



The Controversy on the Implementation of the Contributory Pension Scheme (CPS) in Nigeria: The Accounting Perspective

Philip Olawale Odewole

Department of Management and Accounting, Obafemi Awolowo University, Ile-Ife, Nigeria

Email address:

waleodewole@gmail.com

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Abstract: This study examined the cause of the controversy in the implementation of the contributory pension scheme among the Ministries, Departments and Agencies (MDAs) in Nigeria. Descriptive methods of analysis were used to analyse the data. The result showed that misstatement in the disclosure of employees' contribution is the major cause of the controversy. Also, the result revealed that the personnel cost releases to the MDAs since the inception of the scheme is 92.5% of the gross personnel cost budget of each institution while the balance of 7.5% of the personnel cost budget represents the deduction at "source" for the individual employee which is being credited to the employee's Retirement Saving Account open with the employee's choice Pension Fund Administrators through the Central Bank of Nigeria. More also, the findings established that discrepancies in the presentation of the employees' deduction in the payrolls and individual employees' payslips largely accounted for the continuous restiveness among the Ministries, Department and Agencies (MDAs) in Nigeria. The result showed that some MDAs disclosed the employees' deduction as a memorandum entry in the individual employee's payslips and payroll, while others disclosed it under the basic salary column as additional deduction by the MDAs from the monthly employee's emolument. The study concluded that only uniform accounting treatment of the employees' deduction in the personnel accounting records will end the cold war in the implementation of the Contributory Pension Scheme among the employees in the Nigerian Ministries, Department and Agencies.

Keywords: Contributory Pension Scheme, Accounting Perspectives, Pension Reform Acts, MDAs

1. Introduction

The implementation and operation of the Contributory Pension Scheme (CPS) has been generating continuous restiveness within the university system and other parastatals due to the conflicting interpretations by universities, polytechnics and other tertiary institutions of the essential contents of the Pension Reform Act 2004. The implementation of the Contributory Pension Scheme in the Public Service of the Federal Republic of Nigeria came into force with effect from 1st July, 2004 and all Ministries, Departments and Agencies were instructed to comply.

The scheme is intended to ensure that every pensioner who has worked in either the public or private sector receives his retirement benefits as and when due. The scheme is

structurally fully funded, based on individual accounts that are privately managed by Pension Fund Administrators with the Pension Funds assets held by Pension Fund custodians licensed and supervised by the National Pension Commission. In line with the provisions and contents of the contributory pension scheme, each employee is required to contribute 7.5% of his/her consolidated salary to the scheme. In order to ensure timely remittance of the deduction from the employees' remuneration, the Budget Office deducts the employees' statutory contributions from the allocations to the Ministries, Departments and Agencies (MDAs) through the monthly Recurrent General Warrants.

In other words, all Ministries and Agencies which are funded from the Annual Federal Budget of government contributes 7.5% of employees' basic salary, housing

allowances and transport allowances on a monthly basis while employees contribute the proportionate 7.5% of the same base. In the case of the Military, government contributes 12½% of the basic salary and housing and transport allowance. All self-funded Federal Parastatals and Agencies complied with the provisions of the Act relating to the minimum contributions by the employers and employees. The Acts equally states that an employer may agree or elect to bear the full burden of the scheme provided that in such a case the employer's contribution shall not be less than 15% of the monthly emoluments of the employee. Any employee to which this Act relates is allowed in addition to the total contributions being made by him and his employer, make voluntary contributions to his retirement saving account. The Act further provides for every employee to maintain a Retirement Savings Account in his name with any Pension Fund Administrator of his choice and he is at liberty to transfer his Retirement Savings Account from one Pension Fund Administrator to another without adducing any reason for such transfer.

The operation of the scheme denies the employees' access to his Retirement Saving Account neither will he be allowed to have any dealing with the custodian with respect to the retirement savings account except through the pension fund administrator. From the commencement of this Act, the right to retirement benefits of any employee who is already under any pension scheme existing before the commencement of this Act and has over 3 years to retire from the public service of the Federation and Federal Capital Territory where the scheme is unfunded is recognized in the form of an amount acknowledged through the issuance of a bond to be known as Federal Retirement Bonds in favour of the employees and the bond issued is redeemed upon retirement of the employee and the amount so redeemed is added to the retirement savings account of the employee. Where the scheme is funded, credits are effected into the Retirements Savings Accounts of the employees with any funds to which each employee is entitled and in the event of an insufficiency of funds to meet this liability, the shortfall becomes a debt of the relevant employer and is treated with the same priority as salaries owed, and the employer issues a written acknowledgement of the debt to the relevant employee and take steps to meet the shortfall.

The operation of this scheme since its inception in 2004, has caused many untold restiveness in many institutions of higher learning in Nigeria leading to incessant work-to-rules in many MDAs. The controversy in the operation of this scheme started from the non-uniformity in the interpretation of the employees' deduction and the accounting treatment of same in the employees' payroll and monthly pay advice. The major argument of teeming members of staff is that there is a double deduction from their salary on monthly basis. In other words, apart from the deduction at source, there is another proportionate deduction from respective local MDAs across the countries. This misunderstanding which torn many MDAs apart, necessitated the urgent intervention of Nigerian University Commission, Office of the Accountant General of

the Federation and the Budget Office to issues out various circulars for clarification on the operation of contributory pension scheme but with minimum success. The objective of this study is to examine the contentious disclosure of contributory pension in the employees payroll and pay slips in MDAs and proffer acceptable accounting treatment of employee's contributions in the monthly payroll and employee's pay advice.

The remainder of this paper is therefore arranged as follows: following the introductory section, section 2 reviews the literature, section 3 presents the methodology of the study. Section 4 presents the analysis and discussions of result. Section 5 concludes the study and offers some crucial policy implications.

2. Literature Review

Pension schemes are global issues. Concerns for rainy days motivated ideas for retirement income savings for the ageing workforce [1]. Pension scheme entails a systematic inflows into a designated account for the future use. It is a method whereby a person pays into pension scheme a proportion of his/her earnings and regular inflows during his active service years [2]. Pension is a monthly stipend payable to a retired officer until death. It is the amount payable by government or organization to an employee after working for qualifying service years, attaining a retiring age of 60 years or 35 years in service whichever comes earlier or on voluntary retirement or compulsory retirement [3]. The origin of the pension enactment in Nigeria dated back to 1951 when the first legislature document in pension came into force with 1951 Pension Ordinance with a retroactive effect from January 1, 1946 which provided both pension and gratuity to the public servant [4].

The National Provident Fund (NPF) scheme was introduced in 1961 to cater for pension matters of private organizations in Nigeria and to provide a cover for the social protection scheme for the non-pensionable private sector employees in Nigeria. The scheme was a saving device where both employee and employer contributed the sum of ₦4 on monthly basis. Armed Forces Pension Acts No 103 of 1972 and Pension Acts No. 102 of 1979 emerged in succession. In 1993, the National Social Insurance Trust Fund (NSITF) scheme replaced the defunct NPF scheme which cater for the employees in private sector of the economy. The scheme was promulgated against the existing laws of employment of men in old age, invalidity or death [5]. Ugwu [6] identified four main classifications of pension in Nigeria. Such as retiring pension, compensating pension, superannuating pension and compassionate pension.

A pension is a contract for a fixed sum to be paid in a regular basis to a retired officer after retirement from active service [7]. The common use of the term pension is to describe the payments a person receives upon retirement usually pre-determined legal and/or contractual terms [8]. A well-planned pension guarantees employee's comfort and after service life [9] and provokes commitment [10].

Different pension schemes have been adopted in both the public service and private sector ranging from defined benefit plans, to the present contributory pension scheme whereby both employers and employees contribute an equal proportion of the employee's enrolments comprising basic salary, housing allowance and transport allowance on monthly basis into a designated personal account open by the employee with a self-nominated Pension Fund Administrator (PFA) who will invest the money in a risk-free portfolio on behalf of the employee [11]. The introduction of the contributory pension scheme in Nigeria on July 1, 2004 was as a result of a failed defined benefits plan scheme which could not meet the needs of the rising retiring officers in Nigeria.

More also, the regular payment of pension and gratuity became impossible with the Federal Government and states. Where pensions were paid at all, the delay in the payment was a bitter peal. There were recorded cases of fraud and misappropriation of pension fund. Fund diversion meant for the payment of pension and gratuity reached an unacceptable proportion. The backlog of unpaid pensions and gratuity was put at about ₦2.56 trillion as at December, 2005 which resulted to inability of many MDAS to pay gratuity and pension to their pensioners. The story of defaults in the payment of pension and gratuity in ministries, departments and agencies was a common phenomenon [18]. The plight of many pensioners who were living in abject poverty and deprived of basic necessity of life was a matter of serious concern to the government. Many were neglected and not properly catered for after retirement [12].

Demographic challenges, payment of outstanding pensions and gratuities, administrative bottlenecks, bureaucracies, corrupt practices, economic downturn, inefficient civil service and other endemic problems have bedeviled the old pension scheme [13]. The new Contributory Pension Scheme was therefore introduced to correct the ugly situation created by the old pension scheme by putting in place a robust, adequate and affordable arrangements that will accentuate the sufferings of the teeming retiring Nigerians' [14].

In 2014, the Pension Act was reviewed to meet the challenges not envisaged in the 2004 Pension Reform Act. The Act was therefore a direct effort to improve the welfares of the pensioners and accentuate their sufferings [20]. Under the new Pension Act 2014, operators who mismanage Pension Funds are liable upon conviction, to not less than ten years imprisonment a fine of an amount equal to three times the amount so misappropriated or diverted or both imprisonment and fine [15]. In the 2004 Pension Reform Act, the employee contribution to the scheme is 7½% (of Basic, Housing and Transport) while Government Contribution is also 7½% of same bringing the total to 15% of the salary components passed into the employee's Retirement Saving Account. The 2014 Defined Benefit Contribution Pension Scheme adjusted this rate to 18% total of monthly emolument, with 8% contributed by employees from of his basic Salary, Housing and Transport allowances and 10% of the same components contributed by the Government into the

employee's Retirement Savings Account. This serves as a palliative package for the workers under the new scheme and boosts their morale for greater productivity [21]. It equally provides additional benefits to workers' Retirement Saving Accounts and thereby enhancing their monthly pension benefits at Retirement [16]. There is no qualifying period for pension under the contributory pension scheme as applicable under the Defined Benefit Plan. If an employee works for an employer for one month, his pension contribution will be paid by the employer into the employee's Retirement Saving Account (RSA) for that month. If the employee moves on to work for another employer for another 1 year, his pension contribution will be paid by the second employer for that period of 1 year. Access to the RSA is allowed upon retirement. If an employee retires at the age of 50 years or more he can have immediate access to the RSA. Similarly, if an employee retires before the age of 50 years due to mental or physical incapacity, immediate access to his RSA is allowed. Where an employee retires under the age of 50 years in accordance with the terms and conditions of employment, he will not access the RSA until after six months of such retirement if he does not secure another employment upon retirement. Also, an employee can draw a lump sum from the balance standing to the credit of his RSA provided the balance after the withdrawal could provide an annuity or fund monthly payments that would not be less than 50% of his monthly pay as at the date of his retirement. However, an employer may choose to pay any other severance benefits over and above the retirement benefits payable to the employee subject to the terms and conditions of his employment [17].

3. Data and Methodology

3.1. Data

The data relevant to this study were obtained from the payroll and pay advice of members of staff of various institutions of higher learning and staff members of the Ministries, Departments and Agencies (MDAs) across the geopolitical divide in the country. Data were collected also from the office of the Accountant-General of the Federation and the Ministry of Finance particularly the budget office of the federation.

3.2. Model Specification

Analytical approaches were used in this study to interpret the data collected from MDAs, Accountant-General office and the Budget Office of the federation. Tables were employed in the presentation of personnel figures from the Recurrent Personnel cost warrants and Provisional Recurrent General warrants. The MDAs were grouped according to their compliance with (Integrated Personnel Payroll and Information System (IPPIS)). The first group of the MDAs are the institutions whose workers' salaries are prepared centrally through IPPIS while the second group are those institutions whose workers' salaries are prepared locally

through the GIFMIS.

4. Results and Discussion

Table 1 shows the summary of the Provisional Personnel Costs Recurrent General Warrants issued by the Minister of Finance to the Accountant-General of the Federation in pursuance of the provision of Section 82 of the constitution of the Federal Republic of Nigeria authorizing him to pay from the Consolidated Revenue Fund such monies necessary for carrying on the service of Government at a level not exceeding the amount shown against each expenditure item as indicated in the schedule. A total sum of 50,388,036,659 (Fifty Billion, Three Hundred and Eighty-Eight Million, Thirty-Six Thousand, Six Hundred and Fifty-Nine Naira) was released as personnel cost for the relevant month. This total amount released from the Consolidated Revenue Fund is inclusive of the sum of 1,823,041,598 (One Billion, Eight Hundred and Twenty-Three Million, Forty-one Thousand, Five Hundred and Ninety-Eight Naira) only being Federal Government of Nigeria contribution deduction to pension and the sum of 1,823,041,598 (One Billion, Eight Hundred and Twenty-Three Million, Forty-One Thousand, Five Hundred and Ninety-Eight Naira) only being employees' contribution to pension which was released to the National Pension Commission. Also, inclusive is the sum of 1,226,805,201 (One Billion, Two Hundred and Twenty-Six Million, Eight Hundred and Five Thousand, Two Hundred and Five Naira) only being payment to the National Health Insurance scheme.

Any over deduction in the previous month would also be

deducted to arrive at the net figure for the month.

The implication of this is that since July 1, 2004, when the contributory pension scheme took effect, no MDA receives one hundred percent of its monthly personnel cost releases from the Federal Ministry of Finance. What the MDAs receive is 92.5% of the gross personnel cost estimates. The Pension Reform Act, 2004, provides for employees contribution of 7.5% from the employees emolument which is deducted at source by the Federal Ministry of Finance. The Federal Government equally makes a counterpart contribution of equivalent 7.5% to the employees Retirement Saving Accounts. This arrangement was made to prevent delay or failure in the remittance of the employees' contribution by the MDAs and also to prevent the possible diversion of the pension funds to other areas. By implication, therefore, since the commencement date of the implementation of the contributory pension scheme, no employee has a direct access to 100% of his salary paid directly to him by his MDAs. Also no MDAs receive 100% of his monthly personnel cost releases from budget office. Only 92.5% of monthly salary released to the MDAs are paid across the numerous employees, as monthly emolument while 7.5% of the balance is credited to the employees' Retirement Savings Account with the Pension Fund Administrator of employee's choice along with the Federal Government counterpart proportionate contribution of 7.5% adding up to a total of 15% credited to the employee's Retirement Savings Account and no MDAs has a direct access to this pool of fund once credited to the employee's account with the pension fund administration[19].

Table 1. Provisional Personnel Costs Recurrent General Warrant for March, 2008.

Ministry/Department/ Agency	Gross Amount	FGN Pension Contribution	Employee Pension Contribution
	1	2	3
National Health Insurance Scheme	67,648,428	3,259,459	3,259,459
National Programme on Immunization	23,778,537	1,247,600	1,247,600
National Arbovirus and Sector Research	1,836,580	95,966	95,966
Radiographers Registration Board	4,798,626	216,909	216,909
Dental Technology Registration Board	2,072,796	103,327	103,327
Health Records Registration Board	809,435	44,512	44,512
Optometrist and Dispensing Opticians Board of Nigeria	8,136,851	392,090	392,090
Community Health Practitioners Registration Board	2,594,939	142,062	142,060
Nursing and Midwifery Council	13,386,525	728,899	728,899
Pharmacist Council of Nigeria Council	13,316,947	666,543	666,543
Medical and Dental Council of Nigeria	5,524,416	282,398	282,398
National Agency for Food and Drug Administration and Control	130,847,781	6,507,282	6,507,282
Medical Rehabilitation Therapy Board	2,926,491	127,891	127,891
Federal School of Dental Technology and Therapy, Enugu	8,476,649	402,069	402,069
Environmental Health Officers Tutors-Ibadan	662,870	32,518	32,518
Nurse Tutor Training-Enugu	645,759	35,876	35,876
Nurse Tutor Programme Akoka Lagos	1,706,733	90,277	90,277
Nurse Tutor Training Kaduna	998,565	53,874	53,874
Nurse Tutor Training Ibadan	670,632	35,053	35,053
National Post Graduate Medical College of Nigeria Ijanikin Lagos	8,662,140	439,964	439,964
PHC Tutors Programme, UCH-Ibadan	596,996	31,174	31,174
Community Health Tutor Programme UCH	777,649	40,627	40,627
University College Hospital Ibadan	346,775,552	15,558,545	15,558,545
Lagos University Teaching Hospital	309,438,619	13,967,864	13,960,864
Ahmadu Bellow University Teaching Hospital	279,947,546	12,998,382	12,998,382
University of Nigeria Teaching Hospital, Enugu	347,859,929	16,223,133	16,223,133
University of Benin Teaching Hospital	250,155,266	11,511,093	11,511,093

Ministry/Department/ Agency	Gross Amount	FGN Pension Contribution	Employee Pension Contribution
Obafemi Awolowo University Teaching Hospital	264,328,571	12,330,378	12,330,378
University of Ilorin Teaching Hospital, Ilorin	246,753,591	11,099,983	11,099,983
Jos University Teaching Hospital	218,976,239	10,260,391	10,260,391
University of Port-Harcourt Teaching Hospital	254,122,673	11,532,712	11,532,712
University of Calabar Teaching Hospital	226,461,425	10,235,216	10,235,216
University of Maiduguri Teaching Hospital	202,378,812	9,477,686	9,477,686
Uthman Dan Fodio University Teaching Hospital, Sokoto	177,202,822	8,262,586	8,262,686
Aminu Kano University Teaching Hospital	141,698,002	5,909,364	5,909,364
Nnamdi Azikwe Univeristy Teaching Hospital, Nnewi	147,425,542	6,740,228	6,740,228
Federal Specialist Hospital Irrua	94,387,751	4,437,067	4,437,067
University of Abuja Teaching Hospital, gwagwalada	155,248,256	7,609,770	7,609,770
Federal Medical Centre, Uyo	105,353,703	4,913,566	4,913,566
Federal Staff Hospitals Apo-Abuja	37,943,760	1,671,787	1,671,767
Federal Psychiatric Hospital Enugu	39,670,067	1,977,867	1,977,867
Federal Psychiatric Hospital Kaduna	22,615,093	1,057,677	1,057,677
Federal Psychiatric Hospital Calabar	37,804,194	1,929,673	1,929,673
Federal Psychiatric Hospital Maiduguri	36,279,591	1,893,840	1,893,840
Federal Neuro- Psychiatric Hospital, Kware-Sokoto	25,445,440	1,344,848	1,344,848
Federal Neuro-Psychiatric Hospital Yoba	79,308,287	3,860,444	3,860,444
Federal Neuro-Psychiatric Hospital Abeokuta	82,466,949	4,079,062	4,079,062
Federal Psychiatric Hospital Benin City	41,779,088	2,123,449	2,123,449
National Orthopedic Hospital Lagos	124,837,108	6,100,445	6,100,445
Nation Orthopedic Hospital Dala Kano	61,072,392	3,015,305	3,015,305
National Orthopedic Hospital Enugu	92,278,816	4,340,101	4,340,101

Table 1. Continue.

NHIS Contribution	Balance Due	Over release or under release	Net amount Due	Remarks
4	5	6	7=(5+6)	
2,172,973	58,956,537		58,956,537	
831,733	20,451,603		20,451,603	
63,277	1,580,670		1,580,670	
144,606	4,220,201		4,220,201	
68,885	1,797,257		1,797,257	
29,675	690,736		690,736	
261,393	7,091,279		7,091,279	
94,708	2,216,106		2,216,106	
485,933	11,442,793		11,442,793	
444,362	11,539,499		11,539,499	
188,266	4,771,353		4,771,353	
4,338,188	113,495,029		113,495,029	
85,261	2,585,448		2,585,448	
268,046	7,404,464		7,404,464	
21,678	576,156		576,156	
23,917	550,090		550,090	
60,185	1,465,994		1,465,994	
35,916	854,899		854,899	
23,369	577,158		577,158	
293,309	7,488,902		7,488,902	
20,782	513,867		513,867	
27,085	669,310		669,310	
10,372,373	305,286,098		305,286,098	
9,311,910	272,190,981		272,190,981	
8,665,588	245,285,192		245,285,192	
10,815,422	304,598,242		304,598,242	
7,674,062	219,459,018		219,459,018	
8,220,252	213,447,562		213,447,562	
7,399,989	217,153,635		217,153,635	
6,840,261	191,615,195		191,615,195	
7,688,474	223,368,775		223,368,775	
6,823,477	199,167,517		199,167,517	
6,318,457	177,104,984		177,104,984	
5,508,457	155,168,993		155,168,993	
3,939,576	125,939,698		125,939,698	
4,493,458	129,451,600		129,451,600	
2,958,045	82,555,573		82,555,573	
5,073,180	134,955,537		134,955,537	

NHIS Contribution	Balance Due	Over release or under release	Net amount Due	Remarks
3,275,711	92,250,861		92,250,861	
1,114,511	33,485,715		33,485,715	
1,318,578	34,395,755		34,395,755	
705,118	19,794,620		19,794,620	
1,286,449	32,658,398		32,658,398	
1,268,560	31,229,350		31,229,350	
896,565	21,859,179		21,859,179	
2,573,763	69,013,236		69,013,236	
2,719,375	71,589,450		71,589,450	
1,415,632	36,116,558		36,116,558	
4,066,963	108,569,254		108,569,254	
2,010,203	53,031,578		53,031,578	
2,893,405	80,705,194		80,705,194	

The table shows the summary of the monthly provisional personnel cost releases to MDAs under the Federal Ministry of Health. Column 1 shows the gross personnel costs for the month. Columns 2, 3, and, 4 show the various deduction from the gross monthly salaries i.e. Federal Government

Pensions Contributory Employee Pension Contribution and NHIS Contribution respectively, columns 5, 6 and 7 show the Balance due over or under deduction and the net amount payable to the MDAs.

Table 2. 2016 Appropriation Act for an Agency under the Federal Ministry of Health.

0521001001 Code	Federal Ministry of Health–HQTRS Line Item	2016 Appropriation Act Amount
2	Expenditure	7,770,112,946
21	Personnel Cost	7,569,849,825
2101	Salary	4,312,348,351
210101	Salaries and Wages	4,312,348,351
21010101	Salary	4,312,348,351
2102	Allowances and Social Contribution	3,257,501,474
210201	Allowance	2,718,457,930
20120101	No Regular Allowance	2,718,457,930
210202	Social Contributions	539,043,544
21020201	NHIS	215,617,418
21020202	Contributory Pension	323,426,126
22	Other Recurrent Costs	97,811,122
2202	Overhead Cost	97,811,122
220201	Travel & Transport–General	14,813,308
22020101	Local Travel & Transport: Training	8,319,192
22020102	Local Travel & Transport: Others	6,494,116
220202	Utilities–General	12,124,128
22020201	Electricity Charges	10,641,951
22020205	Water Rates	428,758
22020206	Sewerage Charges	1,053,419
220203	Materials & Supplies–General	6,261,522
22020301	Office Stationaries/Computer Consumables	1,242,725
22020303	Newspapers	463,059
22020305	Printing of Non Security Documents	296,638
22020309	Uniforms & Other Clothing	3,169,955
22020311	Food Stuff/Catering Materials Supplies	1,089,146
220204	Maintenance Services–General	14,573,857
22020401	Maintenance of Motor Vehicle/ Transport Equipment	2,143,791
22020402	Maintenance of Office Furniture	428,758
22020404	Maintenance of Office/IT Equipment	11,143,791
22020405	Maintenance of Plants/Generators	3,056,002
220205	Training–General	3,056,002
22020501	Local Training	2,229,543
220206	Other Services–General	2,229,543
22020606	Cleaning & Fumigation Services	857,516
220207	Consulting & professional Services–General	428,758
22020701	Financial Consulting	428,758
22020703	Legal Services	39,021,876
220208	Fuel & Lubricants–General	7,133,605
22020801	Motor Vehicle Fuel Cost	31,888,271
22020803	Plant/Generator Fuel Cost	467,398
220209	Financial Charges–General	467,398
22020902	Insurance Premium	4,396,972
220210	Miscellaneous	428,758

0521001001 Code	Federal Ministry of Health–HQTRS Line Item	2016 Appropriation Act Amount
22021001	Refreshment & Meals	3,539,455
22021002	Honorarium & Sitting Allowance	428,758
22021031	Curriculum Development	102,451,999
23	Capital Expenditure	102,451,999
2302	Construction/Provision	102,451,999
230201	Construction/Provision of Fixed Assets–General	102,451,999
233020106	Construction/Provision of Hospitals/ Health Centres	7,569,849,825

This table is the summary of the 2016 Appropriation Act showing various components of expenditures approved for the Agency in the 2016 Appropriation Act. Column 1 shows the codes, while column 283 show the various items of expenditure and the amounts allocated respectively.

Table 2 shows the summary of allocations to an agency under the Ministry of Health in the 2016 Appropriation Act. An Appropriation Act is an Act of parliament passed by the Nigerian Legislature which like Consolidated Revenue Fund (CRF Act), allows the Treasury to issue funds out of the consolidated fund. The gross personnel cost budgeted for the

MDA per annum was 7,569,849,825 (This is in code 21).

The interpretation is that the Agency has a monthly gross budgeted personnel cost of 630,820,818. The gross release to this agency on monthly basis is made up of the statutory deductions of codes 21020201 and 21020202 which represents National Health Insurance Scheme (NHIS) and contributory pension. Therefore, what is actually released to the agency is amount less deductions of NHIS and contributory pension. The net release to the agency as shown in the table below:

Table 3. Actual Monthly Personnel Cost Releases.

Gross personnel P/A	Gross personnel cost P/M	FGN CPS	Employees' CPS	NHIS P/A	NHIS P/M	Net Release to Agency P/M
7,569,849,825	630,820,818	26,952,177	26,952,177	215,617,418	17,968,118	558,948,346

The actual personnel cost received on monthly basis by the agency is 558,948,346, which would be applied on the payment of workers' salaries. The agency receives net of the gross personnel cost from the budget office after the adjustment of statutory deductions which is the 92.5% of the gross personnel cost budgeted for the months. It is this value (92.5%) of the gross personnel cost that is applied on all the workers for the payment of salaries. While 7½% deductions would be paid to the National Pension Commission on behalf of the workers as contributory pension to the credit of the employees Retirement Savings Accounts.

Table 4. 2016 Appropriation Acts–Showing Allocations to Some of the Agencies under the Federal Ministry of Education.

No	Code	MDA	Total Personnel	Total Overhead	Total Recurrent	Total Capital	Total Allocation
1	0517019005	Federal College of Education Gombe	1,449,956,105	43,511,839	1,493,467,944	37,230,160	1,530,698,104
2	0517019006	Federal College of Education Gusua	936,664,976	52,510,388	989,175,364	37,805,650	1,02,981,014
3	0517019007	Federal College of Education Kano	1,962,008,369	56,497,420	2,018,505,789	78,734,328	2,097,240,117
4	0517019008	Federal College of Education kastina	1,226,856,261	45,612,730	1,272,468,991	33,793,156	1,306,262,147
5	0517019009	Federal College of Education Katangora	1,423,344,751	44,963,219	1,468,307,970	50,469,190	1,518,777,160
6	0517019010	Federal College of Education Obudu	1,679,911,448	92,770,303	1,772,681,751	38,058,258	1,810,740,009
7	0517019011	Federal College of Education Okene	1,754,844,334	94,726,265	1,849,570,599	38,205,615	1,8,87,776,214
8	0517019012	Federal College of Education Omuku	1,978,962,555	50,921,340	2,029,883,895	38,205,800	2,068,089,695
9	0517019013	Federal College of Education Ondo	2,086,352,763	85,538,169	2,171,890,932	51,250,035	2,223,140,967
10	0517019014	Federal College of Education Oyo	1,733,881,541	75,905,645	1,809,787,186	37,193,086	1,846,980,272
11	0517019015	Federal College of Education Pankshin	1,788,402,704	74,762,031	1,843,164,735	39,031,612	1,902,196,347
12	0517019016	Federal College of Education Potiskum	1,197,186,608	47,352,211	1,244,538,819	37,025,350	1,281,564,169
13	0517019017	Federal College of Education Umunze	1,760,510,011	59,172,408	1,819,482,419	38,336,525	1,858,018,944
14	0517019018	Federal Colleges of Education Yola	1,593,581,847	33,728,046	1,627,309,893	38,255,600	1,665,565,493
15	0517019019	Federal College of Education Zaria	3,828,259,713	71,376,983	3,899,636,696	58,500,125	3,958,136,821
16	0517019020	Federal College of Education Eha-Amufu	1,198,368,360	43,055,566	1,241,423,926	37,361,521	1,278,785,447
17	0517019021	AlvanIkoku College of Education, Owerri	3,962,682,161	52,804,573	4,015,486,734	59,181,612	4,074,668,346
18	0517020001	National Universities Commission Secretariat	1,530,713,745	387,540,849	1,918,254,594	1,071,507,461	2,989,762,055
19	0517021002	University of Ibadan	12,080,651,95	152,198,405	12,232,850,357	53,693,149	12,286,543,506
20	0517021003	University of Lagos	10,093,119,648	94,943,022	10,188,062,470	43,693,149	10,231,755,819
21	0517021004	University Of Nigeria, Nnsuka	11,559,865,35	140,183,714	11,700,049,069	43,693,149	11,743,742,218
22	0517021005	Ahmadu Bello University, Zaria	13,301,477,358	140,416,235	13,441,893,593	273,693,149	13,715,586,742
23	0517021006	ObafemiAwolowo University	9,779,784,84	103,082,856	9,882,867,701	43,693,149	9,926,560,850
24	0517021007	University of Benin	11,930,703,70	101,684,357	12,032,388,065	43,693,149	12,076,081,214
25	0517021008	University of Jos	7,343,322,63	109,718,723	7,453,041,353	43,693,149	7,496,734,502
26	0517021009	University of Calabar	10,017,997,100	128,631,925	10,146,629,025	43,693,149	10,190,322,174
27	0517021010	University of Abuja	7,995,294,916	107,592,060	8,102,884,974	43,693,149	8,146,580,125
28	0517021011	University of Agriculture, Abeokuta	4,414,438,652	72,096,475	4,486,535,127	511,969,80	4,998,504,931

No	Code	MDA	Total Personnel	Total Overhead	Total Recurrent	Total Capital	Total Allocation
29	0517021012	University Agriculture Makurdi	4,783,480,090	88,834,062	4,872,314,152	43,693,149	4,916,007,301
30	0517021013	Michael Opara University of Agriculture, Umudike	5,228,730,060	48,528,578	6,277,258,638	43,693,149	5,320,951,787

The table above is the summary of the allocations approved under the 2016 Appropriation Act for various agencies under the Federal Ministry of Education. Column 1 shows the codes for expenditure items while columns 2, 3, 5, 5, 6 and 7 show the names of the Agency, total personnel costs, total overhead, recurrent expenditure releases, capital releases and total allocation respectively

Table 4 shows the summary of allocations under various sub-heads to some of the agencies under the Federal Ministry of Education. The total personnel costs were disclosed in gross values inclusive of the Federal Government contribution for staff pensions, employees' contributions for pensions and the values of National Health Insurance Scheme. The amount released to the institution is the net of the gross amount disclosed under the personnel cost figures, after statutory deductions (FGN Contribution for Pensions, Employees' Contributions, NHIS) are deducted at source (in the budget office) before the actual releases to the MDAs.

The MDAs are therefore expected to make the payroll adjustment and Reporting Requirement in the total salary of individual employee by grossing up to include only the employee's contribution to the scheme which are expected to be remitted the National Pension Commission through Central Bank of Nigeria and thereafter to be remitted to the individual's Pension Fund Administrator of their choice registered for the scheme.

The basis of controversy in the implementation of the contributory pension is the manner of disclosure of the employees' deductions in the individual payslips and payrolldeducted at source before the actual releases to the MDAs. Lack of uniformity in the presentation of the employees' deduction in the MDAs' payrolls and individual pay advice is the greatest disservice to the scheme. In some institutions, the employees' deductions are shown as a reflection in both the payrolls and payslips of the MDAs while many institutions disclosed the employees' deductions under the Basic Salary column as fresh deductions by the local establishment from the staff personal emolument. This

scenario generated confusion and ripple effect that triggered off crisis in the sectors under the Federal Government. The different Platforms and payment solutions under which staff salaries are prepared also deepen the crisis, giving room to suspicion and alleged sharp practices among the top echelons. The staff salaries are prepared under the two major payment platforms: the Integrated Personnel and Payroll Information System (IPPIS) and the Government Integrated Financial Management Information System (GIFMIS) IPPIS is a world Bank-Assisted Project under the Economic Reform and Government Project (ERGP) designed to establish a reliable and comprehensive database for the public service, facilitate manpower planning and assist in providing information for decision-making, eliminate record and payroll fraud such as the "ghost workers" syndrome, double-dipping and credentials falsification, facilitate easy storage, update and retrieval of personnel record for administrative and pension processes and facilitate staff remuneration payment. Under this payment system, staff salaries are prepared centrally in the Federal Capital Territory and the soft copies of pay advice and staff payrolls are released to the MDAs thereafter. This arrangement encourages uniformity in the presentation and disclosure of employees' personnel data and payment systems among the MDAs. Prior to the implementation of the contributory pension scheme, the restructuring of MDAs has commenced in a pilot phase involving major ministries. The key operations in the restructuring exercises involved among others; mission and vision articulation, mandate review, personnel and payroll audit, process review, structure re-alignment, information systems applications, re-tooling and re-skilling. The integrated personnel and payroll information system allows uniformity in the contributory pension of the employees who have been captured and enrolled under the payment system throughout the country. This is one of the superior advantages of the new scheme over the old schemes which discourages a unified integrated personnel and payroll information system [22].

Table 5. Sample of Employee Payslip under IPPIS February, 2014.

Employee name:	Mr. Ade	Grade	GL 14-CONHESS
IPPIS number	Xxx	Step	8
Ministry Division	Teaching Hospital	Gender	Female
Designation	Asst. Director (Med Lab. Scientist	Tax State	Oyo
Date of first Appointment	Xxx		
Date of Birth	Xxx		
Trade Union	Xxx		
Bank information Details			
Bank Name	Xxx	Contribution Pension Information	
Bank Branch	Xxx	PFA Name	IBTC Pension Manager
Account Number	Xxx	Pension PIN	Xxx
Gross Earnings Information		Gross Deduction Information	
Earnings	Amount	Deductions	Amount
CONHESS Cons. Salary	343,279.42	CONHESSNHF	8,581.99
CONHESS Shift Allowance	25,561.00	CONHESS Pension	25,745.96

Employee name:	Mr. Ade	Grade	GL 14-CONHESS
CONHESS Teaching Allowance 02	29,852.50	CONHESS TAX	28,258.50
Hazard Allowance	5,000	CONHESS Union Dues	0.00
		SSA UNION DUES	750
Total	403,692.92	Total	63,336.45
		Summary of payments	
		Total Gross Earnings	403,692.92
		Total Gross Deductions	63,336.45
		Total Net Earnings	340,356.47

Balances

Generated by: IPPIS-Oracle E-Business Suite

The table shows the components of employee's payslip with the IPPIS payment system. The segment of the payment discloses the gross earnings information and the gross deduction information. Under the gross deduction are CONHESS NHF, CONHESS PENSION, CONHESS TAX, CONHESS UNION Dues and SSA Union Dues, while gender gross earnings information are CONHESS Consolidated salary, CONHESS Shift Allowance, CONHESS Teaching Allowance and Hazard Allowance.

Table 5 is a summary of employee's payslip with the IPPIS payment system. The upper section shows the employee's personal data while the lower section shows employee's personal data on monthly enrolment. The earning column is clearly shown to indicate the type and amount entitled to by the employees. Also, the gross deduction column reflects the various deduction made on the employee for the month. Under this section are the deductions for National Housing Fund (NHF), Pension Deduction (CONHESS PENSION),

Tax and various Union Dues.

The pension deduction under this column is the employee's counterpart deduction to his retirement saving account which will be remitted to his designated pension fund administrator through the National Pension Commission. The table shows 92.5% of the total monthly salary of the employee being the monthly personnel cost received from the budget office. The balance of the 7.5% of the employee's salary has been deducted from source and remitted to the National Pension Commission who will thereafter remit it to the employee's designated pension fund administrator and credited to the employee's retirements saving account. The total amount to be credited to the employee's retirement savings account will be the addition of Federal Government's contribution and the employee's proportionate contribution i.e. (25,745.96+25,745.96=51,491.92). On receipt of payment and advice of National Pension Commission, Central bank of Nigeria is required to invest the fund as provided in the Pension Reform Act 2014 as amended.

Table 6. Sample of Staff Payslip-under Government Integrated Management Information System (GIFMIS).

Employee Information

Full name	Lucky	Post	Senior Lecturer
Faculty	Density	DEPT/ST CODE	7
DEPT	Xxx	Bank	Xxx
Scale	CONUASS 05 Step 13	Bank Branch	Xxx

Pension Administrator

Payments			Deduction		
Items	CE	Amount	Items	CE	Amount
CONUASS	100	196,591.58	ASUU Due	417	3,931.83
Less 7.5%	425A	(14,744.37)	ASUU Spec Due	461	1,860.96
Subtotal	019	181,847.21	Coll of H/Sci. Fund	451	1,000.00
Sub Gross	021	228,244.82	PAYE	407	6,468.73
Housing	260	46,397.61			
CONPUA Allow	263	129,203.00			
COUNCIL Award		126,500			
Gross Pay		483,947.82	Total Deduction		13,261.52
		NET PAY			470,686.30

*ALREADY DEDUCTED AT SOURCE BY MINISTRY OF FINANCE

The table shows the disclosure of the employee's pay personnel emolument under the GIFMIS in the Education sector. The upper column shows the personal data of the employee while the lower column shows the summary of the employee emolument for the relevant month. The payments side indicates the breakdown of employee's entitlements except code **425A** while deductions column comprises items of deductions from the staff salary.

The controversy in the implementation of the contributory

person scheme was largely provoked by the disclosure under the payments side of the individual employee's pay advice. The total salary of individual employee was grossed up to include the employee's contribution to the scheme. With this adjustment, the actual net payment to the employee is not affected. The claim of many of the workers is that the contributory pensions have been deducted twice apart from the deduction at 'source' of the employees' proportionate contributions. This claim cannot be substantiated.

The office of the Accountant General of the Federation came up with a circular to clarify the controversy that overwhelmed the implementation of the contributory pension scheme by stating categorically that contributions of the employer and deductions from employees' salary would be centralized and made at source before monthly allocations of

personnel costs are released upon receipt of the warrant from the Honourable Minister of Finance.

Also, payroll adjustment and reporting requirement would reflect that cash backing for the personnel cost would be released net of the contribution of both the employee and employer.

Table 7. Implementation of the Contribution to Pension Scheme.

Item	Show on payslip	Actually paid and received	Remarks
Basic	234,664	234,664	
Housing allowance	174,998	175,998	
Transport Allowance	68,053	68,053	
Meal Allowance	6,300	6,300	
Utility Allowance	35,200	35,200	
Furniture Allowance	93,866	93,866	
Annual Leave	23,466	23,466	
Domestic Serv. Allowance	169,603	169,603	
Employee Pen Contribution	Not show	-35,904	Deducted by Budget Office
Total received by MDA	807,149	771,245	
Paye	-10,000	-10,000	Example figure
CPS	-35,904	Not deducted	
Other deduction	-20,000	-20,000	Example figure
Total received by employee from MDA	741,245	741,245	

The table above shows a simple and reasonable accounting treatment for the employees' pension contribution. The table present pension contribution from employee salary as a reflection of the money deducted at "source" and treated as a memorandum entry.

In line with the provisions of the contributory pension scheme, each employee is required to contribute 7.5% of his/her consolidated salary to the scheme. In order to ensure timely remittance of the deductions, the Budget Office deducts the same at source from the allocation to the MDAs through the Recurrent General Warrants. The implication of the deduction at "source" is that the total amount received by the MDAs from the Budget Office is net of the employee pension to the employees as monthly personal emolument is 92.5% of the gross salary. The MDAs are not also expected to make any additional deduction as pension contribution. The sum so deducted by the budget office should be reflected in the payslip of officers and the agency payroll for the purpose of transparency. MDAs are not expected to hold any funds for employee pension contributions in the form of additional deductions. Employees whose total monthly emoluments are up to 92.5% of his/her gross salary has no valid claim to allege double dipping from his salary as contribution to pension.

5. Conclusion and Policy Recommendation

The objective of this paper is to examine the cause of the controversy on the implementation of the contributory pension scheme in Nigeria and proffer an acceptable accounting treatment for disclosing employee's deduction in the individual pay advice and the institution's payroll. The challenge in the remittances of pension contributions to the relevant authorities by the MDAs have been absence of

reliable updated Nominal Roll of many MDAs coupled with the twins problem of reluctance to update records through the on-line registration window, differences in Bio-Data between the Nominal Roll and Registration-Data Base and the non-registration of some employees with the Pension Fund Administrators. To ensure an effective implementation of Contributory Pension Scheme in Nigeria, the following necessary accounting treatments for pension contribution and payroll adjustment must be effected:

- Employee's to update profiles on-line
- MDAs to submit updated nominal rolls with PINs of employees indicating GL & Steps, salary structure etc.
- Employees to provide their PFAs with relevant documentation (pay slips, letters of employment etc.)
- Employers' and employees' contribution should be centralized and deducted at source by the Budget Office of the Federation.
- Personnel costs released to Ministries, Department and Agencies net of the deductions should be clearly reflected on employees' pay slip.
- Contributions deducted and lodged into a Pension contribution account at the Central Bank of Nigeria should have an alternate record by the MDAs accessible to the employees.
- Contributions remitted to the Retirement Savings Accounts of the employees who have registered with the Pension Fund Administrators of their choice after due verification should be monitored by individual employees.
- Employee's salary to be grossed up to include only the employee's contribution which is deducted at source in accounting for employees' contribution in the payroll and individual employee's payslip.
- Employee's contributions should be shown as deduction in both payroll and pay slips under the payslip's deduction column.

- Employee's contributions should be treated as memorandum entry in payroll and employee's payslip since the deduction is made at source before the MDAs receive the net from the budget office and no further deduction is required by the MDAs.
- Uniformity in the disclosure of employees' information on both the individual employee's pay slips and Agency's payroll will guarantee a hitch free implementation of the contributory pension scheme in our Ministries, Departments and Agencies and prevent crisis of confidence between the employers and employees in government establishments and public institutions. This uniformity entails that employees' contributions are treated as memorandum entry in the individual employee's payslip and payroll and appears only as a reflection of the amount that have been deducted at "source" by the Budget office. Only uniform accounting treatment of the employee contribution in the personnel accounting records can put an end to incessant face-off and unending controversy trailing the implementation of the contributory pension scheme in Nigeria.

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