



Journal of Economics and Business

Quarm, Richmond Sam, Sam-Quarm, Rosemond, and Sam-Quarm, Richmond. (2020), Exorcising the “Ghosts” from the Government Payroll in Developing Countries in the Wake of the Covid-19 Pandemic: Ghana’s Empirical Example. In: *Journal of Economics and Business*, Vol.3, No.4, 1558-1571.

ISSN 2615-3726

DOI: 10.31014/aior.1992.03.04.303

The online version of this article can be found at:
<https://www.asianinstituteofresearch.org/>

Published by:
The Asian Institute of Research

The *Journal of Economics and Business* is an Open Access publication. It may be read, copied, and distributed free of charge according to the conditions of the Creative Commons Attribution 4.0 International license.

The Asian Institute of Research *Journal of Economics and Business* is a peer-reviewed International Journal. The journal covers scholarly articles in the fields of Economics and Business, which includes, but not limited to, Business Economics (Micro and Macro), Finance, Management, Marketing, Business Law, Entrepreneurship, Behavioral and Health Economics, Government Taxation and Regulations, Financial Markets, International Economics, Investment, and Economic Development. As the journal is Open Access, it ensures high visibility and the increase of citations for all research articles published. The *Journal of Economics and Business* aims to facilitate scholarly work on recent theoretical and practical aspects of Economics and Business.



ASIAN INSTITUTE OF RESEARCH
Connecting Scholars Worldwide



Exorcising the “Ghosts” from the Government Payroll in Developing Countries in the Wake of the Covid-19 Pandemic: Ghana’s Empirical Example

Richmond Sam Quarm¹, Rosemond Sam-Quarm², Richmond Sam-Quarm³

¹Department of Accounting, School of Business, University of Education, Winneba, Ghana

²Ghana Audit Service, Accra, Ghana

³mPharma Ghana Ltd, Accra, Ghana

Abstract

The salary payment of government workers constitute a significant percentage of total government expenditure in developing economies, simply because the government remains the largest or biggest employer. The Government Payroll system, therefore, requires a robust control mechanism to detect and prevent the occurrence of “payroll fraud”, as the irregularity denies the state of huge sums of monies going down the drain and into private pockets, and which could have otherwise been channelled into some critical sectors of the economy; and to minimise the excessive borrowing by government to fill the gap. The several efforts and reforms by the Controller and Accountant-General’s Department (CAGD) and the Ghana Audit Service (GAS) in particular; and the Ministry of Finance (MoF) in general, to clean the Government Payroll of these “payroll frauds” consistently over the years have not yielded the desired results. The various studies conducted on “payroll fraud” in Ghana did not address themselves to the introduction of the “Electronic-Salary Payment Voucher (E-SPV) system since 2014, which was hailed by many as the final panacea to the “annual ritual of ghost workers on the government payroll”. To fill the gap, we conducted this empirical cross-sectional research on “payroll fraud” based on the “fraud triangle theory” and the “graft estimation model”. We employed non probability purposive, but convenient, sampling methodology by means of structured questionnaires and face-to-face interviews to arrive at our conclusion. Our major finding was that “payroll fraud” can never be eliminated (but only minimised), and must therefore be treated and necessarily managed to the barest minimum (between 1% and 5%), just as normal “bad debts” in Financial Statements. Policy makers will have to revisit the issues about “Ghost Workers”, in the midst of the novel and dreaded, and disastrous Covid-19 pandemic.

Keywords: Biometric registration, CAGD, E-SPV, Establishment Warrant, GAS, Ghost workers, Last Pay Certificate, MDAs/MMDAs, Management Units, Payroll fraud, Separated Staff

1. INTRODUCTION

The constant revelation of “Ghosts Workers” on the Government Payroll has become an “annual ritual” in almost all developing countries around the globe, including Ghana. Payroll fraud, is an activity whose participants are not necessarily those who are so much sunk in abject poverty, but rather those who are in a position to determine that

the risk of detection, arrest, and punishment is so remote; and, therefore, there is no credible deterrence to prevent them undertaking their criminal activities (Amoako-Tuffour, 2002).

In most developing economies, the creation of “Ghost Names” (Hossain, 2013) is a common payroll fraud that occurs in the public sector. Inadequate research on “Ghost Names” in Ghana, in the face of the introduction of the Online “Electronic-Salary Payment Voucher (E-SPV)” since the year 2014, continues to create a gap in literature with regards to “payroll fraud” on the Government Payroll. According to Tanzi (2013), ghost workers are those employees who receive salary from an organisation without showing up for work, or who may not exist but their names are kept on the payroll and their salaries appropriated by someone else.

Thus, ghost workers constitute a major drain on public funds and deprive countries of the badly needed resources for development (Gee, Button and Brooks, 2010). Despite this huge drain on public funds, Reinikka and Svensson (2006) assert that only a handful of studies exist on the phenomenon of ghost workers in the public services of countries.

The overriding need to inject greater accountability for, and discipline in, public spending, more especially in the wake of the Covid-19 pandemic, has suddenly kindled some extraordinary interest in “Ghosts Names” on the Public Sector Payroll worldwide. However, the stakes have risen so high for countries that are in the frenzied mood to organise national or general elections within the next twelve months, and Ghana is no exception.

Payroll processing in Ghana has passed through several changes from the days of yore, through a “manual type-written system” in 1896 (when the Government Treasury was established in the Gold Coast by the British Colonial Government), to an “Electronic-Salary Payment Voucher (E-SPV)” system introduced in September, 2014. In spite of these “seeming electronic control measures”, the spectre of “Ghosts Workers” on the Government Payroll increases by leaps and bounds on an annual basis, with more and better coordination and sophistication by the perpetrators, far ahead of the payroll management body itself, the CAGD.

The primary objectives of this research were:

- a. To ascertain the true existence of “active employees” on the Government Payroll;
- b. To ascertain whether the current Payroll System administered by CAGD was secure; and that the individual Payroll Files are consistent with the actual Personnel Records of Government Employees;
- c. To determine the ratio of “Payroll Fraud” to the Compensation of Government Employees; and
- d. To determine if Ghost Names on the Government Payroll can ever be eliminated.

Flowing from the objectives, the legitimate questions to ask, are:

- What do we mean by “ghost workers”?
- Why do ghost workers exist on the “government payroll”?
- What makes this business possible and profitable?
- Is the incidence of payroll fraud confined to a particular government ministry, department, or agency?
- How much of Ghana’s public sector wage bill is due to payroll fraud?
- Can we rely on employee headcount alone to fix the problem of payroll fraud, more especially in the era of the novel and dreaded Covid-19 pandemic?
- What can be done to make payroll fraud unattractive, if not completely eradicated or eliminated?

Upon threats from some donor agencies in 2001, the Ministry of Education (MoE) removed some 10,000 “Ghost Names” on their payroll alone. On 21st August, 2007 “Joy FM Online” quoted the Controller and Accountant-General (Mr Christian Sottie) as saying that of the 19 trillion cedis budgeted for wages and salaries that year, 11 trillion cedis (about 60%) was spent during the first half of the year. Mr Sottie cautioned that the public payroll could be overrun by as much as 3 trillion cedis if nothing concrete was done to curb the excess expenditure. He attributed the bloated wage bill to “Ghost Names”. According to the Minister of Finance, Hon Kwadwo Baah Wiredu, the public sector wage bill as a share of total government spending fell from 33% in 2000 to 26% in 2003.

But according to the Minister, it rose again to nearly 29 percent in 2006, justifying a call for head count of public sector workers in 2007.

In September, 2014, the “Electronic-Salary Payment Voucher (E-SPV)” system was launched with welcoming relief and fanfare by the Minister of Finance, Seth Tekper, to end the menace of “Ghost Workers” on the “Government Payroll once and for all”. The system became fully operational in January, 2015. However, on November 20, 2015, less than a year of its introduction, the then Controller and Accountant-General (Ms Grace Francisca Adzroe) reported the shocking revelation and removal of “ghost names” to the tune of some “5,861 ghost workers” (Graphic Online, 2015). And the irregularity has become an “annual ritual”, according to the annual Auditor General’s Reports.

Addressing the “May Day Rally” at the Independence Square in Accra in 2017, the President of the Republic, Nana Addo-Danquah Akufo-Addo announced the removal of some “26,589 Ghost Names” from the Government Payroll (Graphic Online, 2020). According to the President, this was to save the Ghanaian taxpayer some GHC433 million for the 2017 fiscal year alone. It is interesting to note, however, that in a quick rebuttal just the following day, the National Association of Graduate Teachers (NAGRAT), vehemently rejected the President’s statement, claiming that “13,800 of the so-called Ghost Names belonged to the Association”.

On April 5, 2019, the then Controller and Accountant-General, Mr Eugene A. Ofosuhen, also reported that “his Department had cleared off all Ghost Names that existed on the Public Sector Payroll in the range of some 20,000 workers” (Graphic Online, 2019). And on September 23, 2020, (Graphic Online, 2020), again reported that the Acting Controller and Accountant-General had cleared “7,000 Ghost Names” from the Government Payroll. Mr Kwasi Kwaning Bosompem was quoted as saying that the names were removed after a team of accountants and auditors from the CAGD and GAS had toured the country to enumerate workers (head count) on the government payroll.

The above assertions by the three immediate Government Accountants, and buttressed by the President of the Republic himself, raises the legitimate questions, “What constitute Ghost Names?”, and “Why have the removal of Ghost Names on the Public Payroll become an ‘annual and political ritual?’”. The causes, effects, findings, and possible solutions to the menace of “ghost names on the public sector payroll in developing countries in general, and Ghana in particular”, formed the basis of this cross-sectional research. This study was necessitated to assess the impact of ghost workers on the public sector payroll in Ghana, despite the introduction of the “Electronic-Salary Payment Voucher (E-SPV) system, and in the likely probability that the phenomenon would increase in the wake of the novel, dreaded, and disastrous Covid-19 pandemic.

The rest of the paper is presented sequentially according to literature review, theoretical framework, empirical studies, methodology, discussion of result and major findings, conclusion and recommendations.

2. LITERATURE REVIEW

Who is responsible for the Management of the Public Sector Payroll in Ghana?

The CAGD is the body responsible for public sector payroll management in Ghana. The payroll management division is one of the six divisions of the CAGD. It is headed by a Deputy Controller and Accountant-General. The division has two directorates – the “Active Payroll” directorate, which has ten sections and over 160 staff, and the Pension directorate with two sections and staff strength of more than 90. Its main responsibility is to process and pay compensation of employees to active and retired public servants and their beneficiaries under the “CAP 30 Pension Scheme” as required under the Public Financial Management Act 2016 (Act 921) and its Regulations, and the CAP 30 Pension Act. In this regard, the division is responsible for the management of the National Salary and Pension payroll.

There are laid down procedures, responsibilities and clear timelines for the management of the national payroll. It is a shared responsibility between the CAGD and employer institutions or covered entities (MDAs/MMDAs).

Covered entities have Transaction Processing Centres (TPCs) which have been connected and given local access to the Payroll Processing System (PPS) at the CAGD.

It is the responsibility of the employer institutions to ensure that the biodata, job classification and other relevant personal information of each staff member is captured or updated on the payroll system. They are also to validate the payment vouchers before the final payroll run. The payroll management division validates the data recorded at the employer level and processes the payment by the pay-day for each pay period.

2.1 From the Manual to the Online Electronic Salary Payment Voucher System

Since the establishment of the Gold Coast Treasury in 1896 by the Colonial British Government, the payment of Civil and Public Servants had been done through a “manual type-written payment voucher system” at the “local management unit levels”. What happened in practice was that after the passage of the Appropriation Act, the votes of all MDAs/MMDAs and other Covered Entities were released to the various Heads/Spending Officers at the Headquarters in Accra. The Votes were broken down into “Recurrent Expenditure (of Items 1-5)”, and “Capital Expenditure (of Items 6-8)”.

Heads/Spending Officers of the various MDAs/MMDAs and other Covered Entities at the Headquarters in Accra would then prepare “Financial Encumbrances/Financial Encumbrances Adjustments (FEs/FEAs) to the respective Regional/District Heads of Department. This meant that not a single pesewa of Recurrent Expenditure, including the ‘Votes for Wages and Salaries’ were kept at the Headquarters. Only the ‘Votes for Capital Expenditure’ were kept at the Headquarters. As a result, the Chief/Regional/District Treasury Offices of CAGD were responsible for all payments for Recurrent Expenditure, including Wages and Salaries at the Regional/District level.

Thus, all payments at the Regional/District level were done via the “manual type-written payment vouchers” prepared by the Management Unit, and submitted to the Chief/Regional/District Treasury Offices of the CAGD (as the case might be). New employees were recruited and paid by the local management units through “Establishment Warrants (EWs)”, while old employees on transfer were paid using their “Last Pay Certificates (LPCs)” from their previous management units. Thus, there was no “Payroll Processing Unit at the CAGD Headquarters in Accra” before 1985.

As a general rule, and to all intents and purposes, the Monthly Wages and Salaries of Workers were paid ‘across the Accountant’s Table’. At the end of each month, any worker who chose to operate a Personal Bank Account would collect his/her wages/salaries across the Accountant’s Table, and then walk to his/her Bankers to deposit whatever portion of his/her salary into his/her bank account. Accountants of the Local Management Units were supposed to “pay into “Government Chest any unearned/unclaimed wages/salaries at the end of the month”. And this payment back into the “Government Chest/Consolidated Fund” of “unclaimed wages/salaries at the end of every month”, hardly occurred, if any.

This had been the practice since 1896, until January, 1985 when the Payroll of some few selected MDAs/MMDAs were “piloted for centralisation and mechanisation” at the CAGD Headquarters in Accra. With the “mechanisation in 1985”, came the “order” from the CAGD for the “opening of individual salary bank accounts of workers through which their monthly wages and salaries were to be credited”. For the next seven or more years to 1992, this “directive was more flouted than obeyed”, even in the face of a military dictatorship in Ghana.

2.2. Theoretical Framework for the Study: The Fraud Triangle

This research was grounded on the “Fraud Triangle Theory” propounded by Cressey (1950) and amplified into the “Fraud Diamond” by Wolf and Hammond (2004). The research was also propped up by the “Graft Estimation Model” developed by Reinikka and Svennson (2004). The fraud triangle is a theory that explains the motives for committing fraud (Dorminey et al, 2012). However, the graft estimation model measures the extent of losses or theft of public funds in government agencies (Zhang, 2012).

The “Fraud Triangle theory” was developed by Cressey (1950), a renowned criminologist, educator, and a writer whose work has provided the framework for understanding the motives for fraud, and the characteristics of fraudsters (Kassem and Higson, 2012). Cressey hypothesized that for individuals to commit fraud, three factors must always be present and they are; pressure, opportunity, and rationalisation. According to Albrecht et al (2008), and Gbegi and Okoye (2013), these factors must necessarily be present for fraud to occur, irrespective of whether the perpetrator benefited directly, or the benefit went to his/her organisation.

The “Fraud Diamond” was developed by Wolf and Hammond (2004) who introduced the “capabilities of the fraudster” as the fourth component to the fraud triangle. The principles underlying the fraud diamond is that “fraud will not occur without the right person with the right capabilities”. Various fraud and corruption studies in public sector organisations, with particular reference to the government payroll, health and education, have relied on the fraud triangle theory (Fitzsimons, 2009; Reinikka and Svennson, 2006).

2.3. The Graft Estimation Model

The Graft Estimation Model by Reinikka and Svennson (2004) was used by Olken and Pande (2012) to determine leakages or theft of public funds in government institutions. Graft is measured by comparing the budgeted amount allocated or released to a government organisation by the “Central Government”, and the actual amount received at the local level; the difference represents graft or corruption. The instrument used to measure graft is the Public Expenditure Tracking System (PETS). One study of the leakage rate in the educational sector in Uganda was 87% (Pande, 2012). In Papua New Guinea, the rate of ghost teachers was 15% in 2002 (World Bank, 2004), and 23% in Honduras in 2010 (World Bank, 2010). The percentage might certainly have been worse in Ghana.

2.4. Empirical Studies on Ghost Workers on Government Payroll

An empirical review of the literature on Ghost Workers shows a widespread phenomenon, not only from the developing economies, but also from the very advanced countries as well. Four major concepts could be derived from the fraud triangle theory. The first concept is the possibility of individuals to violate the trust reposed in them by their superiors. Second, there are forces that motivate individuals to commit fraud in violation of the trust reposed in them (Brody et al 2012). Third, fraud can be committed by individuals within an organisation, irrespective of their positions or status (Trompeter et al, 2012). Finally, fraud can be minimised if the factors encouraging fraud can also be minimised (Gbegi, & Okoye, 2013).

In a study on why corruption persisted in the public service of Nigeria, Ibietan (2013) observed that for as long as the fraud triangle of need, opportunity, and weak sanctions subsists, corruption in the Nigerian public service will never be tamed; but that it will rather continue to have more powerful and sophisticated active converts. A study conducted by Chevis and Barrum (2012) showed similar results of fraud in the Papua New Guinea public service. According to the World Bank (1995), “ghost workers” are public sector employees who have died, retired, or completely left the public service, and yet have their names on the government payroll. In payroll fraud research, the number of employees in the organisation determines the size of the organisation. According to the fraud triangle, as the size of an organisation increases, the internal control system of the organisation becomes weak (due to the enhanced complexities of its operations), leading to the perpetration of fraud.

Amoako-Tuffour (2002) estimated that ghost workers represented 5.8% of government expenditure on wages and salaries every year. In the same year, the Minister of Finance in a budget statement to Parliament (2002), indicated that “10% of the total amount spent on civil and public servants were lost every month through the insertion of ghost names on the government payroll”. The crux of the matter is that “ghost workers drain public funds, and deprive nations of the scarce resources for development” (Gee et al, 2010). The solution to this canker was what this research sought to achieve.

3. METHODOLOGY

The study was cross-sectional and it adopted the non-probability quota sampling method to select the management units for the survey (Tansey, 2007). The study also used the Public Expenditure Tracking Survey (PETS) as developed by Reinikka and Svensson (2004), in conjunction with the Appropriation Acts for the data collection. This was because after the first successful implementation of PETS in Uganda in 1999 (Olken & Pande, 2012), it has now become a standard practice for financial data measurement in the public services.

The population of this research consisted of the Heads and the Finance Officers of the various MDAs/MMDAs; HR Staff responsible for Employee Personal Records and the Payroll Processing Section (PPS) and the Internal Audit Units of the various MDAs/MMDAs; Staff of the Payroll Processing Section (PPS) and the Integrated Payroll Processing Division (IPPD) of the CAGD; the Audit and Investigations Division of the CAGD; and the Staff of GAS.

Purposive sampling methodology was employed. As a result of the ramifications of the novel and deadly Covid-19 Pandemic, some virtual interviews were conducted through some social media applications. Moreover, both open-ended and closed-ended structured questionnaires were set up and sent to the various respondents through the use of 'Google Forms'.

A total of 150 respondents were sampled. From the virtual interviews and structured questionnaires, adequate data was obtained on the following:

- Employee Personal Data from the MDAs/MMDAs. We enquired to know how often Employee Personal Records and documents such as academic and professional certificates, appointment letters, confirmation and promotion letters, contract extensions, SSNIT Biometric Registration Card, and Biometric Data were reviewed.
- Biometric data on Government Employees and Pensioners from the MoF.
- Details and payroll processes of the Electronic Salary Payment Voucher System (E-SPVs) from the CAGD.
- Data on Report 11 (this report contains information on the amount paid to Government Employees and Pensioners each month per bank).

From then, data collection instruments were used to capture both primary and secondary data relevant to the objectives of the research. The information collected were analysed and presented in tables, charts, and graphs and consequently discussed both qualitatively and quantitatively.

4. RESULTS AND DISCUSSION

4.1 Demographic Statistics of Employees on Government Payroll

This section presents the summary statistics of government employees on the public payroll during the period of the research. Table 1 below shows the demographics of employees according to age, sex, MDAs, and regions.

Figure 1: Regional Summary of Active Employees on the Government Payroll in 2018

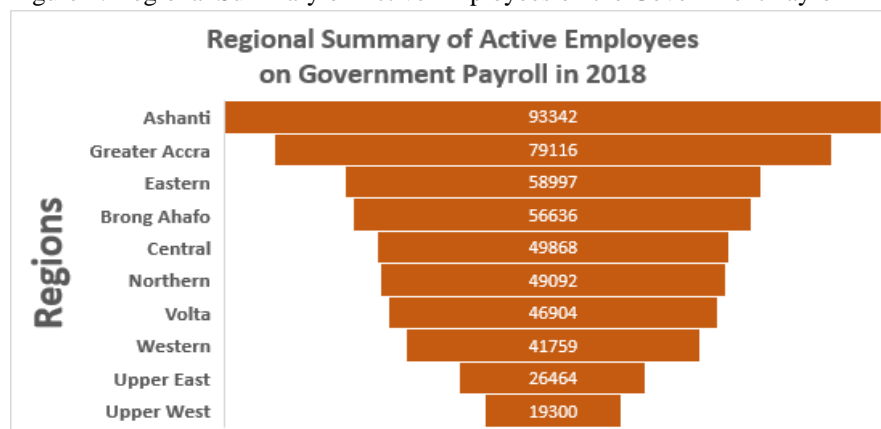


Figure 1 above shows that the Ashanti Region houses the majority of active employees on the government payroll and this could be attributed to the fact that this region in Ghana holds the greatest land size and definitely has a huge population. The capital region of Ghana, Greater Accra, follows the Ashanti Region in the number of active employees. This region has the densest population. The upper parts of Ghana hold the lowest number of active employees on the Government payroll, with the Upper West Region recording the least of the employees.

4.2 Top 10 MDAs/MMDAs Employees on the Government Payroll as at June, 2018

Here, the number of employees on Government Payroll as at June, 2018 were reported for the top ten MMDAs/MMDAs in Ghana.

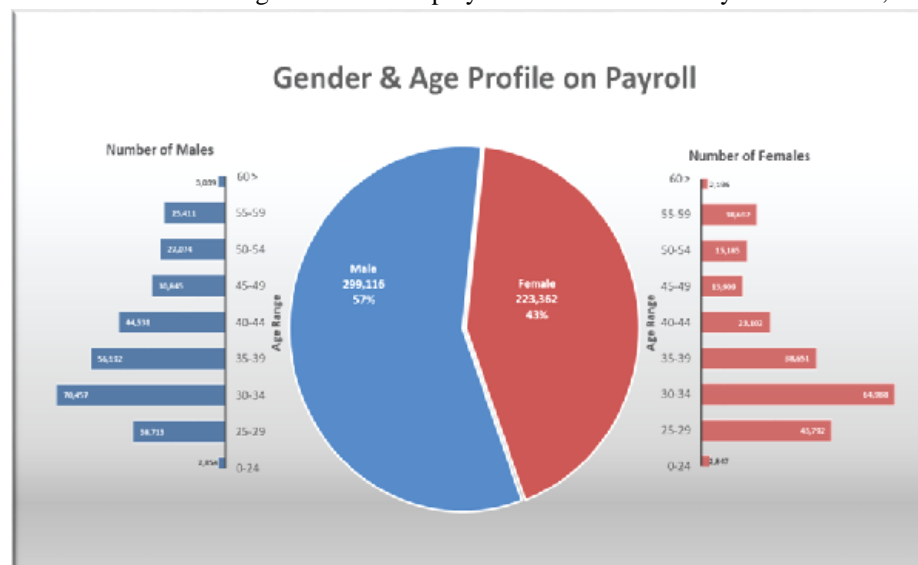
Table 1: Top 10 MDAs/MMDAs Employees on Government Payroll

| No. | MMDA/MMDA | Number of Employees |
|-----|---|---------------------|
| 1 | Ministry of Education | 317,512 |
| 2 | Ministry of Health | 108,927 |
| 3 | Ministry of Local Government | 27,186 |
| 4 | Ministry of Interior | 23,722 |
| 5 | Ministry of Lands and Natural Resources | 5,334 |
| 6 | Judicial Service | 4,896 |
| 7 | Environment, Science, Technology and Innovation | 4,612 |
| 8 | Finance | 4,315 |
| 9 | Information | 2,227 |
| 10 | Food and Agriculture | 2,061 |
| | Remaining (11) | 21,686 |
| | Total | 522,478 |

4.3 Gender and Age Profile of Employees on the Government Payroll

This section describes the demographics (gender and age) of employees on the Government Payroll. It is found that 57.2 percent of the employees were males whereas 42.8 percent were females.

Table 3: Gender and Age Profile of Employees on Government Payroll as at June, 2018



4.4 Table Showing Ghost Employees on the Government Payroll as at 30/06/2018

| No. | MMA/MMDA | Ghost Employees | Gross Amount |
|-----|---|-----------------|--------------------|
| 1 | Ministry of Education | 5,074 | 233,269,901 |
| 2 | Ministry of Health | 1,388 | 127,268,356 |
| 3 | Local Government Service | 548 | 34,584,009 |
| 4 | Ministry of Interior | 295 | 24,465,320 |
| 5 | Ministry of Lands and Natural Resources | 136 | 9,980,826 |
| 6 | Ministry of Environment, Science & Technology | 90 | 9,785,663 |
| 7 | Ministry of Food and Agriculture | 81 | 7,220,148 |
| 8 | Ministry of Local Government | 75 | 4,827,268 |
| 9 | Ministry of Communication | 26 | 2,752,290 |
| 10 | Ministry of Chieftaincy | 23 | 1,939,155 |
| 11 | Ministry of Tourism | 23 | 1,885,666 |
| 12 | Justice and Attorney General | 21 | 5,236,443 |
| 13 | Ministry of Trade and Industry | 16 | 1,705,108 |
| 14 | Ministry of Finance | 7 | 1,361,054 |
| 15 | Ministry of Roads and Highways | 6 | 307,298 |
| 16 | Judicial Service | 4 | 107,980 |
| 17 | Ministry of Transport | 3 | 204,961 |
| 18 | Gender, Children and Social Protect | 3 | 207,479 |
| 19 | Ministry of Foreign Affairs | 2 | 221,289 |
| 20 | Ministry of Information | 1 | 255,571 |
| 21 | Ministry of Youth and Sports | 1 | 49,007 |
| | Total | 7,823 | 467,634,792 |

4.5 Salary-Grade Mismatch

Our research revealed that the personnel records showed a mismatch in the salary grades of some 1,200 employees, when compared with their actual grades on their Appointment/Promotion Letters.

4.6 Discontinued Staff still on the Government Payroll

A review of the data showed that a total of some 6,307 employees declared as “discontinued staff” through the E-SPV System, continued to receive their monthly salaries

4.7 Overaged Employees on Government Payroll

From the data gathered, it became obvious that the payroll system had not been properly configured to automatically terminate the records of employees who attain the statutory retirement age of 60 years. Our research revealed that the names of some 84 employees who had attained the compulsory retirement age of 60 years, and had no contract extension, were still on the Government Payroll.

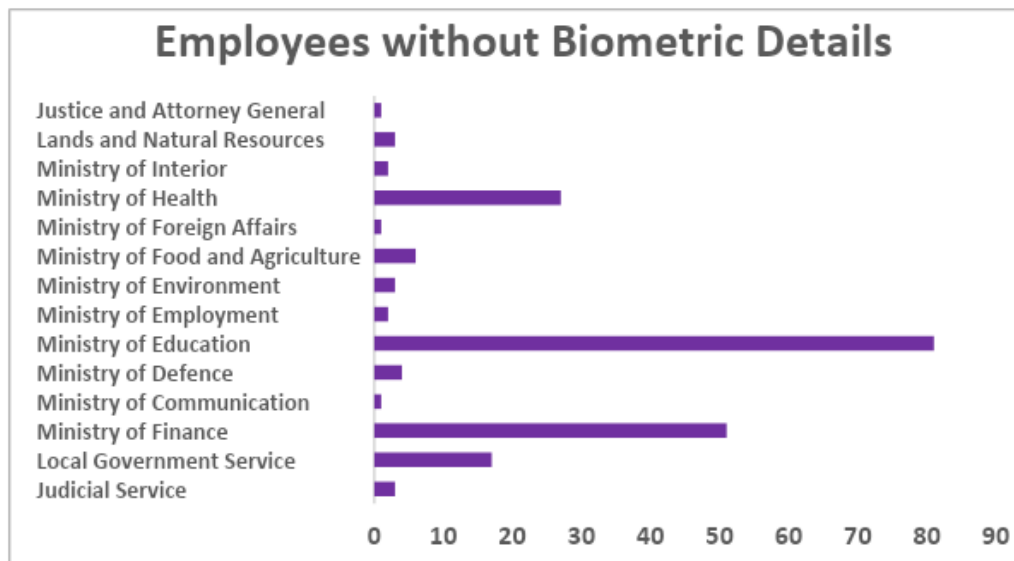
4.8 Employees without Biometric Details.

| No. | MDA/MMDA | Number of Employees |
|-----|---------------------------|---------------------|
| 1 | Judicial Service | 3 |
| 2 | Local Government Service | 17 |
| 3 | Ministry of Finance | 51 |
| 4 | Ministry of Communication | 1 |
| 5 | Ministry of Defence | 4 |
| 6 | Ministry of Education | 81 |
| 7 | Ministry of Employment | 2 |
| 8 | Ministry of Environment | 3 |

| | | |
|----|----------------------------------|------------|
| 9 | Ministry of Food and Agriculture | 6 |
| 10 | Ministry of Foreign Affairs | 1 |
| 11 | Ministry of Health | 27 |
| 12 | Ministry of Interior | 2 |
| 13 | Lands and Natural Resources | 3 |
| 14 | Justice and Attorney General | 1 |
| | Total | 202 |

The Biometric Verification System (BVS) serves as a pre-condition for the payment of salaries to Government Employees. Despite this control, our research revealed that the names of some 202 employees who had not gone through the Biometric Registration were miraculously on the Payroll. The Ministry of Education records the highest number of employees with biometric registration. This is illustrated in the figure below.

Figure 2: Employees without Biometric Details



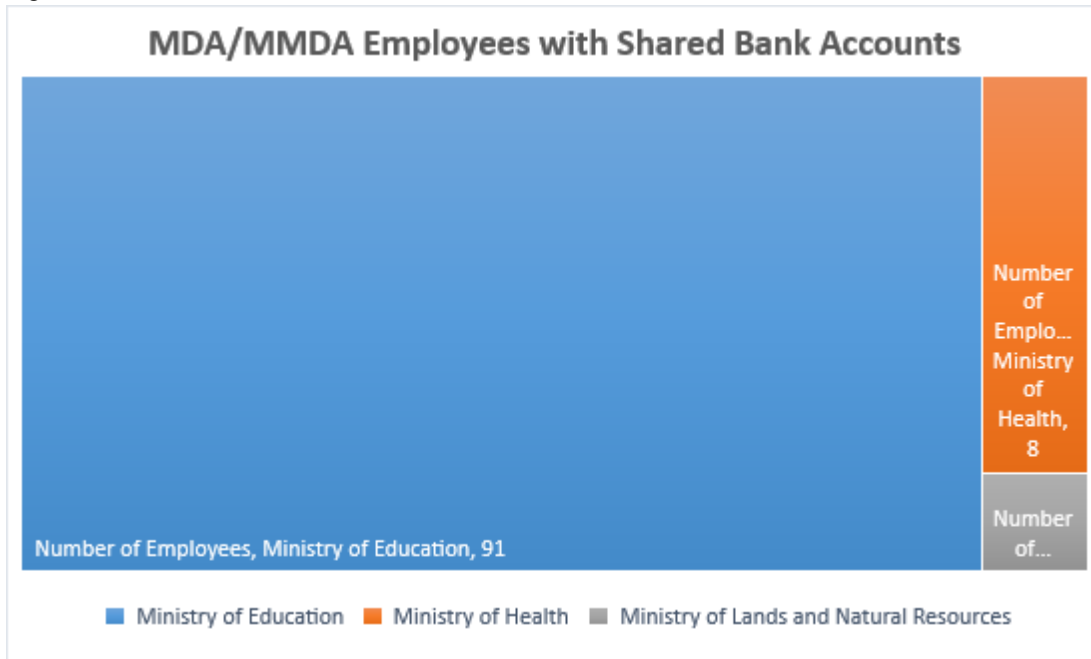
4.9 Suspected Cases of Personation

| No. | MDA | Number of Employees |
|-----|---|---------------------|
| 1 | Judicial Service | 2 |
| 2 | Local Government Service | 10 |
| 3 | Ministry of Finance | 3 |
| 4 | Ministry of Education | 261 |
| 5 | Ministry of Food and Agriculture | 1 |
| 6 | Ministry of Health | 67 |
| 7 | Ministry of Information | 1 |
| 8 | Ministry of Interior | 10 |
| 9 | Ministry of Lands and Natural Resources | 8 |
| 10 | Ministry of Roads and Highways | 1 |
| 11 | NCCE | 1 |
| 12 | Head of Civil Service | 1 |
| | Total | 366 |

4.10 Shared Bank Accounts

The Ministry of Education has 91 employees with shared bank accounts. The values are lower for the Ministry of Health with 8 employees and the Ministry of Lands and Natural Resources with 2 employees having shared bank accounts.

Figure 3: Shared Bank Accounts

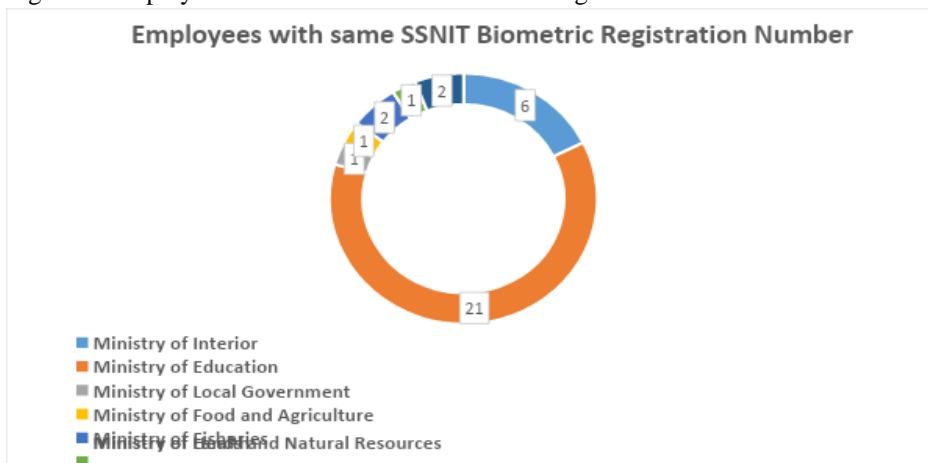


4.11 Employees with Same SSNIT Biometric Registration Number

| No. | MDA/MMDA | Number of Employees |
|-----|---|---------------------|
| 1 | Ministry of Interior | 6 |
| 2 | Ministry of Education | 21 |
| 3 | Ministry of Local Government | 1 |
| 4 | Ministry of Food and Agriculture | 1 |
| 5 | Ministry of Fisheries | 2 |
| 6 | Ministry of Health | 1 |
| 7 | Ministry of Lands and Natural Resources | 2 |
| | Total | 34 |

This is illustrated graphically below.

Figure 4: Employees with same SSNIT Biometric Registration



4.12 Poor Migration of Payroll Data of Employees

As stated earlier in the write-up, the CAGD first implemented a “Mechanised Payroll System” in 1985, away from the hitherto “Decentralised, Manual and Type-Writer-Based System”. Although that Payroll System was centralised in Accra at the Treasury Headquarters, “it was more manual, than computerised.” This manual system continued to be operated until 1992 when the CAGD implemented its first “Integrated Personnel and Payroll Database (IPPD 1)” system for all employees on the Government Payroll.

In 2000, the CAGD migrated all Government Employees from IPPD1 to IPPD2. However, in 2010, owing to the sheer numbers of personnel of the Ministry of Education, coupled with the implementation of the Single Spine Salary Structure (SSSS), the CAGD migrated the Staff of the Ministry of Education to the newly installed IPPD3, whilst maintaining the workers of all other MDAs/MMDAs on IPPD2. The poor changeover resulted in the loss of all the historical records of the staff and Teachers of the Ministry of Education across the country.

5. CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

Before the centralisation of the preparation and payment of wages and salaries at the CAGD Headquarters in Accra in 1985, the country was probably losing about 75 percent of the Total Employee Compensation to “Ghost Workers”. This was because there existed a fraud triangle between unscrupulous management unit heads of MDAs/MMDAs, District/Regional/Chief Treasury Officers of the CAGD, and Officers of GAS. Studies on “Payroll Fraud” did not receive the desired academic research into the phenomenon, despite the huge and glaring “revenue leakages” as a direct result of the “manual and type-written Wages and Salaries Payments Vouchers” prepared and paid at the local level (Amoako-Tuffour, 2002; Reinikka and Svensson, 2001). In fact, Amoako-Tuffour’s estimation of 5.8% revenue leakage due to “ghost workers in 2002”, was dangerously an understatement. And the above conclusion is premised on the fact that if after the implementation of the E-SPV, the three immediate Controller and Accountant-Generals could be talking of expunging about 5,861; 20,000; and 7,000 “ghost names” respectively from the Government Payroll, then one could easily imagine what was happening during the “manual type-writer days”, and the pre-E-SPV era.

One major flaw of the CAGD over the years, has been its quick readiness to always declare the number of “Ghost Names” on the Government Payroll that have been cleared, but would always shy away from providing the actual amount that have gone down the drain, and into private pockets. It is, therefore ‘impossible to provide the actual amount of monies that have gone down the drain, specifically due to Ghost Names’ for any empirical analysis to be made.

This conclusion was confirmed by the Auditor-General’s Report on the “National Payroll and Personnel Verification Audit”, as at June, 2018. The “Outturns” provided in the Annual Budgets Statements on Employee Compensation are an “omnibus figure”, without showing the “actual amount lost through Ghost Names”. It is highly recommended that the CAGD will do the needful, going forward, to enable a better and more critical analysis of monies lost through the existence of Ghost Names on the Government Payroll to be made.

The International Monetary Fund (IMF) in its October, 2020 Fiscal Monitor Publication, has predicted that Ghana’s fiscal deficit will reach 16.4 percent of GDP this year (up from the initial government projection of 4.7 percent of GDP), the largest in the country’s history. The projection is not only the highest in Ghana’s history, but will also become the biggest deficit in sub-Saharan Africa. The record deficit projection comes on the back of the devastating effect of the Covid-19 pandemic, which caused a huge shortfall in government’s revenues amidst bigger-than expected spending in a frantic effort to contain the disease (such as the payment of salaries to all workers on the government payroll despite the shutdown of non-essential public services, and a 50% increase in the “basic salaries of frontline health workers)).

In a face-to-face interview with the Controller and Accountant-General, he asserted that the phenomenon of “Ghost Names” on the Government Payroll, “can never be completely eliminated”. According to him, if anything at all, it can only be “minimised to between 1 percent and 5 percent”; and such a percentage is to be tolerated at any time “P”, and treated as “bad debts” in the course of “normal business accounting practice”. This is because at any given point in time, some employees may resign from the government service, or may die, or may travel outside the country.

The date of such a discontinuance of work, and the time this might take for the information to come to the attention of the Head of the Management Unit, for the necessary “payroll input” to be prepared and forwarded to the Headquarters of the respective MDA/MMDA for certification and onward transmission to the Payroll Section of the CAGD for processing, “will never take less than three months”. Within this minimum period of three months, “a ghost name would have been inadvertently created or occurred on the government payroll”, through nobody’s fault, he asserted.

From our research and responses from respondents, it was evident beyond any scintilla of doubt that the removal of “Ghost Names” from the Government Payroll is, and must be, a shared responsibility from the Heads of Local level Management Units of MDAs/MMDAs through to the National Level; plus officers of the HR division of the various MDAs/MMDAs; staff of the Controller and Accountant General’s Department (CAGD); staff of the Ghana Audit Service, (GAS); the Banks; and the Ministry of Finance.

Finally, since the fact still remains that due to the numerous restrictions and lockdowns of most MDAs/MMDAs as a direct result of the novel and dreaded Covid-19 pandemic, why on earth should Heads of Management Units still be required to “verify their staff electronically online, and take full responsibility for any Ghost Names?” Future researchers are encouraged to consider the “concept of ghost workers in a post-Covid-19 pandemic era, where online and remote working will become the norm, rather than the exception”

References

- Albrecht, C., Albrecht, C., Landau, S., and Melagueno, R. (2008). Financial statement fraud: Learn from the mistakes of the US or follow up in the footsteps of its errors. *Internal Auditing*, 23(2), 30-37. Retrieved from: <http://repository.essex.ac.uk/id/eprint/4761>
- Amoako-Tuffour, J. (2002). Ghost names, shadow worker, and the public sector wage bill. *Occasional Papers*, 34, 1-22. Accra, Ghana: Institute of Economic Affairs.
- Association of Certified Fraud Examiners (2012). Report to the nation on Occupational Fraud and Abuse. *Global Fraud Report*, 1-74. Retrieved from: [http://www.acfe.com/uploadedFiles/ACFE_Website/Content/documents/2006-](http://www.acfe.com/uploadedFiles/ACFE_Website/Content/documents/2006-Audit Service Act (2000). Act 584, Republic of Ghana)
- Audit Service Act (2000). Act 584, Republic of Ghana
- Brody, R., G., Melendy, S., R., and Perri F., S. (2012). Commentary from the American Accounting Association’s 2011 annual meeting panel on emerging issues in fraud research. *Accounting Horizons*, 26(3), 513-531. doi: <http://dx.doi.org/10.2308/acch->
- Certified Practising Accountants (2011). Employee fraud: A guide to reducing the risk of employee fraud, and what to do when the fraud is detected. *CPA Australia*, 2-14. Retrieved from: www.cpaaustralia.com.au
- Chevis, J., and Barrum, B. (2012). Applied forensic accounting – Experiences from the Papua New Guinea Financial Intelligence Unit. *National Forensic Accounting Teaching and Research Symposium 2012 – (Re) defining the Forensic Accountant, merging practice, research and education*: Retrieved from: <http://business.uow.edu.au/content/groups/public/@web/@commerce/@econ>
- Controller and Accountant-General’s Department (2012). Report and Financial Statements on the Public Accounts (Consolidated Fund) of the Republic of Ghana for the Year Ended December, 31, 2012. Financial Administration Regulation, 2004 (LI 1802), Republic of Ghana.
- Dorminey, J., Fleming, A., Kranacher, M., and Riley, R. (2012). The evolution of fraud theory. *Issues in Accounting Education*, 27(2), 555-579. doi.org/10.2308/iace-50131
- Dorminey, J., Fleming, A., Kranacher, M., and Riley, R. (2010). “Beyond the Fraud Triangle: Enhancing the Deterrence of Economic Crimes”. *CPA Journal*, 80(7), 17-23. New York, NY: New York Society of CPAs.
- Eme, O., I., and Andrew, V., O. (2013). Civil Service and Cost of Governance in Nigeria. *International Journal of Accounting Research*, 1(2), 27-48. Retrieved from: http://www.arabianjbm.com/pdfs/AC_VOL_1_2/4.pdf
- Financial Administration Act (2003). Act 654, Adventist Press, Accra

- Fitzsimons, V., G. (2009). A troubled relationship: corruption and reform of the public sector in development. *Journal of Management Development*, 28(6), 513-521. DOI: 10.1108/02621710910959675
- Gbegi, D., O., and Okoye, E., I. (2013). An evaluation of the effect of fraud and related financial crimes on the Nigerian economy. *Kuwaiti Chapter of Arabian Journal of Business and Management Review*, 2(7), 81-91. Retrieved from: http://www.arabianjbm.com/pdfs/KD_VOL_2_7/9.pdf
- Gee, J., Button, M., and Brooks, G. (2010). The financial cost of UK public sector Fraud: A less painful way to reduce public expenditure. *Working Paper Macintyre*. Houston: Milton Keynes.
- Gee, J., Button, M., and Brooks, G. (2009). The financial cost of fraud: what data from around the world shows. *Working Paper*. United Kingdom Macintyre, Houston: Milton, Keynes.
- Ghana Audit Service (2018). Auditor-General's Report on the Nationwide Payroll and Personnel Verification Audit as at June, 2018.
- Ghana Audit Service (2007). Auditor General's Report on the Public Accounts of Ghana (Consolidated Fund) for the Year Ended 31st December, 2007. Accra: Adventist Press.
- Graphic Online (2020). 7,000 Ghost names removed from the Gov't Payroll <http://graphic.com.gh/news/general-news/7000-ghost-names-removed>
- Graphic Online (2019). 20,000 Ghost names removed from the govt. payroll <http://graphic.com.gh/news/generan-news/20.000-ghost-names-removed>
- Graphic Online (2017). 26,000 Ghost Names Removed From Gov't Payroll <http://graphic.com.gh/news/general-news/26,000-ghost-names-removed->
- Graphic Online (2015). 5,861 "Ghost" names removed from govt. payroll. <http://graphic.com.gh/news/general-news/5-861-ghost-names-removed->
- Hendriks, C., J. (2013). Integrated Financial Management Information Systems: guidelines for effective implementation by the public sector of South Africa: original research, *South African Journal of Information Management*, 15(1), 1-9. doi: 10.4102/sajim.v14i1.529
- Hossain, M., I. (2013). Measuring the Effectiveness of Public Expenditure in Bangladesh: A Survey Based Case Study in the Education Sector. *Ritsumeikan Asia Pacific University (RCAPS)*. Working Papers Series. RWP – 13002. Japan, Oita Beppu: Ritsumeikan Asia Pacific University.
- Ibietan, J. (2013). Corruption and Public Accountability in the Nigerian Public Sector: Interrogating the Omission. *European Journal of Business and Management*, 5(15), 1-48. Retrieved from: <http://www.iiste.org/Journals/index.php/EJBM/article/view/6201>
- Kassem, R., and Higson, A. (2012). The new fraud triangle model. *Journal of Emerging Trends in Economics and Management Sciences (JETEMS)*, 3(3), 191-195. Retrieved from: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2121206
- Kwawukume, V., and Mustapha, S. (2014, July, 17). Electronic payslip system to capture government workers. *Daily Graphic*. Retrieved from: <http://www.graphic.com.gh>
- Lekubu, B., K. (2013). *Issues of Corruption in South Africa's Municipalities*. Conference Proceedings, South African Association of Public Administration and Management (SAAPAM). Cape Town, South Africa.
- Levi, M., and Burrows, J. (2008). Measuring the Impact of Fraud in the UK: A Conceptual and Empirical Survey Journey. *British Journal of Criminology*, 48(3), 293-318. doi: 10.1093/bjc/azn001
- Ojukwu, C., C., and Shopeju, J., O. (2010). Elite Corruption and the Culture of Primitive Accumulation in 21st Century Nigeria. *International Journal of Peace and Development Studies*, 1(2), 15-24. Retrieved from: <http://elawnigeria.com/articles/Elite%20Corruption%20and>
- Olken, B., A., and Pande, R. ((2012). Corruption in Developing Countries. *Annual Review of Economics*, 4(1), 479-509. DOI: 10.1146/annurev-economics-080511-110917
- Onwuka, C., C., Okoh, C., I., and Eme, O., I. (2009). Corruption in Nigeria: Nature, Forms, and Challenges before Anti-Corruption Agencies. *Interdisciplinary Journal of Contemporary Research in Business*, 1(8), 114-132.
- Public Financial Management Act (2016). Act 921. Adventist Press, Accra
- Reinikka, R., and Svennson, J. (2006). Using micro-surveys to measure and explain corruption. *World Development*, 34(2), 359-370. doi:10.1016/j.worlddev.2005.03.009
- Reinikka, R., and Svennson, J. (2001). Explaining leakage of public funds. WIDER Discussion Papers/World Institute for Development Economics (UNU-WIDER) (No. 2001/147). Washington, DC: The World Bank.
- Tanzi, V. (2013). Corruption and the Economy. *Filozofija i društvo*, 24(1), 33-59. DOI:10.2298/FID1301033T.
- Trumpeter, G., M., Carpenter, T., D., Desai, N., Jones, K., L., and Riley Jnr, R., A. (2012). A synthesis of fraud-related research. *Auditing: A Journal of Practice & Theory*, 32(1), 287-321. doi: <http://dx.doi.org/10.2308/ajpt-50360>
- World Bank (2010). Public Expenditure Tracking and Service Delivery Survey: Education and Health in Honduras – Background Chapters, Washington, DC. Retrieved from: <http://openknowledge.worldbank.org/handle/10986/3006>
- World Bank (2004). Papua New Guinea: Public expenditure and service delivery. East Asian and the Pacific Regions, *PESD Working Group*. p. 11-109, Washington, DC.

- World Bank (2001). Honduras: Public expenditure management for poverty reduction and fiscal sustainability. *Report No. 22070*, p. 46-75. Poverty Reduction and Economic Sector Management Unit, Latin America and the Caribbean Region, Washington, DC.
- World Bank (1999). Controlling and Managing Personnel Cost: Good Practice in Public Financial Management. Issue Paper 6, p. 18, Washington, DC.
- Zhang, K. (2012). Increasing Citizen Demand for Good Government in Kenya. Retrieved from: http://cega.berkeley.edu/assets/cega_events/4/Zhang-