



Province of the  
**EASTERN CAPE**  
DEPARTMENT OF EDUCATION

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Reference: 3/203      Enquiries: T Thys      Tel: 040 608 4216      Date: 18 January 2016

**POST AUDIT: PERIOD 1 APRIL 2015 TO 31 SEPTEMBER 2015:  
COMPENSATION OF EMPLOYEES**

*CIRCULAR NO. 1 OF 2016 (ANNEXURE A)*

**FINANCIAL MANAGEMENT**

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**A BACKGROUND**

1. Internal control Unit did post audit for period 1 April 2015 to 31 August 2015
  
2. Below is the summary of Internal Control Unit post audit

**B 2 EXECUTIVE SUMMARY OF POST AUDIT FINDINGS PERIOD 1 APRIL 2015 TO 31 AUGUST 2015**

	Number	Percentage
Total files requested	235	
Total received	194	82%
Non submission of SP & Salary Files	41	17%
Documents not on file	61	31%
Incorrect calculations	30	15%
Overline requested	196 claims	
Overline received	110	56%
Overline not received	86	43%
Overpayments	41	37%

**3. EXECUTIVE SUMMARY OF POST AUDIT FINDINGS REPORTED FOR INTERIM AFS ON 11 DECEMBER 2015**

Overpayments	R1,047,131.67
Fruitless Expenditure	R23,249,755.75
Irregular Expenditure	R81,015,662.89

4. Below is details of the findings in order to have discussion and agreement on the root cause so that collectively the all assurance providers can have operational plans for 2016/17 to prevent similar findings

**C FINDINGS EXCEPTIONS**

Finding /weakness	Root cause	Responsible line managers
Component and Pay points with <b>NUL</b> learners	Physical verification/Reconciliation with certified payrolls of educators and ECD employees where schools have <b>Nul</b> learners	IDS/G & ECD & HRA/P & Finance
	Transfer of Educators and ECD employees	IDS & G and FCD
	Persal service records update	HRA
	Deletions of components /pay points when schools are closed with <b>NUL</b> learners	HRP
Post Upgrade	Upgrade of posts :Non-compliance to PAM and ELRC collective agreements and DPSA PSCBC Resolution 3 of 2009	HRP and Line managers
	Non-compliance PSCBC resolution 3 of 2009 Employee promoted February 1997 and 15 years continuous service is	
Appointments	Shorten Assumption of duty : Accruals are created which is preventable because this HRA function do not generate arrear salary	HRM and Finance
	Manual Calculations done due to shorten assumption of duty and calculations wrong	HRM
	Substitute appointments :the educator to be substituted period of Leave of captured must be same as substitute	HRM
	Check Leave #4.5.11 before payments is authorized for substitute	Finance
	Ghost employee - Independent review between post created and approval list	HRP & Line Manager & ICU
	Abnormal appointments must be submitted Finance for authorizations	Finance
Re-Appointments	Debt upon last day of service is not	Finance

Service Records	<p>taken on with re-appointments</p> <p>No uniformity when posts are upgraded some districts captured as promotions others as upgrade of posts others as translations of posts</p> <p>Employee is promoted from level 3 to level 6 but on #4.3.1the qualifications are Grade 6 and if this promotion is audited it will be disclosed as Fruitless expenditure</p>	
Overtime	<p>Service records must all times be updated –ASSUMPTION BEFORE ASSUMPTION OF DUTY must be done if still in service.</p> <p>The system used by Exam where each employee have a separate attendance register must be uniformly applied because this is the root of overpayments</p> <p>No close out report from the project manager</p>	All line managers
Differentiated allowance	<p>Allowance are implemented with no end date</p> <p>ELRC Collective agreements are wrongly applied and used to pay allowance</p>	Finance
	<p>This caused overpayments of &gt;R2 million per year for last few years</p> <p>Allowance must be terminated and Debt raised</p>	Finance
Abnormal Appointments	<p>This functor # 5.8.10 and authorization must be made compulsory and centralized</p>	HRP persal controller
Abnormal payments	<p>This must not be used for payments of qualifications etc.</p> <p>The start and end date approved by Head of Department must be paid when the period exceed the approved dates</p>	HRA and Finance
Recognition of Quaifications	<p>Non-compliance to ELRC resolutions</p> <p>Double dipping (duplicate payment)</p> <p>Payment from date prior qualification obtained</p>	HRA and Finance
Acting allowance	<p>Notches used should include Pay progression notches</p>	HRA and Finance

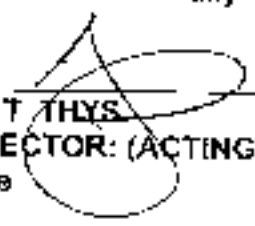
	The post must be vacant and funded (Approved Annual Recruitment Plan (ARP) which is submitted to OTP	HRP
	Acting allowance start and end date not in line with school terms of opening and closing	
Fuel claims	Non-compliance to Transport circular 1 of 1977 with payments of fuel claims	HRA and Finance
	Non-compliance to Circular 10 of 2015 standardized kilometers as is the cases in all departments throughout South Africa	Line manager
	invalid claims claim for bigger car than the one actually drives	Line Manager
Subsidized vehicles	Non-compliance to Auxiliary Internal controls when Subsidized vehicles claims are paid	Line managers
	Invalid travels undertaken to achieve vehicle subsidy targets	Line managers
	Non-compliance to Circular 10 of 2015 standardized kilometers as is the cases in all departments throughout South Africa	Line managers
37% allowance	Non-compliance PSCBC resolution 1 of 2007 and department Internal controls circular 18 of 2015 and other department prescripts	HRA and Finance
	With appointment the 37% is not done programmatically	
	Manual calculations causing overpayments	
	Duplicate payments	
S & T allowance	Non-compliance to Resolution 3 of 1999 which state special allowance to compensate for actual expenses are claimed	Line managers and HRA and Finance
	The actual expenses claimed must have the required source documents	
LWP refunds	Refunds are done with a court order but the result is overpayments	
Bas salary payments	All Salary payments must be processed on Persal	
	Bas unlike Persal do not have automated functionality that warns user if a previous payment has been	

	generated for a particular allowance Therefore for all Bas payments the Finance directorate must have a dedicated employee who will check the Bas Payment enquiry functionality on all the Bas database (current and previous ) and verify if previous payment was processed	
Leave gratuity payments	Non-compliance of Resolution 7/2000  Non-compliance to Circular 10 of 2015 and not using new debt route form which was issued to ensure all overpayments are recovered	
	Risk of Duplicate payments because audit trail can't be done due to following not complied with <b>BAS GENERAL JOURNALS</b> <ul style="list-style-type: none"> <li>The description line <b>must</b> always start with the PERSA number.</li> </ul> BAS entity must be created directly after the updating of the BAS GJ	
Rural allowance	The list of schools must be circulated yearly  Schools not on the list the allowance must be terminated	HRP
Housing allowance	Non-compliance to PSCBC Resolution 2 and DPSA Policy dated 6 March 2008 paragraph 8.4	HRA and Finance Part 2
service terminations		

5. **COMMUNICATION**

6. Responsibility managers must kindly ensure that the post audit reports and PERSA policy are communicated in order to develop operational plans for 2016/17.

7. Yours faithfully

  
 MR T. THYS  
 DIRECTOR: (ACTING)  
 Date