



## Mismanagement of the decentralized payroll in the local governments. What are the persistent root causes?

### Overview

In Financial Year (FY) 2013/14 the Government of Uganda decentralized the management of the public service salary payroll. In FY2015/16, the pension and gratuity payments were also decentralized to ease payroll management in Ministries, Departments, and Agencies (MDAs) and Local Governments (LGs). The main objectives of this policy shift were to ensure timely payment of salaries, clean the payroll, and foster ownership, transparency and accountability of the payroll by the respective institutional payroll managers.

This reform is implemented in accordance with Section 45(1) a-c and 11(2) c-d of the Public Finance Management Act. This is in conformity with Section 4(1) (c) of the repealed Public Finance and Accountability Act (PFAA) 2003 and Section 85 of the PFMA (2015). Despite the reforms and payroll guidelines, challenges have persisted mostly within the LGs.

This policy brief discusses the persistent root causes in the management of the decentralized payroll in LGs and proposes policy recommendations.

### Background

The Ministry of Public Service (MoPS) is mandated to develop, manage and administer human resource policies, as well as manage systems and procedures for the public service. This has led to enactment and implementation of a number of Public Financial Management and Public Sector Management reforms which

### Key Issues

- Weak internal control systems, amidst rampant corruption tendencies.
- Payment of salaries, pension and gratuity off the Integrated Personnel and Payroll System (IPPS) payroll creates an opportunity for payment of non-eligible persons.
- Low salary and disparities in Uganda's Public Service promotes payroll fraud.
- Capacity gaps of all staff managing payrolls in budget preparation, wage analysis, pension and gratuity management, computation, and human resource analytics.
- Poor human resource planning and coordination between the LGs and Central Government.
- Inadequate staffing of the human resource departments in the District Local Governments resulting in work overload and stress.

include decentralizing the payroll to individual spending entities. This initiative is implemented by MoPS, Ministry of Finance, Planning and Economic Development (MFPED), LGs and MDAs.

Decentralization of the payroll in LGs has areas of commendable performance that include incidences of timely releases and payment of salaries and pension by the 28<sup>th</sup> of every month, timely access to the pension and gratuity payrolls by retirees, and reduction in the accumulation of salary and pension arrears. However, mismanagement of the payroll persists in some LGs.



## Causes of mismanagement of the payroll in Local Governments

**Corruption** has affected all aspects of human resource management processes with favouritism, nepotism and abuse of authority in the areas of recruitments, training, promotions, transfers and management of payroll reforms especially in LGs. Connivance of staff in LGs to defraud the payroll is common. This is rampant from the sub-county level to the districts especially in endorsement of individual claims on salary and pension payments.

For example in Buikwe and Rubirizi District Local Governments (DLGs), 78 newly recruited primary school teachers received money above their salary scales. One Accounting Officer connived with a pensioner to deposit Ug shs 40 million instead of Ug shs 28 million on their account. Processing and verification of fictitious payments of gratuities to employees was evident in Kaliro District where a total of Ug shs 298 million was paid out, while others were paid twice. In Soroti DLG pensioners were overpaid, while teachers' salary arrears were exaggerated in Yumbe, Bududa, Apac, Bugweri Arua, Buhweju, Kibaale, Nabilatuk, Bundibugyo, and Manafwa districts, plus Mbale Municipal Council.

Instances of deliberate wrong computations of gratuity were common. Wrong computation results in overpayments and the Government losing a lot of funds.

### Weak internal control systems

*Analysis and monitoring of the wage bill and the pension budget:* The MoPS guided LGs to undertake monthly wage pension performance analysis and reconcile the payroll generated through the IPPS with the payment information from the Integrated Financial Management System (IFMS). However, this is not adhered to and contravenes Paragraph 2.1 of Establishment Notice No 1 of 2020 reason being that there is a poor culture of reading, laxity and lack of serious follow ups by the MoPS on the

implementation of its circulars by LGs. This has contributed to wage and pension shortfalls, accumulated arrears as well as non-absorption of the pension and gratuity budgets, and delays in granting clearance to recruit.

*Payment of salaries, pension and gratuity off the IPPS:* Para 4.5 of Establishment Notice No 2 of 2019 requires staff to be paid salaries, pension and gratuity processed through the IPPS. However, in some instances, salaries, pension and gratuity are paid off the IPPS payroll and this creates an opportunity to pay ineligible staff.

The Office of the Auditor General's Report for FY2021/22 states that a total of 2,846 employees and 903 pensioners were paid Ug shs 5,756,233,489 and Ug shs 5,642,943,440 respectively off the IPPS payroll. Human resource officers manually adjust the interface file causing variations between the final IPPS payroll and the CORE-FTP interface files. This was rampant in Kamwenge, Kibaale, Namayingo, and Mukono Municipal Councils; Kalangala, Buhweju, Amudat, Moroto and Soroti districts.

### Recruitments of human resource officers without relevant working experience

Buying and selling of jobs by the District Service Commissions and some Accounting Officers in DLGs is rampant especially for positions considered lucrative and providing opportunities for enrichment. This has led to recruitment of heads of human resource staff without technical competence and relevant working experience in human resource management in the LGs is common. This compromises the quality of implementation of payroll management reforms in LGs. In some LGs, former office attendants and stenographer secretaries head human resource units without relevant experience. This is widespread in the newly created districts, administrative units and cities.



## Salary disparities in the Public Service

The root cause of payroll fraud is disparities in salary payments where staff cannot cope with the high cost of living. Public Service salaries and conditions are low compared to the private sector wages. This is worsened by the weak monitoring systems and is breeding ground for corruption. The underpaid staff develop coping strategies to top up their income. The economic hardships coupled with underpaid staff in LGs force them to demand for bribes or informal payments of services that are supposed to be free of charge. For example, a Principal Human Resource Officer earns Ug shs 1.29 million while a Principal Scientist earns Ug shs 4 million. A graduate Scientist earns Ug shs 2 million, while an Under Secretary earns Ug shs 1.8 million, and a Chief Administrative Officer (Accounting officer) earns Ug shs 2.3 million.

## Poor human resource planning and coordination

This is between the Ministry of Education and Sports (MoES), Education Service Commission, MoPS and respective LGs. Teachers are recruited, posted, transferred; while others are promoted by the MoES but some access the payroll with fake documents. This is rampant where teachers in secondary schools and tertiary institutions are posted, transferred, or promoted without coordination with LG officials. There is no central point of deployment of secondary school teachers and those in tertiary institutions by the MoES. There are many signatories within the MoES, and this weakness has been manipulated.

A report from the Education Service Commission states that 1,000 ghost teachers have been on the payroll since 2003. These accessed the payroll with fake appointments and lacked practising licences. The report states that forgery was highest in the Central region with 204 ghost teachers; Eastern with

192; Northern 110; and 112 in the Western region. The report further revealed that in one school there were 23 science teachers on the payroll that had absconded but were still being paid.

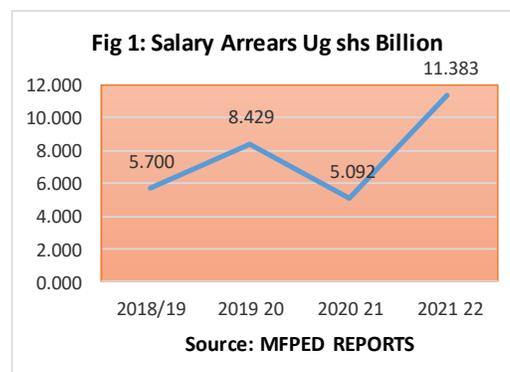
## Inadequate staffing in HR local government departments

The MoPS has an approved structure for each LG to house three key human resource officers namely: Principal Human Resource Officer, Senior Human Resource Officer and Human Resource Officer. In several districts this requirement is not met. This has created a lot of workload and stress. Inadequate staffing has also affected the quality of payroll output.

## Key outcome with payroll mismanagement

The government is faced with persistent accumulation of salary arrears. Late payment of an employee's salary is a violation of one's rights. The late payments are attributed to laxity among Accounting Officers and Human Resource Officers to address payroll issues promptly, provision of wrong information by individuals, underpayments and illegal drop offs of employees from the payrolls without clear reasons. This is rampant in the health and education sectors in many LGs.

Figure 1 shows the trend in public service salary arrears recorded in the past three FYs. From FY 2018/19 to FY2021/22 there has been an increasing trend and the arrears have almost doubled.





## Conclusion

Payroll management is still problematic in the LGs. This is mainly attributed to weak internal business processes, corruption and inadequate HR staff, leading to poor analytical work, weak planning and non-submission of wage estimates that affects timely decision making, resulting in the persistent accumulation of salary arrears. This may be affecting productivity of the officers in LGs thus the resultant poor service delivery.

## Policy Recommendations

1. The MoPS and MFPED in consultation with the Ministry of Local Government (MoLG) should carry out a business process re-engineering, and identify the loopholes of weak control systems and connivance within LGs, and address these immediately.
2. The MoPS in consultation with MoLG, MFPED, and LGS should carry out a comprehensive human resource audit and address issues of understaffing, capacity building, retooling and training in payroll management.
3. The Uganda Civil Service College in liaison with the MoPS should organize inductions and refresher courses on the Code of conduct in the Public Service for all cadres to address issues of professionalism and integrity.
4. Accounting officers and human resource officers mismanaging the payroll should be sanctioned by the MoLG and the respective LGs based on the Public Service regulations.

5. The MoPS and MFPED should address salary disparities in the Public Service as this is one of the core reasons fueling corruption.
6. The MoES and MoPS should address the issue of uncoordinated recruitments, promotions, postings and transfers of staff in the tertiary and secondary schools in LGs.

## References

1. Establishment Notice No. 1 of 2022 Circular Standing Instruction No 1 of 2022/2023.
2. Establishment Notice No.1 of 2020 Circular Standing Instruction No 1 of 2020.
3. Guidelines on Wage Bill Management, Payroll Pension and Human Resource Management, MoPS.
4. Office of the Auditor General, Payroll Audit, December 2021.
5. MFPED Guidelines and Procedures for Decentralized, Salary Payment Processing, 2014.
6. Situational Analysis of Teachers' Payroll Management and Capacity Building Needs Assessment for Payroll Managers under USEP, January 2019.

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