Treasury Single Account: The Fraud Reduction Strategy

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Abstract: This paper examined the impact of Treasury single account on fraud control and accountability in the Nigerian public sector. In the former, MDAs operated several accounts in different money deposit banks which gave room for fraudulent activities and inefficient accountability of government generated revenues. The paper evaluates the aftermath of TSA policy implementation on fraud control and accountability. Employing the cross sectional design, a well-structured and validated questionnaires were issued to 100 staffs from the MDAs selected using the drop and pick method. The formulated hypotheses tested using linear regression reveals a correlation between the TSA policy and fraud control in the public sector. The adoption of TSA will facilitate effective and efficient tax management and reduce fraud, misappropriations in the public sector and among tax authorities. In light of this, it is recommended that CBN, MDAs and other relevant bodies should ensure the consolidation of government cash resources. That is, it should be comprehensive and encompass all government cash resources, both budgetary and extra-budgetary.

Keywords: TSA, IPPIS, GIFMIS, Fraud, MDAs, Strategy

I. INTRODUCTION

The federal government of Nigeria has given in much to deepen the implementation of Treasury Single Account (TSA), the Federal Government of Nigeria has introduced e-Collection Scheme to support the prompt collection of, and accounting for all Federal Government receipts. Under this scheme, all revenues and other monies payable to Federal Government owned public sector entities including Ministries, Departments, Agencies, Parastatals and Institutions will be made through Deposit Money Banks (DMBs) and electronic channels using the CBN Payment Gateway for direct credit into the FGN account or designated MDA account at the Central Bank of Nigeria (CBN).

Consequently, all Federal Government Ministries, Departments and Agencies, Parastatals and Institutions have been directed to close existing revenue, project, revolving fund, development fund and other collection accounts in Deposit Money Banks on or before 31st March, 2015 and promptly transfer all available balances to the Central Bank of Nigeria (CBN). Evidence of transfer of balances and closure of the accounts is to be forwarded to the Accountant-General of the Federation, not later than Monday, 13thApril, 2015. All

Ministries, Departments and Agencies, Parastatals and Institutions are required to complete registration user enrolment and revenue forms to have direct access to the CBN Payment Gateway for the management of their accounts at CBN. Completed forms are to be forwarded to the Settlement Centre in the Office of the Accountant-General of the Federation" (Office of the Accountant General of the Federation, 2017).

Multiple accounts operated by various ministries, departments and agencies in the public sector were noted to be unaccounted for, thereby creating opportunities for public office holders to defraud the nation, by emptying the nations treasury into their private accounts. It is to this effect that the TSA was implemented to block all leakages in revenue collection. The adoption and full implementation of Treasury Single Account (TSA) by any government, especially in a dwindling economy cannot be over-emphasized. This is due to the fact that a Treasury Single Account is primarily to safeguard government revenue, enhance openness and avoid misappropriation of State's funds. Adeolu in 2015 Opined "that the operation of a Treasury Single Account will guarantee adequate cash utilization by eliminating the concept of having funds kept idle, usually with different deposit

money banks and in a way ensure revenue receipts and payments agree". According to Pattanayak and Fainboim (2011), "TSA is most certainly an essential tool for proper utilization and management of government resources, thus reducing borrowing cost". It is of great import to note that Treasury Single Account is an effective tool for handling government's monies, thus limiting cost of borrowing. In economies with fragmented government banking arrangements like Nigeria, the development of TSA ought to be given more priority in public financial management plan. (Benafo 2017).

THE OBJECTIVES OF THE STUDY

Objectives will specifically include:
- ✓ To examine significantly the impact of TSA application on fraud control in the Public sector.
- ✓ To examine the influence of TSA on public sector accountability.

RESEARCH HYPOTHESES

The hypotheses are stated in their null form:

H_{01}: There is no significant relationship between TSA and fraud control

H_{02}: There is no correlation between TSA and public sector accountability

II. CONCEPTUAL FRAMEWORK

A. TREASURY SINGLE ACCOUNT (TSA)

A TSA is a unified structure of government bank accounts that gives a consolidated view of government cash resources. Based on the principle of unity of cash and the unity of treasury, a TSA is a bank account or a set of linked accounts through which the government transacts all its receipts and payments. The principle of unity follows from the exchangeability of all cash irrespective of its end use. While it is necessary to distinguish individual cash transactions for control and reporting purposes, this purpose is achieved through the accounting system and not by holding/depositing cash in transaction specific bank accounts. This enables the treasury to delink management of cash from control at a transaction level.

Government banking arrangements are an important factor for efficient management and control of government's cash resources. Such banking arrangements should be designed to minimize the cost of government borrowing and maximize the opportunity cost of cash resources. This requires ensuring that all cash received is available for carrying out government's expenditure programs and making payments in a timely fashion. Many emerging market and low-income countries have fragmented systems for handling government receipts and payments. In these countries, the ministry of finance/treasury lacks a unified view and centralized control over government's cash resources. As a result, this cash lies idle for extended periods in numerous bank accounts held by spending agencies while the government continues to borrow to execute its budget.

A government lacking effective control over its cash resources can pay for its institutional deficiencies in multiple ways. First, idle cash balances in bank accounts often fail to earn market-related remuneration. Second, the government, being unaware of these resources, incurs unnecessary borrowing costs on raising funds to cover a perceived cash shortage.

Third, idle government cash balances in the commercial banking sector are not idle for the banks themselves, and can be used to extend credit. Draining this extra liquidity through open market operations also imposes costs on the central bank.

Establishing a unified structure of government bank accounts via a treasury single account (TSA) will solve these problems, improving cash management and control. It should, therefore, receive priority in any public financial management (PFM) reform agenda. A TSA also facilitates better fiscal and monetary policy coordination as well as better reconciliation of fiscal and banking data, which in turn improves the quality of fiscal information. Finally, the establishment of an effective TSA significantly reduces the debt servicing costs. (Pattanayak and Fainboim 2010).

B. PREVIOUS STUDIES

Several works have been carried on to evaluate the impact of Treasury Single Account on public sector accountability, cash management, fraud management and control.

Philip (2016) carried out an empirical study on Treasury Single Account: A Tool for Effective Cash Management in Nigeria. And in his findings, he discovered that the banking sector has been completely stripped of funds. This has caused untold hardship to the entire citizenry. The TSA policy is a desirable one in Nigeria especially in this era of executive lawlessness, misappropriation and wastages of public fraud. The policy will go a long way to curb corruption in high places and enshrine transparency to ranks and files of public officials. He recommended among others that Government should embark on extensive public enlightenment among the stakeholders and the general public. There should be awareness programme that will bring about the benefits to be derived from the policy to both the government and the generality of the populace and active monitoring and compliance. A 'state-jacket' implementation for the whole country at the same time may not bring desired results. Government should create appropriate enabling environments and legislative supports for the policy to bring about desired success and intended goals. Mutalib, Bulkachuwa, Uarame & Chijioke (2015) examined empirically the impacts of Treasury Single Account (TSA) on ministries, departments and agencies (MDA'S) accounting information and accountability: a conceptual review. They found out that there is no doubt that with the introduction of TSA on MDAs Accounting information, the issue of corruption, mismanagement of public funds and government capital base will improve drastically thereby boosting the Nigeria Economy for good governance and for potential investment. And further recommended that Overall the adoption of TSA should be positive for the economy in general and also the tax system in particular. The

appropriate authorities will have to now embrace transparency and accountability more than ever before.

To cushion the liquidity impact on the financial system, an orderly migration of cash balances from the commercial bank accounts to the TSA should be considered, and complemented with monetary policy measures. Also the legal framework should be reviewed and amended where necessary while training should be provided to relevant staff of CBN and MDAs to ensure efficient implementation.

Eme, Chukwurah, and Iheanacho (2015) in their study an analysis of pros and cons treasury single account. In their discovery, they believed TSA will pave way for the timely payment and capturing of all revenues going into the government treasury, without the intermediation of multiple banking arrangements. Besides, the system will likely reduce the mismanagement of public funds by revenue-generating agencies. It is also expected to help check excess liquidity, inflation, high interest rates, round-tripping of government deposits, and the sliding value of the naira. They further call for strict compliance with the directive on TSA by the relevant government organizations. The implementation of the order will, however, require the cooperation of the National Assembly with the Executive arm to ensure strict compliance by the MDAs to make enforcement possible. Again, The MDAs, in collaboration with the Executive, will also need to be diligent in drawing up their budgets and presenting them for consideration and passage by the legislature. The financial regulators, including the CBN, should also be proactive and institute measures to correct any lapses or negative impact of the policy, as no law or measure is foolproof. The fear that it will negatively affect commercial banks, and possibly lead to massive job losses, should be addressed.

Ocheni (2016) carried out a study on Treasury Single Account: A catalyst for public financial management in Nigeria, he concluded that TSA policy is paramount in the nation's revenue drive, transparency and fight against corruption. The public perception of the effect of TSA policy on the nation's revenue drive, transparency and fight against corruption and also the likely effects of TSA policy adoption on banks' liquidity and employment were analyzed. The result shows that the majority has their mean sets above the criterion mean of 2.50, because the consolidation of cash resources through a TSA helps to avoid borrowing and paying additional interest charges to finance the expenditures of some agencies while other agencies keep idle balances in their bank accounts. The study therefore concluded that "TSA policy is paramount in the nation's revenue drive, transparency and fight against corruption''.

Other conclusions upheld the fact that TSA is a unified arrangement which enhances the fungibility of the government's cash resources, and implies that no other government agency should be allowed to operate bank accounts without the oversight of the treasury. It is also concluded that it is comprehensive, encompassing all government cash, both budgetary and extra budgetary. Regarding the "architecture" of the TSA, it should be underscored that there is no single TSA model or design. He further recommended among others that TSA principle such as the government banking arrangement should be unified and strengthened to ensure the fungibility of the government's

cash resources. No government agency should be allowed to operate bank accounts without the oversight of the treasury.

Adeolu (2015) in his study Understanding the Treasury Single Account (TSA) system: Things you should know opined that, the primary aim of TSA is to ensure proper accountability of all revenues collected by the government, increase transparency and eliminate misappropriation of public funds. TSA will ensure proper cash management by making sure funds don't lie idle in commercial banks as well as reconciliation of revenue receipts and payments.

III. RESEARCH METHODOLOGY

The study employed the descriptive cross sectional research design to investigate the impact of TSA on fraud control in Nigeria public sector. Moreover, regression analysis is used in the study to investigate the preliminary interactions and relationships among the variables. Finally, the linear regression technique is employed to statistically evaluate the positivity of TSA so far. The sets of primary data outlined above were obtained (sourced) through the administration of 100 copies of structured questionnaire in the selected government MDAs in Cross River State (Office of the Accountant General of the State, Office of the Auditor General for the State, Ministry of Finance, Federal Inland Revenue Service and University of Calabar Teaching Hospital). Secondary data were obtained from the Nigerian budgets and the monthly federation account (general salaries and wages).

The regression model specified in this study demonstrates that TSA is an explanatory variable of fraud control and accountability. The functional form of this model is capture as:

$Y = a + bx$

Where:

Y = Fraud control

a = intercept

b = slope (coefficient of regression)

x = sub variables (TSA, IPPIS and GIFMIS)

μ = error term

Model thus:

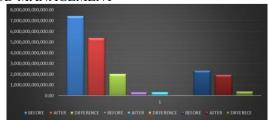$FC = b_0 + \log b_1 TSA + \log b_2 IPPIS + \log b_3 GIFMIS + \mu$

Where:

TSA= Treasury single account

IPPIS= Integrated personnel payroll information system

GIFMIS= government integrated financial management information system

IV. ANALYSIS AND INTERPRETATION

FRAUD MANAGEMENT

Source: Monthly Federation Account (General salaries and wages). Nigerian Budget 2010-2015

Figure 1

The table above shows that fraud has reduced since the adoption of TSA which is a part of GIFMIS as a strategy to effectively and efficiently control government revenues and expenditure.

The hypothesis tested thus:

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.913[a]	.834	.768	3918679.195	2.423

a. Predictors: (Constant), TSA after, TSA before
b. Dependent Variable: Fraud management

Table 1

The R .913 shows a multiple correlation coefficient between TSA, GIFMIS and IPPIS on fraud control. The R square .834 shows a positive predictable proportion variance between the predictors and the dependent variable. The adjusted R^2 reveals that the added variables explain more variance of the dependent variable. Durbin Watson reveals an auto-correlation. The model thus, is statistically satisfactory that the adoption of TSA has a significant impact on fraud management and control in the Nigeria.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	386901366324440.750	2	193450683162220.380	12.598	.011[b]
	Residual	76780233152473.270	5	15356046630494.652		
	Total	463681599476914.000	7			

a. Dependent Variable: Fraud management
b. Predictors: (Constant), TSA after, TSA before

Table 2

The ANOVA shows the association between the predictors and dependent variable. It reveals the explanatory power of "Treasury single account and the added variables "Government integrated financial management information system and integrated personnel payroll information system on fraud control. The F- ratio statistics has a p-value that is below 0.05 for the 95% level of confidence respectively. This shows that the model is significantly statistic.

Coefficients[a]

Model		95.0% Confidence Interval for B	
		Lower Bound	Upper Bound
1	(Constant)	-7947268.516	9353996.174
	TSA before	5095.040	54114.351
	TSA after	-45550217.329	-3434168.449

a. Dependent Variable: Fraud management

Table 3

Coefficient Correlations[a]

Model			TSA after	TSA before
1	Correlations	TSA after	1.000	.263
		TSA before	.263	1.000
	Covariances	TSA after	67107704269318.760	20517900870.141

	TSA before	20517900870.141	90909978.584

a. Dependent Variable: Fraud management

Table 4

The coefficient standardized Beta reveals a positive correlation between the dependent and independent variables tested. TSA before shows .263 revealing a low level fraud management efficiency. This shows that the level of fraud in the public sector is high as ministries, departments and agencies have 73.7% control of funds generated for a long period of time.

TSA after shows the coefficient standardized Beta value as 1.000 revealing a correlation between the adoption of TSA and fraud control. The Beta value reveals a 100% governmental control of generated funds to a single account. Base on the results of the analysis, the null hypotheses has been debugged and the research hypotheses agreed on that there is a relationship between treasury single account and fraud control and public accountability.

V. CONCLUSION/SUMMARY

The study examined TSA and its impact on fraud control in the Nigerian public sector. TSA being a strategy set up by the government to help control and effectively manage government revenue and expenditure. The TSA policy benefits greatly outweighs its acclaimed disadvantages. The adoption of TSA will facilitate effective and efficient tax management and reduce fraud, misappropriations in the public sector and among tax authorities. In light of this, it is recommended that CBN, MDAs and other relevant bodies should the consolidation of government cash resources should be comprehensive and encompass all government cash resources, both budgetary and extra-budgetary. This means that all public monies irrespective of whether the corresponding cash flows are subject to budgetary control or not (e.g., in the case of reserve funds, earmarked funds and other off-budget/extra budgetary funds) should be brought under the control of the TSA.

BEFORE TSA	AFTER TSA	DIFFERENCE	BEFORE IPPIS	AFTER IPPIS	DIFFERENCE	BEFORE IFMIS	AFTER IFMIS	DIFFERECE
₦ 7,435,114,613,716.05	₦ 5,391,434,173,303.85	₦ 2,043,680,440,412.2	₦ 334,109,198,224	₦ 331,218,801,283	₦ 2,890,396,941	₦ 2,369,890,735,546	₦ 1,973,414,204,438	₦ 396,476,531,108

Total values of Fraud management before and after TSA, IPPIS and IFMIS

Source: Monthly Federation Account (General salaries and wages). Nigerian Budget 2010-2015

Table 5

The table above shows that fraud has reduced since the adoption of TSA which is a part of GIFMIS as a strategy to effectively and efficiently control government revenues and expenditure.

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