



Limitations of public sector reforms in Nigeria: assessing the impacts of treasury single account on fraud detection and prevention

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Abstract

The incoherency ascribed to Public Sector Accounting (PSA) in Nigeria has progressively resulted in persistent fraud, and misadministration of public fiscal resources. Against this, the Nigerian government enforced the implementation of Treasury Single Account for the receipt and payment of expenditure across all its organs in 2015. Penultimately, the study examines the plausible effects of the policy on fraud detection and prevention in the public sector. Employing a descriptive method of social inquiry, the study is of the opinion that parochial, theoretical and empirical evidence as abound in prior literature; attest to the palpable probability of the later to address the issues of fraud. On the contrary however this study argues that policy does not address the incidence of fraud in the Nigerian public sector beyond revenue mobilization, financial reporting and fiscal oversight. To address the inefficacies in public finance administration, the study opines the need for ardent political will in enforcing New Public Management Initiatives. Thus, the clamor for a shift from manual to digital public sector accounting remains a viable option for addressing inefficacies of public finance management in Nigeria.

Keywords: Treasury single account, public finance management, fraud, public sector and public finance administration.

Introduction

In the era of spiraling oil revenue, little did the public care about the manner in which the Nigerian government appropriated financial resources at its disposal. In resonance, revenue imperative organs made it a habit of defrauding the government by converting public resources to private use. Within the disjointed public finance management approach, the government lacked the aptitude to enforce financial regulation. Furthermore, the manual nature in which receipts and expenditure of the government was treated, led to the non-existence of interface between relevant stakeholders. Amongst other numerous inconsistencies, under the previous financial regime it was almost impossible for the government to have at consolidated view and knowledge of the amount it had in the treasury. Hence, it was not uncommon for public officials to connive with banking executives, contractors and other individuals or firms to defraud the state.

While states in less advanced societies are notorious for their muddled and outdated manual approach towards public finance, in Nigeria for instance the Central Bank, Finance Ministry and other stakeholders lacked an operational interface, as well as the effecting aptitude to exert the necessary fiscal oversight mechanisms. Consequently, public funds were persistently unaccounted for, or remitting agencies fail to transfer to government coffers due amount. Against the malevolent plethora of occupational fraud rocking the public sector, consecutive governments have adopted in-exhaustive fiscal

reforms in the public sector. Nonetheless, they largely remain insufficient in their numerous attempts at riding the public sector of fraud and other financial misconducts.

As pointed out by a former Finance Minister, who claims that no one quiet knew the number of workers employed in the public and civil service, and that included government agencies and parastatal. This she argues is as a result of non-existent verifiable data base of personnel headcount, for the payment of salary and other government expenditure¹. In a related claim it was argued that multifaceted negative implications of fraud do not only define the nature of PSA in Nigeria, it also has severe impact on overall development². The secrecy and well thought out process leading to the perpetuation of fraud, makes it somewhat difficult to completely address, more so in the developing world where oversight mechanisms are almost non-existence. In amongst other means, fraud descends from illicit, dubious and unlawful activities aimed at diversion and appropriation of public financial resource to personal use.

Against the pernicious implications of fraud rocking the public sector, successive governments have implemented in-exhaustive fiscal regulations and policies times and over. Treasury Single Account (TSA) is one of such recent policy. While it was conceived as a constituent of far reaching fiscal reforms in 2004, it was only just implemented in 2012 as a pilot scheme and fully implemented across a better part of government agencies in 2015. TSA which abstractly entails a government bank account or linked set of accounts aims at consolidating the

remittance and management of government expenditure and receipts.

Defining the Problem: Popularly perceived as a cure all syndrome for fiscal misconducts and irregularities in the public sector, TSA represents a new dawn in public finance administration in Nigeria. Consequently, resistance across certain quarters with recourse to the government directive mandating the implementation of the policy, further resonate the underlying trends and attitude towards the TSA in Nigeria. Like numerous other fiscal regulations in Nigeria, the TSA in itself has been criticized as been complicit and fraudulent.

Most recently, the Nigerian populace was engulfed in frenzy, occasioning from the war of words between Senator Dino Melaye (Kogi West Federal Constituency) and Lai Mohammed the Federal Minister for Information, Culture and National Orientation. The excerpts of the banter states that Senator Dino conceives that the TSA policy is a fraud, basing such claims on the alleged N25 billion charged by System Specs, the firm harnessed with operation of the TSA³. The locus of the senator constrained the National Assembly to constitute a panel of inquiry to probe the operation of the policy since implementation in 2015. While the findings of the committee is yet to be made public, and the Federal Minister has since issued an official statement debunking the senator claims as baseless. Nonetheless the need to examine the impacts of TSA in addressing public sector fraud cannot be downplayed.

Objectives of the study: In lieu, of the unfolding discussion, this study sets out to literary explore the existence of a plausible relationship be TSA and public sector fraud. However, owing to the broad nature as well as dissimilarities in modus operandi of government agencies, the Nigerian Ports Authority will be adopted as a case study.

Methodology

Been a secondary research, the study employs the descriptive analytical method of social inquiry. This will accord the researcher the luxury of examining the dominant, controversial, similar and diverging perspective on the above subject matter as obtained across relevant literature. Furthermore, it will examine existing empirical findings on TSA, in a bid to examine plausible fraud detection and prevention properties, inherent in the TSA policy.

Conceptual Clarification: By way of complimenting the background to the study, this section is committed to domestication and contextualization of pertinent concepts central to the arguments proffered by this study. This is thought to be particularly useful as it aids in resonating the claims of the study as it also elucidates the reach and tenets of the underlying concepts. They include TSA, Public Finance Management (PFM) and Fraud.

Public Finance Administration: Owing to the multi-dimensional nature of public finance administration in Nigeria,

this study will examine the concept from two perspectives of oversight functions and revenue remittance respectively. In abstract terms public finance administration encompasses the totality of measure adopted by the state towards the management and administration of public funds. They include but not necessarily limited to; budget planning, legislative oversight, disbursement and implementation of budget, revenue collection and remittance to mention but a few. To satisfactorily operationalize the concept of public finance administration, there remains the utmost urgency to elucidate on the concept of public sector. Accordingly, public sector refers to organizations that are not privately established and operated but those which are owned, ran and financed by the government as a trustee of the public⁴. Consequently, the underlying assertion denotes those public sectors are managed by pronouncements or legislative decrees. By way of contextualization, the regulatory sector for public sector in Nigeria is decreed by the Financial Regulations and Revenue Allocation Acts as stipulated in the 1999 constitution as amended⁵.

With recourse to the oversight functions of the Nigerian state, the central bank, federal ministry of finance and the federations accountant general are of the key stakeholders harnessed with the responsibility of enforcing fiscal regulations in Nigeria. Paradoxically, the above stated institutions are in want of wielding effective control, management and oversight of public finance. The absence of an integrated cum electronic interface mitigates the ability of the under listed institutions to efficiently administer over the fiscal sector in Nigeria. In assent to the above claims, it is argued that the finance ministry had no overview of the myriad of government's accounts that were domiciled in foreign and indigenously existed commercial banks. In her opinion, this was a euphemism for malfeasance-and fraud accommodating, corruption and siphoning away public monies⁶. Furthermore, in conflict with decreed financial regulations demanding that only the Accountant General of the Federation (AGF) had the power to endorse the opening of bank accounts by any government organ. Consecutive governments, heads of departments and agencies opened and maintained numerous bank accounts with various money deposit banks for the collection and distribution of government revenue and receipts. These acts depicts convenient exhibition of perceptive indifference for section 8 (20) of the 1999 constitutions as amended, mandating the remittance of all government revenues to a consolidated account operated and managed by the apex bank in Nigeria.

In a palpable display of ardent fiscal delinquency, a federal high court sitting in Lagos ruled seven commercial banks in the country to in the interim forfeit a total of \$793 million purportedly concealed with them in infringement of government financial regulations. As obtained in court documents filed by counsel for the Attorney General of the Federation, a total of \$367.4m was unlawfully stashed by certain government agencies with United Bank of Africa, while a sum of \$14m was kept away in Skye Bank⁷. In lieu of the ongoing discussion, it will suffice to elucidate on the concept of fraud with a view to

establishing a correlation between institutional deficiencies inherent in public finance administration in Nigeria and perceived prevalence of fraud.

Fraud: Fraud as a terminology has attracted a considerable volume of attention across different quarters. Although it eludes attempts at universalization, concepts such as embezzlement, misappropriation, financial misstatement, extortion, corruption, illegal acquisition, theft, and concealment of financial facts amongst others are thought to be peculiar to the term. In lieu, fraud denotes a myriad of illicit acts underpinned by acts of deceits, concealment cum violation of trust; these acts are not necessarily conditioned by the application of force or other forms of coercive apparatus⁸. In another instance, it entails calculated action of criminal deception, or alteration with the aim of distorting facts in a bid to gain unjustified or monetary benefit⁹. From a divergent perspective, the incidence of fraud is equated to the furtherance of personal interest by individuals in position of trust to the detriment of the public, via digression of established rules and regulations¹⁰.

Fraud the purpose of this study, fraud is conceived as resolute acts of omission, alteration, and concealment perpetuated with a view to amassing illegally public finance through a myriad of avenues. Fraud involving to failure to remit revenue is often thought to be carried out by high level or management employees, whom have access to government banking structures. This type of fraud was particularly prevalent, because government organs are by law empowered to remit 80 percent surplus of their running cost. This and the void created by the absence of proficient oversight mechanism facilitated for revenue remitting related fraud in the public sector. While the inefficiencies that abound in public finance administration in Nigeria, amounts to the inability of the government to have a real time concentrated view of its treasury. This single act is thought that avail loopholes through which public resources are diverted to private use. In this regard, it is argued that fraud can be as minute as theft of office stationery or grievous as defrauding investors or government of huge sums of money¹¹. In lieu, it is of the opinion of this study that the inadequacy in public finance administration in Nigeria has sustained the fraud culture in the public sector, necessitating a fiscal regulations and reforms. The institutionalization of the Treasury Single Account is thought to be a proactive measure at addressing the frequency at which public sector fraud in perpetuated.

Treasury Single Account (TSA)

Treasury single account is a unified government banking structure driven and propelled by the inculcation of information and communication technology in the public sector, in other words e-governance. As a public finance admin system, TSA can operate in both centralized and decentralized manner, the objectives however largely remains the same, which is to enhance proficiency in the areas of collection, management and disbursement of government cash resources. Accordingly, TSA

is defined as a consolidated PSA system that facilitates the merging and ideal utilization of government funds¹². Also, the World Bank conceives TSA is a unique and conventional practice in improving the payment and revenue collection system, and carrying out unswerving oversight of public expenditure through merged government bank accounts¹³. It is also argued to be one of the key financial reforms initiated by the Nigerian government, in a bid to incorporate all revenues and treasuries from all state owned agencies¹⁴.

While the implementation of TSA in Nigeria may have overhauled the nature of public finance administration, it has attracted a considerable amongst of criticism and a lot of unanswered questions. In this regards, a certain quarter of the society are of the opinion that the TSA has largely failed to attain predetermined results since the presidential directive conveying its implementation in 2015. To better understand the underlying concerns, it is of utmost significance to elucidate the prerequisites and necessary conditions for operating TSA as a PSA system. This is particularly important as it sets out to examine pre-existing PSA system in Nigeria, and explore the challenges inherent in the fiscal regulatory policy.

Transition to Treasury Single Account Policy in Nigeria

The oil economy of Nigeria witnessed a substantive rise in revenue in the oil boom years, matched by an equal surge in fraud and other fiscal misconducts. Against this, public revenue remains largely unaccounted for, mismanaged and fraudulently converted to private use, necessitating the need for a coherent fiscal regulation in the form of a TSA. While the ordinance requiring the implementation of the policy was allotted in 2015 through the OAGF, the legislative act instituting TSA was ratified over a decade ago. The policy is a brainchild of the WB, undertaken as a constituent of PFM reforms under the President Olusegun Obasanjo led administration; TSA came into being in 2004 to be precise. Nonetheless, government agencies operated multiple bank accounts with indigenous and foreign banks. These claims are substantiated by an editorial publication, which claimed that claimed upon implementing the TSA, not less than 17, 000 bank accounts owned by the FG were fictional bank accounts opened and operated by ministries department and agencies for the purpose of committing fraud¹⁵. The colossal and far-reaching gradation, at which fraud prevails in the public sector, is represented by the integer of fictional back accounts thought to be operated for the sole aims of fraud.

However, for policies with cosmic coverage such as TSA to meet predetermined expectations, certain factors needed to be considered, to allow for a near hitch free implementation. Accordingly, it was argued that central principles of the scheme includes a structured bank account, transaction processing arrangement and the clear definitions of the roles of all stakeholders¹⁶. Nigeria's foremost attempt at transitioning to constitutionally backed TSA was the pilot scheme carried out in

2012. The said scheme covered a total 217 government agencies, and is thought to have saved the FG a whopping N500 billion in wasteful spending. Nonetheless, the policy was hurriedly abandoned after the successful pilot scheme. Of the justifications proffered, tertiary institutions, teaching hospitals, state government and extensive lobbyist consisting executives of MDBs top the list of institutions that hindered the full implementation of the policy. In corroboration, it is argued that the management of Federal University of Agriculture Abeokuta argue the TSA to be an impediment to research in universities, owing to their inability to access their grants in a timely manner¹⁷. In a similar case as the directorate of National Veterinary Research Institution sorted exclusion from employing the TSA policy, due to ballooned bureaucracy concomitant with retrieving funds from the unified banking structure¹⁸. With recourse to implementation of the policy across Nigeria, a survey conducted by the Governors Forum across states revealed that no fewer than eighteen states and 80 percent of cumulative government agencies have implemented the scheme as at November 2017¹⁹. Despite the underlying bottlenecks, a better part of government organs were left with no options but to follow the government's directive instituting the fiscal regulatory policy. However, the resistance across different quarters points to the fact that, certain elements in government were benefiting fraud the occupational fraud regime that prevailed in the public sector. In furtherance, the inherent controversy further depicts the inaptitude in public finance management in Nigeria.

Challenges, Prospects and Trajectories of Treasury Single Account on Detection and Prevention of Fraud in Nigeria

Like a handful of states in the less advanced countries, Nigeria is known for its patchy and jumbled public finance management approach. The consequence of such fiscal regulations are multifaceted; as they consistently mitigate economic growth, enthrone fraud and other fiscal misconducts, and planning and budget implementation to mention but a few. Prior to the TSA, the Nigerian government had little or no information as to the exact amount of revenue it generated daily, its expenditures and receipts. This assertion is buttressed by similar arguments which claim prior to the TSA; Nigeria had disjointed banking structure for government revenue and expenditure related payments and transactions²⁰. Subsequently, remittance of government revenue into multiple banks held at commercial banks, was not only carried out in astute disregard for the constitutional provisions, it also facilitated a myriad of fraud and related fiscal misappropriations.

Accordingly it is claimed that perceived Gbegi and Adebisi (2015) contend the increase in the volume of fraud in the public sector could be tied to the lack of stern fraud policy, weak interior control and lower levels of management integrity²¹. Within the pretext of the ongoing discussion, control entails the institution of pre-emptive measures set up to foster institutional

conformity. And prior to the advent of TSA, the analogue manner in which public finances were handled made difficult for proactive control mechanisms. Hence, it will suffice to argue the advent of TSA has injected some degree of control over public finance in Nigeria.

In furtherance, a study conducted by Yusuf A.²², set out to inquire the degree at which TSA blocks illicit financial leakages and foster transparency and accountability validates the existence of a positive relationship between TSA and fraud detection and prevention, and increased levels of accountability and transparency accordingly. While the study addressed certain centrifugal aspects of public sector fraud in Nigeria, it largely falls short of stating variation across different government agencies. The implication of such generalization comes to light its inability to distinguish between revenue imperative and non-revenue imperative government agencies.

In a similar instance, the study by Ekubiat U.J. and Edet I.E.²³, studies the implementation of the TSA policy by state governments, with a view to ascertaining plausible benefits, prospects and resultant challenges therewith. The respondents to the study comprises of a total 200 professional accountant, drawn across different sectors in Akwa-Ibom state. The findings of their study dictate that enactment of the policy by state governments will enormously affect the proficiency levels of public finance management in Nigeria. The study however falls short in its analysis as it placed overbearing emphasis of the merits of the scheme, without highlighting possible operational challenges attributed to the policy. In lieu of the magnanimity of fraud in the public sector, it will not be out of place to claim that successive fiscal regulations have largely displayed high levels of want in terms of fiscal control and oversight.

Consequently, upon reviewing relevant literature, fraud is more likely to take place in the presence of opportunity, incentive and rationality. This can be further aided by ineffective control mechanisms. The literature also reveals that fraud is likely perpetuated by persons in higher positions. It further claims that a handful of studies on public sector fraud in Nigeria draw their conclusions based on parochial findings and perceived dominant views, with little or no empirical reviews or studies. Penultimately, the finding of such studies largely affects the dominant views on public sector fraud. Furthermore, a recurring controversy inherent in the literature in the hasty manner in which fraud is interchangeably appropriated with the concept of corruption.

Conclusion

Public sector fraud remains particularly persistent, more so in the developing world where incoherent public finance management thrives. The institution of TSA as the adopted public sector accounting in Nigeria was met with high expectations, resistance and optimism across different quarters. However, this study opines the probability of TSA to tackle public sector fraud in Nigeria beyond revenue mobilization is

almost non-existent. Penultimately, implementation of the policy arguably has certain effects on public sector fraud; nonetheless it has not completely addressed the challenges of fraud. In lieu, it is of the opinion of this study that; the need for a tentative ICT financial information management system is in order. In furtherance, government should also enforce the implementation of such a scheme across all its organs.

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