



Overview of Guidelines for the Decentralised Processing of Government Salaries, Pension and Gratuity

Joint Monitoring of the Decentralised Payroll
Management

APRIL 2016

A. BACKGROUND

1. Previously, the Government payroll and salary payment system was centralized under the Ministry of Public Service (MoPS) and Ministry of Finance, Planning and Economic Development (MoFPED). However, the centralized system faced a number of challenges which included the following among others:
 - i) Delays in accessing the payroll by both the newly recruited Public Servants and Pensioners leading to non-payment and accumulation of salary/pension arrears;
 - ii) Existence of invalid and “Ghost” records on both salary and pension payroll; and
 - iii) Lack a clear accountability centre for payroll processing and salary/pension payments.
2. In order to address these challenges, Government took a decision to decentralize the process of final approval of the payroll and payment to the respective Accounting Officers.
3. The decentralized system started with salaries in FY 2013/14 but was later rolled out to Pensions beginning with staff who retired in FY 2014/15 and fully decentralized this FY 2015/16.
4. The major objective was to ensure accurate payroll, timely payment of salaries, pension and gratuity, clearance of arrears, elimination of ‘ghosts’ and hold Accounting Officers fully accountable for all salaries and pension transactions.
5. To facilitate proper implementation of the decentralized system operational guidelines for both salaries and pensions were issued to all Accounting Officers.

6. The guidelines clearly indicate the role of the different stakeholders and timelines for the payroll processing of salaries and pension payments. Specifically:
 - i) The MoPS is responsible for policy guidance, monitoring and generation of the Government payroll and salary/pension payment and overall maintenance of the payroll processing system (IPPS);
 - ii) The MoFPED is responsible for policy guidance on budgeting and provision of adequate funds for salaries/pensions, maintenance of the payment system (IFMS), technical support and overall monitoring of salary/pension budget performance;
 - iii) The Accounting Officers are required for submission of salary/pension budget requirements to MoPS and MoFPED, making payroll changes on the IPPS, reviewing and approval of the final payroll, creation and approval of salary/pension payment invoices on the IFMS, addressing issues of unapplied (bounced) cases and monitoring of the payroll and wage performance on a monthly basis.
7. The decentralized system has enabled timely payment of salaries, pension, gratuity, considerable clean-up of the payroll, minimising salary and pension arrears. This has also reduced the need for Pensioners to travel long distances to MoPS and MoFPED following up their payments and also established a clear responsibility centre for all payroll and salary/pension transactions under the Office of the Accounting Officer.
8. However, despite these achievements, the decentralized system is still characterized by a number of operational issues which if not addressed, are likely to hinder achievement of the full benefits of the reform.

9. Among the key challenges include inadequate sensitization of stakeholders leading to lack of adherence to the guidelines, delayed verification and payment of bonafide pensioners, delayed migration of pension records from the old payroll system to the IPPS, delayed payment of outstanding Pension and Gratuity arrears, under/overpayment of both salary and pension to some staff, failure to print and display of the payrolls on notice boards and distribution of monthly pay slips for both pension and gratuity, among others.
10. Therefore, in order to address the above challenges, Government is enhancing the monitoring of the decentralized payroll management and payment system. However, it is important to note the following issues.

B. PAYROLL PROCESSING AND SALARY PAYMENTS

i). Timely Payment of Salaries

11. According to the Public Service Standing Orders, all public servants' salaries must be paid by **the 28th of every month** which requires all stakeholders to adhere to the timelines stipulated in the guidelines as follows.

No.	Activity	Responsibility	Deadline
1.	Processing of all payroll changes and production of the preliminary payrolls	Accounting Officers (AOs)	10th of every month
2.	Verification and signing off of the preliminary payroll	MoPS and AOs	15th of every month
3.	Submission of the summary payroll to the MoFPED	MoPS	17th of every month
4.	Processing of cash releases to the salary accounts in BoU	MoFPED	20th of every month
5.	Upload of the final payroll to the IFMS	MoPS and AOs	21st of every month
6.	Approval of salary payment invoices	AOs	23rd of every month
7.	Submission of payment	MoFPED	25th of every month

No.	Activity	Responsibility	Deadline
	instructions to BoU		
8.	Final payment of salaries	BoU & AOs	28th of every month
9.	Handling of unapplied (Unpaid) cases	AOs	5th of the following month
10.	Reconciliation of payments	AOs	5th of the following month
11.	Monitoring of the payroll and salary payments	MoPS, MoFPED & AOs	Continuous

12. Contrary to the above guidelines there are still numerous cases of delayed access of staff on the payroll and payment of salaries and deletion of some staff from the payroll without clear explanation.

13. Under the decentralized system, the AOs, in consultation with the MoPS, are responsible for all payroll changes. Therefore, any delayed access to or deletion of staff from the payroll must be addressed by the AOs.

14. There are also reported cases of salary under/over/ghost payments under various MDAs. In addition to the few cases already identified by the auditors, it is suspected that this practice is widespread especially in Local Governments. While underpayments should be verified and corrected by the Accounting Officers, overpayments/ghost payments are on account of collusion between the unscrupulous (corrupt) payroll managers and individual public servants.

15. A schedule showing the monthly payrolls and actual salary payments for the months of July 2015 to February 2016 will be disseminated during this exercise to identify the reasons for variations between the payrolls and actual payments under some Votes.

16. Accounting Officers should note that they are personally and pecuniary liable for all salary transactions including over/ghost payments. Therefore, all those responsible for irregularities in the

payroll and salary payments will be dealt with in accordance with the Law. In addition, monthly payrolls and all salary payments must be audited before payments.

ii). Printing of the Payroll and Pay Slips

17. The Government policy for promotion of transparency and accountability requires printing and display of payrolls on the public notice boards on a monthly basis. In addition, pay slips **MUST** be printed, distributed, signed off by all Civil Servants and copies filed on the personal files as evidence of receipt of salary. During the exercise, we should confirm that staff and pensioners are receiving the pay slips.

iii). Handling of Unapplied (Unpaid Salaries

18. Unapplied payments result from bounced payment instructions either at BoU or at the Commercial Bank where employees hold their accounts. This is mainly due to “invalid” bank account details such as bank account number, dormant account or wrong account titles. Therefore, all cases of staff who are on the payroll but do not receive their salary payments must be addressed by the Accounting Officers.

iv). Verification and Payment of Salary Arrears

19. To eliminate the problem of salary arrears, Accounting Officers were requested to submit all cases of outstanding salary arrears to the Permanent Secretary/Secretary to the Treasury (PS/ST) for verification and clearance for payment. While the cases submitted in time were verified and cleared for payment, others are still under verification and will be cleared for payment. A schedule of all outstanding salary arrears submitted to MoFPED will be circulated in this meeting. In addition, Government does not expect accumulation of further arrears under the decentralized payment system. This exercise will identify the reasons of non-payment of any other outstanding salary arrears.

20. However, there are reported cases of “ghost” payments of salary arrears to non-entitled staff in various MDAs especially local governments. These are being investigated and all culprits will be brought to book.

v). Acquisition of National Identity (ID) Card Numbers

21. In line with the Government efforts to eliminate “ghosts” from the payroll, all Public Servants will be required to have the National ID No. Thus, effective July 2016, all records without the National ID number will be deleted from the Government payroll.

C. MANAGEMENT OF PENSION AND GRATUITY

i). Budgeting and Payment Pension and Gratuity

22. The decentralised payment system started with the staff who retired in the FY 2014/15 and resources were provided to the respective Accounting Officers to facilitate the payment of Pension and Gratuity. Therefore, payment of all pension and gratuity for staff who retired in FY 2014/15 on-wards is a responsibility of the institutions where the staff retired from.

23. However, due to either budget shortfalls or delays in accessing the staff on the pension payroll, some staff who retired in the FY 2014/15 were not paid. Accounting Officers of the affected Votes were later authorized by the MoFPED to verify and pay these arrears using the resources allocated in FY 2015/16. Any cases of unpaid pension and gratuity for the FY 2014/15 and FY 2015/16 **MUST** be explained by the Accounting Officers.

24. Analysis of the monthly pension payroll and payments on the IFMS reveals significant variances between the payrolls and actual payments implying that many of the staff are not being paid despite being on the

payroll as indicated in the schedule circulated in this meeting. While the Accounting Officers have attributed this to the delayed verification of the pension records transferred from the MoPS, this exercise should identify the exact reasons for non-payment of the pensioners on the payroll.

ii). Management of the Pension Payroll

25. Effective July 2015, the responsibility of making payroll adjustments, payment of monthly pension, changes in the pensioner/beneficiary information were transferred to the Accounting Officers. Therefore, all changes on the pension payroll are supposed to be initiated by the Human Resource Officer (HRO) at the Vote level in consultation with the responsible officers. However, the changes must be approved by the Accounting Officer in writing.
26. In case of data inconsistencies that require updating before retirement such as date of birth, date of first appointment, date of retirement, the responsible officers are supposed to submit them online with the relevant attachments (in PDF format) to the MoPS for approval.
27. Complaints such as under-assessment and non-payment of pension should also be addressed by the responsible officers at the Vote level. MoPS sent payroll records including scanned file information to the Votes for reference and decision making but further technical guidance can be thought from the MoPS.
28. The processing of monthly pensions now follows the active payroll cycle to enable payments **by the 28th of every month.**
29. The MoFPED is responsible for issuance of the Electronic Funds Transfer (EFT) Numbers to the individual pensioners based on the submissions from the Accounting Officers. The MoFPED is also required

to refer all cases of Unapplied/Bounced payments to the AOs for correction.

30. Just like the active service payroll, Accounting Officers are required to print and display the monthly pension payroll on the public noticeboards as well as distributing pay slips to all pensioners as evidence of payment.

iii). Management of Old Cases/Files previously Submitted to the MoPS

31. Where a claim arises out of a pension file that was already submitted to the MoPS but does not appear on the schedule of queried files returned to the Accounting Officers, the file should be handled but after consultation with MoPS to avoid double payments.

iv). Payment of Pension and Gratuity Arrears

32. In order to eliminate all outstanding arrears for pension and gratuity, AOs were requested to verify the claims previously compiled under the MoFPED. While AOs, verified and submitted claims to the MoFPED, it was deemed necessary to have the arrears re-verified as communicated in circular dated **10th February 2016 and the press release in the New Vision of Monday 29th February 2016**. This exercise required provision of additional critical information as follows:

- All claimants to individually sign-off the forms and also provide other critical information including the National ID number.
- The forms must be signed off by the Chairpersons of the Pensioners Associations, Head of Department, Heads of Human Resources, Internal Auditors and the Accounting Officers.

33. The objective was to avoid “ghost” payments as experienced in the payment of salary arrears. While the deadline for submission of the arrears was 10th March 2016, as of Friday 1st April 2016, only 63 Votes

had responded (10CG and 53LG's). However, it has also been noted that some of the submissions were not fully endorsed as required. A schedule indicating the status of the submission by Vote will be disseminated during this exercise.

34. It should also be noted that Government has allocated a total of **Ushs 50 billion** to facilitate payment of verified Pension and Gratuity arrears in the FY 2016/17. Therefore, PS/ST has issued a follow up circular dated 31st March 2016 reminding the Accounting Officers to verify and submit the outstanding arrears **by 8th April 2016**. Thereafter, all the funds allocated to Votes with non-compliant Accounting Officers will be reallocated to the more deserving Votes.

35. However, following decentralization of the payment process, Government does not expect accumulation of additional arrears for pension and gratuity because AOs are expected to effect timely payment of all Pension and Gratuity.

v). Un-Decentralized Pension Records

36. Despite decentralization of the pension payroll, a number of pension records previously under the MoPS are not yet decentralized on account of inadequate information. In February 2016, the MoFPED published the details in the New Vision requesting the affected pensioners/beneficiaries to report to the institutions where they retired from for verification and access to the payroll. All those claimants that will not have been verified by the end of this FY 2015/16 will be assumed nonexistent and therefore deleted off the payroll.

vi). Management of Loan Deductions

37. Under the decentralized payroll management system, the responsibility for issuing letters of undertaking for bank loans for

pensioners was transferred from the MoPS to the Accounting Officers as communicated in the guidelines.

vii). Processing of Terminal Benefits for Central Government Employees on Local Government Payrolls

38. The responsibility for processing of all terminal benefits for central Government employees on the local government payrolls such as Secondary, Tertiary and Vocational Institutions instructors falls under the respective Accounting Officers.

D. CONCLUSION

39. Under the decentralised payroll management and payment system for salaries, pension and gratuity, the responsibility for approval of the payments was transferred to the Accounting Officers. Central Government maintains its role of policy guidance, budgeting and monitoring of all salary and pension transactions.

40. There is no need for the individual staff, pensioners and beneficiaries to travel either to the MoPS, MoFPED or any other relevant central Government MDA to follow up their salary and pension cases. The responsible officers especially HRO, Internal Auditors and Accounting Officers are responsible for addressing all salary and pension related issues and where necessary seek technical guidance from the central Government,

41. This exercise should identify all the challenges affecting smooth implementation of the decentralised system and propose strategies for addressing the challenges to ensure timely payment of salaries, pension and gratuity to genuine staff.