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Abstract

Payroll Fraud has become a global menace threatening the survival of organizations, governments, nations and the business communities. Any organization is prone to fraud and no nation is immune, although developing countries and their various states suffer the most pains. It's against this background that this paper examines the impact of IPPIS on the Prevention of Payroll Fraud in the Federal Ministries in Nigeria. Related literatures were reviewed and Fraud Triangle Theory by Donald Cressey (1950) was used as a theoretical framework in order to explain the factors that make employee to engage in Payroll Fraud. The paper relied on content Analysis. This is because the paper is a theoretical review of existing literatures on the impact of IPPIS on the Prevention of Payroll Fraud in the Federal Ministries. The paper finds out that there is an existence of ghost workers on the payroll of the federal ministries and the Implementation of IPPIS has minimised the lingering problem of payroll fraud. It's therefore concluded and recommended that the federal government should look into the Federal ministries where the problems of ghost worker are prevalent and address the problem.

Key Words: payroll fraud, ghost employee, personnel cost, salary

Introduction

Payroll Fraud has become the most viable threat to the global economy that requires maximum attention of forensic accountants and traditional auditors, as well as anti-graft bodies worldwide. Despite the tremendous efforts to eradicate fraudulent activities, it is indeed discovered that payroll frauds in its various natures continue to grow in frequency and severity (Wolfe & Hermanson, 2004). Payroll fraud is considered a global phenomenon, since it has universally penetrated both the private and public sectors to the extent that no country is protected from its taint. Although developing countries suffer the most. In order to address the problems of payroll fraud, many countries in the world have introduced an integrated payroll system for public officers in order to foster accountability, enhance transparency and promote good governance. But the name given to the software differs from one country to another. For instance, in United States of America the soft ware is called Payroll Personnel System (PPS), Integrated Personnel and Payroll System (IPPS) in Uganda, Integrated Personnel and Payroll Database (IPPD) in Ghana, the Personnel Control and Information Systems (PCIS) in Tanzania (Okoye & Gbegi, 2013).

Nowadays, payroll fraud and other fraudulent activities have become the order of the day in the Nigerian ministries and it has become a normal way of life in the midst of civil servants (Adebisi, 2014). Payroll fraud can be found in almost all the Nigerian ministries where the government officials use the power of their offices to defraud their organizations. This statement can be justified by the series of fraud perpetrated on the National Pension Commission and the Nigerian Police Force as well as the Federal High Court of Nigeria (Omoyefor, 2017).

In Nigeria, Integrated Payroll and Personnel Information System was approved by the Federal Executive Council (FEC) in February (2006), and implemented in phases. The project

implementation commenced at the Bureau of Public Service Reforms before its management was transferred to the Office of Accountant-General of the Federation (OAGF) in October, 2008. The project indeed went live in April 2007 and was piloted in six (6) MDAs: Education; Foreign Affairs, Finance (including the Budget Office of the Federation), Works; Information and Communications (as it was then known), and the National Planning Commission as Phase I. In 2009, it was expanded to cover another eleven (11) ministries, departments and agencies, including Aviation; Health; Agriculture; Petroleum Resources; Transport; Office of the Accountant General of the Federation; Office of the Head of the Civil Service of the Federation, Office of the Secretary to the Government of the Federation; and the Federal Civil Service Commission as the Phase II.

Statement of the Problem

Prior to the introduction of integrated payroll system in the Nigerian Public Sector, the Office of the Accountant General of the Federation has discovered that Ministries Departments and Agencies operated different bank accounts to the tune of 12, 622 scattered in various commercial banks (Kaoje, Nabila & Idris, 2020). This has led to the initiation of different number of Public Financial Management Reforms implemented by successive governments in order to strengthen and improve the financial capacity of the public sector, promote efficiency and effectiveness, prevent financial leakages and to improve on the salary payment platform. Among the reforms are the Introduction of Treasury Single Account (TSA), International Financial Management Information System (IFMIS), Government Integrated Financial Management Information System (GIFMIS) and International Public Sector Accounting Standard (IPSAS), but the aim of implementing the reforms has not been actually achieved. It is as a result of the failure of the old methods of salary payment that Bureau of Public Service Reforms under the Economic Governance Reform recommended for the implementation of IPPIS to replace the old method of salary payment. The manual, file-based personnel system operated by the public service meant that government did not have accurate and reliable information about the size and nature of its workforce (Kaoje, Nabila & Idris 2020). The incidence of 'ghost workers' was prevalent, with fraudulent public servants claiming and collecting the salaries of non-existent workers.

Although, prior studies have identified the existence of payroll fraud in Nigerian Public Sector, the studies by (Olaleye, 2008; Obaro, 2014; Otube, 2013; Victor, 2016 and Nangih, 2017) argued that payroll fraud in Nigerian Public Sector for over the years have accounted for billions of Naira lost to syndicate that have deprived the government in providing basic amenities to the people. However, none of these studies have tried to assess IPPIS on the Prevention of Payroll Fraud in the Federal Ministries in Nigeria.

Objectives of the Study

- i. Examine the extent to which the implementation of IPPIS has prevented the existence of ghost workers on the payroll;
- ii. Assess the extent to which the implementation of IPPIS has reduced over casting of personnel cost;
- iii. Examine the extent to which the implementation of IPPIS has reduced multiple salary payments to employees.

Research Questions

- i. To what extent has the implementation of IPPIS prevented the existence of ghost

workers on the payroll?

- ii. To what extent has the implementation of IPPIS prevented over casting of personnel cost?
- iii. To what extent has the implementation of IPPIS reduced multiple salary payment to employees?

Payroll Fraud

Fraud has become a global menace threatening the survival of organizations, governments, nations and the business communities. Any organization is prone to fraud (Ruankaew, 2013) and no nation is immune, although developing countries and their various states suffer the most pains (Okoye & Gbegi, 2013). According to Abdullahi and Mansor (2014), fraud is defined as a deceit that involves an intentional distortion of the truth or misrepresentation or concealment of a material fact to take advantage over another so as to enjoy some benefits at the expense of others. It is also seen as a generic term which embraces all the multifarious means which human ingenuity can devise and are resorted to by one individual to get any advantage over another (Osisioma, 2013). According to Owolabi (2010), fraud is a conscious premeditated action of a person or group of persons with the intension of altering the truth and or fact for selfish personal monetary gain.

Similarly, Adekanya (1986), Ojigbede (1986) and Sydney (1986) in their definitions agree that fraud involves the use of tricks to distort the truth so as to deprive an individual what he/she is entitled to. Fraud in the Nigerian public sector could be attributed to low wages in civil service, lack of accountability among public servants, inequality in the distribution of resources, promotion of ethnicity and lack of nationalism and weakness of internal controls in governmental agencies among others (Bello 2011, Onuoral & Appah, 2012, Okoye & Gbegi, 2013; Gbegi & Adebisi, 2015).

Payroll fraud involves the theft of cash from government establishment through the preparations of the establishment's payroll. Some prominent examples of payroll fraud are: Pay cheque diversions, Kickbacks, and Ghost workers. Like other forms of crimes, payroll fraud is a type of crime that is prevalent at all levels of government in Nigeria. Babalobi (2008) observes that as a type of corruption, it continues because the society and the environment we live in today support material accomplishment. Payroll fraud thrives because of greed on the part of public officers to divert government funds to personal accounts to make quick money.

Ghost Workers

Ghost worker or a ghost employee is someone recorded on the payroll system, but who does not work for the organisation. The ghost worker/ghost employee can be a real person, whom with or without their knowledge, is placed on the payroll, or a fictitious person invented by the dishonest staff. A major consideration is whether one has to look for real people to be ones ghost worker or if one is able to enrol ghosts with fictitious identities. Real people come with high costs and risks. According to Aganga (2011), *there are three types of Ghost workers, fictitious persons, Real persons, and Real person leaves/dies but remains on the payroll.*

A ghost worker or ghost employee is someone recorded on the payroll system, but who does not work for the organisation. The ghost worker/ghost employee can be a real person, whom with or without their knowledge, is placed on the payroll, or a fictitious person invented by the dishonest staff. In the light of the perception of Aganga (2011) one can deduced that a ghost worker is any

person that is not legally employed in an organization but, but whose name is fixed on the organization's payroll by a dishonest staff. Such staff did not contribute to the goals of the organization, but share in the income of the organization.

Personnel Cost

Subsequently, Personnel costs are defined as the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter during the reference period. Personnel cost is the cost associated with personnel compensation and fringe benefits of employees (i.e those classified as both full-time and salaried/hourly employees) contributing to each respective process. Personnel cost should include all of the following costs employee compensation, salaries and wages, bonuses, overtime and benefits. Others include fringe benefits and contributions made towards the employees' government retirement fund, workers compensation, insurance plans, savings plans, pension funds/retirement plans, and stock purchase plans. This should also include special allowances, such as relocation expenses and car allowances. However, over casting of cost is therefore a product of collective conspiracy involving many officials that will share the fruit of their fraudulent practice.

Multiple Salary Payment to Employees

A salary is a form of payment from an employer to an employee, which may be specified in an employment contract (Adedeji, 2004). It is contrasted with piece wages, where each job, hour, or other unit is paid separately, rather than on a periodic basis. From the point of view of running a business, salary can also be viewed as the cost of acquiring and retaining human resources for running operations, and is then termed personnel expense or salary expense. In accounting, salaries are recorded on payroll accounts. Salary is a fixed amount of money or compensation paid to an employee by an employer in return for work performed (Adewole, 2016).

Consequently, many public servants both at the federal, state and local government levels engage in collection of multiple salaries. Such practices can be controlled with the introduction of IPPIS. The problem of multiple payments of salaries to fictitious staff increases the government recurrent expenditure on yearly basis. Prior to 2007, the government was burdened with huge, unacceptable wage bill. The wage bill kept increasing with varying figures monthly. The federal government took a decisive step in 2007 by introducing IPPIS as an integral part of holistic reforms targeted at public sector in order to address the problems of ghost workers syndrome, overcasting of personnel cost and multiple salary payment to employees.

Theoretical Framework

Fraud Triangle Theory

The Fraud Triangle theory was developed by Donald Cressey (1950), a renowned criminologist, educator, and a writer whose work has provided the framework for understanding the motives for fraud and the characteristics of fraudsters (Kassem & Higson, 2012). The model was developed based on observations Cressey made about the behaviors of 250 criminals who were serving their jail sentences in a United States cell. Cressey observed common characteristics among the inmates and concluded that:

- (a) The inmates committed the crimes as a result of non-sharable financial problems they faced.

- (b) Took advantage of opportunities to defraud due to internal control weaknesses in the organizations they served before their incarnations.
- (c) They are capable of defending their criminal actions after committing the crime, (Kassem & Higson, 2012).

Based on these observations, Cressey hypothesized that for individuals to commit fraud, three factors must be present (Gbegi, & Okoye, 2013). These factors are “pressure”, “opportunity”, and “rationalization”. According to Albrecht (2008), whether the fraud was one that benefited the perpetrator directly or one that benefited a perpetrator's organization, the three conditions for fraud are always present for fraud to occur. Consequently, these three factors became the pillars in the fraud triangle theory. The top element of the diagram represents the pressure or motive to commit the fraudulent act while the two elements at the bottom are perceived opportunity and rationalisation.

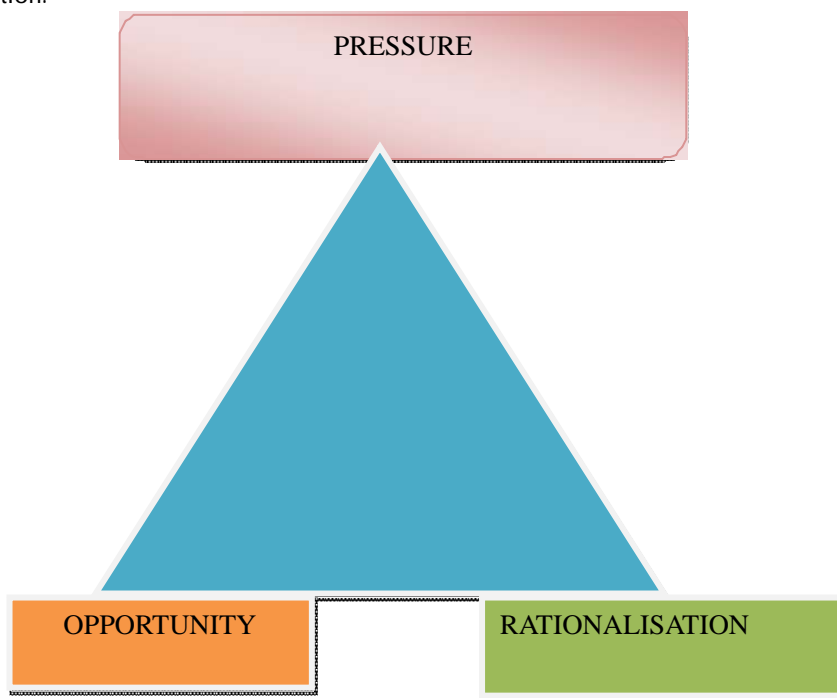


Figure 1: Fraud Triangle showing the three factors responsible for fraud

Pressure

Perceived pressure or incentive relates to the motivation that leads to unethical behaviors. Every fraud perpetrator faces some type of pressure to commit unethical behavior. Albrecht (2006) points out that, the word *perceived* is important because pressure does not have to be real; if the perpetrators believed that they are pressurized, this belief can lead to fraud.

Opportunity

The second necessary element for fraud to occur is perceived opportunity. Opportunity is created by ineffective control or governance system that allows an individual to commit

organisational fraud. In the field of accounting, this is termed as internal control weaknesses. Perceived opportunity is similar to perceived pressure in that the opportunity does not have to be real. The perpetrator must simply believe or perceive that the opportunity exists.

Rationalization

The third element of the Fraud Triangle Theory is rationalization. This concept suggests that the perpetrator must formulate some type of morally acceptable rationalization before engaging in unethical behaviour. Rationalization refers to the justification that an unethical behaviour is something other than criminal activity. If an individual cannot justify unethical actions, it is unlikely that he or she will engage in fraud. The assumption of this theory is a clear picture of happenings in the Nigerian Public Sector because of the pressure mounted from the family and relatives of a public servant. This has made public servants violate the trust given to them by their organisation which is motivated by the cultural forces that makes perpetrators engage in payroll fraud.

Therefore, the implementation of IPPIS by the federal government will serve as a mechanism for addressing the perceived pressure and opportunity that gives public servant the ability to engaged in payroll fraud. Additionally, some Nigerian public servants are involved in fraud in terms of inflating salaries and allowances of civil servants through the inclusion of ghost workers, multiple salary payments, inflating the cost of salaries, allowances and budgetary allocations. The scenario continues until the government decided to adopt the IPPIS platform for payment which has succeeded in minimising the level of fraud in the payment system as narrated by the government.

Methodology

The paper relied on content Analysis. This is because the paper is a theoretical review of existing literatures on the impact of IPPIS on the Prevention of Payroll Fraud in the Federal Ministries. This means that the data for the study was generated from secondary sources. However, Multi stage sampling technique was used in selecting the ministries. The first stage involved selecting the ministries through purposive sampling technique. This is informed by the fact that only ministries used for pilot implementation of IPPIS in both the phase I and Phase II was selected. In the second stage of the selection of ministries, simple random sampling technique through balloting was used to select four (4) ministries from Phase I (Aviation, Education, Finance and Foreign Affairs) and four (4) ministries from Phase II (Agric, Health, Transport and work). The third stage involved selecting the custodian of IPPIS (Office of the Accountant General of the Federation, Office of the Auditor General of the Federation and Office of the Head of Service of the Federation) through purposive sampling technique.

Data Presentation

Nominal Roll before and after the implementation of IPPIS

The effect of IPPIS on the prevention of Ghost workers on the Payroll taking into cognisance the nominal roll of the MDA's before and after the IPPIS implementation.

Table 1.1: IPPIS and the Prevention of Ghost Workers on the Payroll

MDA/Code	MDA NOMINAL ROLL		NUMBER OF GHOST WORKERS
	BEFORE IPPIS	AFTER IPPIS	
Fed. of Agric	114	90	24
Aviation	62	53	9
Fed. of Education	120	101	19
Fed. of Finance	123	105	18
Foreign Affairs	50	43	7
Health	118	96	22
Transport	98	74	24
Works	125	84	41
Office of the Accountant General of the Federation	253	240	13
Office of the Auditor General of the Federation	133	128	5
Office of the Head of Service of the Federation	105	86	19
TOTAL	1, 301	1100	201

Source: National Bureau of Statistics, 2019.

The table above depicted the staff strength of the ministries before and after their enrolment into IPPIS platform, it has shown that about 201 ghost workers were identified from 2009-2019. This situation corroborated with the statement made by Bright Okogu (2010), the Director-General (Budget Office of the Federation), the war against ghost workers in the Federal Service was a committed one engaged by the Federal Government. Okogu said that the electronic data capturing system is part of the present

administrations strategy to stop wastages, particularly through leakages in the system as a result of significant losses in salaries and pension payments to ghost workers and retired employees in the Federal Civil Service. He further maintained that the implementation of the IPPIS in the country had as at December, 2010 helped reduced the number of ghost workers on government payroll by over 7,000 (Government saves N12b with IPPIS, 2010).

Table 1.2: IPPIS and the Prevention of Multiple Salary Payment among the Employees

MDA/ Code	MDA's Nominal	Number Of Employees Receiving Multiple Salaries
Agric	114	8
Aviation	62	3
Education	120	4
Finance	123	12
Foreign Affairs	50	0
Health	118	6
Transport	98	11
Works	125	3
Office of the Accountant General of the Federation	253	19
Office of the Auditor General of the Federation	133	13
Office of the Head of Service of the Federation	105	5

Source: Office of the Head of the Accountant General of the Federation (2019)

The table above indicates that the implementation of IPPIS has exposed those employees receiving salary from multiple sources. This is supported by the Olugbemi (2016), the Federal Government probed not fewer than 23,306 federal civil servants, who have been accused by a panel for defrauding government of millions of naira every month through an organised salary fraud. Olugbemi (2016) maintained that the preliminary report of an investigative committee, set up to probe the alleged fraudulent payment of salaries to either 'ghost' workers or payments to multiple accounts, indicated that some banks would also be called to answer questions on the huge scam. He added that, in a branch of one of the banks, over 300 accounts were said to have been opened in one day and all the accounts have become inactive. Similarly, the report from the Office of the Accountant General of the Federation (OAGF) stated that, out of 312,000 civil servants, whose bank accounts had been checked so far in the exercise through the Bank Verification Number platform, the accounts of 23,306 workers had questionable transactions.

Table 1.3: IPPIS and Prevention of Overcasting of Personnel Cost

MDAs	TOTAL PERSONNEL COST		AMOUNT SAVED	TOTAL SALARY		AMOUNT SAVED
	BEFORE IPPIS	AFTER IPPIS		BEFORE IPPIS	AFTER IPPIS	
Agric	3,365,910,863	2,598,626,657	767,284,206	1,812,627,620	1,426,806,805	385,820,815
Aviation	143,505,709	120,152,838	23,352,871	114,227,297	102,811,072	11,416,225
Education	94,749,103	76,548,054	18,201,049	79,443,965	72,648,992	6,794,973
Finance	381,330,699	300,421,976	80,908,723	338,960,621	290,545,34	38,415,487
Foreign Affairs	245,345,245	241,100,246	4,222,999	123,231,233	120,569,396	2,661,837
Health	496,564,500	489,900,798	6,666,702	389,789,212	376,223,999	13,565,212
Transport	483,966,241	482,444,235	1,522,006	359,453,001	349,111,253	10,341,748
Office of the Accountant General of the Federation	256,549,134	251,999,258	4,549,876	254,579,146	253,172,479	1,406,667
Office of the Auditor General of the Federation	255,476,302	254,589,364	886,938	243,459,745	243,300,466	159,279
Office of the Head of Service of the Federation	241,589,369	240,999,471	589,898	243,645,231	239,999,369	3,645,862

Source: Office of the Accountant General of the Federation (2019)

Based on the above table, it has shown that the implementation of IPPIS has reduced inflating of personnel cost of almost all the ministries department and agencies. This happens as a result of automating and all centralised all the payroll system. For instance, the total salary of the Federal Ministry of Foreign Affairs was N123, 231,233 before the implementation of IPPIS, but after the implementation, it was N120, 569,396. This means that there is a difference of N2,661,837 between what they have been paying as salary

and the actual money.

Findings:

- i. There is an existence of ghost workers in the federal ministries, based on the scope of this study, 201 ghost workers were identified in the respective ministries.
- ii. Based on table 4.2, the paper find out that about 187 staff collected salaries from different government agencies which invariably led to the increase in cost of governance. This finding corroborates with the study conducted by Okoye et al., (2016) which revealed that there is significant reduction in Government recurrent expenditure after the implementation of the IPPIS by some selected Federal Agencies in Nigeria.
- iii. The paper also find out that the implementation of IPPIS has drastically reduced the government personnel cost.

Conclusion and Recommendation

In view of the Findings and Conclusions reached, the following recommendations were made;

- i. The federal government should look into the Federal ministries where the problems of ghost worker are prevalent and find a lasting solution to the problem.
- ii. Employees traced to be engaged in receiving multiple Salaries within the Governments MDA's should be dealt with appropriately.
- iii. Since the implementation of IPPIS has drastically reduced the government personnel cost, government should strengthen the platform so that agencies cannot have the opportunity to manipulate it.

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