CONTROLLER&ACCOUNTANT GENERAL'S DEPARTMENT

PROGRESS REPORT ON PAYROLL CLEAN-UP PLAN FOR THE 4TH QUARTER 2015

MARCH 2016

PROGRESS REPORT PAYROLL ON PAYROLL CLEAN-UP PLAN FOR THE QUARTER-ENDING DECEMBER, 2015

A. Background Information

1. The size of the Government of Ghana's (GoG) wage bill has increased significantly, particularly after the introduction of the Single Spine Pay Policy in 2010. This increase in the wage bill poses risks on the annual budget and threatens the overall macroeconomic stability of the country. In view of these potential risks and threats, the government in November, 2014 set up an inter-ministerial Committee of Cabinet on payroll with a mandate of monitoring approved payroll reforms approved by the inter-ministerial committee on payroll as well as other payroll audit recommendations and proposals made by our development partners to minimize the size of the government's wage bill.

2. To ensure effective implementation of the payroll reforms, the Committee in March 2015 adopted a payroll clean-up plan aimed at resolving payroll irregularities. Key elements of the plan included:

    (i)   the removal from the payroll of the names of public employees with no bank account;

    (ii)   the suspension and verification of salary payments to employees with no social security number;

    (iii) the implementation of a biometric validation of all employees on the mechanized payroll through an interface with the SSNIT biometric database;

    (iv)   the rolling out of the electronic wage payment system to ensure a monthly validation by all department heads of their staff (including grades) before payments are made;

    (v)   assessment of the security of the payroll system, through an audit of the payroll databases, which were merged in 2014;

    (vi)   Migration/interfacing of subvented organizations payroll with the mechanized payroll; and

    (vii) A large scale public audit of the payroll management to provide evidence to assist in identifying government officials responsible for irregularities, as a basis for any legal actions the government may take. Cases of suspected fraud will be prosecuted by the Attorney General using all appropriate legal and regulatory mechanisms.

(viii)   Re-alignment of cost centres under the appropriate Department and Division as well as alignment of staff under the appropriate cost centres.

(ix)   Implementation of various audit recommendations on payroll

B. Removal Employees with No Bank Account and No Social Security Number

The payroll verification and cleaning exercises which started in September, 2014 initially resulted in the suspension of the monthly salaries of 47,186 employees. 44,496 names have been validated by the Audit Service and recommended to be restored for payment. The names of the remaining 2,690 who failed to present themselves to the Auditor General to validate their position were submitted to the Bureau of National Investigation (BNI) for further investigation. The suspension of these employees resulted in savings of GH¢17.112 million as at 31 December, 2015. We are still awaiting the final report from the BNI investigation

The payroll clean-up exercise further identified 27,805 staff, on June payroll, without SSNIT numbers on the payroll. These staffs were given up to the end September 2015, to update their SSNIT records. As at the end of September 2015, the total number of staff on the payroll without SSNIT numbers was 5,975 of which 1,848 were staff of the Ghana Education Service (GES). These 5,975 employees have been suspended from the 2015 payroll.

Biometric Validation of Employees on the Mechanized Payroll

As part of the reforms, a reconciliation of the payroll data with that of the biometric database at Ministry of Finance was undertaken. A preliminary report, as at June 2015, showed 1,277 employees were paid on the payroll without the biometric registration. The salaries of these employees were suspended and restored after biometric registration.

To further enhance the credibility of the payroll using smooth verification, it was agreed that SSNIT re-enrolls all employees on CAGD payroll on the SSNIT Biometric system, and establish an interface between the SSNIT and CAGD payroll system for continuous verification.

A technical committee set up to implement this project has completed the re-enrollment of 327,864 SSNIT contributors on CAGD payroll out of the existing 467,781. While we continue with the work plan to complete the biometric re-enrolment of the remaining employees, work has begun on the interface between the SSNIT biometric system and the CAGD payroll. Public Service

Commission active role because of the human resource implication of the biometric system.

The re-enrolment will be completed by May 2016 and continuous verification will start by July 2016 after the completion of the interface work.

C. OUTCOME OF OTHER PAYROLL CLEANING EXERCISE

A head count exercise conducted in Management Units in the Ministries Headquarters and all Departments in the Adjumako-Enyan-Essiam District from the period February to June 2015, identified 88 separated staff who continued to exist on the mechanized payroll. Their names were deleted from the payroll and letters were sent to their respective Heads of Departments requesting them to recover and pay to chest all unearned salaries paid to these employees.

The HR audit undertaken by the Public Services Commission was completed with the first batch of report covering the Ashanti Region recommending the suspension of 2,706 employees pending the final report

The Biometric Data is reconciled to the payroll data at the end of each month. All staff identified to have been paid without biometric registration are suspended from the Payroll and restored only after completing the biometric registration.

D. Payroll Verification and Removal of Employees as a Result of E-SPV Rollout

In furthering the payroll clean-up exercise, the CAGD began providing on monthly basis, payroll data to Sector Ministers of all MDAs/MMDAs for verification. The payroll data, once verified is used to update the payroll records. As at December, 2015 the Electronic Salary Payment Voucher (E-SPV) system has been deployed in nine regions, namely Gt. Accra, Ashanti, Brong-Ahafo, Northern, Upper-East, Upper-West, Central, Western and Eastern Regions.

As part of the E-SPV validation and certification of monthly payroll data, all Heads of Management Units in these nine regions – Greater Accra, Ashanti and Brong-Ahafo, Northern, Upper East, Upper West, Central, Western and Eastern Regions now certify online the staff to be paid for their management units on a monthly basis. This validation and certification is meant to ensure that

individuals who are not supposed to be paid under the respective Management Units are removed before the payroll is run for any giving month.

The payroll clean-up plan envisaged a further verification and collation of payroll data from Districts, Regions and Headquarters levels. At the District level the process would involve collating data from District Management Units to Regional as well as to H/Qs of each MDA. This system of collation is largely manual (i.e., undertaken using excel sheet or word). To this end, reporting template were developed and circulated to MDAs/MMDAs. The Chief Directors of the respective MDAs were sensitized on the verification and collation of data from Districts to the H/Q levels. The feedbacks received from these Directors were to be used for further update of the payroll records. As at December, payroll data for November has been distributed to heads of institutions.

In view of the practical difficulties of collating information from the Districts using manual systems, the envisaged verification and collation at H/Q levels by Chief Directors had not materialized. The Committee, therefore, agreed that since the feedback from E-SPV validation and certification will serve the same purpose, the feedback from monthly payroll reports from Sector Ministers and the monthly ESPV should rather be used to update the payroll.

E. The E-SPV validation had resulted in the names of 5,861 separated employees being deleted from the payroll between January and December 2015. Actual savings amounted to Gh15,737,159. 74

F. **Assessment of the Security of the Payroll Systems**

One of the payroll reforms issues that came before the Committee was the need to merge the two databases used by the CAGD in processing of employee payments. The migration of data onto each of these databases has been completed. Reconciliation of loaded data of GES' employees into IPPD2 has been done up to December 2015. As to which of the two systems should serve as the primary payroll processing system, the attention of the Committee was drawn to the fact that the IPPD2 payroll runs on Oracle platforms and hence shares the same platform with other public financial management systems such as GIFMIS, HRMIS and Hyperion. In spite of this, the Committee is awaiting a further technical assessment to come to a final decision.

The CAGD, in March 2015, contracted Messrs Ernst & Young (EY), a private audit firm, to undertake operational and economic review of the mechanized payroll systems. It may be recalled that KPMG, in 2012, conducted a payroll assurance on the IPPD 2 payroll system and submitted its report to the CAGD.

As part of EY's review, the status of CAGD's implementation of KPMG's audit recommendations was assessed. The review of EY revealed, among others, that CAGD has largely addressed payroll security issues (i.e., general system security settings, password settings, privileged access, user access administration, physical security, monitoring of the logical access controls, and segregation of duties). Other issues that were also found to have been largely addressed include system performance and configuration. The review noted other areas of KPMG's recommendations that need further improvement by CAGD. These areas include IT control and procedures around system usage and change management and input/output data validation.

Audit issues raised in the KPMG reports on user access have, also, been largely addressed. This is because user responsibility per the business rules of payroll has been reviewed and user assignment on the system is being updated. The existing responsibility matrix assigned to users has been reviewed and dormant users removed from the system. Existing users of the system at the Treasury headquarters and Personnel Processing Sections (PPSs) are being assigned responsibilities based on specific tasks they perform. Because of the payroll integration with GIFMIS Financial, the system administrator's roles has been streamlined with sub system administrators identified for payroll and financial, all of whom respond to the supervisor administrator. The contract for the implementation of the new integrated responsibility matrix and the training of system administrators is at tender stage.

Payroll manual was developed in July, 2014 and this manual spells out the duties and responsibilities of the different users in the system. However, the Committee agreed that a review of this manual be carried out and the manual updated to reflect changes in business processes arising from audit recommendations by September 2016. The terms of reference for the review of the manual has been developed and is ready to go through procurement process for the award of contract.

G. Other Measures to Improve Payroll Performance

➢ **Rollout of E-Payslip System**

As part of reforms to improve service delivery of mechanized payroll, the CAGD has rolled out the E-Payslip system to employees on the payroll. Through the E-Payslip system, the Department receives feedbacks from employees on regular basis and takes steps to addresses them. The system has thus minimized complaints of employees particularly to the media which used to be the case in the past. Moreover, the feedback mechanism has helped in addressing, in a timely manner, employee salary problems.

> **A Nation-wide Rollout of E-zwich Payment System**

The attention of the Committee was drawn to the use of E-zwich for payment of the allowances of National Service Personnel (NSP) from February, 2015. Following the success of these E-zwich payments, a Technical Committee of GhIPSS and CAGD is developing a nationwide rollout strategy for payment of employees on the mechanized payroll through the E–zwich payment system. To this end, stakeholder meetings between GhiPSS and MoF as well as various labour Unions and the Committee has taken place in preparation for the nationwide rollout of E-zwich as a payment system for all public servants. GhiPSS has informed CAGD about the readiness of banks to implement the e zwich system. CAGD has made press release for employees in the Greater Accra Region to begin registration with their salary bankers and for subsequent roll out of the system to employees in the entire region by May 2016

> **Migration of Subvented Organizations**

To ensure a better control over the public sector workforce and the wage bill, GoG had initiated the migration of the employees of subvented organizations onto the existing mechanized payroll databases. The staff strength of these subvented organizations, stood at 176,575 (i.e., 6,880 employees on Ghana Revenue Authority (GRA) payroll and 169,695 employees on the payrolls of other subvented organizations) as at December 2015. Seventy-one thousand (71,000) of these employees were National Service Personnel (NSP) representing 40.21%. The eight public universities had staff strength of 38,249 representing 21.66%. The percentage of GRA staff strength stood at 3.90 representing 6,880 employees. Smaller subvented organizations had a total of 1,420 (0.80%) employees. The remaining 33.43%, and the 3.90% of GRA, are employees of subvented organizations that are intended to have their controls strengthened using other payroll verification mechanisms instead of migration on to the mechanized payroll systems. As at December 2015 the migration of subvented institutions such as VAG, African Bio Fuel, and Centre for National Distance and Open Learning have been completed. Interface process with GRA has started.
 State Universities, Police Service have all resisted the migration on to the CAGD payroll citing security concerns and peculiar needs of the universities as reasons. A revised directive of interface / migration based on the strength of each University payroll system is now being pursued with a team currently visiting the universities for assessment.

Integration of Payroll with Other Public Financial Management Systems

The CAGD in its quest to integrate the payroll databases initiated and concluded the integration of IPPD2 into GIFMIS financials as at June, 2014. Work is currently ongoing on the integration of IPPD2 with the Human Resource Management Information System (HRMIS) onto to the payroll. As at December, 2015 the HRMIS system has been rolled out to the Public Services Commission as an institution. Plans are far advanced to roll out the system to the Prison Services, the Ghana Statistical service and the other Public sector institution in 2016. Further to this, the integration of the GIFMIS Payroll financial, HRMIS and Hyperion will be done in 2016 to ensure full budgetary control over public service wages and salaries in the medium term.

➢ **Automation of Payroll Input Forms (E-Forms)**

In its quest to reduce the time lag between the request for update of the payroll by MDA/MMDAs and the eventual inputting of the updating of the mechanized payroll, CAGD is currently in the process of engaging a consultant to assist in the development and eventual implementation of E-Forms. The input forms automation and submission system is set to achieve such objectives as (a) prompt submission of input forms and relevant documentation to CAGD; (b) timely information and relevant documentation to support decision making on changes in government payroll; (c) services delivery right to the door step of government employees; (d) make historical information on changes in payroll readily available; and (e) provide adequate audit trails on transactions logged. CAGD has received the list of input forms being developed under the HRMIS system. The Department will develop the other payroll forms that are out of scope for the HRMIS project. The engagement of the consultant is expected to be concluded by the end of March.

H. **Conclusion and Way Forward**

The Committee will continue to monitor the implementation of the Payroll Clean-up Plan to ensure efficient payroll and HR management in the public service. The critical step required is to complete the deployment of the E-SPV to the remaining regions in the country and also complete the implementation of the HRMIS system to facilitate the validation of the payroll and ensure efficient HR management practices in the public service.