

Effect of Treasury Single Account (TSA) on Corruption and Fraud Management in the Nigerian Public Sector (A Conceptual Overview)

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Abstract

The Nigeria nation is bestowed with abundant natural and human resources, yet, it is still classified as a developing nation as these resources are yet to be impactful on the wellbeing of the citizenry. Corruption and fraud in the nations' public sector have been described as the greatest challenges of our time and prevalence of high level of corruption in governance has been identified as one major obstacle militating against the rapid growth and development. This study examines the extents to which the implementation of the TSA policy has affected the minimization of corruption and other unwholesome fraudulent practices in the Nigerian public sector. The study was conducted as a conceptual study by reviewing the works of several other researchers regarding the effect of TSA. The study concluded that notwithstanding the various strategies put in place by successive administrations in Nigeria to combat corruption and public sector fraud, it has persisted because of the lack of political will to put a definite end to the monster. The study therefore recommends that the government through appropriate agencies should strengthen the process of TSA compliance. Additionally, legislations should be enacted that will institutionize the TSA across all tiers of government therefore avoiding deviation at the Federal level by other successive governments. Public Sector Accountants should be trained to meet up with the challenges of TSA operations. Finally, bureaucratic challenges surrounding the TSA should be minimized to the least possible level.

Key words: Treasury Single Account, Corruption, Fraud, Management

1.0 Background

Nigeria is the most populated single nation in Africa and is naturally bequeathed with millions of acres of arable land, including 38.5 billion barrels of oil reserves, massive gas reserves, diverse unexploited minerals resources and wealthy in human capital by virtue of its over 180 million estimated population size. The country occupies the position of the world's eighth largest exporter of oil, and Africa largest economy with the rebasing activity of 2013. Nigeria accounts for a large percentage of Africa's population, while contributing to the

continents foreign reserve and overall output (Oteh, 2009). Igbuzor (2012) argued that Nigeria was one of the wealthiest nation in the early 1970s but has over time degenerated to become one of the 25 poorest countries on the brink of the twenty-first century, this is even as it is reported that it occupies the third place after china and India in poor population prevalence. The enormousness of the poverty challenge is validated by Nigeria's low score on the Human Development Index (HDI). The nation has been found to score comparatively low in life expectancy, literacy, education, standards of living and quality of life.

Corruption as well as other forms of public sector frauds has been identified as major hindrances working against the rapid growth and development of Nigeria (Odekunle, 2012; Igbuzor, 2012; Nageri, Gunu & Abdul). A combination of these scheme are undeniably the greatest challenges of our time as a nation, a problem that has not only lead to massive societal poverty and loss of lives but also threatening the stability of the society as a whole. Furthermore, Nageri, Gunu and Abdul (2013) were of the opinion that the prevalence of high level corruption and other forms of fraudulent activities in public and private sectors governance constitute a major impediment to the development of Nigeria as a nation. These nefarious activities have been the greatest threats to the economic, social, political, infrastructural as well as socio-cultural development of developing nations including Nigeria.

Therefore, corruption and public sector have become the major devastating factors to the growth and development of the Nigerian nation. It has eaten deep into the fabric of the country thereby leaving significant effects such as stunted economic growth and development, maladministration of resources and talents, limitation of flow of aids, loss of tax revenue, negative budgetary consequences, weak infrastructural development, public services and negative composition of government expenditure (Usman, 2013 & Bello-Iman, 2004).

Notwithstanding the colossal number of policies put in place by past administrations in Nigeria in the fight against corruption and other forms of fraud in the public sector, one major obstruction to the success of these policies have been the apparent non-existence of honesty on the part of the political and administrative leadership of the country and, on the contrary, their clear accommodation and broad-mindedness of corrupt practices in both the public and private sectors of the economy. Achebe (1984) opined that the problem with the minimization of corruption in Nigeria is the reluctance or inability of its leaders to rise to their responsibility to the task of personal example, which is the trademark of leadership. It is against the standpoint of the above of that the present administration decided to direct a holistic implementation and compliance of the Treasury Single Account (TSA) for all Ministries, Departments and Agencies (MDAs) in Nigeria. Considering the magnitude of the scale of corrupt practices and other forms of frauds in the Nigerian economy and it effects on the nations' growth and development, this paper sets out to establish a conceptual link between the TSA compliance and the management of corruption and other forms of fraud in the Nigerian public sector.

1.1 Objectives of the Paper

The objectives of this paper include amongst others to examine the major contributions of the implementation of the TSA policy on the minimization of corruption and other allied public sector fraud in Nigeria and attain through financial transparency in the Nigerian public service.

2.0 Literature Review

2.1 Conceptualization and Theoretical Issues

2.1.1 Theoretical Framework

The adoption and implementation of TSA as a public sector accounting policy can be explained from the standpoint of a number of theories of socio-economic accounting. Some of the theories include the following:

i. Stakeholder Theory by Edward Freeman 1984: The theory opined that an organisation should create value for all its stakeholders not just shareholders. The prime background of the theory is to provide organizational management with business ethics that addresses morals and values in managing organizations. The application of this theory on this study is anchored on the presumption that the implementation of Treasury Single Account (TSA) by the federal government is functional to stakeholders / citizen pressure on the government against corruption. It proposes that the government will respond to the distresses and expectations of powerful stakeholders/citizens and some of the responses will be in the form of strategic opinions. Stakeholder's theory provides rich insights into the factors that motivate government in relation to the adaptation and formulation of Treasury Single Account.

ii. Modern Money Theory (MMT): Developed by Friedrich Knapp in 1905. It is an unorthodox macroeconomic theory that describes currency as a public monopoly and unemployment as evidence that a currency monopolist is overly restricting the supply of the financial assets needed to pay taxes and satisfy savings desires. As a theory, it examines the effect of monetarily independent government operations on the state's general economy. It shows that it is relevant to aggregate the central bank and the treasury into a government sector that finances itself through monetary creation such that financial position of the treasury and the central bank are so intentioned that both of them are constantly in contact in order to make fiscal and monetary policy runs smoothly.

2.1.2 The Concept of Treasury Single Account (TSA)

The Treasury Single Account (TSA) as an accounting system is a public accounting scheme that deploys a single account in the Central Bank of Nigeria (CBN) where all government revenues such as taxes and other receipts and payments into a Consolidated Revenue Account (CRA) are collected and managed. It deploys an electronic payment network that covers all agencies in the public sector that receive revenue and other government receipts, including operating surpluses, refunds, transfers, gifts, overpayments, taxes and customs duties. According to Bashir (2016), the TSA is a single government bank account system that facilitates the aggregation and optimal utilization of government funds and other resources for the benefit of the country at large. The government conducts all transactions through this bank account or connection of related bank accounts at any given time which results in a consolidated view of its cash standing and all its receipts and payments.

There are two TSA structures in existence. It is either a centralized account with a central bank transaction sub-account or a decentralized account with commercial bank accounts under which account balances are converted into the national TSA. The second choice enables MDAs to execute their financial functions appropriately. The first agreement is primarily adopted by the West African Economic and Monetary Union (WAEMU)

countries because of the respective capability levels which include personnel and the availability of financial management information systems. Due to the restricted IT expertise and capability of personnel, the centralized TSA is easier to implement. The decentralized TSA could on the other hand boost the stability of commercial banks, promote their current status of concern and promote the ability of people to access financial services from the participating banks. Accordingly, a number of nations such as Nigeria, Tanzania, Mali, Kenya and Ghana have adopted the scheme as an instrument of economic stabilization and a strategy for development.

While the pilot TSA scheme began in Nigeria in 2012 with the use of a single accounting system for 217 government ministries, departments and agencies, (MDAs), accountability and transparency in the management of public funds, full implementation took effect in 2015. Nevertheless, on behalf of MDAs, commercial banks may collect revenue using government transit accounts, but at the end of that transaction day, they must send such takings to CRA. The essence of the TSA is to restriction the management by MDAs of multiple bank accounts in order to track government revenues, receipts and expenses effectively as well as avert outflows among public sector entities. The TSA also attempts to address the unruly habits of holding idle funds in the bank accounts of the MDAs, while the Federal Government continues to borrow for the implementation of the budget. Unnecessary to mention, the unutilized public funds in the bank accounts of the MDAs are primarily used by the commercial banks to trade. In addition, in the short run, these new cash management reforms have strengthen the monthly possibilities of safeguarding federal allocations released to the Federal, States and Local Governments via FAAC (Federation Account Allocation Committee) of the Federal Ministry of Finance from the deposit money banks.

2.1.3 The Concept of Corruption

According to Obi (2007), corruption is one of the oldest white collar crimes known to mankind. It started in the form of the traditional paying off of public officials or company insiders for preferential treatment. The oldest form of financial crime was the bible case of Judas Iscariot, the disciple who betrayed Jesus Christ. In today's society, corruption takes many forms including: conflict of interest, bribery, illegal gratuities and economic extortion.

The Association of Certified Fraud Examiners defined corruption as an art done with the intent to give some advantage inconsistent with official duty and the rights of others. On the other hand, Nye (2000) defined the term corruption as an abnormality from formal duties of public role because of private gain regarding (personal, close family, private clique) financial exercise of certain types of private regarding influence. This includes such behavior as bribery (which include such art as kickback, bid ridding, budget kickback, electoral ridding as well as the use of reward to pervert the judgment of a person in position of trust); nepotism (appointment by reason of inscriptive relationship rather than merit); and misappropriation (illegal appropriation of public resources for private regarding uses). The World Bank (2005) defined corrupt practices as the abuse of office for personal gains. A public officer abuses his office for personal benefit or gain when such a person accepts, solicits or extorts a bribe. It is also abused when private agents actively offer bribes to circumvent public offices and processes for competitive advantage or profit. Waziri (2010) adopting the Transparency International definition described corruption as a situation where a public office holder abuses entrusted power for personal or selfish profiting. The Corrupt Practices and Other

Related Offences Act (2000) identified corrupt practices to include bribery, fraud and other related offences like gratification. The Act gave a very extensive description of gratification to mean among other things the offer or promise or receipt or demand of money, donation, gift, loan, fee, reward, valuable security, property or interest in property with the intent to influence such a person in the performance or non-performance of his/her duties especially as a public officer. From the report of the United Nations Global Programme against Corruption (2012), corruption takes place in the form of abuse of power for personal profiting.

Nigeria as a nation appeared in the corruption perception index for the first time in 1996 and has continually remained in the bottom of the ranking since then indicating that corruption in Nigeria has not been in the decrease at any time after her appearance on the index and has even ranked at one point as the World's most corrupt country. Usman (2013) reported that a 2003 corruption survey in Nigeria indicated that the Nigeria police, political parties, national and state assemblies, local and municipal councils, federal and state executive councils, FRSC, PHCN, NNPC, Nigerian Immigration service, Nigerian customs, FIRS and SIRS are the public institutions perceived as corrupt in Nigeria. He concluded that corrupt practices are usually committed with impunity without the authority doing little or nothing to bring the perpetrators to justice. Despite the establishment of several anti-graft laws and commissions, corruption and other allied public sector fraud has continued to worsen in the Nigerian public service.

2.1.4 The concept of fraud

In developing economies such as Nigeria, fraud is a common phenomenon, more than often perpetrators get away with the act without any reasonable punishment for their actions thereby not providing any form of deterrent for such unacceptable action. Only a few cases of fraudulent activities are uncovered, investigated, prosecuted in a timely manner and the perpetrators appropriately brought to book. Fraud was described by Dandago (1997) as a deliberate act perpetrated with a view of formulating financial information by one or more persons among management, employees or third parties. Defining the term fraud, Black's Law Dictionary opined that fraud include all the multifarious strategies man can adopt that are resorted to by an individual to get advantage over another by false presentation or suppression of the truth. Looking at the foregone, fraud can be seen as obtaining financial value by deceit. According to Obi (2007), fraud takes the form of contract inflation, kickbacks, budget padding and fabrication of accounts to disclose false position, wages fraud, ghost workers as well as other forms of payroll fraud amongst others. Prior to the year 2015 fraud prevention remained almost impossible. By operating numerous bank accounts top governments officials are able to amass wealth for themselves and cronies. The advent of TSA has however reduced public sector fraud through effective financial control mechanisms.

2.1.5 Challenges of the TSA

TSA as a public sector accounting management strategy has several advantages. Notwithstanding the merits of the implementation of the policy, a number challenges still exists. In the word of Yusufon, (2015), to the banking sector operators, it is sector is feared to be losing about N2 trillion deposits to the CBN, with the implementation of the TSA.

TSA has been found to have a negative effect on banking sector liquidity level thereby resulting in an increase in money market rates during the period as banks tousel for

funds to meet their liquidity positions. With the TSA implementation extended to all federal MDAs, the Nigerian banking industry, on an aggregate basis, would be affected in terms of deposits and funding cost structure. This has affected the sector to the extent that some banks could no longer keep their staff. The TSA policy, although designed to ensure accountability and transparency, it is equally going to ground a lot of the commercial banks. This may eventually lead to retrenchment in banking sector (Yusufon, 2015). But, Anoruo and Aforkwalam (2017) identified some of the challenges of the TSA policy include the fear of unknown; reduction in commercial bank transactions with the federal government thereby negatively impacting their financial muscle required to acquire government bonds, etc.

2.1.6 TSA and the fight against public sector corruption

The policy directive of TSA from the inception was aimed at enhancing the level of public governance transparency and guarantee compliance with sections 80 and 162 of the 1999 Constitution thereby putting an end to the earlier public accounting system of several disjointed accounts for government ministries, department and agencies (MDAs) revenues, incomes and receipts (Anumihe, 2015). This policy adjustment was in the first instance targeted at the major (big) revenue collecting agencies of government with the intention of ensuring that revenues collected are accounted for and not misappropriated in the several fragmented bank accounts with commercial banks (Anumihe, 2015). The introduction and full implementation of policy led to the closure of about 10,000 various bank accounts operated by MDAs in commercial banks and this singular act led to a reduction of uncontrollable access to MDAs funds by their heads thereby instilling financial discipline, efficiency and accountability amongst government officials in the MDAs and limiting financial controls to the Accountant General of Federation and the Minister of Finance to a large extent (Enweagbara, 2015).

Consequently, the implementation of the TSA as a public financial management policy has led to the blockage of public funds and revenue diversion and looting thereby leading to the consolidation of government revenues, incomes and receipts while facilitating the optimal utilization of government cash resources, including creative investment of public funds in the critical development sectors of the economy. According to Onyekpere (2015), TSA provides timely capturing and collection of all revenues due to government without the interruptions of multiple financial intermediations that can result in financial leakages in terms of revenue loss and mismanagement by operators of all revenue-generating agencies. The over-righting effect of this is better cash management practices since the Minister of Finance can at all times have an overall view of government's cash position, as against the fragmented positions of different Ministries, Department and Agencies (MDAs), which need to be arduously pooled together to get the overall picture thereby averting embezzlement of public funds as it were in the past.

Furthermore, apart from strengthening transparency and accountability, the policy also enhances economy and efficiency in the overall management of public finances thereby resulting in effectiveness of government spending on the long run since it places government in a better position to realize overall policy goals.

TSA is can be seen as policy that is primarily aims at achieving efficient cash management of MDAs (Chukwu, 2015). The implementation of TSA gives government the opportunity to at a glance have a holistic view of the daily revenues generated by the Revenue Generation Agencies while identifying those who have not been able to meet their

revenue targets per time. It will also eradicate the likelihood MDAs operators diverting government revenue. It will also reduce the chances for corruption in the management of government cash positions. For instance, the situation whereby officials of MDAs deliberately leave credit balances in some accounts while borrowing using other accounts, so as to enjoy financial benefits, will now be eliminated.

TSA has been found to have the capacity to plug loopholes, with which funds can be siphoned from government culver. Ministry, Department or Agency (MDA) with several bank accounts without a specific accounts for receiving revenue can instruct clients to pay cash into any of its accounts, which it knows is illegal and thereby draw for personal use without been remitted to the government. Besides plugging loopholes, it raises accountability amongst officials of MDAs (Alenoghena, 2015). TSA allows tracking of revenues as there are seen the exact way they come into the account thereby allowing for appropriate documentation. The policy has also been found to have served as leverage for the anti-corruption crusade of government thereby consolidating all the accounts of the federal government which prevents revenue leakages and help in shoring up the revenue of government (Ademola, 2015).

2.1.7 Treasury Single Account, Fraud Detection and Prevention

The implementation of the TSA policy has arguably affected the regularities at which fraud is committed in the revenue collecting agencies of the Nigerian government. The TSA brought to an end the era where financial institutions connived with officials of MDAs to defraud the governments as well as the citizenry. It has also strengthened the controlling and management capacity of the Central Bank of Nigeria (CBN), Federal Ministry of Finance (FMF) as well as the Office of the Accountant General of the Federation. Of the distinct implications of the implementation of the TSA policy is that it gives the government an on the spot account of its revenues per time. Gbegi and Adebisi (2015) contended that the increased frequencies of fraud in the public sector could be attributed to the absence of stringent fraud minimization policies of the government of the day as well as weak internal controls and low managerial integrity. It has been argued that before the advent of e-governance, the adoption of manual control mechanisms largely failed to yield positive preset consequences. This is believed to be so as control instrument requires a definite level of integrity throughout all cadres in the MDAs

2.1.8 Benefits of TSA to the economy

TSA as a corruption and other allied public sector fraud management tool is aimed at wholly terminating indiscipline in public sector and enhance adequacy of fund flow for economic development. It implementation has led to blocking leakages that have before now allow public servants in different capacities to defraud the government of funds thereby negatively impacting economic growth and development (Enwegbara, 2015). TSA has positively affected cash management efficiency via the monitoring of MDAs cash balances thereby leading to improved appropriation control which helps the ministry of finance to fully control the federation funds. It's also allows the provision of complete and timely information on the financial resources of MDAs thereby guaranteeing management and control which minimizes the occurrence of public sector fraud. The implementation of TSA improves the

quality of fiscal data made available by the Federal Ministry of Finance, CBN and other agencies involved in the management of Fiscal and monetary policies thereby eliminating fraud to the least possible minimum without the element of collusion. Lastly, TSA improves operational controls during budget execution thereby limiting the chances of MDAs officials misappropriating budgetary allocations in their ministries, department and or agencies.

3.0 Conclusions and Recommendations

The developmental and growth threats posted by corruption across the globe are as old as the society itself scratching across nations, cultures, races and classes of people. It is unquestionably one of the world greatest economic problems today resulting in severe global underdevelopment. Notwithstanding the flood of regulations and numerous agencies fighting corruption in Nigeria, it has continued to remain uncontrollable. This is partly due to the failure of the country's leadership to give direction as well as the condoning of corruption at different levels of the economy.

It is therefore recommended that the political leadership of the nation through the Office of the Accountant General of the Federation (OAGF) must come up with sufficient guidelines and modalities that will further strengthen the process of TSA implementation across all MDAs, this is more so as all relevant stakeholders in the full implementation of TSA must ensure that World Bank preconditions and global best practices are complied with. These includes the provision of "legal and regulatory requirements for TSA, technical requirements and reliable Information and Communication Technology (ICT) infrastructure, Fully operational interbank settlement systems, Interface between the Central Treasury/Government Integrated Financial Management Information System (GIFMIS) and the Central Bank information Real Time Gross Settlement/Automated Clearing House (RTGS/ACH), A comprehensive Chart of Accounts (CoA) to capture relevant details consistently, An inventory of existing Bank accounts to be used in GIFMIS and TSA operations, Capacity building and development of TSA users and above all the continuous political support to ensure TSA operations and its sustainability".

The prime reason for the above is to ensure the public servants in meeting government needs do not compromise the future of the nation especially since all leakages would be obstructed and financial resources harnessed efficiently and effectively to ensure that government addresses developmental challenges that meets the needs and aspiration of the citizenry. Furthermore, notwithstanding the nature and affiliation of the MDAs, they should be collapse into the TSA system for uniformity and total compliance. Every state of the federation should also be encouraged to key to the TSA practice to attract the advantages of the TSA implementation to their states.

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