The Republic of Uganda

VALUE FOR MONEY AUDIT REPORT
ON PENSION PROCESSING
BY THE
DEPARTMENT OF COMPENSATION

MINISTRY OF PUBLIC SERVICE

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LIST OF ABBREVIATIONS

AU	Assessment Unit
CAO	Chief Administrative Officer
C/Comp	Commissioner Compensations
C/HRM	Commissioner Human Resource Management
CPG	Commuted Pension Gratuity
CP	Confidential Personal
DEO	District Education Officer
EFT	Electronic Funds Transfer
GoU	Government of Uganda
HRM	Human Resource Management
IFMS	Integrated Financial Management System
INTOSAI	International Organization of Supreme Audit Institutions
IPPS	Integrated Personnel and Payroll System
MoES	Ministry of Education and Sports
MoPS	Ministry of Public Service
NS	Native Service
PIMS	Pensions Information Management System
PVU	Pensions Verification Unit
PS	Permanent Secretary
PA/Comp	Principal Accountant Compensation
PO	Public Officer
PSRP	Public Service Reform Program
RIM	Records and Information management
RO	Retiring Officer
TC	Town Clerk

EXECUTIVE SUMMARY

Background

This report reviews the performance of the department of Compensation in the processing of pension against set processing times, identifies causes of delay in pension processing and makes recommendations to improve on processing time where necessary.

The study was carried out in the Ministry of Public Service's (MoPS's) department of Compensation and focused on pension processing time for newly retired traditional public servants and teachers. The study covered three financial years from 2006/07 to 2008/09.

The processing time of pensions for retired officers is crucial because it affects the livelihood of pensioners and therefore should be shortened so as to ease the process of transiting to the next phase of life. This audit was prompted by complaints from retired public officers about the delay to access the pension's payroll[1] despite government's increased annual funding. On average it took 23 months for the traditional civil servants and 30 months for the teachers to access the pension's payroll instead of the stipulated 6 months period.

The audit assessed the department's performance in the pension processing activities of receiving and approving pension applications, verification, assessment and payment of newly retired public officers.

Findings

Overall Pension Processing

The audit revealed long pension processing time. It takes on average 23 months for the traditional civil servants and 30 months for the teachers to access the pension payroll instead of the expected 6 months. The delay was attributed to the lack of a communication strategy, the MoPS failure to use the existing records of retired officers to commence timely pension processing, the unreliable Pension Information Management System (PIMS) and interruption of action officers by pensioners.

The delays led to distress amongst pensioners.

[1] The Public Service Pension's Management Information Manual, April 2000 (Chapter 7.1)

The delays were also noted in pension processing stages as described below:-

Receiving and Approving Pension Application Forms

MoPS took an average of 13 months and 16 months to acknowledge pension applications for the traditional civil servants and the teachers respectively instead of the required 14 days. It was noted that officers take long to file application letters and documents before compiling a list for submission to the PS or delegated officer. The delay was caused by lack of time limits allocated to sub activities carried out before submission of application forms to the PS or delegated officer . The absence of time limits affects effective monitoring and supervision of these activities.

Verification and Assessment of Pension Claims

There were also delays in verifying and assessing pension files. It took on average 14 months to verify and assess pension files of traditional civil servants and teachers instead of 1 month as required. The delay in the HRM department was attributed to the long verification time caused by the slow response by the retired officers to the queried pension applications and failure to give appropriate attention to pension verification by the HRM department.

Payment of Pension

It took an average of 8 months for both the traditional civil servants and the teachers to access the pension's payroll from the date of approval of the pension payment as opposed to 3 months. This was caused by inadequate funds released to the MoPS by the Ministry of Finance Planning and Economic Development (MoFPED) thereby affecting the livelihoods of retired officers. It was also noted that the delay in payment of teachers pension in the years 2006/07, 2007/08 and 2008/2009 was aggravated by the diversion of the teachers funds to cater for payment of other pension categories.

Conclusion

The delayed access of pension is a violation of pensioners' rights enshrined in the National Constitution, Article 254 (3) which states that, "the payment of pensions shall

be prompt, regular and easily accessible to pensioners." and denies them the resources to lead better lives.

Recommendations

In view of the above it is recommended that the management of the MoPS should:-

- Consider developing a strategy that allows prompt transmission of information to Ministries/ Departments and retired officers when queries are raised during processing of pension claims so as to enable immediate action and follow up.

- Use the employment information kept by it in the personal files of the retiring officers at the central security registry to commence timely pension processing instead of requiring the retired officers to furnish the same.

- Hasten the procurement and installation of the Integrated Personnel and Payroll System (IPPS) and ensure that during its design, installation and testing phases, user requirements are taken into consideration and that the system should have an integrated internal audit module.

- Put in place a proper records management system which enables easy filing and retrieval of pension records whenever there are required and ensure that information is regularly captured in the PIMS so as to enable ease of monitoring of staff involved in pension processing and to ensure that they execute their roles within the set time period so as to reduce on processing time.

- Management should delete all existing pensioners on PIMS (paying stations) who do not qualify for payment of monthly pension and notify qualifying pensioners who have not furnished the MoPS with bank accounts .

- Set and enforce processing time limits for sub activities in the central registry within which officers should receive and forward application files to the Permanent Secretary (PS) for approval.

- The directorate of HRM in MoPS should reorganize its departments to ensure that all departmental activities are accorded appropriate attention and that they work in harmony to achieve directorate objectives.

- In collaboration with other stakeholders hasten the government planned move to a contributory pension's scheme which would address the recurrent under funding problem in the department.

- Spend pension funds in accordance with the Treasury Accounting Instructions (TAI's) and Financial and Accountability rules and regulations that prohibit diversion of funds.

- Continue persuading the Ministry of Finance Planning and Economic Development (MoFPED) to release funds as appropriated by Parliament.

CHAPTER 1

INTRODUCTION

BACKGROUND

1.1 Motivation

Pension is a very important component of the terms and conditions of service in the Public service. Public officers on retirement are entitled to receive pension that is commensurate with their ranks, salary and length of service. The payments should be prompt, regular and easily accessible to the pensioners[1]. As stated in the Clients' Charter and amplified in the Public Service Pension Management Information Manual, April 2000, new retiring officers should access the pension payroll within 6 months from the date of commencement of pension processing. On the contrary however, it takes on average 23 and 30 months for traditional civil servants and teachers respectively to access the pension payroll. These delays have resulted into the accumulation of pension arrears, which stood at Shs.128 billion at the beginning of 2008/2009 financial year[2].

It is against this background that a Value for Money (VFM) audit was conducted in the Ministry of Public Service (MoPS), Compensation department, to examine the time a retired officer takes to access his/her pension benefits, the underlying causes of delay and make recommendations for improvement.

1.2 Description of the Audit Area

1.2.1 Background

Pension is managed by the department of Compensation in the Ministry of Public Service (MoPS). The Compensation department handles the pension schemes for the traditional public service, the teaching service, the defence and the former employees of the defunct East African Community (EAC). MoPS operates a defined pension benefits scheme which is computed on the basis of the annual salary before retirement and the total number of completed months of service, up to a maximum of 435 months[3].

[1] The Constitution of Uganda, Article 254 (1) and (3)
[2] *The MoPS Ministerial Policy Statement and budget estimates for 2009/2010*
[3] Pension regulation 25

1.2.2 Mandate

The department derives its mandate from the 1995 Constitution of the Republic of Uganda (Article 254), which states that "A public officer shall on retirement receive such pension as is commensurate with his or her rank, salary and length of service; The pension payable to any person shall be exempt from tax and shall be subject to periodic review to take account of changes in the value of money; The payment of pension shall be prompt and regular and easily accessible to pensioners". This mandate is amplified by the Pensions Act (CAP 281), Armed Forces Pension Act (CAP 298), The Public Authorities Provident Fund Act (CAP 291) and the Pension Policy.

1.2.3 Vision and Mission

The Compensation's department does not have a Vision and Mission of its own but shares that of MoPS.

Vision

"To develop a Public Service that is loyal, professionally competent, well motivated and facilitated to support the transformation of Uganda into a modern state".

Mission

"To develop policies, systems and structures that facilitate efficient and effective public service performance for national development and improved quality of life in Uganda".

1.2.4 Objective

The objective of the Compensation department is "To ensure fair, equitable, transparent and prompt system of computation and payment of pension and other terminal benefits".

1.2.5 Activities of the Compensation Department

The activities include[1]:-

- Receiving and approving pension and gratuity applications;
- Verifying and assessing pension and gratuity applications;
- Paying pension and gratuities;

Other activities are:-

- Budgeting for pension and gratuities;

[1] The Public Service Pension's Management Information Manual, April 2000

- Receiving and maintaining pension records and data;
- Receiving and answering pension related inquiries and complaints;
- Providing technical support to other pension centres;
- Monitoring the pension performance of pension policies, programmes, and procedures to ensure that they meet desired objectives;
- Planning and executing pension and retirement awareness programs.

1.2.6 The Organisational Structure

The Ministry comprises the Minister of Public Service assisted by Minister of State for Public Service[1]. MoPS has five entitled officers; Deputy Head of Public Service and Secretary for Administrative Reform, the Permanent Secretary (PS) who is the Accounting Officer and three Directors responsible for Human Resource Management (HRM), Efficiency and Quality Assurance (EQA) and Research and Development (R&D).
The mandate of the Ministry is implemented by nine departments which fall under the three directorates. The department of Compensation which falls under the directorate of Human Resource Management (HRM) is headed by a Commissioner. ***(Refer to the Organisational Structure in Appendix 1).***

1.2.7 Funding

The pension budget is entirely funded by the Government of Uganda (GoU). Funding for the three financial years under study was as follows:-

Table 1: Pension releases in the financial years 2006/07 - 2008/09

Financial Year	Pension Releases		Total Shs.
	Recurrent Shs.	Arrears Shs.	
2006/07	75 billion	52 billion	127 billion
2007/08	78 billion	186 billion	264 billion
2008/09	78 billion	114 billion	192 billion

Source: OAG analysis of IFMS Reports

Refer to Appendix 2 for the detailed breakdown

[1] MoPS Ministerial Policy Statement and Budget estimate for 2009/2010

1.2.8 Scope

The study was carried out in MoPS, Compensation department and focused on the time it takes the newly retired traditional public servants and teachers to access pension benefits.

The study considered a period of three financial years from 2006/07 to 2008/09.

CHAPTER 2

AUDIT METHODOLOGY

This audit was conducted in accordance with the International Organization of Supreme Audit Institutions (INTOSAI) Auditing Standards and the OAG VFM Audit manual. The standards require that the audit is planned in a manner which ensures that an Audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

2.1 Data Collection

Data was collected using the following methods;

Document review

The documents listed below were reviewed in order to ascertain the department's mandate, processes, activities (together with agreed upon processing times) and the general performance (actual processing times) in the aforementioned pension activities.

- The Constitution of the Republic of Uganda of 1995
- Pensions Act, CAP (286)
- Government of Uganda Standing Orders
- MoPS Policy Statements for the financial years 2006/07, 2007/08, 2008/09 and 2009/10
- The Public Service Pensions Management Information Manual, April 2000
- Municipalities and Public Authorities Provident Fund Act
- A Guide to the public service pensions management , October 2006
- MoPS audited Financial Statements for the financial years 2006/07 and 2007/08
- IFMS Reports
- Internal memo dated 6th Feb 2009
- Native Service (NS) forms
- 135 Sampled Pension Files
- The Bye-laws of Uganda Government Pensioners' Cooperative Society Ltd (UGPCS Ltd)
- Pensions Department Schedule of duties, August 2009

Internet sites visited

The internet sites below were visited so as to gain a general understanding of pension management.

www.gao.gov

www.publicservice.go.ug

www.narcis.info

www.nashville.gov

Interviews

A total of 19 interview meetings were held with various officers in MoPS and the Uganda Government Pensioners Cooperative Society executive members as detailed in **Appendix 3.**

Observation

The team observed pension processes, office layout and workflow and the handling of pensioners with the aim of ascertaining how they impact on pension processing.

2.2 Data Analysis

The data collected (eg critical dates) was analysed with the help of Microsoft Excel to get meaningful information, eg the time it took for the selected pension files to be processed.. The audit analysed delays in processing pension for civil servants and teachers for the financial years 2006/07-2008/09 with the view of establishing the trend. Releases and total pension payment were also analysed to evaluate the utilization of pension funding.

CHAPTER 3

SYSTEM AND PROCESS DESCRIPTION IN PENSION MANAGEMENT

3.1 Roles and responsibilities of key Players

The department of Compensation operates in conjunction with other offices, departments and individuals both internally and externally as stated below[1]:-

3.1.1 Internal

- **The Minister of Public Service**

The Minister is the political head of the Ministry and has the following pension related responsibilities:-

1. Provides political supervision for all pension related matters;
2. Spokesperson and advocate on all pension related matters;
3. Formulation of pension's policy.

- **The MoPS Permanent Secretary**

The PS is the Accounting Officer of the Ministry and is charged with the following pension responsibilities:-

1. Grants and disburses pension, gratuities and allowances in accordance with the Constitution of Uganda and the Pensions Act (CAP 281);
2. Advises government on the need for review of pension policies and initiatives.
3. Supervision and monitoring of heads of departments

- **Department of Compensation**

Administers the Pension scheme by:-

1. Receiving and approving pension and gratuity applications;
2. Verifying and assessing pension and gratuity applications;
3. Paying pension and gratuities;
4. Budgeting for pension and gratuities;
5. Receiving and maintaining pension records and data;
6. Receiving and answering pension related inquiries and complaints;
7. Providing technical support to other pension centres;
8. Monitoring the pension performance of pension policies, programmes, and procedures to ensure that they meet desired objectives;

[1] The Public Service Pension's Management Information Manual, April 2000

9. Planning and executing pension and retirement awareness programs.

- **Department of Human Resource Management**

The department of HRM carries out the pension related activities of:-

1. Verifying pension applications for authenticity;
2. Verifying records, capturing data on the Pensions Information Management System(PIMS) and preparing draft schedules/ batches;
3. Approving the complete, verified, confirmed and batched submissions before submission to the Compensation department.

- **Department of Finance and Administration**

The Department of Finance and Administration (DFA) is responsible for:-

1. Human, material and financial resources allocated to the Ministry in general;
2. The Administration of terminal benefits and pension's scheme;
3. Budgeting for pension.

- **Department of Records and Information Management**

In relation to pension, this department is charged with management of pension records which includes receiving, filing and record retrieval.

3.1.2 External

- **Government Ministries and Departments**

The roles of government Ministries and departments are to:-

1. Interpret and administer government retirement policies and practices;
2. Assess and compute terminal benefits of the retiring public Officers;
3. Complete and submit pension forms and other records to the Ministry of Public Service;
4. Maintain personnel records and progression plans for pension purposes.

- **Ministry of Finance, Planning and Economic Development**

In addition to the roles of other ministries and departments mentioned above, the Ministry of Finance, Planning and Economic Development (MoFPED) allocates and releases pension funds in the National budget

- **The Service Commissions**

The various Service Commissions (Public Service, Education, Health, Armed Forces, Local and Urban) are charged with identifying public officers to be laid off under pensionable circumstances.

- **Internal audit**

The internal audit department in the MoFPED is charged with the role of pre auditing pension claims to ensure conformity with all legal provisions and acceptable accounting practices before payment by MoPS.

- **Office of the Administrator General**

This office:-

1. Receives and disburses funds for death gratuity in accordance with the succession and probate laws;
2. Is the public trustee for the surviving spouses and minors and therefore ensures that their interests in the division and management of the estates of deceased public officer are protected;
3. Accounts for the funds received for the purposes stated in 1 and 2 above.

- **Local governments**

Local Governments (LG's) play the following roles:-

1. In the case of decentralised staff, LGs interpret and administer retirement policies and practices;
2. In the case of the district staff, LGs administer separate pension schemes and budgets. The LG's operate a scheme managed by Chief Administrative Officers (CAO's). This scheme is similar to that of the traditional civil servants and teachers;
3. In the case of retired public officers residing in LGs, the LGs used to receive pension funds from MoPS then remit to the beneficiaries. This has however changed in the current system where pension is directly paid to the beneficiaries' bank accounts by MoPS;
4. Account for pension funds received from MoPS;
5. Advice MoPS on efficient and effective means of managing the pension scheme.

- **Retiring Public Officers**

Retiring public officers are expected to:-

1. Comply with the terms and procedures of the pension scheme;
2. Apply for retirement through their Ministries or Departments and subsequently complete the pension registration form on retirement;
3. Provide authentic supporting documents to their pension claims;

4. Provide details of bank accounts for pension payments by filling form NS 7.

- **Pensioners**

Complete and submit pensioners' life certificates on a yearly basis

- **Uganda Government Pensioners' Cooperative Society Ltd**

1. Advocate for the prompt and accurate payment of pension to the rightful pensioners;
2. Liaise with MoPS on any pension related matters.

3.2 Process Description

Pension processing is carried out as described below[1]:-

3.2.1 Receiving and Approving pension application forms

Public officers who are entitled to pension, on the attainment of the mandatory retirement age (60 years), are notified six months prior to their due dates by use of pay slips printed by Uganda Computer Services. Public officers apply in triplicate to the PS MoPS through their respective PS's. The respective PS (Ministry/Department where a public officer worked) acknowledges receipt of application and sends it to HRM section for verification of officer's details and preliminary computation of pension. After internal verification by Ministries/Departments, the application letters and other required documents are forward to the PS MoPS.

The MoPS pre verification desk at the reception receives and pre-verifies documents before forwarding them to the central security registry. At the central security registry, documents are filed in a Confidential Personal (CP) file (for traditional public officers) or in the subject matter file (for teachers) and given numbers similar to the officers' personal numbers used during service. The central security registry then issues acknowledgement cards to applicants showing name, file number, batch number and date of receipt compiles a list of applicants for submission to the PS who approves receipt within 2 weeks[2]. The PS then routes the submissions to the C/HRM for verification.

[1] Procedure narrative for pension assessment, clients charter and The Public Service Pension's Management Information Manual, April 2000

[2] The Public Service Pension Management Information Manual, April 2000

3.2.2 Verification and Assessment of Pension Claims

Verification and assessment of pension files by MoPS takes 1 month[1] from date of acknowledgement of pension application forms by the PS.

3.2.2.1 Verification

On receipt of the submissions from the PS, the C/HRM forwards the same to the Pensions Verification Unit (PVU). The PVU verifies the submissions for authenticity of appointments, confirmations, due retirement dates, eligibility for pension against information in the retirees' files. After the PVU has authenticated, it then drafts approval letters for signature. Letters of rejection are signed by the verifying officers.

The signed letters (approval and rejection) are then forwarded to the PS of the mother ministry/department and copied to the applicant. The central registry also files a copy in the applicant's personal file.

The approved submissions are captured on computer and posted online to the C/HRM. In addition the PVU prepares draft schedules/ batches for C/HRM's approval and signature who forwards them to the Commissioner Compensation (C/Comp) for assessment.

The rejected files are returned to the forwarding ministry/department with reasons for rejection. The verification process resumes when such issues are resolved by the concerned Ministries/ Departments or the applicant.

3.2.2.2 Assessment

The C/Comp verifies files to confirm the accuracy of information and authorises the pension registry to assign a location file number. The pension registry then forwards the files to the Assessment Unit (AU) in the Compensation department.

The AU verifies the files and captures particulars like file number, salary segment in computer for assessment. The assessed files are submitted to the internal audit department through the pension registry.

[1] The Public Service Pension Management Information Manual, April 2000

When the pension registry receives the audited files from internal audit, it forwards them to the AU where a list of approved files is compiled and submitted to the Principal Accountant Compensation (PA/Comp) for payment.

Queried files by internal audit are sent to AU for clarification and where AU can not satisfactorily answer, the queries are forwarded to the applicants.

3.2.3 Payment of Pension

When the PA/Comp receives the list of approved files, s(he) authorizes Systems administrator to update the pension payroll. The Systems administrator confirms authenticity of bank accounts, enters pensioners to the payroll and forwards files to Senior Accountant Compensation (SA/ Comp) to update for any arrears due.

The SA/ Comp and other accounts staff compute arrears to be added to the Commuted Pension Gratuity (CPG) to arrive at the total amount payable and prepare payment schedules which are returned to the PA/Comp.

The PA/Comp verifies schedules and cross checks bank accounts and authorizes disbursement of funds by Electronic Funds Transfer (EFT) to the pensioner's bank accounts.

Payments are made to the pensioner's bank accounts within 3 months from the time of authorization by the Commissioner of Compensation[1]. Files are then returned to the pension's registry for safe custody.

The pension processing (from acknowledgement by the PS to payment) should take 6 months for new retirees[2].

[1] The Public Service Pension Management Information Manual, April 2000
[2] Clients Charter Sec 3.2 (b)

CHAPTER 4

FINDINGS AND CONLUSIONS

This chapter presents findings and conclusions on pension processing time in the department of Compensation.

4.1 Processing Time

4.1.1 Overall Processing Time

The Public Service Pension Management Information Manual, April 2000 and the Clients' Charter state that new retiring officers should access the monthly pension payroll within 6 months as shown below:-

Table 2: Expected time of processing pension claims

No.	Activity	Processing Time
1	Receiving and Approving (acknowledge) Pension Applications	2 weeks
2	Verifying and Assessing pension	1 month
3	Pension's payment	3 months
4	Weekends (2 days* 4 weeks* 6 months)	1½ months
	Total	**6 months**

A review of 135 files of the retired officers receiving pension revealed that it took on an average 23 and 30 months for the traditional civil servants and the teachers respectively to access the pension payroll from the time the pension process commenced in a three year period from 2006/07 to 2008/09 as detailed in table 3 below.

Table 3: Summary of analysis of pension processing time (months) for pensioners on the payroll

Financial Years	Pension Categories	
	Traditional Civil Servants (Processing period in Months)	**Teachers** (Processing period in Months)
2006/07	22	22
2007/08	28	38
2008/09	18	31
Average	**23**	**30**

Source: OAG examination of selected pension files

The teachers took longer (30 months) than traditional civil servants (23 months) to access the pension payroll. Teachers take long compared to traditional civil servants because the traditional civil servants have access to information regarding pension procedures and therefore apply earlier. It was also noted that the teachers registration certificates have to be authenticated with the MoES before verification commences and this takes longer time compared to traditional civil servants.

The longest delay was noted during the financial year 2007/08 where traditional civil servants and teachers experienced delay of 28 and 38 months respectively. There was improvement in the time taken to access pension by traditional civil servants and teachers in the financial year 2008/09 compared to the financial year 2007/08.

Scrutiny of the internal assessment report on the ***"Process Analysis of the Pension Management System"*** also revealed that pension processing was taking on average two years and seven months.[1] Interviews with the staff of MoPS involved in pension processing also confirmed that on average it takes between 2-3 years to process a pension claim

The information availed by management on the Pension Information Management System (PIMS) revealed that there were a total of 31,497 pensioners (both traditional civil servants and teachers) captured in the system by the time of audit (24th March 2010).

Of these, 2,428 had not accessed the monthly pension payroll due to delays in the processing system.

Table 4: Traditional civil servants and teachers captured in the PIMS

	Category		
Status	**Traditional civil servants**	**Teachers**	**Total**
On Payroll	17,721	11,348	29,069
Not on Payroll	1,938	490	2,428
Total Pensioners	**19,659**	**11,838**	**31,497**

[1] Procedure narrative for Pensions Assessment

The above delay was attributed to the following:-

Communication of queries

We observed that the MoPS lacked a communication strategy to promptly disseminate information on queries raised during pension processing to the Ministries/departments and applicants and thus delaying feedback. Action on queried files is suspended until the issues raised have been responded to by the relevant Ministries/ Departments or retired officers. Queries are answered by retired officers only when they next visit MoPS because that is when they get to learn of the queries raised which compounds delay.

Management response:

The Ministry has improved communication with clients by setting up a pre verification unit. MoPS currently runs awareness programmes on TV, radio and conducts sensitization visits in the districts.

Using a checklist the cases of incomplete submissions are rejected at this level and handed back to the submitting officers. Any subsequent queries are submitted to the submitting accounting officers who are required to answer. Communication between MoPS and the Accounting Officers will further be strengthened.

Utilization of existing records

The MoPS maintains personal files containing employment records for all public officers which may be used to commence timely pension processing. However MoPS does not make use of these records. We noted that retiring officers are required to furnish copies of the same records on application for pension leading to delays to commence pension processing.

The interview with the pension association executive members confirmed that they are asked to furnish employment records because the HRM departments at both the MoPS and the mother ministries/departments do not maintain up-to-date records in employee

personal files leaving pensioners with the only option of traveling back to their homes to look for copies which takes time leading to delay.

Management response:

The verification and processing of a pension claim requires that a public officer has been in post and active on payroll. We also need evidence that one has no outstanding debts with Government and that one is retiring on a pensionable status. In addition, the Ministry does not maintain central records on non-gazetted police, prison officers and teaches yet they constitute ore than 50% of the Ministry's clientele.

Record management system

The MoPS does not have a centralized file tracking and retrieval system where all pension file movements are recorded and monitored. This made locating of pension files cumbersome and delayed decision making during pension processing. Audit further revealed that action officers kept queried files in their offices until the pending queries/issues are resolved which compounds the problem of records management.

Pension Information Management System (PIMS)

The MoPS uses PIMS to manage its pension processes. We noted that the system could not be relied on to provide adequate information such as names of persons approving, authorizing, assessing and the dates of approval, authorization, and assessment which could have been used to identify the staff who are not carrying out their duties on time and therefore institute timely corrective measures. This was evident in the financial year 2006/07.

In addition, the audit established that the system did not put to use the inbuilt check mechanisms of rejecting processing of incomplete records making them prone to abuse. It is only in 2008 when the inbuilt checks were activated after the insistence and refusal of the Compensation department to process incomplete records.

It was also noted that the PIMS captured pensioners who did not furnished bank details and those who did not qualify for monthly pension in a file referred to as "paying stations". These have not been separated to remove all those who do not qualify for payment. Qualifying pensioners who have not furnished bank details have also not been identified and informed to do so. This is prone to abuse.

Efforts to ascertain the PIMS' design, cost and functionality were futile because management failed to locate the procurement file.

Discussion with management revealed that they have been upgrading the system (PIMS) due to its inefficiencies and as a result, management are in advanced stages of procuring another processing system, Integrated Personnel and Payroll System (IPPS), to address the existing challenges.

Management response:

The situation was true for claims that were verified and approved before April 2008, when the process of verification, approval and tracking of claims by the HRM department was manual. Since then, all claims are verified, approved and assessed on line.

Workflow

Through audit observation and interviews of staff of the MoPS it was noted that the delay in pension processing was also caused by interruptions by pensioners. Pensioners move to various offices requesting for information on the current status of their claims which is not satisfactorily given at the inquiries desk. As a result, staff take time attending to pensioners even when they do not have the appropriate information.

Management response:

A one-stop centre was established to give clients information on the status of claims but they still move to offices. The centre will be strengthened to give

all the necessary information to pensioners about queries raised during verifications and payments.

Besides the general causes of delay to access the pension's payroll stated above, the audit also noted some specific causes associated with the processing stages as described below:-

4.1.2 Receiving and Approving Pension Application Forms

Applications for pension should be received and acknowledged by the MoPS PS within 2 weeks from the date of receipt[1].

From the selected files in the three year period (2006/07, 2008/09 and 2008/09), it took the PS an average of 13 months and 16 months to acknowledge pension applications of traditional civil servants and teachers respectively as shown in the following table.

Table 6: Time taken (months) by PS to acknowledge pension applications

Financial Years	**Pension Categories**	
	Traditional Civil Servants	**Teachers**
2006/07	13	14
2007/08	15	20
2008/09	12	13
Average	**13**	**16**

Source: OAG analysis of selected pension files

The audit attributed delay to acknowledge pension applications by the PS to lack of time limits allocated to sub activities carried out before submission of application forms to the PS. The absence of time limits affects effective monitoring and supervision of activities carried out by officers. Officers take time to file application letters and documents in a CP file (for traditional public servants) or subject matter file (for teachers).

[1] The Public Service Pensions Management Information Manual April 2000

Management's responses:

Setting of time limits for sub activities carried out prior to the submission of application forms to the PS will be considered. Pension application forms are now submitted to the PS for approval every Wednesday and take one week to be signed.

The delay to acknowledge pension applications resulted in the delay to commence the verification process in the HRM department and therefore affects the total processing time of pension claims.

Conclusion

Acknowledgement of pension applications is critical in pension processing. Delay therefore in acknowledging pension applications affects the time it takes to process pension.

4.1.3 Verification and Assessment of Pension claims

Pension claims should be verified and assessed within 1 month from date of acknowledgement .

The reviewed pension files did not indicate the dates and results of verification exercise making it difficult for the audit to establish how long files were taking to be verified. In addition, the dates of approval by C/HRM in the PIMS during the financial 2006/07 were completely missing and in the financial years 2007/08 and 2008/09 could not be relied on because C/HRM was approving before acknowledgement by PS, which was found to be irregular.

However interviews of senior managers of MoPS and a review of the MoPS' internal assessment report on the ***"Process Analysis of the Pension Management System"*** revealed that it was taking an average of 14 months to verify and assess pension files. Out of this, verification accounted for 12 months while assessment took 2 months.

The delay in the HRM department was attributed to the long verification time caused by slow response by the retired officers to the queried pension applications. Queries are mostly raised regarding absence of letters of appointment, promotion or confirmation and the retired officers have to refer back to their mother ministries/departments for copies.

Management response:

MoPS has set up pre verification unit which carries initial checks of pension applications against a checklist and pensioners are immediately informed of any missing documents. This has reduced queries raised during verification.

The audit further noted that apart from the role of verifying pension files, the HRM department also handles other core roles of recruitment, appraisal, promotion and training of staff in the entire public service and these take priority as compared to verification of pension files. Failure to give appropriate attention to pension verification, yet Compensation department is dependent on the HRM department, delays the assessment process.

Management response:

The verification unit has been strengthened by recruiting additional staff to specifically handle pension verification in HRM department and produce monthly status reports on the number of cases received, verified and queried. The assessment unit also reports to C/Comp the cases received, assessed, sent to and queried by audit.

In addition a meeting between the departments of Compensation and HRM was convened to strengthen verification activities and the two departments now meet monthly to review work progress and challenges.

The slow response to queries and less attention to verification of pension files by HRM department leads to delayed assessment and eventual authorisation of access to the pension payroll.

Conclusion

MoPS delayed the verification and assessment of pension files and this had an impact on the whole pension processing time.

4.1.4 Payment of Pensions

Payment of Pension should be effected within 3 months from the time of authorization by the Commissioner of Compensation[1].

We observed that it took on average 8 months and 9 months for traditional civil servants and teachers respectively in the financial years 2007/08 and 2008/09 to access pension from the date of authorization as shown in the table below:

Table 7: Average time (months) taken by pensioners to access the Pension's payroll.

Financial Years	**Pension Categories**	
	Traditional Civil Servants	**Teachers**
*2006/07	-	-
2007/08	9	10
2008/09	7	7
Average	**8**	**9**

Source: OAG analysis of selected pension files and MoPS's PIMS, 25th August 2009

****2006-07 : Average time taken for pensioners to access the pensions payroll could not be determined due to missing data in the PIMS ie authorization dates.***

Management attributed delay to access the pension's payroll to insufficient funding under the defined benefit scheme which is entirely dependent on budgetary provisions from MoFPED which fell short of the funds requisitioned and therefore could not cater for the entire department's pension liability as shown in the following table.

[1] The Public Service Pensions Management Information Manual, April 2000

Table 8: Pension funding position for traditional civil servants and teachers in the financial years 2006/07- 2008/09

Financial Years	Budget	Actual Release	Under funding
2006/07	98 billion	68 billion	30 billion
2007/08	102 billion	68 billion	34 billion
2008/09	102 billion	68 billion	34 billion

Source: Approved budgets and OAG analysis of IFMS Reports

Management response:

Releases from MoFPED have been falling short of the approved amounts in the budget and as a result pension reforms were initiated by MoPS in collaboration with other stakeholders towards introduction of a contributory pension scheme.

The PS/ST has also promised to fully fund annual pension bills and officers will be paid their pension benefits as soon as they retire with effect from 1st July 2010.

Besides inadequate funding, audit revealed that MoPS's method of budgeting for pension was wanting. Projections of pensioners likely to retire at a given period of time that forms the basis for budgeting were never made. Management arbitrarily estimates pension figures that do not reflect the true financial requirement of pension. Analysis of the Ministry's budgeted arrears figures for all pension categories, considering 2005/06 as a base year, showed inconsistencies due to failure by the MoPS to prudently forecast pension requirements.

For example in 2005/06, the MoPS had opening balance of pension arrears of Shs. 320.7 billion. Given the pension bill of Shs. 108 billion and actual expenditure of Shs. 100.4 billion in the same year, the closing arrears would have been Shs. 328.3 billion. This closing balance is also the opening balance for 2006/07 which if applied in the computation, results into closing arrears of Shs. 323.3 billion for the year and not Shs. 284.4 billion as reflected in the Ministry's Policy Statement. Table 9 shows that the Ministry has been under budgeting in the financial years 2006/07, 2007/08 and 2008/09 by Shs. 38.9 billion, Shs. 10.3 billion and Shs. 34.4 billion respectively.

Table 9: Annual analysis of Arrears

YEAR	2005/06 Billion Shs	2006/07 Billion Shs	2007/08 Billion Shs	2008/09 Billion Shs
Arrears	*320.7	328.3	323.3	202.5
Current Year pension bill	108	122	144	152
	428.7	**450.3**	**467.3**	**354.5**
Actual Expenditure	100.4	127	264.8	192
Arrears c/f	**328.3**	**323.3**	**202.5**	**162.5**
Arrears as at Year End		**2006/07**	**2007/08**	**2008/09**
Auditors' Analysis		323.3	202.5	162.5
Ministry's Budget Figure **(Policy Statement)**		284.4	192.2	128
Under Budgeting		**38.9**	**10.3**	**34.5**

Assumption: Opening arrears of Shs. 320.7 in 2005/06 Policy Statement is correct.

Management response:

In preparing the estimate for pension budget, the assumption used by the ministry include past performance for payment of death gratuities, the number of officers due to retire on mandatory grounds and the projected salary increases for the forthcoming financial year. Due to budget ceilings given by MoFPED, pension is under provided in the approved budget.

Further analysis of submissions made to both Parliament and MoFPED revealed that MoPS submitted different figures of arrears yet the two submissions are meant to be the same given the fact that a same situation is being reported on as shown in the table below.

Table 10: Arrears Submission to Parliament and MoFPED

YEAR	2005/06	2006/07	2007/08	2008/09
Arrears (Policy Statements)	320.7	284.4	192.2	128.0
Arrears Submission to MoFPED	282.1	298.0	254.4	100.3
Variance	**38.6**	**-13.6**	**-62.2**	**27.7**

The inconsistency in the figures casts doubt on the correctness and reliability of the ministry's budgeted figures.

The executive members of the Uganda Government Pensioners' Cooperative Society Ltd, an umbrella organization of pensioners, attributed the limited funding to failure by Government to provide for the pension fund in accordance with the Pensions Act, Section 7(1) which states that ***"all pensions, gratuities or other allowances shall be charged on and payable out of the Consolidated Fund without further appropriation than this Act".*** and as a result MoPS treats pension as a contingent rather than a commitment.

Further analysis of funds utilisation also revealed that the funds released by MoFPED to cater for the various pension categories were being diverted from one category to others. This delays the payment of pension in the category whose funds have been diverted, for example, in the period under review, management diverted teachers' pension of Shs. 12 billion. According to the management such diversions are done to cater for payments of other pension categories. For example Shs 3 billion was diverted from other categories to pay the traditional civil servants. Details as per the following table.

Table 11: Pension releases against the Actual Bank payments for Traditional Civil servants and Teachers for the financial years 2006/07- 2008/09

Recurrent			
Traditional Civil servants			
Financial Year	**Actual Releases**	**Actual Payments**	**Variance**
2006/07	40 billion	41 billion	(1 billion)
2007/08	41 billion	43 billion	(2 billion)
2008/09	41 billion	41 billion	Nil
Total	**122 billion**	**125 billion**	**(3 billion)**
Teachers			
2006/07	28 billion	23 billion	5 billion
2007/08	27 billion	23 billion	4 billion
2008/09	27 billion	24 billion	3 billion
Total	**82 billion**	**70 billion**	**12 billion**

Source: Approved budgets and OAG analysis of IFMS Reports

Management response:

Monthly pension payments are the priority pension expenditures. Money was therefore moved from teachers' monthly budget to beef up Traditional civil servants and UPDF widows where there were shortfalls.

Insufficient funds release by MoFPED coupled with improper budgeting, failure to comply with the Pensions Act and diversion of pension funds lead to limited funds available to settle pension bill which in turn leads to delay to access pension as evidenced by the piled pension files in the accounts department which are pending payment.

Picture 2: Verified and Assessed pension files pending payment, taken on 15th October 2009

Delay to access pension affects the retired officers' livelihood thereby making them frustrated and some of them not accessing pension in their lifetime.

Conclusion

There is insufficient funding by Government towards settlement of pension liability as it falls due leading to accumulation of pension arrears.

General Effect of Delayed Processing of Pension

The general delays stated above led to failure by retired officers to provide for themselves and their families leading to increased dependency burden, distress, frustration and demoralization.

General Conclusion

Delayed access of pension leads to the violation of pensioners' rights enshrined in the National Constitution, Article 254 (3) which states that, "the payment of pensions shall be prompt, regular and easily accessible to pensioners." and as a result Government in general and MoPS in particular being viewed by the populace as inefficient and indifferent to the plight of pensioners.

CHAPTER 5

RECOMMENDATIONS

To reduce pension processing time, the audit recommends as follows;

5.1 Overall processing Time

- Management should consider developing a communication strategy that allows prompt dissemination of information to Ministries/ Departments and retired officers when queries are raised during processing of pension claims so as to enable immediate action and follow up thus reducing on the processing time.

- The MoPS and HR sections of ministries/departments should keep existing employment records in the personal files up-to-date and use them when needed to commence timely pension processing instead of retired officers having to furnish the same.

- The MoPS should collaborate with MoES to have teachers registration certificates authenticated before pension applications are submitted to MoPS.

- Management should hasten the procurement and installation of the IPPS and should ensure that during the design, installation and testing phases, user requirements are taken into consideration and that the system has an integrated internal audit module.

- The MoPS should put in place a proper records management system which enables easy filing and retrieval of pension records whenever there are required and ensure that information is regularly captured in the PIMS so as to enable ease of monitoring of staff involved in pension processing and to ensure that they execute their roles within the set time period so as to reduce on processing time.

- Management should delete all existing pensioners on PIMS (paying stations) who do not qualify for payment of monthly pension and notify qualifying pensioners who have not furnished MoPS with bank accounts .

5.2 Receiving and Approving Pension Application Claims

- Management should set and enforce processing time limits for sub activities in the central registry within which officers should receive and forward application files to the Permanent Secretary (PS) for approval.

5.3 Verification and Assessment of Pension claims

- HRM departments at both MoPS and mother ministries/departments should maintain up-to-date employment records in employees' personal files to avoid referring to retiring officers when letters of appointment, promotion or confirmation are required for verification.

- The directorate of HRM in MoPS should reorganize its departments to ensure that all departmental activities are accorded appropriate attention and that they work in harmony to achieve directorate objectives.

- Management of MoPS should establish a specific pension information and query desk that should be equipped to attend to pensioners' requests in order to avoid pensioners moving from one office to another searching for information and disrupting action officers.

5.4 Payment of Pension

- Management should expeditiously pursue recommendations put forward towards establishing the contributory pension's scheme which should address the recurrent under funding problem in the department.

- MoPS should periodically make realistic projections during budgeting for pension and ensure that the same information is furnished to Parliament, MoFPED and other stakeholders to enhance the acceptability of budget requests and for better decision making.

- MoPS should prepare and present pension estimates to Parliament in accordance with the Pensions Act, Section 7(1) which requires pensions, gratuities and other allowances to be charged on and paid out of the Consolidated Fund without further appropriation. This will improve Government commitment and availability of pension funds.

- MoPS should continue persuading MoFPED to always release funds as approved by Parliament.

- MoPS should ensure that all pensioners are paid through the bank accounts so as to reduce the possibility of misappropriation of funds.

- MoPS management should spend pension funds in accordance with the Treasury Accounting Instructions (TAI's) and Financial and Accountability rules and regulations that prohibit diversion of funds.

John F. S. Muwanga
AUDITOR GENERAL

KAMPALA

MARCH 2010

GLOSSARY OF TERMS

Action Officers

means officers carrying out pension processing activities

Assessment

means confirmation of bio-data, employment history and the calculation of a pensioner's befits

Confidential Personal file

means a restricted file containing employment information of confidential nature about a public officer

Contributory pension scheme

means a pension plan in which the participating employees are required to support the plan with contributions.

Defined benefit scheme

means the pension plan in which MoPS pays a specified monthly benefit on retirement that is predetermined by a formula based on the retiring officer's earnings history, tenure of service and age

District

means a highest administrative division managed by a local government.

Entitled Officers

means officers in Public Service whose emoluments are paid directly from the Consolidated Fund

Native Service forms

means pension forms designed during the colonial days to be filled by indigenous public officers and are still in use

Pension

means a steady and regular income paid to a person, usually after retirement or end of service rendered to the Public Service under legal or contractual terms.

Pensioner

means a person who has retired and collecting pension

Processing time

means the time clients have to wait for services to be delivered

Public Officer

means any person holding or acting in office in the Public Service

Public Service

means service in any civil capacity of government, the emoluments for which are payable directly from the Consolidated Fund or directly out of monies provided by Parliament

Terminal benefits

means monies that a public officer is entitled to, as a result of termination of services that they have rendered to the public service

Traditional public Officers

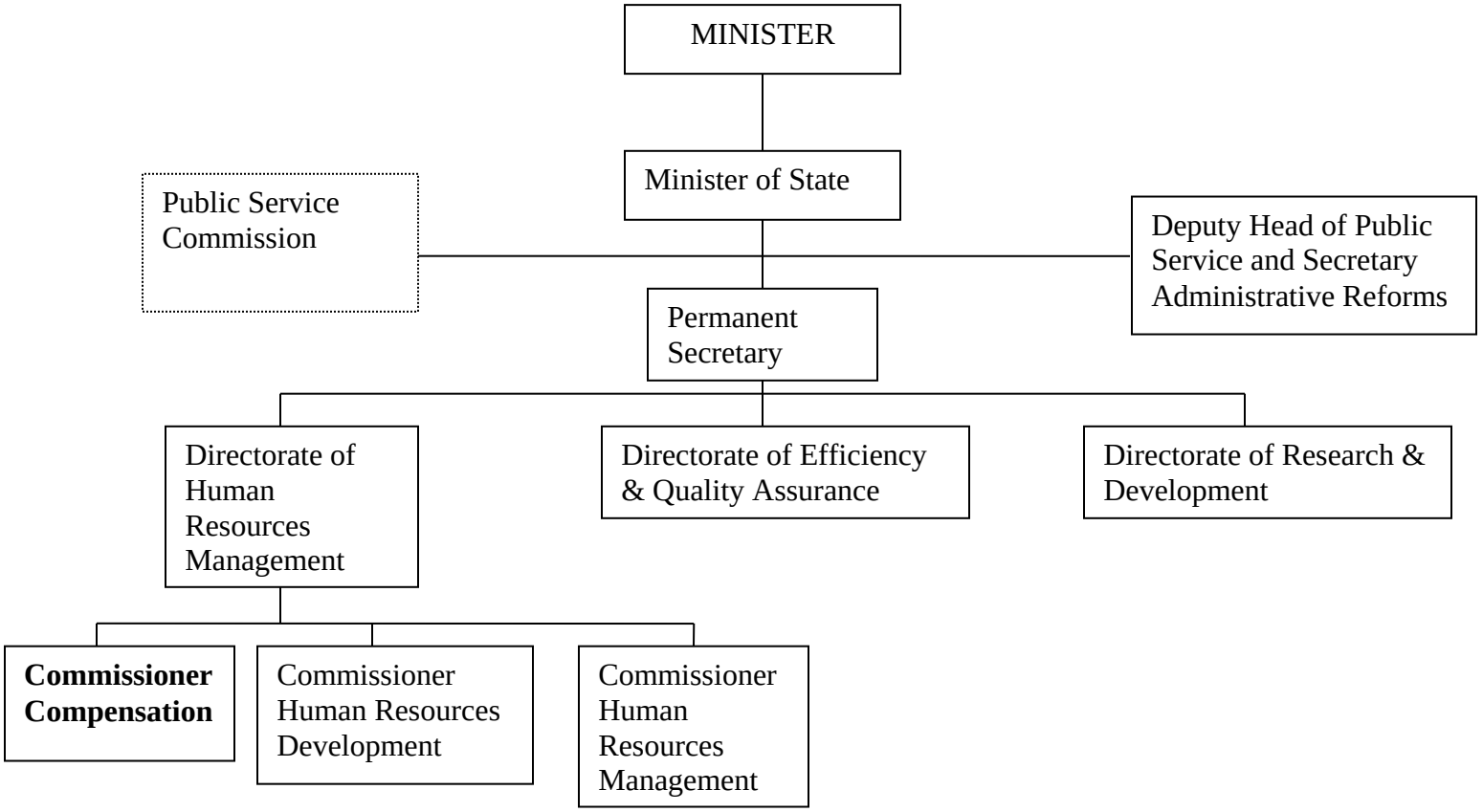
means officers in the public service, other than defense and teaching service

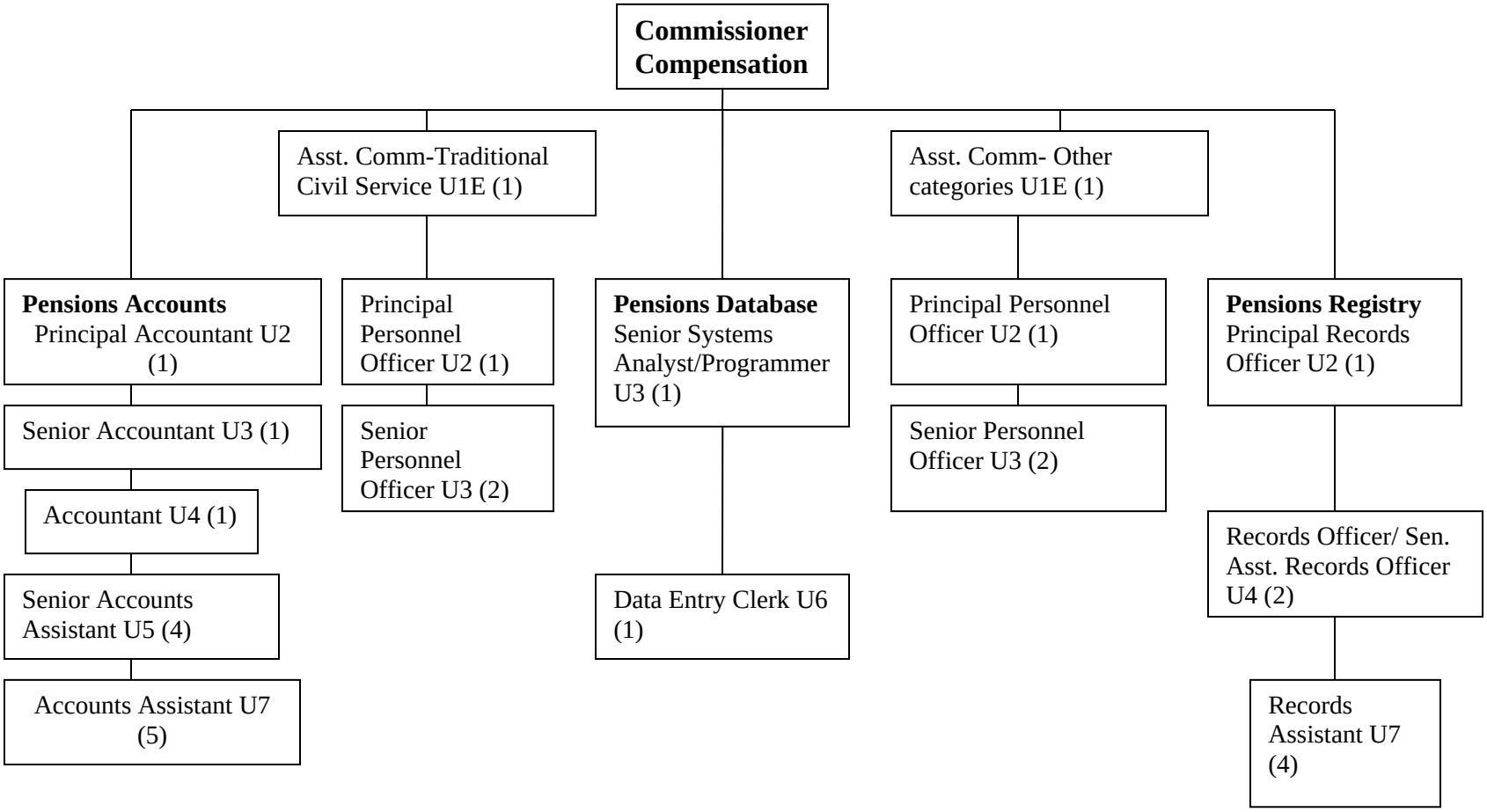
Verification

means checking documents for completeness and authenticity

APPENDICES

Appendix 1: MoPS Organisational Structure





Source: MoPS Ministerial Policy Statement and Budget estimate for 2008/2009

Appendix 2: Pension Funding

Table showing categorized annual Government funding towards Pension Obligations

Financial Years	Category	Pension (000)	Arrears (000)
2006/2007	Traditional Civil service	40,440,000	3,810,000
	Teaching Service	27,550,000	3,610,000
	Validation of old pensioners	-	21,810,000
	Defence	7,250,000	5,000,000
	Defence (Widows and Orphans)	-	7,430,000
	EAC (Compensation)	-	10,210,000
	Local Government	-	-
	Total	**75,240,000**	**51,870,000**
2007/2008	Traditional Civil service	40,638,409	10,200,000
	Teaching Service	27,550,000	7,100,000
	Defence	-	54,662,900
	Defence (Widows and Orphans)	10,101,620	28,800,000
	Validation of old pensioners	-	57,200,000
	EAC	-	11,000,000
	Local Government	-	17,500,000
	Total	**78,290,029**	**186,462,900**
2008/2009	Traditional Civil service	40,644,230	14,288,048
	Teaching Service	27,550,000	14,000,000
	Defence	-	31,300,675
	Defence (Widows and Orphans)	10,101,620	13,774,205
	Validation of old pensioners	-	10,404,672
	EAC	-	-
	Local Government	-	30,090,298
	Total	**78,295,850**	**113,857,898**

Source: OAG analysis of Ministry of Finance's Summary of estimates of statutory charges on consolidated fund services

Appendix 3: Interviews conducted

Duty Station	Designation	Interview meetings	Purpose of Interview
MoPS Headquarters	PS	1	i) Introduce the audit.
	C/HRM, C/Comp and C/RIM	9	i) Introduce the audit and gather necessary information. ii) Establish pension processing roles iii) Ascertain how long pension processes take Get a brief on the operational problems and Challenges faced in Pensions management by the department of Compensation. iv) Ascertain causes of processing delay and get opinions on ways to reduce processing time
″	PA Comp	4	i) Obtain financial information relating to Pension ii) Ascertain how long it takes to pay pensioners after assessing iii) Ascertain causes of processing delay and get opinion on ways to reduce processing time
″	- Senior systems analyst-pensions database -Research Assistant-pensions database	3 1	i) Understand the PIMS operation ii) Obtain pension information from the PIMS database
Uganda Government Pensioners Cooperative Society Executive	Association members	1	i) Membership of association, its activities and achievements ii) Problems faced by pensioners who have not accessed pension. iii) Challenges faced by the Association
Total		**19**	