



**REPUBLIC OF GHANA**

**2018 BUDGET IMPLEMENTATION INSTRUCTIONS  
COMPENSATION OF EMPLOYEES**

**MINISTRY OF FINANCE**

**29<sup>TH</sup> JANUARY 2018**

### 3.1 COMPENSATION OF EMPLOYEES

#### 3.1.1 Payment of Salaries

Beginning January 2018, the Ministry of Finance will issue General Warrants on quarterly basis to the Controller and Accountant-General's Department (CAGD) for payment of salaries of all employees at the end of each month at Cost Centre level. This is to ensure that Government pays for only verified employees that MDAs have budgeted for.

In line with the above, MDAs are required to submit a composite detailed monthly payroll payment plans comprising basic salary and all compensation related allowances to the office of the Director of Budget before the end of February to aid the preparation of quarterly Budget Allotment and quarterly General Warrants on Compensation of Employees.

#### 3.1.2 Non-Salary Related Allowance

Requests for release of funds for non-salary related allowances by MDAs must be initiated on the Ghana Integrated Financial Management Information System (GIFMIS) platform by MDAs. In addition, MDAs are required to submit computed details of beneficiaries and forward these requests to Ministry of Finance (MoF) for consideration along with all necessary justifications and relevant attachments (approval letters, condition of service, etc.).

#### 3.1.3 Categories 2 & 3 Allowances

Payment of Categories 2 & 3 allowances in the Public Service will be guided by the tenets of the new Administrative Rules and Procedures for implementing categories 2 & 3 allowances in the Public Service. MDAs are required to review the current list of beneficiaries to ensure that **ONLY** those who qualify are paid and this is subject to budgetary constraints. ***All previous arrangements in relation to payment of categories 2 & 3 allowances cease to exist and are replaced by the new***

***arrangements in the Administrative Rules and Procedures and this Budget Implementation Instructions.***

Applications to Ministry of Finance by MDAs for the utilization of Categories 2 & 3 allowances ***must be within budgetary constraints.*** MDAs should plan their activities within their budget. Any additions to current list of beneficiaries should always be guided by budget availability.

Specific Warrants will be issued to cover the utilization of categories 2 & 3 allowances.

### **3.1.4 Disaggregation of Allowances**

For 2018, all MDAs requests in respect of allowances must be disaggregated into those related to non-salary and Goods and Services. Where the MDA fails to disaggregate, the Ministry of Finance will return the requests. The COE chart of accounts will be reviewed and unique chart of accounts developed for Goods and Services related allowances for use, when preparing the 2019 – 2022 budget. These requests must be validated by the Internal Audit Unit of the MDA.

### **3.1.5 Financial Clearance**

The Public Services Commission (PSC) started a Human Resource (HR) Audit of the Public Service in 2015. This involved review of existing staffing establishments, head counts and verification of existing staff at specified and expected management units to ensure the right sizing of organizations to achieve optimum performance.

It was observed in 2017 that some MDAs recruited some category of officers as casual workers without securing duly approved financial clearance and included their emoluments when submitting requests for non-salary related allowances. Financial clearance is required for every recruitment whether temporary or permanent.

Government policy on net recruitment is still in force (with the exception of Education and Health sectors, within agreed limits). Replacement of staff **may** be allowed only in certain instances where institutions are understaffed and there is a budget provision.

Recruitments and replacements in 2018 will be guided by the results of the HR Audit. PSC and Office of the Head of Civil Service (OHCS) will continue to provide technical clearance for MDAs applying for recruitment and replacement. This may involve a snapshot HR Audit of all or part of an organization. Financial clearance will only be given by MoF if the need to recruit or replace is justified by budget availability, PSC and OHCS approval.

Furthermore, this Ministry will like to remind MDAs that, it is an offence to authorize applicants to assume duty in anticipation of obtaining financial clearance to regularize their appointments, without first obtaining financial clearance. The practice exposes government to court cases and judgment debts. **MDAs and Metropolitan, Municipal and District Assemblies (MMDAs) that have flouted this directive should relieve such officers of their posts immediately.** This also applies to Contract Appointments.

Appointments that precede the issuance of financial clearance are contrary to financial regulations and against the procedure for recruitment into public institutions in Ghana. The issuance of financial clearance to an institution to recruit/replace/re-engage indicates Government's acceptance of liability to pay the salary of the person and a confirmation that there is budgetary provision for the recruitment.

### **3.1.6 Improving Payroll Management**

The size of the public-sector compensation bill (wages, salaries, & other costs), which accounts for a significant proportion of domestic revenue, is a major concern for Government. It is one of the 'Big-Three' budget line items that continue to narrow Government's choices in pursuing higher economic growth and development programmes. The Social Security and National Insurance Trust (SSNIT) database will be used as a filter for the payment of public sector workers.

### **3.1.7 General Policy Measures on Payroll**

In 2018, government will accelerate the full roll out of the Human Resource Management Information system (HRMIS) to cover all MDAs, MMDAs and Sub-vented institutions by the end of June 2018. The Ghana Education Service and Ghana Health Service which together constitute about 70 percent of the payroll cost, will be on HRMIS by February 2018. Implementation of the HRMIS will eliminate the perennial issue of COE arrears build-up. In addition, interfacing the payroll of public tertiary institutions with the government-mechanized payroll will be completed by June 2018.

### **3.1.8 Validation of Staff Salaries**

Payment of employees' salaries validated by MDAs (using the E-SPV system) will continue to be handled at the centre by the CAGD. Heads of MDAs are required to comply with the Controller and Accountant-General's directives on validation of the monthly salaries of their employees using the E-SPV system (where the E-SPV system has been implemented for the MDA), or the manual confirmation of payroll reports submitted by CAGD to MDAs that are not yet on the E-SPV system.

### **3.1.9 Payroll and E-SPV Audit by Internal Audit Units**

As a continuous measure to decentralise salary validation and ownership by management units across the country, Internal Audit Units in the various MDAs and MMDAs across the country are to provide assurance on Electronic Salary Payment Validation (E-SPV) and HR validation. Internal Audits shall include in their annual work plan, a Payroll and e-SPV audits on a quarterly basis.

### **3.1.10 Payment of Salary Arrears in Excess of Three Months**

MDAs are required to seek approval from Ministry of Finance for salary arrears in excess of three months and any related allowances, and must attach relevant documents to their applications. For instance, for new entrants, MDAs must attach copies of financial clearance, appointment letters, acceptance letters, and any evidence of assumption of duty letter. In the case of promotions, copies of warrant for the inputs, promotion letter, and salary arrears templates, should be attached to the application. In addition

to the above, all requests for arrears from MDAs in respect of salaries, promotions and/or reinstatement of staff must include:

- Computations of the quantum of arrears; and
- In addition, the MDA must have a positive budget balance to accommodate the arrears being requested for without constraining salary payments for the rest of the year.

Before submitting the written application for the release of salary related allowances and salary arrears, MDAs are required to initiate the request on the GIFMIS platform by applying for monthly release at the sub-sub item level to MoF through the established approval hierarchy.

In all cases requests for Financial Clearance and Specific Warrants in relation to Compensation of Employees will be subject to MDAs remaining within their staff strength as at 1<sup>st</sup> January 2018, as well as, an assessed favourable end-of-year balance on their Compensation of Employees Budget.

Again Internal Audit Units are to provide quality assurance before submission to the Ministry of Finance

Failure to strictly adhere to the above will result in delays in processing of requests or denial of the request.

### **3.1.11 Recruitment and Promotion Related Arrears**

In spite of the PSC policy on recruitments and promotions, MoF continues to witness delays in the processing of recruitments and in promotions. These delays create frustrations for new recruits, serve as demotivation for serving officers due for promotion and lead to unexpected accumulation of arrears that hurt the integrity of our fiscal planning.

In order to control the wage bill, and avoid accumulation of compensation arrears that have not been provided for in the current budget, Government will continue to strictly enforce the policy and guidelines on the effective dates of promotions and recruitments

within the public service. Substantive dates of recruitments and promotions shall not be backdated without the explicit written permission of the Minister for Finance.

Further to the above, the Compensation Management Unit will commence quarterly monitoring of all financial clearance issued for 2018 to avoid delays and the build-up of arrears.