

# Corruption in the Civil Service: A Study of Payroll Fraud in Selected Ministries, Departments and Agencies (MDAs) in Bayelsa State, Nigeria

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## Abstract

This study investigates factors responsible for payroll fraud in Bayelsa State Civil Service, Nigeria. The study adopted ex-post-facto research design. Data were gathered mainly from secondary sources. Robert K. Merton's anomie theory was adopted as the study's theoretical framework. The study found that the crime of payroll fraud persists in Bayelsa State civil service despite measures taken by government to stem the fraud. It also discovered that challenges such as inadequate funding and corruption confronting the Economic and Financial Crime Commission (EFCC) are responsible for the futile prosecution of culprits. Based on these discoveries; the study recommends amongst others that Bayelsa State Government should train Forensic accountants to man all her Ministries Departments and Agencies (MDAs) as a proactive measure to check fraud.

**Keywords:** Corruption, Payroll Fraud and Economic Crime Commission.

## Introduction

Section 206 of the Constitution of Federal Republic of Nigeria 1999 (as amended) provides for the establishment of State Civil Service. The Civil Service provides the machinery and acts as a springboard for the development, consolidation of programmes and policies of the government of the day. However, these realities are far from being achieved in Bayelsa State Civil Service largely due to widespread corruption. In Bayelsa State Civil Service, it has been observed that some unscrupulous civil servants put in names of non-existing workers (ghost-names) in the payroll of government for pecuniary gains. This has over the years accounted for loss of billions of naira due to over bloated recurrent expenditure at the expense of capital expenditure and significantly weakened the State's capacity to function optimally. Available data reveals that the practice is common in the state particularly at the Local Government level, State Ministries, Departments and Agencies (MDAs) (see 2009 Biometrics report in Appendix 1 for details). In each of these levels, as observed, names of non-existing workers are stuffed up the payroll as ghosts that are paid salaries for doing nothing, yet the qualified youths roam the streets of Bayelsa state in a desperate search for white collar jobs.

The syndicates have increased the monthly wage bill to a staggering ₦5.46 billion for civil servants alone, a trend that has gravely undermined the capacity of the state government to carry out its developmental functions (Dickson, 2013). This is because the payroll fraud appears to have blocked channels to socio-economic development of the state.

In Bayelsa state, between 2009 and 2013, biometrics screening and verifications have been conducted by successive governments and administrations, yet the practice has still not reduced or stopped (Utebor 2014). Financial experts argued that there is no financial fraud committed in government without the knowledge of civil servants. They create the loopholes for monies to leave the treasury and sometimes devise dubious means to earn above their monthly income (Odiegwu 2012). According to Odiegwu, people are however worried that the rot in the public service has continued despite the basket of promises by successive government to reform the system. But observers believe that political office holders benefitting from the decay have shown lack of the required will to transform the service and get rid of corrupt practices. Modugu (2013) asserts that the war against fraud and financial crimes in Nigeria will not be won because of the following factors: syndicates and collaborators are organized and are within the system, as well as failure by the anti-graft agencies to smash the gang, arrest perpetrators and prosecute culprits to serve as a deterrent to others. This poses serious concern to many observers of this problem, knowing full well that if the problem is allowed to continue, the socio-economic conditions of the state would not improve and the citizens will continue to wallow in poverty while a few feed fat on the financial resources of the state. It is on this basis that this study was undertaken.

## Statement of the Problem

In the past six (6) years, Bayelsa state has recorded an increase in its wage bill without a corresponding increase of the workforce. This has resulted in the State's over bloated wage bill of civil servants alone. This situation aroused government curiosity to ascertain the actual workforce through various exercises such as biometric capturing, personnel verification and the use of table payment. Evidence from these exercises show that about

21% of the workers whose names appear on the payroll are fictitious (See 2009 Biometrics report in Appendix 2 for details). This is a fraudulent act and constitutes a criminal offence going by the law.

Regrettably, no single culprit has been prosecuted after these exercises. It appears therefore, that the state government is closing eyes on this issue. Or perhaps the perpetrators of this act are those within the corridor of power. It is also not clear whether the anti-graft agencies are not aware of this fraud and if they are, why are they not prosecuting the offenders? What is actually clear is that, various verification panels on payroll fraud have affirmed in concrete terms the existence of fraud in the state (See 2009 Biometrics report in Appendix 3 for details). Therefore, efforts need to be made to stop this ugly incidence and this study is one such effort.

Although, several studies have been conducted on corruption and other financial crimes in Nigeria, far less study have been carried out on payroll fraud (Olaleye, 2008, Babalobi, 2008). Similarly, available literature reveals no study on corruption in Bayelsa State. It was in view of the foregoing, that this study was undertaken. The study seeks to investigate payroll fraud in Bayelsa State Civil Service.

### **Objectives of the Study**

The main objective of this study is to critically examine payroll fraud in selected ministries, departments and agencies (MDAS) in Bayelsa State Civil Service, Nigeria to examine the factors that contribute to payroll fraud in Bayelsa state. Specifically the study hope to achieve the following objectives:

- i. to find out the role of Economic and Financial Crime Commission (EFCC) in prosecuting payroll fraud culprits;
- ii. to assess the effects of payroll fraud on the economy of the state; and
- iii. to make recommendations on ways by which payroll fraud can be addressed.

### **Significance of the Study**

This study on payroll fraud in Bayelsa State Civil Service has several contributions to make in the Nigerian society. It does not only seek to curb corruption in our society, it is also an attempt to give Nigeria and Nigerians image abroad. In recognition of these, the study will be of great significance to security agencies, government and non-governmental organizations (NGO) and members of the public. On the side of government and security agencies, especially the police, it will help provide necessary information on corruption in the Nigeria Civil Service, its types and ways of tackling the problem. It will as well help to bring to the attention of appropriate authorities, information on how state funds are stolen by organized criminals within the civil service organization, and agitate for proper policies to be made and implemented in order to curb the problem.

This work will add to the literature in this area of study for future researchers who may find it useful as reference material. It will also add new knowledge to the existing body of knowledge. Findings from the work will be significant to sociologists, criminologists, economists, legal practitioners, political scientists as well as crime monitoring and management experts.

### **Review of Related Literature and Theoretical Framework**

In this section of the study, a review of related literature which covers factors that contribute to payroll fraud in Bayelsa State, the role of the anti-graft agency in prosecuting payroll fraud culprits and the effect of payroll fraud on the economy of Bayelsa State.

**Conceptual Clarification:** Payroll fraud is the theft of cash from an organization via the processing of the organization payroll. The following are the notable examples of payroll fraud: Buddy Punching, Pay cheque diversion, unauthorized hours and Ghost employees. This study focused on Ghost employees.

Like many other forms of crime in Nigeria, payroll fraud is one form of corruption that has dominated every level of government. It has been observed, that as a form of corruption, it exists because the culture of the environment encourages material success (Babalobi, 2008). It represents effort to secure wealth or power at public expenses by public servants. It allows for a misuse of public power for private benefits (Lipset and Lenz, 2000). Payroll fraud flourishes because of the inordinate desire of the syndicates to siphon public funds (that could have been used to provide infrastructure) to private accounts. It is the shortest means by which perpetrators can measure up with social demands of materialism. As observed by Jaja (2012), obsession with materialism, compulsion for a shortcut to affluence, glorification and approbation of ill-gotten wealth among others account for the high rate of corruption in Nigeria. The unfortunate parameter of good life in Nigeria is ostentatious living and affluence (Olaleye, 2008). At this, the insatiable quest for wealth by whatever possible means contributes to fraud in government establishments.

According to Babalobi (2008), corruption in the public service is encouraged by weak government institutions, poor pay incentive, lack of openness and transparency. In this view, the payroll fraud seemingly represents a means to making up with the poor pay incentives. The fraudster's syndicates compensate themselves

by this unwholesome act. In Nigeria today, there is a problem of inequality in the distribution of wealth where only a few privileged members of society amass the wealth, leaving a greater percentage to scramble for the crumbs. As such, some civil servants turn to payroll fraud in attempts to achieve the objective of a better life. Over the years governments at all levels have unconsciously encouraged fraud because of the unwillingness of government to arrest and prosecute the syndicates involved in corrupt practices (Ukoko, 2014).

This fraudulent act allows corrupt civil servants to fill the wage bill with non-salary items and fictitious names only to go behind and collect the proceeds. Thus, it has become impossible to prosecute the perpetrators who are players themselves in the episodes. This worrisome situation has made Ukoko (2014) to inquire why government is only able to discover payroll fraud in its civil service but unable to identify the persons behind the fraud; and why does the problem still persist despite all the past discoveries made on the crime? Even though it is as old as Nigeria, none of the brains behind the problem has ever been prosecuted. No records exist about any person in the civil service that has been sacked on the grounds of involvement in this corrupt practice.

It has been observed that collaboration remains another reason why false wage earners will continue to inflate the recurrent expenditure budget of government. Ukoko (2014) observed that internal auditors and the auditing firms assigned to audit the government offices are beneficiaries of the scam. The auditing firm cannot claim to have audited without discovering those who have cooked-up the books. Ukoko also noted that, the auditing processes represent another means of stealing from the government. Obinna (2013) noted that, there is collaboration within the system that enhances the operation of payroll fraud. For example, it is somebody, a top official of government that must approve wage payment. Another official must have audited the pay vouchers for another official to pay the salary. The collaboration appears to have paralyzed the possibility of apprehending the culprits and encouraged the fraud. According to Obinna (2013), the disturbing problem of payroll fraud in the Nigerian Civil Service is a difficult one because from all indications, it has features of organized crime, with insiders in government agencies as arrowheads. The insiders' influence as further observed by Obinna tends to block possible apprehension and prosecution of offenders. It has become difficult for the government to get to the root of the matter which is fueled by official corruption.

In Bayelsa State, until recently, attempts to smash the syndicates behind the scam have yielded very little result (Odiegwu, 2012). As at July 2009, the biometrics exercise conducted by the state government reveals that the payroll is stuffed with a lot of channels through which the syndicate used in defrauding the government. (See 2009 Biometrics report in appendix 2 for details). Precisely, the government announced that top members of the state executive council and civil servants in the state were under security surveillance over their involvement in the fake employment racket and over bloated civil service (Okhomina, 2009). According to Okhomina, the surveillance of the top government official over the fraud resulted in continued threat to officers of the bureau in charge of the staff verification exercise in the state with pressure to stop the process. This explains that payroll fraud is identified as a crime of the privileged few and it flourishes because of collaboration, fear and insider syndicates. The first exercise in personnel verification chaired by Dr. Bolare Nwakeafor (then Secretary to Bayelsa State Government) was politicized by the inside syndicates, and eventually, the programme was aborted. Consequently, on the 18<sup>th</sup> of May 2009 arising from an attempt by Government to streamline salaries and payment of wages in the state, Government established the Due Process & e-Governance Bureau and inaugurated the biometrics committee chaired by Mr. Von Kemedi (See 2009 Biometrics report in appendix 4 for more details). According to Mr. Kemedi who served as the director-general of the bureau, the claim that Bayelsa State has a total workforce of 54,330 with a wage bill of 2.6 billion is hard to believe, hence the verification will be thorough (Oyadongha 2010). The report had it that no fewer than 11,696 fictitious names were discovered during the capturing exercise with the state government said to be losing 293.7 million naira monthly and about 3.524 billion annually as salaries to fraudsters (see 2009 Biometrics report in appendix 1 for details).

Faustinus (2013) observed that in most parts of the state capital, beautiful and luxury buildings, hotels and wine bars are owned by civil servants including cashiers and accountants. Some ride costlier cars, living beyond their means. Yet the Economic and Financial Crime Commission (EFCC) failed to exercise its power as spelt out in Part 2 (b) of the EFCC Act, which stipulates that the commission has special power to cause investigation to be conducted into the properties of any person if it appears to the commission that the lifestyle and extent of the properties are not justified by his source of income. Danfulani (2013) argued that before the advent of e-government in Nigeria, understanding the real workforce in the three tiers of government was a mystery and hard like rocket science. Personnel in administration in league with their colleagues in finance inflate the payment voucher with fictitious names running into hundreds of thousands on the payroll for pecuniary benefits. Perpetrators of the crime created a system where the majority of staff were not paid in the banks using workers functioning accounts, rather, they paid cash using their ministries cashiers. According to Danfulani, the amount oozing through this channel into the pockets of these fraudsters surpassed the real wage bill of government, and led to inability of the government to perform other statutory functions. He further stated

that successive governments battled with this menace through setting up special staff committees and what they called table payment and physical appearance of staff without getting to the root of the matter. This was because the manual operational standard of the civil service machinery aided the fraud. As further observed by Danfulani, more than ever before, the use of Integrated Payroll and Personal Information System (IPPIS) by the federal government has significantly reduced the scam. The e-governance and transaction in e-mail, e-verification of payment and e-transfers, among others, have eliminated corrupt practices bothering on the following of files and cheques from one desk to another.

The digitalized machinery of government has been identified as efforts in the right direction. But, Faustinus (2013) has observed that payroll fraud has also gone digital. Most of the fictitious names today operate functional bank accounts that monies in the form of salaries, allowances and other entitlements are paid into. The perpetrators as noted operate as a group organized around the administration and finance departments and the banks. Precisely, the e-payment system tends to make it easy but hard for outsiders to understand. According to Faustinus, the problem of fraud has a foundation in the culture of corruption that Nigeria is noted for. The corrupt tendencies and capabilities among Nigerians civil servants allow for the creation, and sustainability of organized crime syndicates in the civil service. The organized groups who operate as mafia enhance the persistence of payroll fraud. Olaleye (2008) noted that good intentions of government in trying to reduce the recurrent expenditure often produce no result because of human dishonesty and social recognition of the wealthy no matter the source of the wealth. The social recognition, ethnicity and religious affiliation even appear to cripple the hands of the law in dealing with the culprits. The ethno-religious consciousness and social recognition often down play the political will of government to execute the war against payroll fraud not minding whose ox is gored. As observed by Danfulani (2013), the way out is that those caught in the act must be made to face the full wrath of the law which will serve as a deterrent to others aspiring to steal from the public treasury or abet looters through subverting the system for personal economic aggrandizement. According to Danfulani, the judiciary in this war must live up to its billing by shedding of technicalities that often set criminals free due to some simple procedure not observed by the prosecuting teams. If social recognition, ethno-religious and political affiliation and legal technicality that often cripple the law are not down-played, the war against corruption will continue to make no sense.

Faustinus (2013) observed that payroll fraud is as old as the civil service establishment in Nigeria. The trend has occupied the minds of policy planners at several tons of millions of tax payers fund are spent by government hunting fictitious names that are growing in number and notoriety. Despite claim efforts to flush out these names, the scenario consistently repeats itself. Ige (2013) posits that the International Monetary Fund as a matter of concern gave Nigerian Government till the end of December 2000 to root out fictitious names on the payroll of the Federal Civil Service for the government to enjoy \$1 billion loan sought by President Obasanjo led government. Surprisingly, government could not subdue the fraud. Ige noted that even in President Jonathan administration as much 100 billion naira was drawn as salaries and other emoluments by fraudsters in the federal civil service, the culprits who have been signing and issuing cheques to the fictitious workers are yet to be apprehended and punished according to the provisions of the law, 54 years after independence.

According to Olaleye, there is growing fear that it has become a kind of industrial complex or, the racket must have gained the approval of the government. Otherwise, the culprits and beneficiaries would have been fished out. After all, who has been signing the cheques? Who are the people withdrawing from these accounts? Are there salary accounts in the banks that do not have pictures of their owners? Has there been connivance with bank workers to perpetrate this fraud? Are there officials who prefer to look the other way rather than apprehend those behind the payroll fraud? If the hands of top government officials are bloody as speculated, then no thief can apprehend and punish another thief. The practice of esprit de corps among high ranking white collar criminals, no doubt appears stronger.

### **The Role of Economic and Financial Crime Commission (EFCC) in Prosecution of Culprits**

The Economic and Financial Crime Commission (EFCC) was established in the year 2004 by EFCC establishment Act 2004, with a mandate to combat financial and economic crimes and also to prevent, investigate and prosecute economic and financial crime perpetrators (EFCC Act 2004).

Ribadu (2004) defined prosecution as the process of trying to prove in a court of competent jurisdiction that somebody is guilty of a crime for which he/she has been duly charged. According to Ribadu, the following factors stand as obstacles to effective prosecution of corruption and financial crime cases in Nigeria. (a) Inadequate Funding: Emem (2013) observed that the major challenge that hinders the operation of EFCC is poor funding. She noted that at the moment, the commission has no money to pay its lawyers given its poor financial status of less than two million naira in its account. This is corroborated by Aborisade (2013) when he stated that Economic and Financial Crimes Commission is underfunded by President Goodluck Jonathan Administration which is affecting the fight against corruption in the country. The secretary of EFCC, Mr. Emmanuel

Adegboyega raised the alarm in Abuja while briefing the Senate Committee on Drugs, Narcotics, Financial Crimes and Anti-Corruption, at a public hearing on the bill for an Act to establish the Nigerian Financial Intelligence Agency. (b) Cost of Investigation and Prosecution: Investigation and prosecution of economic and financial crime is indeed costly. The EFCC boss, Mr. Lamorde, while defending the 2014 budget proposal explained to Chairman Senate Committee on Drugs, Narcotics and Financial Crimes, Senator Victor Lar opined that it cost about five to ten million naira to prosecute a high profile case. He lamented that EFCC is too broke to fight corruption. This came as a confirmation of The Punch's October 16, 2013 story, which revealed that the EFCC was so broke that it could not pay its lawyers and meet its other obligations. This is informed by the nature and character of these crimes many of which are perpetrated by ingenious methods which are dynamic in nature. Again, because of the delays associated with trials, prosecution expenses are unbearable for the commission. (c) Cooperation from those who should furnish relevant information: Ribadu (2004) stated that corruption and financial crime are non-violent and committed in most cases by those who are in the first place, entrusted with the responsibility of taking care of funds or their collaborators. Those who should have first-hand information in these matters are those usually investigated in the circumstances. It is often the case that files containing incriminating information disappear or relevant parts of the document cannot be found, either the information /evidence is destroyed or watered down in such a manner that it will not be useful to the anti-graft agencies for prosecution in the court law. (d) Prosecutorial competences of the prosecuting counsel: Ribadu (2004) asserted that economic and financial crime cases are usually complex and complicated, some involve documents or subjects that are technical requiring a well-schooled investigator to unravel. According to Ribadu, the success of any case depend largely on the quality of the prosecuting counsel, he noted that a good case can be destroyed by the incompetence of the prosecuting counsel, who either is professionally incompetent or has compromised with the accused to eventually become an obstacle to the successful prosecution of the case. There is need therefore to properly remunerate and provide adequate resources for the continuing legal education of prosecuting counsel to win the war against corruption in Nigeria. (e) Corruption: Emem (2013) observed that corruption equally exists in EFCC. According to the source, EFCC has only 1,246 core officials who are validly on its payroll. The commission has more than 700 police officers who are claiming money from a payroll that is meant for hiring of staff for the commission, including serving police officers who are supposed to be on secondment. In other words, EFCC has 700 police officers who are earning money from two federal government agencies (The Nigerian Police Force and the EFCC). This is corroborated by Erunke (2014) who reported that the Chairman of the Senate Committee on Drug, Narcotics and Financial Crimes, Senator Victor Lar frowned at the alleged dominance of Policemen in the Commission, insisting that this dominance by policemen is the reason behind the commission's poor performance. Speaking exclusively to Vanguard, while reacting to the alleged collection of double salaries by Police officers within the commission, Senator Lar said that his committee had made efforts to know the number of personnel in the agency, but all their efforts yielded no positive result. According to Lar, "it is true (Police Personnel in EFCC collect salaries from the Police and the Commission), we got the complaint and while on oversight function, we demanded from EFCC the nominal roll showing the status of each personnel and the disposition according to state of origin. Till this moment, we are yet to get response from EFCC". This act contravenes the provisions of section 5 rule 020502 (v) of the public service rules and regulations which stipulate that during the period of secondment, the benefitting organization shall be responsible for the officer's personal emolument. Based on this revelation, EFCC lacks the moral justification to fight payroll fraud in other organizations/agencies. It is on this note that Ayobobo (2012) argued that, not only is the government of the day paying lip services to the critical issue of corruption in Nigeria, but the agencies set up to fight corruption, as well as their personnel are more corrupt and precarious than those they claim are corrupt. In the true sense, those that are fighting corruption do not only lack the moral right and legitimacy to fight corruption. They have compromised and therefore do not know what corruption is. Where they appear to talk about corruption, such fight appears rather selective and lopsided.

According to Ayobobo, a classic example is that of the Bayelsa State, where a former governors and some senior civil servants were indicted of corruption and payroll fraud and in the long run, the senior civil servants were not prosecuted whereas; the former governor had his properties confiscated. Given the level of corruption among the anti-graft agency, and their biased operations, the agency tends to lack the moral justification to arrest and prosecute corrupt government officials.

In addition, Waziri (2013) argued that the EFCC cannot effectively fight and conquer corruption with the current set of criminal laws in Nigeria. The criminal laws, most of which were inherited from the colonial masters, are no longer relevant. It is a notorious fact that the corruption war is being fought partly with archaic laws, laws that are no longer suitable for the unpleasant situation. At the time most of our laws were being enacted by the colonial masters, nobody envisaged the manipulation of computer to defraud. Waziri therefore advised that the National Assembly on the need to enact potent laws that can confront corruption and corrupt tendencies headlong.

Tambuwal (2013) observed that the war against corruption appears difficult because the executive arm of the federal government only pays lip service to the fight against corruption. He pointed out that many top government officials that were found to be culpably fraudulent in the aviation, security and exchange commissions were never apprehended not to talk of prosecuting them. Tambuwal noted that even when it was glaring that they were active in the scam where trillions of naira from private investors was stolen. The EFCC, despite being an anti-graft agency is highly corrupt and can in no way fight corruption to a standstill.

The many anti-graft agencies including the Economic and Financial Crime Commission (EFCC) appear to have no records of ever being alive to deal with the payroll fraud syndicates. Bayelsa State case can be viewed as a classic example in 2010. Oyadongha (2010) maintained that the EFCC actually commenced investigation into the sharp practices allegedly uncovered in the aftermath of the biometric and data capturing exercise to ascertain the actual workforce of Bayelsa State government. This was with the view of prosecuting all those found wanting. Till this last quarter of 2014, the EFCC is yet to apprehend any offender. According to Oyadongha, during the biometric exercise top ranking government officials were fingered including four commissioners who corruptly enriched themselves. What then readily comes to mind is that some factors could be responsible for blocking the EFCC from arresting and prosecuting the culprits which are yet to be known?

### **Theoretical Framework**

Robert K. Merton's (1938) *anomie theory* was adopted as the theoretical framework in this paper. The theory holds that deviance is a function of the conflict between prescribed goals and the means they can use to legally obtain these goals. This disjunction between means and goals is referred to as 'anomie'. Merton used the term to describe the difference between socially acceptable goals and the availability of means to achieve those goals. He stressed, for instance, that attaining wealth is a major goal of the Americans, but not all Americans possess the means to do this, especially members of the minority and disadvantaged groups.

According to Merton, societies differ in the relative emphasis they place on cultural goals and the legitimate means governing goal achievement. Cultural goals are those which members of a society are encouraged to recognize and value as worth striving for. Examples of cultural goals are wealth, material possessions (e.g. choice houses, motor cars) etc. Whatever these specific goals may be, the extent of their acquisition determines someone's social standing in society, as well as the level of success attained by that individual.

According to Merton, the drive to deviate lies not in individuals but in the society for "social structures exert a definite pressure upon certain persons in the society to engage in non-conforming rather than conforming conducts (Merton, 1938). Thus, some societies experience higher rates of deviance than others because their culture values certain achievements but the social structure does not provide many people with legitimate ways to attain these valued goals.

Societies which place equal emphasis on goals and means give individuals opportunity to achieve satisfaction both from goal achievement and following the institutionalized means for achieving these goals. Another important element of the social and cultural structure of society is the means or modes (i.e. avenues) which society has institutionalized or put in place for the pursuit of culture goals. These laid down ways or means constitute part of the social structure of society, and they may also vary from society to society. According to Merton (1958), societies with capitalist ideology that emphasize monetary success without equal access for everyone to achieve that success suffers from anomie, widespread crime that gives rise to criminal activities.

In this case, individuals become preoccupied with achieving success (cultural goals), without the least concern about how they achieve it. There is a tendency to reject and abandon the rules of the game and pursue success at all cost, and by any available means whatsoever, the reigning ideology is "the ends justify the means". Corroborating Merton's postulation, Igbo (2008) stated that different societies manifest varying degrees of balance between goals and means. In a stable society (at one end of the polar extreme) where an equal emphasis or importance is placed on both cultural goals and institutionalized means, and members of society accept such an equal weighting, deviant behavior tends to be minimal in such societies. This is because most people tend to play by the rules knowing that their dreams and aspirations are realizable within the framework of the socially defined means and modes.

What is central to this theory is its ability in analyzing the relationship between culture and corruption which explains the present discourse and most suitable for this study. Though Merton applied his analysis to the United States, but the theory also applies to Nigeria because America shares the same capitalist features with Nigeria and goals of monetary success is heavily emphasized but without corresponding emphasis on the legitimate avenues to match these goals in both societies. Consequently, people feel strained because they are unable to achieve what they have been taught to value. In response to this strain, people resort to short-cut as means of actualizing their set goals. Thus is obviously the case in the prevailing payroll fraud in the country's

civil service.

Indeed, the work of Merton demonstrates that some relationship exists between culture and corruption. It implies that corruption is sometimes a motivated behaviour responding to social pressures to violate the societal norms in order to meet the set goals and objectives of a social system. Societies which strongly restrict access to opportunities will have higher levels of corruption as people would use corrupt means to achieve their objectives. This probably explains the high incidence of corrupt practices in Nigeria. Many Nigerians are highly achievement-oriented but lack or have relatively low access to economic opportunities. For instance, salaries of civil servants are so meagre to meet with family demands, many are unemployed, yet the society expects them to be honest and productive. The fact is that many of these civil servants and the unemployed are parents and are expected to train children in schools in addition to meeting other family needs. In such situations, many would reject the rule of the game (societal norms and value system) and adopt unconventional means like payroll fraud to make ends meet.

Though Merton's anomie theory has been criticized for its failure to explain non-utilitarian deviance such as rape or criminal damages that is not oriented towards material success, the strength of the theory and its suitability in analyzing payroll fraud in the Nigerian state cannot be over-emphasized.

### Methodology

This study is an ex post-facto research, whose data were gathered from secondary sources such as, government records/publications, academic journals, text books, and the internet based materials. *Ofo* (2005) opined that the phrase ex -post -facto is a "Latin" word meaning after the fact or retrospection. According to *Ofo*, in ex-post-facto research, the effect and alleged cause have already occurred, but both conditions are studied in retrospect. This research design attempts to determine the cause-and-effect relationships by examining conditions and tracing back the information and available data for possible causal factors. This study succeeded in examining the cause of payroll fraud and its effect on the economy of Bayelsa State in particular and Nigeria at large.

### DATA PRESENTATION

Data provided by verification/Biometrics capture exercise conducted by Bayelsa State Due Process and e-Governance Bureau on the 9<sup>th</sup> of December 2009, it was found that a wage-bill of N.26 billion estimated for 54,330 staff was projected by Ministries , Departments and Agencies (MDAs,). It is disheartening to note that only 52,696 staff was reflected on the nominal roll (as distributed in Table 1 below). Money meant for 1,634 staff were non-salaries items added by the syndicate as an avenue of siphoning the state coffers thereby defrauding the state government (See 2009 Biometrics report in Appendix 5 for details).

**Table 1: Number of Civil Servants expected to be captured in Biometrics Verification Exercise**

Ministries, Departments and Agencies (MDA)	Number of Staff
Main Stream Civil Service	8409
Sanitation	2940
HSMB	1532
NDU	3544
BYCAS	1079
SUBEB	14,090
PPSB	5785
Local Government Councils	9567
Rural Development Authorities	5750
<b>Total</b>	<b>52,696</b>

*Source: 2009 Bayelsa State Biometrics Report.*

**Table 2: Overall Summary of Biometrics Verified Staffs by Ministries, Departments and Agencies (MDAs)**

S/N	MDA	Expected Staff	Attended	Absent	Number of Staff confirmed.	No. of Workers with Irregular Employment	No. of Non-Existing Workers	Percentage of Non-Existing Staff	(Amount in Millions) Siphoned Annually from BYSG.
1	RDAs (32)	5750	4986	764	3200	1786	2550	22.91	90.00
2	Environmental Sanitation	2940	2721	219	368	2353	2572	23.1	45.00
3	SUBEB	14090	13510	580	11910	1600	2180	19.58	43.00
4	LGAs	9567	8806	761	8175	678	1439	12.93	31.40
5	Main Civil Service	4452	4003	449	1274	46	495	4.45	23.70
6	BYCAS	1079	1039	40	720	319	359	3.22	18.00
7	Post Primary Schools Board	5785	5293	492	5198	95	587	5.27	17.00
8	Niger Delta University	3544	3358	186	3313	45	231	2.08	5.90
9	BYSIEC	258	229	29	186	43	72	0.65	4.90
10	Bayelsa Sports Council	445	412	33	315	97	130	1.17	4.90
11	Bayelsa Transport Company	207	199	8	59	140	148	1.33	2.60
12	Hospital Mgt. Board	1532	1507	25	1499	8	33	0.30	2.20
13	Newspaper Corporation	244	221	23	181	40	63	0.57	1.80
14	Bayelsa Palm	467	453	14	401	52	66	0.59	0.60
15	Bayelsa Radio	261	253	8	251	2	10	0.09	0.56
16	Water Board	130	119	11	117	2	13	0.12	0.50
17	Bayelsa State Television	48	47	1	47	0	1	0.009	0.40
18	Judiciary	990	864	126	864	0	126	1.13	0.34
19	Electricity Board	288	257	31	251	6	37	0.33	0.30
20	House of Assembly	374	317	57	328	0	57	0.51	0.30
21	Arts and Culture	161	157	4	157	0	4	0.04	0.20
22	College of Health Technology	84	78	6	78	0	6	0.05	0.10

**Source:** 2009 Bayelsa State Biometrics Report

The data on Table 2 above show the details of biometrics/verified staff of Bayelsa State Civil Service indicating various Ministries, Departments and Agencies (MDAs) including the total amount of money which syndicates defraud the state government over time and the percentage of non-existing staff. It is appalling to note that reputable institutions in the State were not free from the fraud. The institutions include: Niger Delta University, the State House of Assembly, the Judiciary, Radio Bayelsa and Bayelsa State Television.

In Table 2, Overall Summary of fraud cases in Bayelsa State Ministries Departments and Agencies (MDAs) the Rural Development Authority tops the table with N90, 000,000 naira followed by the Environmental Sanitation, N45, and 000,000 naira and State Universal Basic Education board in third place with 43,000,000. The eight local government council came fourth on the table with 31.40,000,000. The mainstream civil service recorded 23.70, 000,000, BYCAS 18,000,000 and Post primary Schools Board, 17.000,000 million.

At the bottom are College of health Technology with 0.10, 000, 000, Arts and Culture, 0.20, 000,000; House of Assembly 0.30,000,000 and Electricity Board had 0.30,000,00 million naira.

### Discussion of Findings

This study discovered that there is a long chain of official gatekeepers to check fraud in the Nigeria Civil Service, ranging from the head of personnel or human resources manager who confirms the staff nominal roll to the head of accounts and payroll who prepares the vouchers and the permanent secretary who signs the payment vouchers before payments are made. Given the existence of these gatekeepers, it becomes intriguing the enormity of rot that thrives in the civil service.

The study also found out that government has not taken a proactive measure to prevent payroll fraud. Rather much interest is shown in biometrics capture. This makes one to wonder if the introduction of biometrics



system is an Amnesty for the perpetrators of payroll fraud (syndicate) in the Nigeria civil service. Government cannot just sweep the problem under the carpet by introduction of ICT System. It's like implementing border control measures to tackle human trafficking but not investigating who the human traffickers are. Thus, the big question is: what efforts are being undertaken to weed out the perpetrators of employment fraud in the Nigeria civil service? It becomes pertinent that forensic auditing be introduced and practiced since there is weakness in traditional auditing in curbing economic and financial crime. Okoye and Gbegi (2013) submits that the failure of internal auditing system of the organization in detecting fraudulent practices has led to the use of specialized procedures to detect fraud, collectively known as forensic auditing. Enofe et al (2013) posits that forensic accounting is the tripartite of utilizing accounting and investing skills to assist in legal matters. According to Enofe et al, they have the professional ability and backup by the law to break into any organization system and examine the books, make discoveries and present the documentary evidences in the law court.

In the literature review, it is revealed that there is collaboration among civil servants and few political office holders who cooked books with fictitious names and non-salaries items with which they divert money on monthly basis in connivance with some bank staffs that paid them the money without physical appearance of the owners of the fictitious accounts they use for the looting.

From the foregoing analysis and discussion, it is evident that payroll fraud has been a menace across all tiers of government over the years. Annually, millions of naira is siphoned from government coffers through salary payments to non-existing employees who have fraudulently been listed on the State payroll. Some of these employees include retired civil servants, deceased people or purely fictitious names (see 2009 Biometrics report in appendix 2 for details). One major cause is the non-implementation of the civil service rules and regulations, which allows corrupt civil servants to increase government recurrent expenditure at the expense of capital expenditure

Payroll fraud has crippled the socio-economic development in Bayelsa State. This has been revealed in the verification exercise in which a total sum of N293.70 million was lost monthly and ₦3.524 billion was lost annually from the government coffers as a result of the scam. Furthermore, the study found out that the money stolen via payroll fraud would have been utilized to employ and pay reasonable number of unemployed graduates of reputable institutions of learning who are roaming the streets of Bayelsa State in search of white collar jobs. This would have been functional to the state workforce, reduced the number of unemployed persons in the state and as well improve their livelihood.

Similarly, government has wasted billions of naira to set up unending biometrics/verification committees with little or no results. Consequently, personnel of budget department are affected psychologically because time and resources are wasted in planning without achieving desired results. This fraudulent act has dented the image of the state in the comity of states in Nigeria because records of corruption associated with the first executive governor "Chief D.S.P. Alamiyisigha" speaks volumes about the level and prevalence of corruption in Bayelsa state. The effect of this is also extended to the nation at large. Incidences of corruption emanating from Bayelsa state have added to the ratings accorded Nigeria as one of the most corrupt nations in the world by Transparency International (TI) annually.

## **Conclusion**

Payroll fraud is prevalent in Nigerian Civil Service; it is reported to have permeated Ministries, Departments and Agencies (MDAs) in the three tiers of government and almost in the 36 states of the federation where biometric exercise was conducted. It is a bane to the development of the country and Bayelsa state in particular as resources meant for development are diverted into private pockets. This fraudulent act undermines effective governance and erodes the social fabrics of the State. Until government adopt a proactive measure to prevent Payroll related fraud in the state and prosecute perpetrators of this fraud using cutting edge techniques, the biometric exercise will only achieve very little in combating corruption. The state government will continue to waste its resources paying salaries, which will have a negative effect on civil servants welfare in particular and spate of development of the state in general.

## **Recommendations**

This paper suggests the following recommendations as solutions to payroll related fraud in the Nigeria Civil Service and particularly that of Bayelsa State:

- (1) There is need for the Government of Nigeria and particularly that of Bayelsa State to be proactive in the fight against corruption in its civil service. Fakile and Adegbi (2012) assert that Forensic auditing is an antidote to fraud in developed societies.
- (2) Bayelsa State Government is encouraged to learn from the developed societies on how to investigate fraud using cutting edge technique called Forensic auditing. The money spent on biometrics and unending verification/screening committees should be channeled for training of

- deserving Bayelsans as forensic accountants.
- (3) It is recommended that the State Government should create anti-fraud Department from the Ministry of Finance and award scholarship to 24 Bayelsan 3 from each of the eight Local Government areas to specialize in Forensic accounting. Alternatively, the establishment and training bureau of the state civil service should train 24 accountants to specialize in forensic auditing. Upon completion of their studies, these Accountants should be deployed to man all the Ministries, Departments and Agencies. (MDAs) in the state, this will address the issue of payroll related fraud in Bayelsa State Civil Service.
  - (4) Where prosecution is necessary, proper forensic procedures need to be followed and during investigation trained experts like the professional Forensic accountants should conduct investigation, where there is evidence of payroll fraud, appropriate disciplinary action in accordance with the provisions of the public service rules should be implemented.
  - (5) The Economic and Financial Crime Commission (EFCC) should be strengthened financially and technologically for effectiveness in their services to the nation, and for effective utilization of their resources both human and capital. The anti-graft agency should employ forensic accountants for professional discovery of evidences which will support litigation in the court of law. Okafor (2014) noted that the Economic and Financial Crime Commission, EFCC and the Independent Corrupt Practices Commission, ICPC attributed lack of expertise as reason for their inability to probe allegation of corruption leveled against the Nigerian National Petroleum Corporation, NNPC. In addition, then coordinating Minister for the Economic and Minister of Finance Dr. Ngozi Okonjo - Iweala declared that FGN wants to commission an audit firm to conduct a forensic auditing of the NNPC. She added that they need professional firms to handle this because this is not a common investigation
  - (6) The Economic and Financial Crime Commission (EFCC) should employ competent lawyers to fill its legal unit who will help in understanding of the technicalities of cases and record success in prosecuting economic and financial crime culprits.

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**APPENDICES**



**GOVERNMENT OF BAYELSA STATE OF NIGERIA**

**Bayelsa State Biometrics Verification Exercise Report**

**Due Process & e-Governance Bureau**

**December 2009**

**Bayelsa State Biometrics Verification Exercise Report - 2009**

The result of the exercise shows that 7,265 employees failed the exercise and another 3,867 did not attend, thereby giving the state a total savings of 11,132 Man power and N293.7 million per month which sum up to N3.524billion annually. These figures are as shown in Tables 3.1 and 3.2 below.

**Table 3.1: Overall Savings**

DESCRIPTION	NUMBER OF PERSONS	AMOUNT (N) MONTHLY	AMOUNT (N) ANNUALLY
Savings from the Exercise	11,132 staff	N293.70 million	N3.524billion

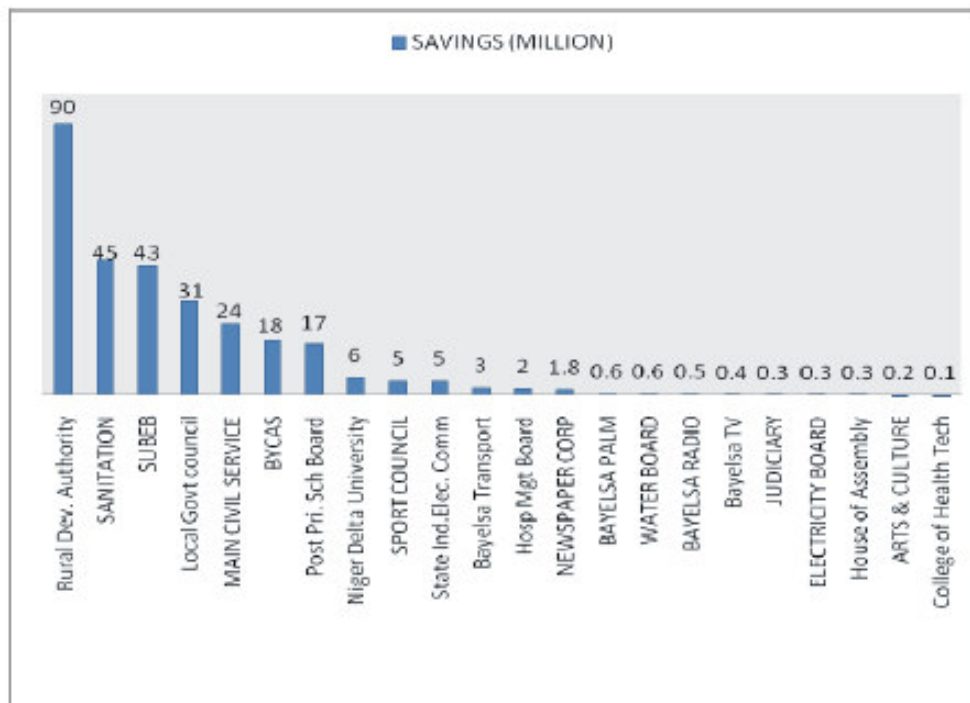
**Table 3.2: Overall Summary of Analysis**

S/N	MDA	Expected Staff	Attended	Absent	Passed	Failed	Savings Number	Expected Savings (Amount in Million)
1	RDAs (32)	5750	4986	764	3200	1786	2550	90.00
2	ENVIRONMENTAL SANITATION	2940	2721	219	368	2353	2572	45.00
3	SUBEB	14090	13510	580	11910	1600	2180	43.00
4	LGAs (8)	9567	8806	761	8175	678	1439	31.40
5	Main Civil Service	4452	4003	449	1274	46	495	23.70
6	BYCAS	1079	1039	40	720	319	359	18.00
7	POST PRIMARY SCHOOLS BOARD	5785	5293	492	5198	95	587	17.00
8	Niger Delta University	3,544	3358	186	3313	45	231	5.90
9	BYSIEC	258	229	29	186	43	72	4.90
10	BAYELSA SPORTS COUNCIL	445	412	33	315	97	130	4.90
12	Bayelsa Transport Company	207	199	8	59	140	148	2.60
13	HOSPITAL MGT BOARD	1532	1507	25	1499	8	33	2.20
14	Newspaper Corporation	244	221	23	181	40	63	1.80
15	Bayelsa Palm	467	453	14	401	52	66	0.60
16	Bayelsa Radio	261	253	8	251	2	10	0.56
17	Water Board	130	119	11	117	2	13	0.50
18	Bayelsa State Television	48	47	1	47	0	1	0.40
19	JUDICIARY	990	864	126	864	0	126	0.34
20	ELECTRICITY BOARD	288	257	31	251	6	37	0.30
21	HOUSE OF ASSEMBLY	374	317	57	328	0	57	0.30
22	ARTS AND CULTURE	161	157	4	157	0	4	0.20
23	College of Health Technology	84	78	6	78	0	6	0.10
	<b>Total</b>	<b>52,696</b>	<b>48,829</b>	<b>3,867</b>	<b>38,892</b>	<b>7,265</b>	<b>11,132</b>	<b>293.70</b>

Source: Biometric Information System as at 9<sup>th</sup> December, 2009.

## APPENDIX 2

### Bayelsa State Biometrics Verification Exercise Report - 2009



Source: Biometric Information System as at 9<sup>th</sup> December, 2009.

Table 5: Categories of unsuccessful Persons

Categories	Number of Person
Illegal employment	6,352
Expired contracts	153
Impersonation/Forged documents	169
Death cases	28
Underage employment	130
Duplicate appointment	750
Already retired	222
Not attended	3,800
<b>Total</b>	<b>11,604</b>

\*Note that some persons fall into two or more categories above

### APPENDIX 3

#### Bayelsa State Biometrics Verification Exercise Report - 2009

*Table 4 (Overall savings listed by Departments)*

SAVINGS BY Departments	
MDA	SAVINGS (MILLION)
Rural Development Authority	90
Environmental Sanitation Authority	45
SUBEB	43
Local Government Council	31
Main Civil Service	24
BYCAS	18
Post Primary Schools Board	17
Niger Delta University	6
Sport Council	5
State Independent Electoral Commission	5
Bayelsa Transport	3
Hospitals Management Board	2
Newspaper Corporation	1.8
Bayelsa State Oil Palm	0.6
Water Board	0.6
Bayelsa Radio	0.5
Bayelsa TV	0.4
Judiciary	0.3
Electricity Board	0.3
House of Assembly	0.3
Arts & Culture	0.2
College of Health Technology	0.1
<b>Total</b>	<b>293.70</b>

Source: Biometric Information System as at 9<sup>th</sup> December, 2009.

## APPENDIX 4

Bayelsa State Biometrics Verification Exercise Report - 2009

### EXECUTIVE SUMMARY

#### *Introduction*

On the 18<sup>th</sup> of May, 2009, arising from a very serious attempt by Government to streamline salaries and payment of wages of workers in all parts of the state, which regularly fluctuate and which makes it almost impossible for projection and planning. Government in its wisdom established the Due Process & e-Governance Bureau and consequently inaugurated the Biometrics Verification Exercise which is intended to computerize the total staff strength of the state and to adopt an electronic payment system.

The executive summary is a resume of the result of a labourious painstaking exercise undertaken by a group of very committed and diligent persons put together by the office of the Director General of the Due Process & e-Governance Bureau. For the purpose of this handover, the executive summary is good enough, but on the whole, will be worthless without going through the entire detail report as contained in the document of presentation.

The State Government has already commenced the implementation of e-governance solutions of which human resource management is being given priority attention. The successful deployment of the Oracle HR Software contemplated for the employee management system is dependent on obtaining an accurate count of civil/public servants in the State and Local Government Payrolls. This being the essence of the entire exercise, sufficient checks were built into the system to ensure the authenticity of data produced for staff.

Soft Alliance and Resources Limited, the company responsible for the supply and implementation of the e-Governance Coordination System in the State rendered technical and consultancy services for the duration of the Exercise. Supervised by the Project Management Office (PMO) of the Bureau, staffing support for data capture and document verification was provided by the National Youth Service Corps (NYSC) zonal office in Yenagoa, while overall coordination of the project was done by the staff of the Due Process and e-Governance Bureau.

Additional support was provided by the Biometrics Advisory Committee inaugurated by the Bureau to play an advisory role and handle the investigation and resolution of issues requiring the



## APPENDIX 5

### Bayelsa State Biometrics Verification Exercise Report - 2009

#### *Findings*

The staff verification/Biometrics capture exercise kicked off on 18<sup>th</sup> of May 2009. This document is the final report detailing our findings and recommendations. The exercise was expected to verify and capture biometrics for an estimated number of 52,696 (Fifty-Two Thousand Six Hundred and Ninety Six) employees in Bayelsa State Government employment. *These figures are as shown in Table 1 below.*

*Table 1: Number expected to be capture*

Ministries, Departments and Agencies (MDA)	Number of staff
Main Stream Civil Service	8409
Sanitation	2940
HSMB	1532
NDU	3544
BYCAS	1079
SUBEB	14,090
PPSB	5785
Local Government Councils	9567
Rural Development Authorities	5750
<b>Total</b>	<b>52,696</b>

*Source: Biometric Information System as at 9<sup>th</sup> December, 2009.*

At the close of the exercise on the 9<sup>th</sup> of December 2009, although a total number of 54,330 persons were projected by the MDAs; the payroll reflected only 52,696 out of which 48,000 were captured successfully (See table 2 below).

*Table 2: Detail of Attendance*

Description	Number of staff
Total Expected	52,696
Total Attendance	48,829
Total Successful	38,892
Total Failures (Failed due to employment Irregularities)	7,265
Total Not Attended (Classified as Instant Ghost)	3,867

*Source: Biometric Information System as at 9<sup>th</sup> December, 2009.*