

NORTHERN
CAPE
EDUCATION
DEPARTMENT

2008

[This policy outlines the identification, recording, disclosure and treatment of key management personnel expenditure of the department according to the requirements of the PFMA]

**KEY MANAGEMENT PERSONNEL
EXPENDITURE POLICY**

1. GENERAL

Section 38(1) (a) (i) of the PFMA stipulates the following:
The accounting officer for a department must ensure that the department has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

KEY MANAGEMENT PERSONNEL

DEFINITION

Key management personnel are:

- (a) all senior managers of the department;
- (b) other persons having the authority and responsibility for planning, directing and controlling the activities of the department. Where they meet this requirement key management personnel include:
 - (i) where there is a member of the governing body of a whole-of-government entity who has the authority and responsibility for planning, directing and controlling the activities of the reporting entity, that member [e.g. MEC];
 - (ii) any key advisors of that member; and

unless already included in (a), the senior management group of the reporting entity, including the chief executive or permanent head of the reporting entity e.g. Accounting Officer

2. PURPOSE

To outline policy and procedures for officials to have an understanding of key management personnel expenditure and the accounting treatment thereof in the annual financial statements.

3. OBJECTIVE

The objectives of the policy include -

- emphasising the accountability of employees for the Departmental resources;
- ensuring that employees have a clear and comprehensive understanding of the procedures they must follow for key management personnel expenditure transactions;
- 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 key management personnel expenditure is detected, processed and recorded timeously.

4. RECOGNITION

ACCOUNTING POLICY

Compensation paid to key management personnel including their family members where relevant, is included in the disclosure notes.

5. PROCEDURES

The procedures for the treatment and disclosure of key management personnel expenditure are described below:

Key management members are those persons having the authority and responsibility for planning, directing and controlling the activities of the department. Senior management, from level 14 and above, is included in the disclosure note to the financial statements.

This may include the MEC and Deputy Director General responsible for the department, the Chief Financial Officer (CFO) and any key advisors. It is unlikely that all members of the Senior Management Service are also key management. Where any key personnel is below level 14, his/her remuneration should be included with the level 14 values.

Remuneration includes:

Short term employee benefits such as salaries, contributions to unemployment insurance and workmen's compensation funds, paid annual leave and paid sick leave, profit sharing and bonuses and non-monetary benefits such as medical benefits, housing, cars and free or subsidised goods and services,

Post employment benefits such as pensions, other retirement benefits, post-employment life insurance and medical care,

Other long term employee benefits, including long-service leave or sabbatical leave, long term disability benefits and deferred compensation,

Termination benefits, and


Remuneration to close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity (where these individuals are paid by the department).

The aggregate compensation of the senior management of the department and the number of individuals determined on a full time equivalent basis received remuneration within this category, showing separately major levels of senior management must be disclosed.

6. ADDITIONAL

- **Close members of the family of an individual** are presumed to be included:
 - (a) A spouse, domestic partner, dependent child or relative living in a common household;
 - (b) A grandparent, parent, nondependent child, grandchild, brother or sister; and
- The spouse or domestic partner of a child, a parent-in-law, a brother-in-law or a sister-in-law.
- A report on remuneration from persal should be requested of all officials on level 14 and above for inclusion in the financial statements.
- A schedule of all key management personnel identified should be drawn up from the information provided on the persal reports with the remuneration details.
- This schedule should be reviewed by the chief financial officer to ensure that all identified key management personnel are recorded and that the schedule is accurate.
- Only remuneration from April to March of a financial year should be recorded in the schedule. Members of key management personnel that commenced duties during the reported financial period, his/her remuneration should be recorded from the commencement date to the year-end month and NOT the entire period equivalent for 12 months.
- The schedule drawn up should agree to the disclosure note of the annual financial statements.

Approved

 09/06/08
Head of Department