

EFFECTIVE MANAGEMENT OF PENSION FUNDS TOWARDS FRAUD REDUCTION AND GOOD PENSION SCHEME IN NIGERIAN PUBLIC SECTOR

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Abstract

This research examined effective management of pension funds that will reduce pension fraud and bring about good pension scheme in Nigerian public sector. The need for it arose due to increased mismanagement and embezzlement of pension funds by those charged with its management. Survey research method was employed and population comprised 435 stakeholders in the scheme. Data were collected from primary source (through questionnaire designed on continuum 1-5 Likert Scale) and were analyzed using descriptive statistics and multiple regression analysis with the aid of Minitab ver. 17. The Model - Effective Management of Pension Funds in Nigeria developed by the study was applied in representing independent and dependent variables. Effective Management of Pension Funds in Nigeria was the indicator applied as independent variable and reduction in pension fraud motive, adequate diversification of pension funds assets, strictest anti-fraud measures and compliance with the provisions of Pension Reform Act were the indicators in the model which were applied as dependent variable. The Model provides that for the effective management of pension funds in Nigeria, the indicators have to be implemented. Finding disclosed that the level of compliance of those in charge of managing pension funds with corporate governance practices for pension scheme was low. The study concluded that if fraud is reduced or even eliminated from the management of pension funds in Nigerian public sector, Nigeria will have good pension scheme of her dream.

Keywords: Pension Funds, Pension Fraud, Pension Scheme, Corporate Governance.

JEL Classification: M41

INTRODUCTION

The challenging economic environment of recent years has increased the need for the pension regulators to improve the management of pension funds (PWC, 2015). In Nigerian public sector, there is clear evidence of fraud in the pension scheme which has adversely affected the Contributory Pension Scheme (Agbata, Ekwueme & Jeroh, 2017). Those charged with management of the pension fund are partly the perpetrators of the fraud. International experience suggests that progress toward improving the management of public pension funds

relies on the presence of good governance (Robalino, 2005). According to the Pensions Regulator (2007) good governance is at the heart of all aspects of a well – run pension scheme. Equally, Okoye and Eze (2013) contributed that high-quality corporate governance is supposed to improve performance of pension scheme.

Effective pension fund management entails public confidence, and pension fund managers to carry out their duties of managing funds with justice and carefulness which is the expectation of employees from them (Armstrong, 2005). According to Odo, Igbeka and Ani (2011) pension for both public and private sectors workers are a constitutional right to be defended by organized labour. Adikwu, (2008) posit that trade unions have a responsibility in the war against pension fraud and they should be made to understand this through constant training and education. Amoo (2008) concluded that employees need sustainable support and education concerning their funds. According to Essien and Akuma (2014) the justification of the contributory pension scheme is to make Nigerian employers as well as their workers to be more serious in handling pension matters. Ogwumike (2008) stated that for the contributory pension scheme to thrive in Nigeria, with improved coverage and reduction in unwholesome practices of the stakeholders, there should be sufficient and constant trainings of all stakeholders on issues relating to the aim, operation, monitoring, offences, punishments as well as the privileges and benefits of employees.

The subject matter pension fund management and the incidence of fraud in its management have drawn the attention of many scholars. A lot of researches have been carried out on it. However, these studies differ very clearly from this study in terms of content and scope, and some which seem related are not current/up to date. There are some gaps in the literature concerning the level of compliance of those charged with the management of pension funds with corporate governance practices for pension scheme, and the extent to which the auditors' roles and mass actions of trade unions have helped in reducing fraud in the management of pension funds. Current studies on pension fund management did not address these. The literature had been silent in establishing whether the implementation of good corporate governance will bring about fraud reduction in pension scheme, as well as whether fraud reduction and good pension scheme will be achieved through auditors' roles and the mass action of the labour unions and others such as the media, EFCC, ICPC and the Nigerian police.

Thus, the main objective of this study was to examine the effective management of pension funds that will reduce pension fraud and bring about good pension scheme in Nigerian public sector. The following specific objectives were addressed by the study: Determine the level of compliance of those charged with the management of pension funds with the corporate governance practices for pension scheme. Establish the extent to which auditors' roles have improved the management of pension funds through fraud reduction. Examine the degree of confidence which trade unions have in attaining good pension scheme in Nigeria with the inclusion of their representatives as members of PENCOM board by PRA 2014. To guide the study, the researchers formulated the following three null hypotheses

HO₁: The level of compliance of those charged with the management of pension funds with the corporate governance practices for pension scheme is not low.

- HO₂: Auditors' roles have not improved the management of pension funds through fraud reduction.
- HO₃: The degree of confidence which trade unions has in attaining good pension scheme in Nigeria is not high with the inclusion of their representatives as members of PENCOM board by PRA 2014.

LITERATURE REVIEW

This section covers the theoretical framework, review of empirical studies and summary of previous findings as well as gaps to be filled.

Omah, Anifowose and Ogundina (2013) researched on "Pension Fraud: A Concomitant Debacle in Public Sector Economy – Nigeria Perspective". The study examined the pension administration in Nigeria and the role of "CABALS" in the corridor of pension administrative supra-system. The authors distributed questionnaires to respondents in order to obtain their opinion concerning the issue. It found out that the pensioners no longer have trust in government and its agents managing pension funds.

"Analysis of corporate governance and the performance of pension scheme in Nigeria" was carried out by Okoye and Eze (2013). The study determined the effect of corporate governance practices on the performance of pension scheme in Nigeria. Finding showed a significant positive effect of corporate governance best practices on the performance of pension scheme in Nigeria.

The study on "prospect of pension administration in public sector of Nigeria" by Ijeoma, Oghoghomeh and Aronu (2013) was aimed at determining whether the existing reform measures are capable of bringing remedy to the problems of pension system in Nigeria. The population of the study comprises the staff of Nnamdi Azikiwe University and the staff of National Design Development Institute. The statistical tools used were the mean, standard deviation and Kolmogorov Smirnov test. The study discovered that corporate governance in Nigerian pension industry has so many challenges.

Fapohunda, (2013) examined the features, prospects and challenges of pension management in Nigeria as a vital part of retirement plan. The study found that poor pension fund management, corruption, misappropriation of funds, poor monitoring and insufficient building up of funds contributed to pension scheme failure in Nigeria. Eme, Uche and Uche (2014) examined police pension scam investigated by the Nigerian Senate and discovered that corrupt worker/employees divert pension funds into their personal accounts and get off scot-free.

Agbata, Ekwueme and Jeroh (2017) studied "the anatomy of pension fraud in Nigeria: its motives, the management and future of the Nigerian pension scheme". The study used the survey design. Primary data obtained through questionnaire were used. Multiple regression analysis was used in hypothesis testing. Result revealed that the anti-fraud measures of Pension Reform Act seem unsuccessful in significantly reducing fraud in Nigerian public sector.

Role of Auditors and Trade/Labour Unions in the Management of Pension Scheme

The audit of pension schemes is a complex area, auditors undertaking such assignment should ensure that they are fully aware of their obligations as auditors of such scheme (ACCA, 2003). Likewise, the Auditing Practices Board (1998) affirmed that a radical change to the audits of financial statements is one way for auditors to contribute more to finding fraud. According to Deloitte (2012), Audit Commission provides that auditors are to give opinion in line with auditing standards on the financial statements contained in annual report of the pension fund. Deloitte (2012) also acknowledged that management and those in charge of governance have the primary responsibility of preventing and detecting fraud. Therefore, auditors obtain realistic, but incomplete guarantee that the financial statements are free from material misstatement, whether caused by fraud or error. The Auditing Practices Board (2011) declared that Professional skepticism should remain the key in the audit of pension scheme and auditors of pension schemes should be aware that the potential for fraud exists in all schemes. In the audit of the accounts of PFAs and PFCs, PENCOT (2009) stated that auditors should understand as well as test controls relating to these areas: “RSA opening procedures (in the case of a PFA); Collection Procedures (in the case of a PFC); Investment Procedures (In the case of a PFA); Risk Management Procedures (in the case of a PFA); Safekeeping/custody procedures (in the case of a PFC); Corporate actions (in the case of a PFC); Documentation; Internal Controls; Compliance with the PRA 2004, regulations, codes and guidelines issued by the Commission”

Pijpen (2007) observed that the role of trade unions in pensions is not questionable because pension is a labour condition. He noted that unions appoint members of the board and of the council. Union representatives/trustees in boards of pension funds are in general professional/staff of the union. Members of the pension council are members of the unions and the workers from the sector concerned, they do it as part of their union work next to their daytime job. Pension council members get some training provided by the pension fund itself. The Pension Reform Act 2014 bought this idea through the inclusion of the representatives of trade unions as members of board of National Pension Commission. This will help to protect the interest of the union members (both current workers and pensioners) and the pension fund as a whole. Fumpa (2011) in his study suggested that trade unions have important roles to play in managing pension fund through their representations on the boards. However, attaining success depends on clear policies that specify their agenda on pension matters.

Corporate Governance of Pension Scheme

Good governance should be embedded in the operation of the pension scheme, drive the agenda and prioritize what needs to be done. Pension trustees can then actively focus on realizing the long term strategy of their pension scheme (PWC, 2015). Good administration is important in every scheme, though it is of particular important for defined contribution arrangements and pension scheme governance is important in defined contribution schemes because it helps to reduce the risks to members (The Pensions Regulator, 2007). In the views of O’Brien (2008) good pension scheme governance implies the trustees managing and overseeing that: the scheme’s assets are properly invested; benefits are duly paid by the fund; proper keeping of records and collection of contributions; information properly communicated to members;

adhering to regulatory requirements. The Pensions Regulator (2015) noted that each public service pension scheme has one or more persons responsible for managing or administering the scheme. Similarly, Kemp and Patel (2011) stated that pension managers are not usually so competent in handling all internal risk management activities and as a result engage external agents for advisory as well as delegated roles and these expose them to agency problems. Therefore, proper governance is important in monitoring and controlling these possible problems.

Omah, Anifowose and Ogundina (2013) found out that the pensioners no longer have trust in government and its agents managing pension funds. Okoye and Eze (2013) found a significant positive effect of corporate governance best practices on the performance of pension scheme in Nigeria. Contradictorily, Ijeoma, Oghoghomeh and Aronu (2013) discovered that corporate governance in Nigerian pension industry has so many challenges. Fapohunda, (2013) realized that poor pension fund management, corruption, misappropriation of funds, poor monitoring and insufficient building up of funds led to failure of pension scheme in Nigeria. Similarly, Eme, Uche and Uche (2014) found that corrupt worker/employees divert pension funds into their personal accounts and get off scot-free. Agbata, Ekwueme and Jeroh (2017) ascertained that there is likelihood that the anti-fraud measures of Pension Reform Act seem ineffective in reducing fraud pension significantly in Nigerian public sector.

Based on the empirical studies reviewed, there is dearth of current/up to date studies on compliance on pension fund regulators with corporate governance of pension scheme that will reduce fraud in management of pension scheme. Moreover, the extent to which auditors' roles have helped in reducing fraud in pension fund management as well as joint involvement of the trade unions have not been considered in pension fund management studies recently. There are a good number of studies on pension issues but they differ clearly in scope and content from this study. Hence the need for this study which was aimed at bridging the gap and adding up to date literature on the subject matter.

Theoretical Framework

The Durkheim (1938) Strain Theory of crime provides an appropriate theory for this study. The Durkheim's theory of anomie is the basis for Strain Theory. Anomie is translated as deregulation. Durkheim maintained that in natural societies, the role of law is to control the interaction of all members of the society and when the control is insufficient, a range of societal problems arises, crime inclusive. Durkheim Strain Theory is related to this study as the non-compliance with the provisions of the Pension Reform Act concerning corporate governance of pension scheme and audit of pension scheme gave rise to corruption, embezzlement and mismanagement of pension funds as well as loss of confidence in the management of pension funds.

METHODOLOGY

The study employed the survey research method. The population of the study comprised 435 Accountants, Auditors, Finance officers, Pension personnel officers working in some selected

public sector establishments in Anambra state and officials of PENCOR, Pension Fund Administrators and Pension Fund Custodians working in Awka, Anambra State as well as some pensioners living in Awka. Data were collected from primary source through questionnaire designed on continuum 1-5 Likert Scale. Presentation and analysis of data were done using tables, frequencies, percentages, and descriptive statistics. Formulated hypotheses were tested using Multiple Regression Analysis with the aid of Minitab version 17. The basis of accepting hypothesis is if the coefficient of determination (R-sq) falls between 95% to 100% and vice versa. The researchers developed a Model titled: Effective Management of Pension Funds in Nigeria” (see contribution to knowledge) for effective management of pension funds that brings about fraud reduction and good pension scheme in Nigerian public sector. The model was applied in representing independent and dependent variables. Effective Management of Pension Funds in Nigeria was the indicator applied as independent variable and reduction in pension fraud motive, adequate diversification of pension funds assets, strictest anti-fraud measures and compliance with the provisions of Pension Reform Act were the indicators in the model which were applied as dependent variable.

RESULTS AND DISCUSSION OF FINDINGS

Data presented and used for analysis in this section were obtained from the questionnaire distributed to the respondents. The analysis of data involves both descriptive statistics and test of hypotheses.

Descriptive Analysis

Each of the hypotheses of this study has a separate descriptive statistic showing a description of the mean, median, minimum, maximum, standard deviation and variance of the data. Tables 4, 8 and 12 showed the descriptive statistics of the study variables for hypothesis 1, 2 and 3 respectively.

Test of Hypotheses

Hypothesis One

HO: The level of compliance of those charged with the management of pension funds with the corporate governance practices for pension scheme is not low.

Questions 1-4 were employed in testing hypothesis One

General Regression Analysis: Yield (Y) versus X1, X2, X3

Regression Model

$$\text{Yield (Y)} = 3.22894 + 0.516166 X1 + 0.645259 X2 - 0.137205 X3$$

Table 1: Coefficient of Regression Model for Hypothesis One

Term	Coef	SE Coef	T	P
Constant	3.22894	42.7291	0.075568	0.952
X1	0.51617	2.2778	0.226610	0.858
X2	0.64526	1.8822	0.342824	0.790
X3	-0.13721	3.3018	-0.041555	0.974

Source: Results of Analyzed Field Survey Data (2020) using Minitab ver. 17

Table 2: Summary of Model

R-Sq = 99.88%	R-Sq(adj) = 99.54%	R-Sq(pred) = 53.38%
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Source: Minitab Ver.17

Table 3: Analysis of Variance (ANOVA)

Source	DF	Seq SS	Adj SS	Adj MS	F	P
Regression	3	23317.3	23317.3	7772.42	10.7722	0.219478
X1	1	22494.4	37.1	37.05	0.0514	0.858131
X2	1	821.6	84.8	84.80	0.1175	0.789745
X3	1	1.2	1.2	1.25	0.0017	0.973561
Error	1	721.5	721.5	721.53		
Total	4	24038.8				

Source: Results of Analyzed Field Survey Data (2020) using Minitab Ver.17

Table 4: Descriptive Statistics of Hypothesis One: Yield (Y), X1, X2, X3

	N	Range	Minimum	Median	Maximum	Sum	Mean	Std Dev.	Variance
Yield	5	189.00	2.00	48.0	191.00	399.00	79.8000	77.52225	6009.700
X1	5	185.00	3.00	9.0	188.00	349.00	69.8000	88.44038	7821.700
X2	5	180.00	9.00	60.0	189.00	399.00	79.8000	70.50319	4970.700
X3	5	220.00	3.00	24.0	223.00	399.00	79.8000	97.00361	9409.700
Valid N (Listwise)	5								

Source: Results of Analyzed Field Survey Data (2020) using SPSS Ver. 21

Yield (Y) = Those charged with the management of pension funds comply with corporate governance practices for pension scheme.

X1 = PENCOR, Pension Fund Administrators and Pension Fund Custodians play roles as provided by the Pension Reform Act for the management of pension funds.

X2 = PENCOR, Pension Fund Administrators and Pension Fund Custodians disclose accountability and transparency in the management of pension funds to other stakeholders.

X3 = PENCOR, Pension Fund Administrators and Pension Fund Custodians decisions are centered towards effective management of pension funds for reducing fraud and achieving good pension scheme.

Decision Rule

Based on the regression model developed, coefficient of the model, summary of the model, the analysis of variance (ANOVA) and descriptive statistics of the variables (both independent and

dependent variables), the coefficient of determination (R-Sq) is approximately one hundred percent (100%). This shows that one hundred percent of the independent variables were explained in the dependent variable. The results therefore, accept the alternative hypothesis which says that the level of compliance of those charged with the management of pension funds with the corporate governance practices for pension scheme is low.

Hypothesis Two

HO: Auditors’ roles have not improved the management of pension funds through fraud reduction.

Questions 5-8 were employed in testing hypothesis Two

General Regression Analysis: Yield (Y) versus X1, X2, X3

Regression Model

$$\text{Yield (Y)} = -20.2528 + 0.921623 \text{ X1} + 0.446064 \text{ X2} - 0.113893 \text{ X3}$$

Table 5: Coefficients of Regression Model for Hypothesis Two

Term	Coef	SE Coef	T	P
Constant	-20.2528	31.9137	-0.63461	0.640
X1	0.9216	0.5175	1.78075	0.326
X2	0.4461	0.4901	0.91011	0.530
X3	-0.1139	0.4354	-0.26158	0.837

Source: Results of Analyzed Field Survey Data (2020) using Minitab Ver.17

Table 6: Summary of Model

R-Sq = 76.30%	R-Sq(adj) = 45.19%	R-Sq(pred) = -462.06%
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Source: Minitab Ver.17

Table 7: Analysis of Variance (ANOVA)

Source	DF	Seq SS	Adj SS	Adj MS	F	P
Regression	3	10738.0	10738.0	3579.34	8.67129	0.243452
X1	1	9605.9	1309.0	1308.95	3.17106	0.325743
X2	1	1103.9	341.9	341.90	0.82830	0.529938
X3	1	28.2	28.2	28.24	0.06843	0.837120
Error	1	412.8	412.8	412.78		
Total	4	11150.8				

Source: Results of Analyzed Field Survey Data (2020) using Minitab Ver.17

Table 8: Descriptive Statistics of Hypothesis Two: Yield (Y), X1, X2, X3

	N	Range	Minimum	Median	Maximum	Sum	Mean	Std Dev.	Variance
Yield	5	78.00	30.00	76.0	108.00	399.00	79.8000	31.01129	961.700
X1	5	194.00	7.00	83.0	201.00	399.00	79.8000	79.70696	6353.200
X2	5	175.00	14.00	41.0	189.00	399.00	79.8000	84.31311	7108.700
X3	5	140.00	5.00	25.0	145.00	399.00	79.8000	52.79867	2787.700
Valid N (Listwise)	5								

Source: Results of Analyzed Field Survey Data (2020) using SPSS Ver. 21

Yield (Y) = Auditors' roles have improved the management of pension funds through fraud reduction.

X1 = Auditors thoroughly check for weaknesses in the internal control system which exposes them to possible existence of pension fraud risk.

X2 = Auditors extensively examine for the existence of appropriate controls for the detection and prevention of pension fraud which exposes them to critical areas of fraud.

X3 = Auditors show careful understanding of the clients operations which exposes them to critical areas of pension fraud.

Decision Rule:

The regression model developed, coefficient of the model, summary of the model, the analysis of variance (ANOVA) and descriptive statistics of the variables (both independent and dependent variables), showed that the coefficient of determination (R-Sq) is seventy six percent (76%). This implies that seventy six percent of the independent variables were explained in the dependent variable. The results therefore, accept the null hypothesis which says that auditors' roles have not improved the management of pension funds through fraud reduction.

Hypothesis Three

HO: The degree of confidence which trade unions has in attaining good pension scheme in Nigeria is not high with the inclusion of their representatives as members of PENCOM board by PRA 2014.

Questions 9-12 were employed in testing hypothesis Three

General Regression Analysis: Yield (Y) versus X1, X2, X3

Regression Model

$$\text{Yield (Y)} = 33.362 + 0.652708 \text{ X1} - 0.0179336 \text{ X2} - 0.0528437 \text{ X3}$$

Table 9: Coefficients of Regression Model for Hypothesis Three

Term	Coef	SE Coef	T	P
Constant	33.3620	45.4758	0.733620	0.597
X1	0.6527	5.0282	0.129810	0.918
X2	-0.0179	3.7741	-0.004752	0.997
X3	-0.0528	1.8744	-0.028192	0.982

Source: Results of Analyzed Field Survey Data (2020) using Minitab Ver.17

Table 10: Summary of Model

R-Sq = 85.46% R-Sq(adj) = 41.83% R-Sq(pred) = -3232.68%

Source: Minitab Ver.17

Table 11: Analysis of Variance (ANOVA)

Source	DF	Seq SS	Adj SS	Adj MS	F	P
Regression	3	9953.0	9953.04	3317.68	1.95876	0.473509
X1	1	9949.7	28.54	28.54	0.01685	0.917820
X2	1	2.0	0.04	0.04	0.00002	0.996975
X3	1	1.3	1.35	1.35	0.00079	0.982057
Error	1	1693.8	1693.76	1693.76		
Total	4	11646.8				

Source: Results of Analyzed Field Survey Data (2020) using Minitab Ver.17

Table 12: Descriptive Statistics of Hypothesis Three: Yield (Y), X1, X2, X3

	N	Range	Minimum	Median	Maximum	Sum	Mean	Std Dev.	Variance
Yield	5	186.00	0.00	71.0	186.00	399.00	79.8000	83.75978	7015.700
X1	5	192.00	3.00	37.0	195.00	399.00	79.8000	85.00412	7225.700
X2	5	155.00	3.00	46.0	158.00	399.00	79.8000	65.22040	4253.700
X3	5	145.00	12.00	53.0	157.00	399.00	79.8000	53.96017	2911.700
Valid N (Listwise)	5								

Source: Results of Analyzed Field Survey Data (2020) using SPSS Ver. 21

Yield (Y) = Trade unions confidence in the management of pension funds is strengthened to a higher degree with the inclusion of their representatives in PENCOM board by Pension Reform Act (PRA) 2014.

X1 = With the inclusion of the representatives of trade unions in PENCOM board by PRA 2014, the interest of the trade unions are represented better.

X2 = With the inclusion of the representatives of trade unions in PENCOM board by PRA 2014, the continuity of the scheme is assured.

X3 = With the inclusion of the representatives of trade union in PENCOM board by PRA 2014, management of the pension funds is more transparent.

Decision Rule

Based on the regression model developed, coefficient of the model, summary of the model, the analysis of variance (ANOVA) and descriptive statistics of the variables (both independent and dependent variables), the coefficient of determination (R-Sq) is approximately eighty five percent (85%). This shows that eighty five percent of the independent variables were explained in the dependent variable. The results therefore, accept the alternative hypothesis which says that the degree of confidence which trade unions has in attaining good pension scheme in Nigeria is high with the inclusion of their representatives as members of PENCOM board by PRA 2014.

Discussion of Results

The low level of compliance with corporate governance practices for pension scheme is a sign of inefficiency on the part of PENCOM, PFAs and PFCs. PRA of 2004 provides the roles of the commission/managers in the management of pension funds. Their failure to play their roles and maintain accountability and transparency in the management of pension funds to all

stakeholders as attested by 82% and 64% of the respondents respectively, are obstacles to effective management of pension funds and does not conform to the international corporate governance best practices for pension fund management as Robalino (2005) stated that international experience suggests that progress towards improving the management of public pension funds relies on the presence of good governance.

The duty of detection and prevention of fraud is a role expected of the auditors but it is not their primary responsibility rather it is the responsibility of management/those charged with corporate governance. As the finding shows that their roles have not reduced pension fraud and therefore has not improved the management of pension funds is an indication that they do not have a thorough understanding of the clients operations, do not thoroughly check for weaknesses in the internal control system, nor do they extensively examine the existence of appropriate controls for detection and prevention of pension fraud. Due to these anomalies, pension fraud is bound to exist in the management of pension funds.

Employees are worried of the continuity of the contributory pension schemes, considering successive failures of government policies as government changes hands. Workers fear whether they will receive their retirement benefits after retirement. They were also at the dark on what was happening on top concerning the management of their pension funds but the PRA 2014 came to their rescue by including their representatives as members of PENCOM board. This now reduced their fear and increased their confidence in achieving good pension scheme in Nigerian public sector as attested by 75% of the respondents.

CONCLUSION AND RECOMMENDATIONS

The study examined how pension funds can be managed effectively which can bring about fraud reduction and good pension scheme in Nigerian Public Sector. Managing pension funds is not an easy task. The major problem facing its management in Nigeria public sector is fraud and fraud can be a thing of the past in Nigeria if corruption is reduced to a minimal level or eliminated, as corruption is the mother of fraud and other evil vices. Compliance with corporate governance practices as regards pension funds, leads to good pension scheme. Auditors have roles to play in the management of pension funds through their responsibility of detecting and preventing fraud. When these are not properly done, pension fraud is bound to exist. Trade unions expect management of pension funds to be effective so that their entitlements at the end of their service years will be gotten. Their confidence of having good pension scheme depends on the ability of the scheme to work well without the influence of fraud. Hence the study concluded that if fraud is reduced or even eliminated from the management of pension funds in Nigerian public sector, Nigeria will have good pension scheme of her dream. Sequels to the findings, the following recommendations were suggested by the researchers;

- I. PENCOM, PFAs and PFCs are encouraged to always comply with the corporate governance practices for pension scheme as this will help in effective management of pension funds in Nigerian public sector.
- II. Auditors of pension scheme (both internal and external auditors) are advised to be complying with the provisions of the PRA concerning the audit of pension scheme and

also with the regulations, codes and guidelines issued by PENCOT for the audit of pension scheme as compliance enables them to improve the management of pension funds through their role of detection and prevention of fraud.

- III. Representatives of trade unions who are board members of PENCOT are encouraged to continue to protect the interest of their members as they represent them by ensuring that the management of pension fund is effective without fraud interference, as this will help to boost the trade unions confidence in the management of pension funds and in attaining good pension scheme.

Effective Management of Pension Funds in Nigeria Model provides that for the management of pension funds in Nigerian public sector to be effective, the followings indicators have to be implemented.

Reduction in Pension Fraud Motive:

The model proposes that the motives for committing pension fraud need to be subdued because when they are subdued, fraud will reduce. The model therefore provides moral ethics and the seven principles of public life, which includes: Selflessness, integrity, honesty, objectivity, accountability, openness and leadership as the factors that will significantly reduce the motive for committing pension fund fraud.

Adequate Diversification of Pension fund Assets:

This model provides that investment of pension fund assets in different worthwhile securities will have a positive effect in reducing the risks which pension funds are exposed to, especially the risk of fraud which has been undermining the management of pension funds. Even though there are different classes of assets which pension funds are permitted to be invested in, not all of them are profitable. Managers of pension funds should invest more on those assets that are worthwhile.

Strictest Anti-Fraud Measures:

Existence of fraud in pension scheme affects the effective management of pension funds. Thus, this Model Proposes that strictest anti-fraud measures be adopted in dealing with pension frauds as the current measures are not effective. In addition to the current anti-fraud measures, this model provides other measures such as life imprisonment, permanent denial/refusal of right to any political position/appointment and permanent banishing from oversea vacations and travelling, as the strictest anti-fraud measures to be adopted.

Compliance with the Provisions of the Pension Reform Act (PRA):

The PRA of 2004 and 2014 made some provisions on the management of pension scheme in Nigeria. These provisions cover the corporate governance of the contributory pension scheme, the roles of PENCOT, PFAs, and PFCs as well as what auditors are expected to do in the audit of pension accounts. Trade unions representatives who are now members of the board of PENCOT among others should be there as the best watchdog. The model predicts that strict compliance with the provisions of the PRA by all stakeholders ensures effective management of pension funds.

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APPENDIX I QUESTIONNAIRE

Key: SA = Strongly Agree, A = Agree, NI = No Idea, D = Disagree, SD = Strongly Disagree

S/N	QUESTION	SA	A	NI	D	SD
1	Those charged with the management of pension funds comply with corporate governance practices for pension scheme.					
2	PENCOM, Pension Fund Administrators and Pension Fund Custodians play roles as provided by the Pension Reform Act for the management of pension funds.					
3	PENCOM, Pension Fund Administrators and Pension Fund Custodians disclose accountability and transparency in the management of pension funds to other stakeholders.					
4	PENCOM, Pension Fund Administrators and Pension Fund Custodians decisions are centered towards effective management of pension funds for reducing fraud and achieving good pension scheme.					
5	Auditors' roles have improved the management of pension funds through fraud reduction.					

6	Auditors thoroughly check for weaknesses in the internal control system which exposes them to possible existence of pension fraud risk.					
7	Auditors extensively examine for the existence of appropriate controls for the detection and prevention of pension fraud which exposes them to critical areas of fraud					
8	Auditors show careful understanding of the clients operations which exposes them to critical areas of pension fraud.					
9	Trade union confidence in the management of pension funds is strengthened to a higher degree with the inclusion of their representatives in PENCOM board by PRA 2014					
10	With the inclusion of the representatives of trade unions in PENCOM board by PRA 2014, the interest of the trade unions are represented better.					
11	With the inclusion of the representatives of trade unions in PENCOM board by PRA 2014, the continuity of the scheme is assured.					
12	With the inclusion of the representatives of trade union in PENCOM board by PRA 2014, management of the pension funds is more transparent.					