

**FRAUD PERPETRATION IN LOCAL  
GOVERNMENT, CAUSES, EFFECTS  
AND REMEDIES.**

**( A CASE STUDY OF EKITI STATE )**

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**MATRIC NO AD/PFM/2000/0067**

**A DISSERTATION SUBMITTED TO THE  
FACULTY OF MANAGEMENT SCIENCES  
UNIVERSITY OF ADO EKITI  
ADO - EKITI**

**IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE AWARD OF  
POST GRADUATE DIPLOMA IN  
FINANCIAL MANAGEMENT  
PGD ( FM )**

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**BY**

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CERTIFICATION

I certify that this work carried out by OGUNTUASE CLEMENT OLATUNJI OF  
University of Ado, Ado Ekiti.

*Dr. J. A. Familoni*  
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SUPERVISOR

8/7/02

This Project is dedicated to the Almighty God, my Wife, Mrs. F. T. Ogunhuase  
and also my Children - Master Tosin Ogunhuase, Master Tolu Ogunhuase, Miss Yemi  
Ogunhuase, Master Olanide Ogunhuase and Faith Ogunhuase.

## DEDICATION

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## ABSTRACT

The menacing threat of fraud in Local Governments is presently putting the credibility of Local Government establishments in doubts.

However, it is rather impracticable to dissociate the occurrence of fraud in our Local Governments from the level of moral decadence in the society of which they belong such that the occurrences of fraud in Local Government become less impressive to a passive member of the society taking into cognizance the rotting waves of fraud in all ramifications of society Units, the Government, the Religious Houses and even amongst closest associates and friends in private enterprises.

Hence, the objectives of this study revolves around the perpetration of fraud in the Local Government in Ekiti State, causes, effects and recommendations towards combating fraud through preventive rather than curative measure.

This project would be a good asset to students of Public Accounts and Audit, Local Government Administration, in Polytechnics and Universities.

Fraud in Local Government often led to loss of monies, this loss results in some in reduction in the level of resources available for use in operation of the Local Government. This could lead to poor performance and general waste of scarce resources (frauds perpetration).

In addition, intentional and improper representation or valuation of transactions assets liabilities or income, theft could be committed through fraudulent manipulation of the wages or salary vouchers, putting ghost workers on the pay roll, drawing cash over and above what is required, manipulation of bank list or schedules creation of ghost or dummy pensioners and fraudulent manipulation of accounts.

Lastly, there is **no** material for internal and external audit sections, for effective result of findings resulted to non-implementation of policies of the Local Governments into huge losses.

## TABLE OF CONTENTS

	Page
Title Page	II
Certification	III
Dedication	IV
Acknowledgement	V
Abstract	VI-VII
Table of Contents	VIII-IX
CHAPTER ONE	
1.1 Introduction	1-2
1.2 Objectives of the Study	2-3
1.3 Significance of the Study	3
1.4 Scope of the Study	3-4
CHAPTER TWO	
2.0 Literature Review	5
2.1 Definition of Fraud	5-8
2.2 Antiquity of Fraud	8-9
2.3 Causes of Fraud	9
2.4 Factors which motivate Fraud	10
2.5 The Nigerian Situation	11-12
2.6 Environmental Factors	12-13
2.7 Social Economic Lapses/Inadequacies	13
2.8 Helpless Law Enforcement Agents	13
2.9 Inadequate Punishment	14
2.10 Computer Fraud	14
2.11 National Cake	14-15
2.12 Establishment Factors	15
2.13 Inexperience	15
2.14 Overstaying on a Job	16
2.15 Frustration (Lack of Promotion and Motivation)	16-17



2.16	Different Types of Fraud	17-22
2.17	Effects of Fraud	22-24

### CHAPTER THREE

	Research Methodology	25
3.0	Administering of Questionnaires	25-26
3.1	Face to Face Interview	26
3.2	Observation and Experience	26
3.3	Documentary Method	26
3.4	Data Analysis Technique	27-28

### CHAPTER FOUR

4.1	Data Analysis and Findings	29-31
4.2	Staff and Managerial Response	31-35
4.3	Discussion of Findings	35-37
4.4	Appendix I	38-40

### CHAPTER FIVE

5.1	Summary	42
5.2	Conclusions	43
5.3	Recommendations	43-44
5.4	Bibliography	45

## CHAPTER ONE

### 1.1 INTRODUCTION

Fraud is an immune-deficiency syndrome that pervades the whole financial world. Its nature is synonymous with the creek myth about a deadly beast that grows three heads in the place of the one cut off deliberately to kill the beast. The growth of Local Government fraud in Ekiti State is in line with the level of moral decadence of the Society and inevitably the growth of the economy with its attendant money-love by the people of the time.

Fraud commission is a wrong doing and a criminal in nature. An English Dictionary sees "Fraud" as "Criminal" deception and dishonesty. We could perceive fraud also as a misappropriation embezzlement, forgery and outright stealing. It could be committed also by ingenious misrepresentation. Where this happened, the injured party is entitled to rescission of the contract entered into and any damage that he might have suffered.

Although, the general public is well aware of fraud perpetration in all spheres of our social life. There is gross embezzlement by government officials and even in the court of law, where court fines were diverted for personal use and large scale frauds in religious establishment that one supposed to be the custodian of morals and faith. Nonetheless, the society seems helpless just as if the perpetrators come from another planet to perpetrate the act and leave unnoticed.

Of all frauds committed, most astonishing are those by the Local Government officials whose sole job and responsibility is for the grass root development of their Community.

Also, the evaluation of the methods of its perpetration whereby a detected method is replaced by many sophisticated ones. Hence, it makes it synonymous to the Greek myth of the deadly beast.

Numerous steps taken by Government to control fraud have been to no avail despite the punishment meted out to the culprits. The Local Government Internal and External Auditors probably out of ignorance of Local Government procedures and partly as a result of their share in moral and ethncial decadence in the Society have been disabled and unable or unwilling to avert maximum efforts in combating fraud in Local Government.

## 1.2 OBJECTIVES OF THE STUDY

- I. To identify the causes of fraud;
- II. To establish the relationship between fraud and accountability in Local Government Councils;
- III. To make recommendations based on findings

### 1.3 SIGNIFICANCE OF THE STUDY

This study is significant because it will assist in gathering data, which will show whether or not fraud is being perpetrated in Local Government Administration. It will assist also in assessing the level of such fraud and how it could be detected.

Furthermore, the management of Local Government could use it as a guide or effective corrective measure for administrative purposes.

Finally, this will serve the need of any person who may want to undertake further research work in this area.

### 1.4 SCOPE OF THE STUDY

The research is carried out on fraud perpetration in Local Government causes, effects and remedies. To accomplish this, relevant data were obtained from both Primary and Secondary sources.

The study however depend more on primary sources of data consisting of personal interview. The interview was conducted successfully owing to personal experience gained as a Local Government Staff in Finance Department.

The secondary source which constitute the review of available literature on the subject, financial and non-financial newspapers and journals, seminar/workshops attended by Treasurers and Accounting Officers of the Local Government and also from national and state libraries.

So from the findings, recommendations were made and conclusion drawn.

However, it must be noted that many Local Government do not show willingness to release direct information on frauds which has affected their Local Government for the fear of publication and anticipated adverse effect on their Local Government. Therefore, it is very difficult as ever to procure necessary data. As a result, hypothetical and reported cases are only alternative for illustrating and highlighting practically the various aspects, ways and manners in which fraud is committed.

## CHAPTER TWO

### 2.0 LITERATURE REVIEW

#### 2.1 DEFINITION OF FRAUD

The word fraud literally means criminal deception or acting in a dishonest manner as could deprive other people of their rightful benefits that there may be no intention to cheat anyone is irrelevant.

Fraud can be described as a conscious pre-mediated action of a person or group of persons with the intention of altering the truth and fact for selfish gains.

In law, fraud is making a false representation by words or conduct or by withholding facts when there is a duty to disclose them in order to obtain a material advantage. To prove fraud, it is necessary to show that a false representation was made:-

- i. Knowingly;
- ii. Without belief in the truth
- iii. Recklessly without concern whether it is true or not.

Fraud is universal moral and social phenomenon. It is not a canker limited to a particular country of the world or a particular race of people. In this essay on wealth, Tam David-West expresses the opinion that "Money is undoubtedly the open seasons to almost all imaginable materials comfort especially in a Society with an accent on materialism".

Put quite simple – fraud is a dishonest means of massing wealth. And fraudulent people are always those who have access to acquiring wealth unjustly.

Fraudulent people cut across all the strata of the Community. However, there is ample opportunity for an individual to be fraudulent and fall to the great temptation. In fact, in this country, every opportunity to serve in a government position is seen as an opportunity to become a millionaire over night.

There are many definitions as there are dictionary writers. Professional Bankers and Seasonal Financial Experts. Perry (F.E) in his dictionary of Banking and Finance says – "Fraud means an act or cause of deception deliberately practiced" to gain unlawful or unfair advantage each deception directed to the detriment of another.

R. V. Scoll (Viscount Dilhorne) noted that fraud means to deprive a person, dishonestly of something of which he is or would or might be constituted to, but for the fraud that is perpetrated.

Fraud constitute a serious nightmare for Local Government administration. In fact, the cleverness ingenuity and resourcefulness which characterized the Nigeria experience, hardly find parallel in any country of the world. Jokotola (1984) remarked that fraud is what is close to cheating, what is close to inhumanity and what is close to anything improper.

A definition of fraud which carries with it a devastating effect it has on the economy and national credibility and integrity is offered by Gum (1984). She explains that fraud means the deviation of money or goods from their rightful owners or holders – thus, frequently lead to financial crisis and economic recession, the unwholesome growth of economic crime and financial fraud

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threatens the financial security of local government system, companies, ministries, Banks and even the nation as a whole.

An indication of this fact is the revelation made in November, 1985 at the house of common by *Brian Sedyne*, a British Member of Parliament in respect of large scale frauds committed at the *Johnson Metley Bankers (JMB)* in Britain.

The scandal involved Nigeria and forced the British Bank to close down. The Bank of England rescued the Banks and eventually the JMB, was brought over on 10<sup>th</sup> April, 1986 for N1.5 Million by Westpac, Australia's biggest Bank.

The recent happening in Ekiti State Local Government Service Commission whereby a Student of Federal Polytechnic, Ado Ekiti undergoing an Industrial Training in the Commission issued a Cheque by forging the signature of the Treasurer and the Secretary to the Commission to collect the sum of Forty-five Thousand Naira in Omega Bank at Ado Ekiti. Also, the Accountant to the Commission perfectly changed the total sum of Twenty Thousand Naira to One Hundred and Twenty Thousand Naira. Fraud in Local Government formed an essential part of the societal economic dent. Fraud becomes less amazing but yet the intensifying mode of perpetration, the volume of resources involved and the consequence of its persistence calls for quick attention since Local Government Sector cannot be over looked in any Country.



Furthermore, 1979 constitution of the Federal Republic of Nigeria empowered Local Government to make appropriate essential service and developmental activities responsible to the wishes and initiations of the people by devolving or delegating them to Local representative bodies.

- i. Mobilize human and material resources through the involvement of members of the public in their Local Government.
- ii. Facilitate the exercise of democratic self-governance close to the local levels of the society and to encourage initiative and leadership potentials
- iii. Provide a two way channel of communication between the local communities and government.

Though, the above objectives are laudable. Hence, their achievement depends on the availability of good quality personnel at the local level coupled with honest officers placed in the helms of affairs of the various functions of the Local Government. Fraud literally means the same things all over the world. It is the level of perpetration, the sophistication, the rates of the adverse consequences on the individual, the Local Government and the economy that makes the difference, as shall be seen in ensuing Chapters.

## 2.2 ANTIQUITY OF FRAUD

Although, people shudder when they hear of cases of fraud, we have to admit that it has been with man from creation. In the Christian Holy

Bible, the serpent tricked Adam and Eve into eating the forbidden fruit. The full account of this story is available in Genesis Chapter three (3) Jacob with the collaboration of his mother Rebecca fraudulently obtained the blessing of his father, Isaac by presenting himself as Esau, his elder brother; in the same Holy Bible, Jacob served Laban, his prospective father-in-law, for seven years in order to marry Rachael.

However, in this example cited, Laban deceived Jacob into marrying Leah, his fiancé's sister instead. – Genesis Verse 23 – 25.

The last account we are taking on the issue of dishonesty is available at the Acts of Apostles Chapter 5 of the Holy Bible, here we got the account of Annanias and Saphira a couple, who sold a piece of their property and kept back part of the proceeds from Apostles.

### 2.3 CAUSES OF FRAUD

In considering the causes of fraud, the divergent classes of fraud has to be observed from different perspectives. In first instance, the set of people that came together to perpetrate fraud form the basis of classifying fraud into four categories thus:-

- i. *Fraud committed by Local Government Management in collaboration with the banking management;*
- ii. *Fraud committed by Cashiers and Accountants to the Local Government;*
- iii. *Fraud committed by Collectors and*

#### iv. Frauds committed by Contractors

The personality involved in a fraud is very important and so also is the circumstances which create the opportunity to defraud. Sutherland 1973 identified the primary factor in criminal behaviour. The situation which opportunises a fraudster to defraud may not be upheld for some other perpetrators. Lucas (1977) opined that the economic and social development are responsible for the increase and sophistication of the crime. He illustrated that economic fraud and forgeries increased with the development of the economy first as libel suits increased with the development of the printing industry. A close examination provides another perspective through which the causes of fraud can be observed.

#### 2.4 FACTORS WHICH MOTIVATE FRAUD

An averagely rationale individual will want to live a crimeless life. It is either prevented from devilish tendencies by personal, ethical or religious standards. Unfortunately, other factors in the other end pull the fraudsters to commit these other and tend to over power those that motivate a positive fulfilled life. They are practically fraud motivators. This may be classified into the followings:-

## 1.5 THE NIGERIAN SITUATION

The Government is unable to meet the expectations of the masses despite the abundant resources with which the country is endowed. The claim or excuses were lack of fund but observation over time had revealed the cause to be improper management. As a result of this, the average family requires a very serious planning and selection of priorities.

Priorities which are practically basic necessities in order to ensure adequate basic needs and the population can no longer boast of excess. This had inevitably increased the wave of fraud in the society.

The present economic climate of Nigeria is beset with various problems such as unemployment, mass retrenchment as a result of production set backs, external balance of payment deficits, lack of adequate transportation and infrastructural facilities.

Corner (1977) opined that the resultant motivation to survive in the kind of situation is bound to be strong and desperate and crime or frauds may be seen ordinarily as a solution. He identified two elements which aid fraud and other solution to preventing fraud as follows:-

### 1. *Motivational Elements:*

These are classified as:-

- (a) Economic or Physical needs and
- (b) Moral Justification.

## 2. *Situational Elements*

This have four classifications thus;

- a. An opportunity to perpetrate fraud;
- b. An observed slim chance of detection;
- c. Low rate or absence of persecution (as a result of law enforcement agent involvement or possibility of buying them over) and
- d. Inadequate deterrent punishments.

Thus, if it is considered that a fraudster has no economic, physiology and psychological need to commit a fraud and thereby discerns no moral justification for a fraudulent act, the chances of crime through the motivational element is removed, detection made with certain prosecution and lastly, if the punitive measures are deterrent enough and render the culprits ridiculous in the society in which they belong, crime will be prevented altogether.

## 6 ENVIRONMENTAL FACTORS

As earlier identified, the Local Government is an integral part that operate within the society. Therefore, it cannot be dissociated or left behind in the society's beliefs, customs and the level of ethical standards. Hence the predominant factors in the society drags the Local Government as an avenue of manifestation. We all remember quite vividly what late General Sani Abacha did with our treasury.

We have not all completely forgotten the caliber of fraudsters he had around him as military administrators. If the leadership is fraudulent, the followership is bound to be.

## 2.7 SOCIAL ECONOMIC LAPSES/INADEQUACIES

The Local Government is not an Island unto itself. It is an integral part of the society. It is affected by as well as it affects other elements in its immediate and remote environments. If the whole society of which the Local Government is a part is morally bankrupt, it will be difficult, if not impossible to be isolated from the effects of such moral decadence. Our Society has lost all the old moral standards and appears less concerned with probity, honesty, integrity and good name. The family, friend, the religious houses and the society at large seems not to care how you come about your riches, but accept, accommodate and even respect you for your wealth. Hence, dishonesty has been acquired. All these encourages fraud as the end seems to justify the means and means seems to be morally acceptable.

## 2.8 HELPLESS LAW ENFORCEMENT AGENTS

To some extent, the inability of the law enforcement agents to detect Local Government fraud have admittedly encouraged the rate fraudsters will be scared, if they know that there exists a good chance of being detected. Otherwise, there is no effective deterrent. The main problem have been lack of understanding of the nature of fraud in the Local Government system by the law enforcement agents, who appear to be "bored with the complicated details"

## 2.9 INADEQUATE PUNISHMENT

No amount of punishment is even effectively deterrent against any crime. Inadequate punishment for an offence, however may make the risk of engaging in a crime high and costly one to the perpetrator. The kinds of punishment meted out to fraudsters in Nigeria do not seem to be sufficiently deterring.

Considered with the fact that society does not frown generally and adequately at fraud, it can be seen that light punishment may encourage fraud.

A fraudster knowing the chances of being detected is remote and that he will be welcomed back with open hands as a rich man after a few months or years in Prison, sees no reason why he does not catapult himself softly into the class of those who have "arrived" by committing fraud.

## 2.10 COMPUTER FRAUD

This can easily be a fraud resulting from technological development. Computers are primarily to facilitate efficiency rather than preventing fraud. However, there is wide spread concern about "computer fraud" mainly because of the difficulties involved in detecting until losses have reached a large scale.

## 2.11 NATIONAL CAKE

Thirty-five years after independence, most Nigerians are yet to get out of the kind of attitude they had towards the colonial masters. At that time, government was seen as distinct and isolated sector of the society. It was, worse still, hated. Stealing government money was taking it on an enemy when the opportunity offers itself.

This kind of thinking encourages frauds in Local Government, particularly as the expatriates were seen as institution of the colonial masters of yester-years. On the other hand, the money accrued to the Local Government are seen as the National Cake and defrauding them is equated to taking one's share of the national cake.

Unfortunately, the desired feeling of being a part of an organization, indigenous or expatriate for what they work and being committed thereto is still largely absent on Local Government Employees. And there are therefore, no inhibitions against fraudulent practices.

#### 2.12 ESTABLISHMENT FACTORS

The major institutional cause of fraud is poor management. This encourages fraud. When the junior staffers are inadequately supervised, the fraudulent minded operators sees it as an opportunity he must avail himself of. Few Local Government nowadays, however, can be said to lack the basic collection of control policies and procedures which they require for acceptable level of efficiency. The problem often times is the deliberate skipping of laid down regulations, procedures and time-tested practices of the employees.

#### 2.13 INEXPERIENCE

Practically in Local Government, experience counts a great deal, where operators lack adequate experience, they are liable to commit unintentional fraud by falling prey to the trap set up for them by fraudsters. The experienced operators too will be likely to smell rat, and take the necessary precautionary measures to nip the fraud on the bud or set the detecting process in motion.



## 2.14 OVERSTAYING ON A JOB

The longer a man stays on a job, *Ceteris Paribus*, the more proficient he is likely to become.

A man who overstays his tenure on a job and owing to the fact that "there is always a way out" if the staff sees defrauding as the way out he is afforded the opportunity to discover the way and thus encouraged to commit fraud as he is assumed of the fact that no one is likely to unearth his evidence of poor management and it inadvertently encourage fraud.

There are other causes that are not traceable to poor management. These include, for example, poor salaries and conditions of service. When people are poorly paid and they are unable to meet their basic needs of livelihood. This temptation becomes harder to resist particularly, for Local Government Employees who work with physical cash or mere money instruments that can easily dish out cash.

## 2.15 FRUSTRATION (LACK OF PROMOTION AND MOTIVATION)

Frustration is sometimes a reason for committing fraud in the Local Government. When expectation of some workers are not met by the management in terms of promotions or financial rewards, they are bound to be frustrated. Unfortunately, these frustrated workers are their own judges. for their expectations is based on the perception of life.

Another important motivating factor to fraud is family problem. Of all societies in the world, unfortunately, Nigeria is one of the society with high

dependants owing to large family size. Under this family system, the working class member in the family come to the aid of the needy member of the extended family whenever occasions calls for help.

Indeed, it has been suggested by many writers and commentators that the average

African does not care about taking up a policy of life insurance because of the "coverage" provided under the extended family system. But the pity of it is that many ordinarily honest staff have become fraudsters because of the demands and expectations of their relations and society in general.

## 2.16 DIFFERENT TYPES OF FRAUDS

We have to appreciate the fact that a fraud may be perpetrated for the benefit of or to the destruction of an organization. The perpetrators of such frauds tend to benefit indirectly, since personal benefit usually accrues when the establishment is assisted through dishonest act. It is very difficult, if not impossible for the research to highlight and discuss all possible fraudulent acts. However, the following could be discussed:-

- (1) *IN BALLETT Vers.MINGAY(1943)* an infant was held liable for the tort of conversion for wrongfully panting with an amplifier and microphone which had been lent to him.
- (2) Improper payments such as illegal political donations, bribes and other mischievous settlements made to government staff, customers and suppliers.

(3) Intentional and improper representation or valuation of transactions, assets liabilities or income. Theft could be committed through fraudulent manipulation of the wages or salary vouchers, which could be perpetrated through the following ways:-

- i. Putting "ghost" workers on the payroll. This act is also known as including dummy names on the pay sheets". The dummy names are the "ghost" which do not exist. People collect money for work not done.
- ii. Drawing cash over and above what is required in the situation where the machine used in preparing payroll record is tampered with to print out total cash over what is necessary. The excess cash so drawn will eventually find its way to private pockets.
- iii. Manipulation of Bank lists or schedule. Where a list of cheques drawn by an organization is forwarded to the Bank in advance, it is possible for somebody at the seat of power to "pad" the list by adding dummy names in whose favour cheques would be written later and paid.
- iv. Creation of "ghost" or dummy pensioners . The notorious development is recent in the civil service. The names of officers who had died are sometimes shown in the Pensioners Vouchers.

v. Fraudulent manipulation of accounts. The kind of fraud we are discussing here does not involve the movement of cash. Invariably, the act is committed as a means of propping up an enterprise which is not doing well. The accounts are falsified or window-dressed creating the artificial situation of good performance and liquidity base to sustain public confidence. indeed, the Directors of a Company may "window-dress" accounts to enable them pay dividend which would not be otherwise feasible. At this juncture, we consider it expedient to examine a few instances which become serious points of indictment in the Court. These are:-

- (a) *Leads Estate Building and Investment Co. Versus Shepherd (1887)*. In this case, the auditor failed to satisfy himself that the directors have exceeded their powers and that the balance sheets were false and misleading. They were prepared again in the spirit of the Company's articles.
- (b) *Armitage Versus Brewer and Knitt (1932)*. Lord Justice Talbot ruled that the auditors were negligent for their failure to detect defecations which had taken place through the manipulation of the records of ways and petty cash vouchers. In this case 6/1 (Six

Shilling and one penny) was fraudulently altered to 16/1 (Sixteen Shillings and one Penny). Mr Ajewole E. (Executive Officer) (GD) GL 07, was compulsorily retired from the Local Government Service of Ekiti State in May, 1996 for an allegation of fraudulent practices at Irepodun/Ifelodun Local Government.

The Commission at its meeting of 5<sup>th</sup> April, 2000 reviewed the case of the Officer and he was re-absorbed into the Local Government Service with effect from 1<sup>st</sup> June, 2000.

The period of his break of service between May, 1996 and 31<sup>st</sup> May, 2000 was considered as leave of absence without pay.

- (4) "Teeming and Lading". This is the practice of installment banking of the amount received. Under the situation just highlighted, the cashier or appropriate Officer under focus, credit the account of the debtor which appears over-due and in respect of which cash had been misappropriated, with money received, subsequently from another customer. Another way is for the fraudulent Officer to misappropriate the money collected on a day and seek to make it up from the taking of the following day.

- (5) Forging receipts and failing to record takings made. Some accounts staff print their own receipts and issue them to unsuspecting members of the public who pay money to them. Such cash so collected finds their way into the pockets of the dishonest workers.
- (6) Forging cheques, it once happened that an Officer fraudulently removed a cheque leaf and its stub. He forged the specimen signatures of the bank signatories and succeeded in drawing out corporate money.
- (7) Misappropriation of imprest sum. Where a petty Cashier is the same officer who writes out the Petty Cash Vouchers. Seeks and obtains approval, and pays out the money, he has ample opportunity to commit fraud. It is possible for him to alter the amount approved on the voucher to suit him.
- (8) Intentional, improper transfer pricing, especially through the valuation of goods exchanged between related entities. By purposely and irregularly structuring pricing techniques, management is in a position to improve the trading results of one Company involved in the shady deal to the detriment of the other organization.
- (9) Intentional, improper related party transactions in which one of the parties receives some benefit which is not available in an 'arms length' commercial relationship.

Commercial activities such as those which run counter to Government statutes, rules and regulations. An example of such a prohibited contract transaction is gambling.

- (11) Tax frauds, including tax evasion.
- (12) Diversion to an employee or outsider of a potentially profitable line which would normally generate gains for the organization.
- (13) Claims submitted for services or goods not actually provided or delivered to the organization. There have been instances of staff making claims for duties or journey not performed. Indeed, driver sometimes present fictitious fuel bills or receipts for reimbursement.
- (14) 'Kiting', frauds sometimes cover their defalcation of cash by this practice. This they do by transferring money from one bank to another and irregularly entering the transactions. Towards the balance sheet date a cheque is drawn on one bank account and immediately deposited in a second account for credit, just before the end of the accounting period.

In making this transfer, the fraudster makes sure that the cheque is deposited at a late enough date so that it does not clear in the first bank until after the end of the accounting period. He ensures that the amount of the transfer is received as an asset in both banks.

- (15) Theft of goods or services. Many Store Officers have been caught stealing corporate goods kept in their custody. There are ingenious

way through which the fraudulent acts are committed. It is possible to omit the entry of the removal of the goods on the bin card and manipulate the figure of outstanding balance. Some Store-keepers have colluded with suppliers by signing for items of goods not received. Such situations characterized complete breakdown of 'internal control system'. Indeed, men in positions of authority have used corporate resources or services, without paying for them or seeking official approvals, for their selfish aims.

## 17 EFFECTS OF FRAUD

The effects of fraud on Local Government can be classified under the following headings:-

### INTEGRITY OF THE LOCAL GOVERNMENT

Following every incidence of fraud, the integrity of the Local Government built over time through innovation services is at stake.

### MONETARY LOSSES

Most frauds are so intricately perpetrated that, even though the Local Government and the investigative authorities were able to track down the fraudsters, it become, practically impossible to recover the fraud; the attendant losses therefore become the loss of the Local Government concerned. Even if Local Government is able to recover some of the amounts involved from the fraudsters, there will always be certain expenses



As well as human resources expended in the process of recovery which could not be recoverable by any means.

## CHAPTER THREE

### RESEARCH METHODOLOGY

To carry out a research work of this nature, data are indispensable. Consequently, the collection of data is necessary to enable the researcher draw inferences and make suggestion, and recommendations. But it must be emphasized that some of the data were not easy to come-by. However, the following method over adopted in collecting the data available to me.

- (i) Administering of Questionnaires
- (ii) Face to Face interview
- (iii) Observation and Experience
- (iv) Documentary method.

#### 3.0 ADMINISTERING OF QUESTIONNAIRES

The researcher administered questionnaires to all the section of the Local Governments involved in this study. The questionnaires were generally related to finance department of the Local Government as a whole. The aim was to find out how fraud is been perpetrated in their various Local Government, causes, effect and remedies. The composition of the Finance Staff including their qualification and experience, accounting record, other useful information and likely problems.

In administering the procedure, I adopted a direct delivery method. That is questionnaires were delivered directly to the people so intended to avoid unnecessary interference.

This yielded some encouraging result, because accurate information was given in that respect. The questionnaires cover all categories of employees.

### 3.1 **FACE TO FACE INTERVIEW**

This research also conducted personal interviews and contacts with employees of both the finance and Audit Sections. But a random selection method was adopted to achieve this aim.

There were however instances where the research could not get in personal touch with some of the key officers responsible for some vital information like the Treasurer to the Local Government.

### 3.2 **OBSERVATION AND EXPERIENCE.**

The researcher was opportuned to be a staff of one of the Local Governments, most importantly in Finance Section for twenty years, now and was able to make some inferences from his experience, being a cashier that has access to all files in all sections of the Local Government.

### 3.3 **DOCUMENTARY METHOD.**

This researcher was not able to lay his hand on documentary information relating to revenue generation for fear of publication. However, effort was made to provide some relevant data relating to staffing, response to questionnaires.

## **SOURCE OF DATA.**

Two sources of data (Primary and Secondary) had been extensively used for this Study. Research population was the identification of the characteristic which Member's universe have in common and which identified each unit as member of a particular group.

Sample size, the sample design were selected through a Pilot Survey using 40 questionnaires which was randomly administered to respondents within the research area of study. The result obtained was tested using sample size.

### **3.4 DATA ANALYSIS, TECHNIQUES.**

The variable for this study would be analyzed using contingency table, research area of study. The result obtained was tested using sample size.

#### **DATA ANALYSIS, TECHNIQUES.**

The variable for this study would be analyzed using contingency table, percentage, tabulations and coding.

- (a) Contingency table are used to analyze the data obtained from Questionnaires and personal interviews. The data relationship were expressed in percentages to draw inferences over the relative dominance of response.
- (b) Tabulation refers to the arrangements of data in an order of magnitude, (Alphabetical or Chronological) or according to some other basis to enable an easy assessments, understand and interpretation of the

information. Tabulation services as a forerunner to the use of Percentage.

- (c) *Coding* - This is the techniques of writing in which numerals or alphabets or a combination of both are used arbitrarily to condense lengthy data into a concise size. Coding not only facilitates the identification of data, but also increase efficiency in data analysis.

## CHAPTER FOUR.

### 4.1 DATA ANALYSIS AND FINDING.

In this chapter, effort was made to analysis the data collected to test the hypothesis postulated in this study.

Questionnaires were distributed to some staff of the finance department of the following local governments, Efon Local Government, Ekiti West Local Government, Ekiti East Local Government and Irepodun ,Ifelodun Local Government .

As earlier mentioned in the previous chapter, data obtained were limited but specific and direct to the points, A break down of the data analysis shows that (forty) 40 questionnaires were administered of which (thirty) 30 were answered and returned while (ten) 10 were not returned.

Response	Respondent	% of Response
Answered and Returned	30	75
Not returned	10	25
Total	40	100

This research population comprises of all categories of Staff, including the Accountant to the Local Government, the Internal Auditor, and other Officers of managerial levels.

However, the sample size was selected through a pilot survey using 40 questionnaires as earlier stated with area of concentration, the result attained from the survey indicated 30 success and to failures. This was listed at 95% confidence level and 5% tolerable error using the formulae.

$$\text{Sample Size } n = \frac{Z^2 PQ}{e^2}$$

where n = sample size    Estimated

z = desired confidence level

p = probability of success

q = probability of failure

e = limit of tolerable error.

From the above table

75% = 75 success

25% = 25 failure

5% = 0.5 tolerable error

95%, 01.96 desired confidence level.

$$\frac{4759}{0.05} \quad \frac{4759}{0.05}$$

From the standard normal distribution table  
 $Z = 1.96$  therefore using the formular

$$N = \frac{Z^2 (PQ)}{Z} = \frac{1.96^2 \times (.75) \times (.25)}{0.0025}$$

$$\frac{Z^2 (PQ)}{0.0025} = 288.12$$

Therefore the sample size of this project is 288.

#### 4.2 STAFF AND MANAGERIAL RESPONSE.

Are you aware that fraud is being perpetrated in Local Government.

1.

Response	No. of Respondents	% of Response
Yes	22	73%
No	8	27%
Total	30	100%

The table revealed that 73% agreed with the statement, which confirm that is fraud in the Local Government System.

2. Are the principles guiding disbursement, payments strictly adhered to ?

Response	No. of Respondents	% of Response
Yes	18	60%
No	12	40%
	30	



Table 2; indicate that 60% signified that, the principles guiding disbursement or payment is strictly adhered to.

3. Has there been proper accounting in the finance section of the Local Government?

Response	No. of Respondents	% of Response
Yes	12	40%
No	18	60%
Total	30	100%

Table 3; indicate that 60% disagreed with the statement, which confirm proper accounting procedures in the Local Government.

4. Is the delay in staff salary and leave bonuses due to fraud or inefficiency?

Response	No. of Respondents	% of Response
Yes	9	30%
No	21	70%
Total	30	100%

In Table 4; 70% disagree that, there is no delay in staff salary and leave bonuses due to fraud or inefficiency.

5. Is there ineffective control of accounting principles in Local Government?

Response	No of Respondents	% of Response
Yes	20	66.7%
No	10	33.3%
<b>TOTAL</b>	<b>30</b>	<b>100%</b>

Table 5: indicate that 66.7% agreed that there is ineffective control of accounting principles.

6. Does the system of revenue collection and generation need strict control?

Response	No of Respondents	% of Response
Yes	27	90%
No	3	10%
<b>TOTAL</b>	<b>30</b>	<b>100%</b>

Table 6: indicate that 90% signified that revenue collection and generation needed control while only 10% disagreed.

Do Revenue Collectors need additional training?

Response	No of Respondents	% of Response
Yes	26	86.7%
No	4	13.3%
<b>TOTAL</b>	<b>30</b>	<b>100%</b>

Table 7: indicated that 86.7% supported that Revenue Collectors Staff training is embarked upon for effective performance while 13.3% rejected the motion.

8. Has there been frequent audit queries?

Response	No of Respondents	% of Response
Yes	18	60%
No	12	40%
<b>TOTAL</b>	<b>30</b>	<b>100%</b>

In Table 8: 60 % agreed that there is frequent audit queries while 40% disagreed on the motion.

9. Is there need for control of payment vouchers?

Response	No of Respondents	% of Response
Yes	29	96%
No	1	3.3%
<b>TOTAL</b>	<b>30</b>	<b>100%</b>

Table 9: revealed that 96.7% agreed that there is the need for the control of Payment Vouchers while 3.3% disagreed.

10. Is there adherence to internal control systems in Local Government Administration ?

Response	No. of Respondents	% of Response
Yes	11	36.7%
No	19	63.3%
Total	30	100%

Table 10; indicate clearly that 63.3% of the respondents disagreed with the question, while only 36.7% agreed.

#### 4.3 DISCUSSION OF FINDING

The researcher obviously believes that data presented the true views, thought and perceptions of the respondents on fraud perpetration in Local Governments with reference to Finance and Suppliers Department of the following Local Governments in Ekiti State, Efon Local Government, Efon-Alaaye, Ekiti West Local Government, Aramoko-Ekiti, Ekiti East Local Government, Omuo-Ekiti and Irepodun/Ifelodun Local Government, Igede-Ekiti.

This research work specifically centered on the weakness and non-compliance of internal control system in Finance Department of the Local Governments as the main reason why fraud failed to be detected on time.

It will be pointed out here that the analysis are not only to test the healthy internal control system, but also to discover avenue of efficiency and offer recommendation, that will enhance the performances in the Department.

In table 1(a) we discover that out of forty (40) questionnaires administered, 30 were answered correctly and returned, while the remaining ten (10) were either deliberately or mistakenly un-answered despite all the enlightenment. They still exhibit ignorance and fail to show cooperation. In general the response was highly encouraging and yielded a 'good result to the solution of some of our problems.

In table 8 the data obtained confirmed that 60% of the management and staff of the Finance Department ignore or overlooked some financial regulation thereby subjected to improper accounting records and bringing about frequent audit queries

Also table 6 confirmed that, mode of collating and generating revenue was over-handled. A lot of revenue generated was not properly accounted for, it was discovered that most of the revenue collected goes to the revenue collector's pockets.

There was no appropriate supervision and control, which made them declined in remitting the money collected to the Cash Officer who would invariably pay it into the account of the Local Government. Even from the data 6, 90% agreed that the system of revenue collection and generation required strict supervision and effective control.

4.4 APENDIX I

This questionnaire is designed to collect relevant information on Fraud Perpetration in the Local Government, Causes, Effects and Remedies with particular reference to Ekiti State. The Information supplied would be treated confidentially please. Please tick in the appropriate Box  or comment where applicable.

PART ONE

- (1) NAME (OPTIONAL).....
- (2) DEPARTMENT:.....
- (3) DESIGNATION:.....
- (4) SEX  
MALE  FEMALE
- (5) AGE:.....
- (6) QUALIFICATION:.....

PART TWO

- (1) Are you aware that Fraud is being perpetrated in the Local Government?  
Yes  No
- (2) Are the principles guiding disbursement/payments strictly adhered to?  
Yes  No
- (3) Has there been proper accounting in the Finance Section of the Local Government? Yes  No
- (4) Is the delay in Staff Salary and Leave Bonuses due to Fraud or inefficiency?  
Yes  No

- (5) Is there ineffective control of accounting principles in Local Government?  
 Yes  No
- (6) Does the system of Revenue collection and generation need strict control?  
 Yes  No
- (7) Do Revenue Collectors need additional training? Yes  No
- (8) Has there been frequent audit queries?  
 Yes  No
- (9) Has there been weakness in the system of contract award and prompt payments?  
 Yes  No
- (10) Is there need for control of payment vouchers?  
 Yes  No
- (11) Has there been weakness in the system of contract award?  
 Yes  No
- (12) Does the entire staff of the Local Government need motivation for good performance?  
 Yes  No
- (13) Does the staff of Finance and Revenue Section of the Local Government need adequate training for effective control of Fraud? Yes  No
- (14) Is the Treasury Department being monitored concerning revenue collection and report of proceeds? Yes  No

(15) Is there adherence to Internal Control Systems in the Local Government Administration?

Yes

No

(16) Is there strict compliance with procedures of Internal checks in the Local Government System?

Yes

No

(17) Is there proper control over cash payments and receipts on daily basis?

Yes

No

(18) Is there adequate suspension of members of staff in Local Government Administration?

Yes

No

(19) Has there been adherence to internal checks on issuance of Vouchers for Payments and receipts?

Yes

No

(20) Is there any leakage of official information due to carelessness of Officer?

Yes

No



## CHAPTER FIVE SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

An attempt has been made in the preceding Chapters to make a critical analysis of the problem, consequences and causes of fraud in various Local Governments in Ekiti State. Unfortunately, no reliable statistics exists on the value of attempted frauds in various Local Governments, but informed estimates pointed it out at about 36 million a year in which about 10% to 15% of the fraud perpetrated were successful. *"Keeping an average Nigerian from being corrupt is like keeping a goat from eating yam"* says Chinua Achebe in an Article titled: *"The Trouble with Nigeria"* (1983). This assertion is a truism that is understandable. In Nigeria nowadays, a Public Officer could hardly be a millionaire unless he knows how to perpetuate fraud. The general belief of the fraudsters is that, nothing is impossible to accomplish, if only you can buy your way through the use of money or other corrupt fraudulent methods. They divert public properties and funds for private use. Hence, there is stealing of fund as a result of position of authority and trust placed on the perpetrators.

However, there are some reliable, responsible, honest and trust worthy officers in the Local Government Administration, despite it is common belief that, if an Officer of the Local Government repairs or changes his car, he would be seen as having bought a new one with the Local Government money, because such officials are very near the grass root.

## CONCLUSION

Hardened criminals are always trying to perfect their tricks. No full control is available anywhere in the world. Fraud has eaten deep into the Jugular Vein of our society and has thus, become an invincible 'economy' of our age. There is therefore, the need for every one of us to wage a 'relentless' war, religious, mystical, moral and physical against the societal disease. Let us remember our national pledge, part of which says - "I pledge to Nigeria my Country, to be faithful, loyal and honest..."

## RECOMMENDATIONS

From all available human endeavours, a crime-free world is yet to be created. However, positive anti-fraud measures have to be introduced into the workings of an organization

These are:-

- (a) Drawing up an organizational plan would define and allocate responsibilities and pin down lines of reporting;
- (b) Separating the duties of staff. No one single individual should be responsible for the recording and processing of a complete transaction. Moreover, the involvement of several people tends to minimize the risk of intended fraudulent manipulation.
- (c) Installing physical control over the custody of assets in such a way that access is restricted only to the authorized staff.

- (d) Designating specified Officers for the issuance of approvals for all transactions and stating the limits to their authorization.
- (c) Insisting arithmetical and accounting controls, to ensure that transactions have been authorized, correctly recorded and accurately processed.
- (b) Implementing efficient and effective personnel management scheme. Only competent people should be recruited at the right motivational levels, solitary overtime should be discouraged. Staff should be supervised and encouraged to utilize their annual leave.
- (a) Installing management controls such as internal audit, review of management accounts and comparison of actual performance with budgets. In deed, the tool of budgeting becomes a necessity.
- (b) Workshops, Seminars and 'Talk-shops' can be used to appeal to the reason of workers. Awards for diligence, integrity and loyalty can have beneficial psychological effects on workers' attitude towards fraudulent act.

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