

THE GENERAL RULES AND PRINCIPLES OF PAYROLLING IN NIGERIAN LOCAL GOVERNMENT SYSTEM.

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Abstract

Payrolling is the process of listing the names of people employed by either private or public establishments, showing the amount of money to be paid to each of them. There are some rules and principles guiding the Payrolling processes. Local Government system as in other establishment adopts them to ensure that worker's salaries are paid promptly. It is against this backdrop that this paper seeks to find out the extent to which Payrolling is carried out in the Nigerian local government system. During the course of this study, it was discovered that payroll officers engage in all sorts of frivolous activities such that workers have lost confidence in them. The paper did not hesitate to offer some solutions, which if adopted will rekindle the lost hope of local government workers.

Introduction:

The local government system is recognized as the government at the grassroot level. It is the third tier of government in Nigeria. One of the significant marks in the growth and development of the local government system in Nigeria was the local government reforms of 1976. The reforms introduced unified system of local government, which in real sense established the same type of operation throughout the local governments in Nigeria. The primary objective of the reforms and also the subsequent modifications has been to empower local governments in Nigeria to discharge their constitutional responsibilities as a tier of government. For them to play these important roles, they (local governments) really need sufficient funds. In other words, the ability of any local government to accomplish such expected tasks, will depend largely on the availability of funds. This belief was confirmed by Adedeji (1969:96), who asserted that the success or failure of any local government will depend on the financial resources available to it.

Similarly, it is equally difficult for any local government to carry out the assigned responsibilities as expected without adequate manpower. That is why Anugwom (2007:59), saw manpower as the available human resources that local governments can tap in order to effectively discharge its duties and obligations to its constituents. According to Nwankwo (2007:17), human resources are about the most important of all the essential resources of an organization. He further stressed that human resources are the highest asset of any organization, because no matter the amount of capital invested in an organization, its success or failure depends on the quality of people who plan and execute its programmes. But there is no way they would be effective in their job without adequate financial reward in the form of wages and salaries. These are the means by which workers are motivated and encouraged to remain steadfast in the service of an organization.

In view of the peculiarities of the local government system, and the felt need to ensure the maximum utilization of the manpower resources, most especially the scarce high calibre ones, enhance the ability of the local government to attract, retain and maintain credible career structures for capable hands in the service and preserve the significant gains made in building the local government system, the need to pay salaries adequately to local government workers as in other

tiers of government, becomes imperative. As in other government establishments, payment of salaries to local government workers is not negotiable since it is a statutory obligation. To ensure regular, accurate and prompt payments at the end of every month, payroll section of Finance and Supplies Department has been empowered by law to be solely responsible for the preparation of workers' salaries month by month. It is on this premise that this paper focuses on finding out the extent to which payrolling is carried out in the local government system.

Key Words: Payrolling, Local Government, Personal Emoluments Vouchers, Financial Memoranda.

Conceptualization of Payrolling:

Payrolling is the process of listing the names of people employed by a company showing the amount of money to be paid to each of them (Hornby, 2001: 857). It is obvious from the above statement that payrolling is an exercise that is done in every establishment that has some employees, which in all intent, are paid by the employers. In this respect, payrolling becomes an exercise that is carried out both in the private and public organizations. Therefore, it may not be out of place if payrolling, with respect to local government system, is defined as the listing of all the people who are employed by the local government council, showing the actual amount to be paid to each worker at the end of every month. In other words, before any person is payrolled in the local government, he or she must be a bonafide worker of the council.

Duties of Payroll Section:

Local governments' workers are expected to be paid their salaries at the end of every month. According to section 9.23 of Local Government Accounting Handbook, attendance time sheets plus overtime sheets where applicable, are submitted by various departments and units to the payroll section before the end of every month. These sheets are properly checked by the relevant authority (Internal Auditor) before they are entered in the payroll sheet.

2. The section should ensure that workers' salaries are prepared on time to ensure prompt payment. To achieve this, the unit should design a system of recording and computing that will ensure payment of correct amounts to authorized employees at due time as well as safeguard against unauthorized payment to fictitious persons.

3. It must ensure that all computations are made in accordance with the Financial Memoranda (FM) and other rules and regulations guiding payrolling in the local government system.

4. The payroll section should build necessary data on every employee for accurate information in processing his earnings.

5. It is necessary to remind the payroll officers that they have to account for the payments made to all staff as salaries and deductions. In other words, they should be held liable for any over or under payment to any worker of the council.

Procedure in Payrolling:

All employees of the local government are usually rated according to their ranks on appropriate grade levels. Within each grade level is point or increment which an employee progresses as the years go by until when they are promoted to the next grade level. Basic salary of an employee is normally supplemented by some approved allowances such as transport, rent, utility, hazard and bonuses. In contrast, there are deductions which include taxes (PAYE), union dues, levies, loan refunds, etc. These allowances and deductions can be regular or interim. They are regular when they are constant and do not change quite often while allowances and deductions are interim when they are paid and deducted respectively for particular purposes. At the end, net pay is arrived at gross earnings (basic salary + regular allowances) minus approved regular deductions.

Concisely, section 9.23 of the Local Government Accounting Handbook states that a salary voucher (sub-receipt) is prepared for each department and shows for each worker the following information.

- (i) Name of employee
- (ii) Rank
- (iii) Basic salary grade level and step
- (iv) Salary per annum
- (v) Basic pay

To the basic pay is added the following regular allowances to arrive at the gross pay.

- (i) Meal
- (ii) Rent
- (iii) Transport
- (iv) Utility
- (v) Hazard
- (vi) Arrears

From the gross pay, the following deductions are made to arrive at the net pay

- (i) PAYE income tax
- (ii) NULGE check-off dues
- (iii) Staff welfare association
- (iv) Insurance
- (v) Refund of loans and personal advances plus accrued interest (Financial Systems Consultants, 1993:112).

Below is a hypothetical example of personal emolument voucher or salary voucher or salary sub-receipt which shows the salary of Mr. 'X' who is a staff of 'Y' Local Government and is deployed to work in the 'Z' Department.

Personal Emoluments Voucher

'Y' Local Government

Department: Z

SALARIES FOR THE MONTH OF.....

S/N	Name of Employee	Rank	Grade level and step	Salary Per Annum	Basic
1	Mr. X	Senior Accountant	09 ¹¹	275,508	22,959

ALLOWANCES

Meal	Rent	Transport	Utility	Hazard	Arrears	Total
700	7099	1450	500	-	-	9749

Gross = **Basic** + **Total Allowances**
32708 = **22,959** + **9749**

Various Deductions

PAYE	Insurance	NULGE	Personal Advances	Loans	Staff Welfare	Total
689		689	-	-	100	1478

Net Pay = **Gross** - **Total Deductions**
31,230 = **32,708** - **1478**

Signatories: HOD, Internal Auditor, HPM, Treasurer and Payroll Officer.

It is pertinent to note that after the pay sheets have been fully entered and the net pay calculated, pay slips where applicable shall be prepared for each worker with details of basic, allowances including overtime, gross pay and deductions.

The Guiding General Rules and Principles of Payrolling in the Local Government System in Nigeria:

In view of the need to retain the high level staff trained at great expense over the years, and sustain the management capability of each local government, the Unified Local Government Service is retained and co-ordinated by the Local Government Service Commission (Oyelakin, 1999:17). That is why section 5.7.2 of Handbook on Local Government Administration has empowered Local Government Service Commission in all the states of the federation to appoint, post, promote and discipline local government employees on Grade Levels 07 and above. Furthermore, section 5.7.2 (c), granted the same body (LGSC) the power to monitor the activities of each local government on appointment, discipline and promotion of local government employees on Grade levels 01-06. This is to ensure that the guidelines are strictly and uniformly applied by the Junior Staff Management Committee that has been mandated by section 5.9.3 of the same Handbook on Local Government to interview and issue appointment letters to local government workers on Grade levels 01-06.

With respect to the above constitutional directives, it is binding on the payroll officers to ensure that all letters of newly appointed staff shall be duly signed by the Head of Department of Personnel Management in the case of posts graded 01-06, and by the Secretary of the Local Government Service Commission in the case of posts on Grade levels 07 and above, before payrolling such staff. It is tantamount to breaking of law should payrolling of any staff is carried out without the appointment letters duly signed by the authorized personnel.

The payrolling system cannot be complete without the signature of the Internal Auditor who according to Section 40.1 of the Financial Memoranda (FM), provides a complete and continuous auditing of the accounts and records of revenue and expenditure of the local government. Stressing further on the role of Internal Audit unit in the payrolling process in the local government system, Section 40.10 of the same FM states that before any payment including salaries of workers is made, a prepayment auditing of vouchers and the supporting documents shall be made by the Internal Auditor. This is to ensure that the provisions of the FM are followed in all respect, that payment is one properly authorized and correctly charged to the stated sub-head or account, and that sufficient funds are available to meet such payment. From the foregoing, Internal Audit unit is indispensable in the local government financial operations such that the signatures of the two signatories (HPM and Treasurer) to the account of the council become null and void, if the Auditor has not vetted and appended his or her own signature to the payroll sheet.

It is equally binding on the Payroll Officers to ensure that Heads of different Departments in the council must certify the payrolled sheet containing all the names of staff from their individual departments. This is to ensure that all bonafide staff of each department are correctly payrolled and no name is missing, while in contrast, none member of any department should be in the voucher. The above is in consonant with section 15.22 of the Financial Memoranda, which states that "a Head of Department shall be personally responsible for notifying the Treasurer of the death or dismissal of any employee or any other matter affecting the payment of his emoluments". In addition, the Head of a Department may be held personally liable for any irrecoverable overpayment, which is due to his failure to give prompt information to the Treasurer" (Federal Republic of Nigeria, 2009:129).

Discussion:

The Payroll section is required to carry out the payrolling processes on time to ensure prompt payment of salaries to workers. But in most cases, the officers deliberately delay the work for some ulterior motives. For instance, some of the payroll officers technically collude with some principal officers of the council to pad the wage bills. For them to succeed in their nefarious act, the payroll vouchers must be submitted late to the next relevant officers, thereby stampeding them into signing the sheets in a hurry due to short of time, and most importantly to avoid workers blame for being responsible for late payment of their salaries. This is one of the methods used by

some payroll officers to circumvent the rules and regulations guiding payroll processes in the local government system.

It is normal for a staff of local government to go on transfer from one local government to another either as a result of personal request or government policy directives. It is observed with dismay that some payroll officers hide under this circumstance to play some prank. It has been discovered that some dubious payroll officers conspire with the transferees to increase their salary steps at random and in extreme cases change their grade levels. This has generated complaints from different categories of workers that they have been denied of their annual increments following their observation that their colleagues who were appointed along with them into the system on the same day and on the same grade levels are now ahead of them with more than one or more incremental steps or grade levels. This sort of indiscriminate and unofficial upliftment of workers' positions is an absolute negation of local government rules and regulations, which cannot be in the interest of local government system in Nigeria.

We are all aware that the local government administration has been hijacked by the politicians (public office holders). They determine who is to stay and work in a particular place irrespective of seniority or experience, and that is why rules and regulations are inanimate in the system. Today, inexperienced and persons with no accounting background are posted to work in the payroll section. These categories of staff who have full patronage from their godfathers carry out their duties in line with the directives from the above instead of respecting the rules and regulations guiding their office. This pathetic situation has undesirably instituted ugly experiences among local government workers. It is no longer news to hear complaints of missing names in the payroll vouchers or Mr. 'A' mistakenly collecting the salary of Mr. B.

This paper wishes to remind all various Heads of Departments in the local government system the extent of their involvement in the payroll process. They are duty bound to sign the payroll vouchers before payment of salaries becomes effective. That a Head of Department should sign the payroll sheet is not optional but a matter of compulsion. Before any Head of Department signs the voucher, he must certify on honour that the payment voucher has been cross-checked by him and that it contains only the names of staff with valid appointment papers in his department and physically attended work throughout the month. From the above, it shows that HOD has no option than to sign the voucher. This is because section 15.22 of FM has already incriminated such HOD since he is held liable for any irrecoverable overpayment, which is due to his failure to give prompt information to the Treasurer of the council.

It has been discovered that most payroll officers, conspire with some principal officers of the council and relations of either retired or deceased workers to replace them with persons from outside the local government without following due process. It is unfortunate to note that even the Junior Staff Management Committee or Local Government Service Commission may not be aware of such replacements. Consequently, the salaries of such retired or deceased staff are paid to their relations who are occupying their seats illegally.

Recommendation:

It is believed that the Internal Auditor will continue to remain a rubber stamp as long as his office is tied to the chief executive's office. If this important personality in the local government system in Nigeria is to perform his statutory functions in accordance with the rules and regulations guiding his office, he must be detached from the chairman's office and allowed to exist independently. His autonomy if granted will no doubt give him absolute freedom to carry out his enormous responsibilities without fear of contradiction. That all sorts of malpractices are committed in payroll section is because of the fact that the hands of Internal Auditors are tied.

The payroll section in the local government should be equipped with qualified manpower. The workers in this section should be given enough freedom to carry out their official duties accordingly without unnecessary intervention.

The payroll officers should be educated properly on the implications of conspiring with other local government officials to pad wage bills. They should be made to understand that it will not augur well with them should they be caught in such nefarious act.

It is believed that most Heads of Departments do not know the extent of their involvement in the payrolling process in the local government. They should be made to understand that the punishment for failing in their duties is even more when they think that they are smart enough to dodge being part of the payrolling exercise. The truth of the matter is that whether they sign the salary vouchers or not, they are already liable for any overpayment and other financial imbalance involving their departments.

Conclusion:-

Payroll section is an engine of local government system because if it sneezes, the whole system will cough. It is on record that most of the protests and strikes observed in the Nigerian local government system are generated by salary issues. Therefore, payrolling will be handled with caution. Most importantly, payroll officers will be mindful of the implications of indulging in all sorts of financial malpractices because a thief may not be lucky always.

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