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Treasury Single Account: A Mechanism to Combat Corruption in the Public Sector

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ABSTRACT

This study evaluated the impact of Treasury Single Account as a mechanism to combat corruption in the Nigerian public sector. The purpose of this study is to ascertain the impact of Treasury Single Account in the combat of financial corruption in the Nigerian public sector. The researcher used both secondary and primary data to arrive at results; the population for the research was the Nigerian Public Sector which comprises of all Federal Ministries, Departments, Agencies and parastatals in Makurdi the capital of Benue State, Nigeria. A sample of 75 persons was randomly drawn from Federal Medical Centre Makurdi, Federal University of Agriculture, Makurdi and Federal Ministry of Finance. The persons targeted were those officers in public financial management. The elements of the population consist of senior, professional accountants, auditors and budget officers consequently; seventy five (75) questionnaires were administered, however only fifty five (55) questionnaires were returned completed. The Chi-square test, at ninety five (95%) percent confidence interval was used to test the hypotheses formed. Findings revealed that the implementation of the Treasury Single Account System is a mechanism to combat corruption in the Nigerian public finance. It was also observed that the implementation of the treasury single account would reduce financial leakages in the Nigerian public finance. Finally, it was concluded that the implementation of the Treasury Single Account is a critical step towards curbing corruption in public finance. It has been recommended that Staff of public institutions, Ministries, Departments, Agencies and relevant parastatals should be constantly trained to acquire the knowledge and skills that would enhance effective operation of the TSA system in Nigeria.

Keywords: Corruption, Treasury Single Account.

INTRODUCTION

We all know that corruption is a cankerworm that has eaten deep into the fabrics of the Nigerian system and has kept Nigeria into a terribly precarious situation that has made our great country to look poor, despite the huge human and natural resources we are divinely endowed with. A situation which called for the directive by the Federal Government of Nigeria that all revenues due to the Federal Government or any of its agencies be paid into the Treasury Single Account (TSA) or designated accounts maintained and operated in the Central Bank of Nigeria (CBN). This directive has been described by many as a welcome development. It is seen as one of the very good measures adopted by the Federal Government of Nigeria in its fight against corruption.

Corruption is a form of dishonest or unethical conduct by a person entrusted with a position of authority, often to acquire personal benefit Akpa (2003). Corruption may include many activities including bribery and embezzlement, though it may also involve practices that are legal in many countries. Senior (2006) defines corruption as an action to secretly provide a good or a service to a third party so that he or she can influence certain actions which benefit the third party, or both in which the corrupt agent has authority. The Treasury Single Account (TSA) appears to be a new system to many Nigerians because the past administrations failed to implement it even as it has been a constitutional provision. As a matter of fact, Section 80(1) of the 1999 constitution as amended states "All revenues, or other moneys raised or received by the Federation not being revenues or other money payable under this Constitution or any Act of National Assembly into and form one Consolidated Revenue Fund of the Federation"; irrespective of this law, successive governments have continued to operate multiple accounts for the collection and spending of government revenue in deliberate disregard to the provision of the constitution which requires that all government revenues be remitted into a single account.

Good and straightforward as section 80(1) of the 1999 constitution as amended may be there are inconsistencies to this law that pave ways for corruption in the public sector. Section 22(1) of the Fiscal Responsibility Act (FRA) of 2007 mandates all the revenue-generating Ministries, Departments and Agencies (MDAs) to remit 80 percent of their operating surplus to the Consolidated Revenue Fund Account. By allowing MDAs to remit only 80 percent of their operating surplus to the Consolidated Revenue Fund Account, Section 22(1) of the Fiscal Responsibility Act (FRA) of 2007, unconsciously created loopholes and hence gave room for leakages as most MDAs fraudulently resorted to driving their operating costs very high to achieve personal gains. However, as accountants we know that there is an inverse relationship between the operating costs and the operating surpluses, meaning that when the operating costs go up, the operating surpluses will go down and vice versa.

According to Nweze, (2015) this singular lacuna has made it possible for revenue generating MDAs to have reportedly generated N3.06 trillion in 2009, but only remitted N46.80 billion to government coffers; generated N3.07 trillion in 2010 but remitted mere N54.10 billion; and generated N3.17 trillion in 2011 and just remitted a meager N73.80 billion. He cited the case of NNPC and its subsidiaries, which, having internally generated N6.132 trillion between 2009 and 2011 remitted zero naira to the government treasury (Okwe, et al, 2015:53). Inspite of the inconsistency between section 80(1) of the 1999 Constitution and section 22(1) of the Fiscal Responsibilities Act of 2007, the Constitution of the Federal Republic of Nigeria unambiguously states in its preamble that when any other law is inconsistent with the provisions of the Constitution, that other law shall, to the extent of the inconsistency, be declared null and void. The implication is that since Section 22(1) of the Fiscal Responsibility Act (FRA) of 2007 is inconsistent with Sections 80(1) of the Constitution of the Federal Republic of Nigeria, Section 22(1) of the Fiscal Responsibility Act (FRA) of 2007, shall be declared null and void and a soft landing point of expunging the infringing section of the Fiscal

Responsibility Act (FRA) shall be introduced which in this case is the implementation of the Treasury Single Account system in Nigeria.

REVIEW OF RELATED LITERATURE

According to the International Monetary Fund (2010) 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 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 Treasury Single Account 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. In the view of the researcher, a Treasury Single Account is a public accounting system under which all government revenue, receipts and income are collected into one single account, usually maintained by the country's Central Bank and all payments done through this account as well. The purpose is primarily to ensure accountability of government revenue, enhance transparency and avoid misapplication of public funds. The maintenance of a Treasury Single Account will help to ensure proper cash management by eliminating idle funds usually left with different commercial banks and in a way enhance reconciliation of revenue collection and payment.

To run this account, with particular reference to Nigeria, the Central Bank has opened a Consolidated Revenue Account to receive all government revenue and effect payments through this account that is the Treasury Single Account. All Ministries, Departments and Agencies are expected to remit their revenue collection to this account through the individual commercial banks who act as collection agents. This means that the money deposit banks will continue to maintain revenue collection accounts for MDA's but all monies collected by these banks will have to be remitted to the Consolidated Revenue Accounts with the CBN at the end of each banking day. In other words, MDA's accounts with money deposit banks must be zerorized at the end of every banking day by a complete remittance to the TSA of all revenues collected. The implication is that banks will no longer have access to the float provided by the accounts they maintained for the MDA's. Different types of account could be maintained under a TSA arrangement and these may include the TSA main account, subsidiary or sub-accounts, transaction accounts and zero balance account. Other types of accounts that could be operated include imprest accounts, transit accounts and correspondence accounts. These accounts are maintained for transaction purposes for funds flowing in and out of the TSA Central Bank of Nigeria (2014).

BENEFITS OF THE TREASURY SINGLE ACCOUNT SYSTEM

From the foregoing, it is obvious that the primary benefit of a TSA is the mechanism it provides for proper monitoring of government receipts and expenditure. In the Nigerian case, it will help to block most if not all the leakages that have been the bane of the growth of the economy. We have a situation where some MDS's manage their finances like independent empire and remit limited revenue to government treasuries. Under a properly run TSA, this is not possible as agencies of government are meant to spend in line with duly approved budgetary provisions. The maintenance of a single account for government will enable the Ministry of Finance monitor fund flow as no agency of government is allowed to maintain any operational bank account outside the oversight of the Ministry of Finance. Akande (2015). Government may perhaps pay less in banking fees. For instance the fees payable to banks for revenue collection services could be based on a unit price per transaction instead of being linked to the turnover value of transactions. A bank does not necessarily expend more resources to collect say a N10 billion single payment than it does to process a N10 million single transaction. It is therefore not necessary to pay a commission or percentage of revenue collected. One major issue in the past was that many banks delayed the remittance of revenue collected on behalf of government in order to temporarily trade with the money at the expense of government. Some MDAs also trade with government funds often for personal gains to the detriment of budget execution and timely payment to beneficiaries such as pensioners. It is therefore expected that these sharp practices will stop and there would be prompt release of funds for projects. If contractors are paid on time then the need for them to borrow at high rates will be reduced and hence result in overall lower cost of public projects, better budget performance and prompt project completion.

One of the objectives of TSA is to eliminate or shorten any delay in payments. Good international practice has been to automate the payment processes, and adopt an electronic payment system, with direct payments to the bank accounts of contractors or beneficiaries. But for this to work MDAs must take cash flow planning and revenue/cost projections more seriously to ensure effective cash management. Mfon (2015). Nigeria has had cases of low budget execution for over the years yet we begin each year's budget without accrued revenue. The TSA is therefore meant to provide some transparency around unspent budgetary allocation which can be carried forward to another year.

BARRIERS TO FULL IMPLEMENTATION OF TSA IN NIGERIA

There may be some legal barriers to full implementation of TSA. While S162 of the Nigerian Constitution regarding maintenance of Federation Account provides a broad legal framework it does not address the operational details. Some MDAs have financial autonomy granted to them by legislation including powers to maintain a fund from which to pay expenses and even to invest surplus funds and maintain a reserve such MDAs may not be under obligation to the full implementation of the TSA Nweze (2015).
Looking at Nigeria as a system, the states and local governments are yet to adapt the TSA system but the same financial leakages that are found at the federal level exist at the state and local governments this means that the non implementation of TSA at these tears of government may hinder the total benefits of TSA for the system. It is therefore important that States and local governments should also be encouraged to adopt TSA so that monthly federation account allocations can be paid directly into their TSAs held at the Central Bank thereby making it easier for the government to manage liquidity in the system.

THE EFFECT OF TSA ON THE NIGERIAN ECONOMY

The directive by the Federal government that all monies accruing to it must be paid into the Federation Account domiciled with the Central Bank of Nigeria, CBN, is a step in the right direction, given that the development would enhance accountability, transparency and curb the excesses of some heads of Ministries, Departments and Agencies, MDAs of government, who deploy such monies for private use. The directive which has since been code named Treasury Single Account, TSA, is coming at a time when the Nigerian government is seriously waging war against corruption believed to have decapitated and stagnated the growth and development of the economy, denying government several trillions of naira some of them stored in foreign accounts by those who had managed the affairs of the country over the years. The policy directives is also seen as imperative amidst falling oil prices in the futures market and the need to forestall all loopholes wherein government revenues sip into private pockets, thereby making it difficult for the various tiers of government which depend on such revenues from the Federation Account to run their affairs Adeolu (2015).

The point must be noted that the states and local governments had to be bailed out by the Federal Government recently to sort out arrears of salaries of their workers some of which ran into several months. Some argue that the poor state of public Finance in the various governments stem from the corruption ridden manner by which all revenue accruing to the Federation Account are handled. Indeed, the adoption of the TSA policy is meant to checkmate all these vices that had for long bedeviled revenues that go into the Federation Account as required by law. We believe that the Federal Government must have thought through the implementation of the policy. This is especially so because of its widespread impact and its multiplier effect on the general economy. Given the massive funds in the domain of the public sector and the fact that government is the biggest business in the economy banks now have to grapple with their public sector finance departments and the staff of these departments. There is grave danger that those staff may be cashiered into the labour market. This fear appears more obvious when the TSA policy is also being subdued by the state. Already, the labour unions are beginning to assemble their arsenals to counter banks which might want to dump their members into the unemployment market. But do the banks have any choice? The answer to this poser will hinge on unfolding guidelines and policies surrounding the TSA implementation. Altogether, no fewer than 10,000 accounts, being operated by some 900 MDAs in the country had been shutdown. It will be foolhardy, indeed, beyond common economic sense that no jobs will be lost in the process. No doubt this will task banks to be more creative and ingenious as there will be no cheap fund anywhere again. Survival will be the game among banks and the years to come will determine which of these banks will remain afloat.

Although the CBN Governor, Godwin Emefiele has assured that there is no cause for alarm but the reality is that the Nigerian banking sector will no longer remain the same Iroegbu (2015). The policy will fuel inflation no doubt. This is because banks will no longer be liberal with their cash. While the cash squeeze or illiquidity lasts there will be rush for the limited cash in circulation resulting to inflation. Give the fact that the third quarter has witnessed some increase in the cost of goods and services thereby pushing up inflation rate there is every indication that the policy will trigger-off inflation. Again, there will be a push in the cost of funds, particularly as banks will no longer depend on public finance to fund their loans to the business community. Like any other business, the banks will put their funds to the highest bidder. This will stifle smaller businesses, except, perhaps, the government goes ahead to firmly strengthen the Development Banks like the Agricultural Development Banks and the Banks of Industry to have enough capacity to fill this funding gap Obina (2015). Beside, the policy, will also allow banks to advance their loans to any sector they deem fit. The directive by the CBN for banks to advance their loans to some specific sectors will no longer hold.

Since the loanable funds no longer belong to government, this will be definitely injurious to the economy. Before now, there was official CBN directive for banks to advance more loans to manufacturing, agriculture, and solid minerals development which require long-term financing and which are not usually attractive to banks to willingly give loans and then, wait for several years before reaping their dividend. What then happens to employment generation, wealth creation and development of alternative means of foreign exchange earning? The point must also be stressed that the reduction in cash reserves requirement to 25 per cent from 31 per cent, does not resolve this dilemma. Whereas it is generally agreed that the policy will stem mass looting and abuse of public funds through corruption, its negative fall-outs must equally be mitigated. Government should ensure that budgetary allocations are released promptly to reduce possible illiquidity arising from the policy. Government should also create an open-window of financing for banks to take advantage of should they face severe cash squeeze. Above all, the managers of the CBN and the finance ministry must cleverly monitor banks to ensure that they do not sabotage the policy Mathias (2015).

RESEARCH METHODS

The population for the research was the Nigerian Public Sector which comprises of all Federal Ministries, Departments, Agencies and parastatals in Makurdi the capital of Benue State, Nigeria. The research sample selected was Federal Medical Centre Makurdi, Federal University of Agriculture, Makurdi and Federal Ministry of Finance. The persons targeted were those officers in public financial management. The elements of the population consist of junior, senior, professional accountants, auditors and budget officers; a random sampling technique was used to select seventy five respondents from the sample. Hence, both primary and secondary methods of data collection were used in obtaining data. This is to enable the researcher give credibility to the secondary data obtained from related literatures consequently, seventy five (75) questionnaires were administered, however only fifty five (55) questionnaires were returned completed. The Chi-square test, at ninety five (95%) percent confidence interval was used to test the following hypotheses:

$HO_{1:}$ The Treasury Single Account is not a mechanism to combat corruption in the Nigerian public sector.

$HO_{2:}$ The Treasury Single Account will not reduce financial leakages in the Nigerian public finance.

DATA PRESENTATION/ANALYSIS

$HO_{1:}$ The Treasury Single Account is not a mechanism to combat corruption in the Nigerian public sector.

Question 1: Do you think that the Treasury Single Account is a mechanism to combat corruption in the Nigerian public sector?

Table 1: Showing Responses of Respondents to Question 1

Options	No of Responses	Percentage
Strongly agree	9	16.36
Agree	26	47.28
Undecided	5	9.09
Disagree	9	16.36
Strongly disagree	6	10.91
Total	55	100

Source: Field Survey, 2016.

Table 2: Showing the Calculated Chi-Square (X^2) for Hypotheses HO_1

Options	Observations (O)	Expected (E)	(O-E)	$(O-E)^2/E$
Strongly agree	9	11	-2	0.36
Agree	26	11	15	20.45
Undecided	5	11	-6	3.27
Disagree	9	11	-2	0.36
Strongly disagree	6	11	-5	2.27
Total	55			$X^2 = 26.71$

Df = n-1=5-1=4 given the level of significance at 0.05; expected $X^2 = 9.49$

$HO_{2:}$ The Treasury Single Account will not reduce financial leakages in the Nigerian public finance

Question 2: Do you think the Treasury Single Account will reduce the financial leakages in the Nigerian public finance.

Table 3: Showing Responses of Respondents to Question 2

Options	No of responses	Percentage
Strongly agree	13	23.64
Agree	25	45.45
Undecided	5	9.09
Disagree	6	10.91
Strongly disagree	6	10.91
Total	55	100

Source: Field Survey, 2016

Table 4: Showing the Calculated Chi-Square (X^2) for Hypotheses HO_2

Options	Observations (O)	Expected (E)	(O-E)	$(O-E)^2/E$
Strongly agree	9	11	2	0.36
Agree	26	11	14	17.80
Undecided	5	11	-6	3.27
Disagree	9	11	-5	2.27
Strongly disagree	6	11	-5	2.27
Total	55			$X^2 = 25.97$

Df = n-1=5-1=4 given the level of significance at 0.05; expected X^2 = 9.49

DISCUSSION OF RESULTS

Result of the analysis presented in Table 1 showed that most of the respondents agreed that the implementation of the Treasury Single Account is a mechanism to combat corruption in the Nigerian public sector since the highest number of responses (26) representing 47.28% of the respondents was obtained for the option "Agree". Table 2 confirmed that the implementation of The Treasury Single Account is a mechanism to combat corruption in the Nigerian public sector since the Chi-Square calculated was 26.71 which was greater than the tabulated value of chi-square of 9.49 assuming a 95% confidence level. Hence, the null hypothesis was rejected and the alternative hypothesis was accepted. This result implies that the implementation of The Treasury Single Account is a mechanism to combat corruption in the Nigerian public sector.

Table 3 showed that majority (45.45%) of the respondents agreed that the implementation of The Treasury Single Account will reduce financial leakages in the Nigerian public finance. Table 4 confirmed that the implementation of The Treasury Single Account would help to mitigate financial leakages in the Nigerian public sector since the Chi-Square calculated was 25.97 which were greater than the tabulated value of chi-square of 9.49 assuming a 95% confidence level. Hence, the null hypothesis was rejected and the alternative hypothesis was accepted. This result implies that the implementation of The Treasury Single Account would help to reduce financial leakages in the Nigerian public finance.

SUMMARY OF FINDINGS/CONCLUSION

This study evaluated the effect of Treasury Single Account as a mechanism to combat financial corruption in the Nigerian public sector. Findings revealed that, the implementation of the Treasury Single account system is a mechanism to combat corruption in the Nigerian public finance. It was also observed that the implementation of the treasury single account would reduce financial leakages in the Nigerian public finance. Finally, it has been concluded that the implementation of the treasury single account is a critical step towards curbing corruption in public finance. This is in line with the objectives of the current administration to fight corrupt practices in the public sector; Nigerians are excited at the directives of the Federal Government to implement the TSA system as this would mean that some government Ministries, Departments and Agencies (MDAs) that have been known to be withholding government funds are now under compulsion to remit monies to the federal treasury and ensure adequate fund flow to critical sectors of the economy to catalyze development in Nigeria.

RECOMMENDATIONS

1. Looking at the positive effects of the implementation of the Treasury Single Account as a mechanism to curb corruption in Nigeria, it has been recommended that Staff of public institutions, Ministries, Departments, Agencies and relevant parastatals should be constantly trained to acquire the knowledge and skills that would enhance effective operation of the TSA system in Nigeria.
2. The federal government should ensure the development of sufficient and proper financial information about the flow of funds and monitor the movement of such funds to avoid leakages and consequently a sabotage of the TSA system.

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