled to one (1) day annual leave for every 17 days worked.

Calculation:

Hourly rate:	Daily rate:	Monthly rate
$A \times 8 \times B$	$C \times B$	$D \times B$
	-----	
	22	

Where

- A = The total remuneration per hour
- B = The number of days of annual leave credits
- C = The total remuneration per day
- D = The total remuneration per month

***Leave payouts in the event of service termination***

Officials are only entitled to a payout in respect of leave credits accumulated for the current and the previous leave cycle, to a maximum of 22 days.

All capped leave is forfeited.

Calculation:

$$\frac{\{(A - B) + (C - D)\} \times F}{261}$$

Where –

- A = Full annual or pro rata leave entitlement in a leave cycle
- B = Leave taken in the previous leave cycle
- C = Pro rata leave entitlement in the new leave cycle

- D = Leave taken in the new leave cycle
- F = Employee’s annual basic salary as at the last day of duty

***Leave payouts in the event of employer denying and not rescheduling leave as a result of service delivery requirements/ operational requirements.***

Such leave must be paid out to the employer at the end of 18 months leave cycle taking into consideration the leave policy of the department.

Calculation:

$$\begin{array}{r} A \times F \\ \hline 261 \end{array}$$

Where

- A = Leave days denied
- F = Employee’s annual basic salary

***Leave payouts in the event of long service recognition***

- A. Employee who has rendered 20 years of continuous and consistently satisfactory service for the government. Ten days vacation leave at the employee’s current salary, if the employee has accrued that much leave and wishes to exchange it for cash.
- B. Employee who has rendered 30 years of continuous and consistently satisfactory service for the government. Fifteen days vacation leave at the employee’s current salary, if the employee has accrued that much leave and wishes to exchange it for cash.

Definitions:

Leave cycle: 1 January to 31 December of the same year.

18 month period: An additional six (6) months is added to the leave cycle (12 months) during which

remaining leave days must be taken, thereafter credits are forfeited.

Capped leave: Leave credits due to employees as at 30 June 2000, in terms of the provisions that were in place at that time. The relevant credits must be audited and capped on PERSAL.

Casual employees: Employees appointed on an hourly, daily or monthly basis.


Basic Salary: Basic salary with the exclusion of benefits.

Total remuneration of casual employees: Basic salary, benefits any payment in kind, excluding any discretionary payment that are not related to her or his work performance.

## **7. ADDITIONAL**

- Leave transactions must be captured on a timely basis before financial year end.
- Leave entitlement reports must be requested on PERSAL and all negative leave balances must be investigated and rectified before financial year end.
- Note that in this note, only the accrual amount is shown and not the amount that was actually/physically paid. The paid part is shown under compensation of employees as discussed under the statement of financial performance. Amounts are calculated according to criteria, formulas and conditions as prescribed by DPSA frameworks, practice notes and circulars.
- A schedule of employee benefits must be drawn and submitted to the Chief Financial Officer for review purposes, before the figures are disclosed in the annual financial statements.
- The schedule drawn up should agree to the disclosure note of the annual financial statements.

Approved

 09/06/08

Head of Department