THEORISING THE TREASURY SINGLE ACCOUNT (TSA) IN NIGERIA

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Abstract
Successive governments in Nigeria have continued to operate multiple accounts for the collection and disbursing of government revenues in flagrant disregard to the provision of the constitution which requires that all government revenues be remitted into a single account. Treasury Single Account (TSA) came as a quick fix to regulating the level of accountability and transparency in the financial resources of the government of the country. Treasury Single Account (TSA) is a unified structure of government bank accounts enabling consolidation and optimal utilization of government cash resources. Through this bank account or set of linked bank accounts, the government transacts all its receipts and payments and gets a consolidated view of its cash position at any given time. However, this paper theoretically examined Treasury Single Account in Nigeria with a view to providing the way forward for the country. In this paper, we proposed that government should engage in massive public enlightenment about the importance of the policy at all levels. Also, government should adhere to the provisions of Section 162(1) of the Constitution of the Federal Republic of Nigeria (as amended) for the maintenance of Federation accounts and avoid using private contractors (System Specs - Remita). Though Section 162(1) has made provisions for maintenance of Federation accounts, the legislature should look inwards and address the operational details. Furthermore, government should overhaul the capacity of the Federal Ministry of Finance and the CBN to cope with challenges associated with enforcement of the provisions of the TSA.

Keywords: Treasury Single Account; Transparency; Accountability; Central Bank of Nigeria; Ministries Department and Agencies; Government Revenue

Introduction
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 ensure accountability of government revenue, enhance transparency and avoid misappropriation of public funds (Adeolu, 2015). Adeolu believes that The President of Nigeria, Muhammad Buhari’s directive to all Federal Ministries, Departments and Agencies (MDAs) to start paying all government revenues, incomes, and other receipts into a unified pool of single account with the Central Bank of Nigeria (CBN), is a bold and highly commendable move directed at one of the strongholds of corruption in the polity, public institutions (Adeolu, 2015).

Apparently, its’ a master stroke against a tactless financial strategy emanating from an unholy alliance between banks and MDAs, the current implementation of this unified accounting structure, rightly called the Treasury Single Account (TSA), is burdened with high expectations of economic prospects owing to its possibility of ensuring transparency and accountability. According to Section 80 of the Nigerian constitution (as amended) posits that:
"all revenues, or other monies raised or received by the Federation (not being revenues or other monies payable under this said constitution or any Act of the National Assembly into any other public fund of the federation established for a specific purpose) shall be paid into and from one Consolidated Revenue Fund of the Federation”.

Nevertheless, successive governments of Nigeria have continued to operate multiple accounts for the collection and disbursing of government revenues in flagrant disregard to the provision of the constitution which requires that all government revenues be remitted into a single account. Many writers opined of many reasons for such disregard to include corruption, embezzlement, and misappropriation of funds, among others. Akande (2015) posits that the Treasury Single Account (TSA) is a unified structure of government bank accounts enabling consolidation and optimal utilization of government cash resources.

Through this bank account or set of linked bank accounts, the government transacts all its receipts and payments and gets a consolidated view of its cash position at any given time. The former Accountant-General of the Federation (A.G.F), Jonah Otunla, also backed the implementation of TSA stressing that it would bring about transparency, efficiency and accountability. This is because TSA is bound to improve transparency and accountability in public finance management (Akande, 2015).

**Literature Review**

**A Reflection on Treasury Single Account (TSA)**

Certainly, TSA will remove that organizational secrecy around the management of public finances. The discretionary aspect of accounting officers and politicians collaborating to do all manner of business with government finances before executing projects thereby causing delays or negotiating interest rates with banks for private gains will be over. Secondly, revenue generating agencies that have been depriving the Treasury of due revenue through overabundance of bank accounts under their care and which is not known to the authorities will no longer be able to defraud the revenue since all funds will be swept into the TSA (Jegede, 2015). Thus, beyond transparency and accountability, the TSA will introduce ‘efficiency’ into overall management of public finances and this will in the long run lead to effectiveness of government spending since it places government in a better position to realize overall policy goals. (Okechukwu, Chukwurah, Daniel, & Iheanacho, 2015; Obinna, 2015).

According to Otunla (former Accountant General of the Federation) prior to TSA, Nigeria had fragmented banking arrangements for revenue and payment transactions. He stated that, “There were more than 10,000 bank accounts in multiple banks, which made it impossible to establish government consolidated cash position at any point in time. This led to pockets of idle cash balances held in MDAs’ accounts when government was out borrowing money” (Obinna, 2015). The idea of Treasury Single Account came into being when some Agencies refused to declare and remit the 25% of their annual revenue they generated to the treasury as demanded by law. In 2012 about N120 billion was forcefully collected by government from MDAs (Ministries, Departments and Agencies) being 25% of their gross revenue to the treasury with another N34 billion collected in 2013. Before then, most of the MDAs were reluctant to remit the requested amounts by law to the treasury.

According to Adeolu (2015) treasury single account is a public accounting system under which all government revenue, receipts and income are collected into one single account, usually
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maintained by the country’s Central Bank and all payments done through this account as well. 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 to enhance reconciliation of revenue e-collection and payment (Adeolu, 2015). Hamisu (2015) buttressed that The Revenue Mobilization and Fiscal Commission released an audit report which indicted some banks for withholding about N12b revenue collected on behalf of the Nigerian Customs Service and Federal Inland Revenue Service. The revenue according to the commission was stashed in 19 banks from January 2008 to June 2012. The chairman, Non-Oil Committee of the Commission, Rev Ajibola Fagboyegun demanded for urgent return of the funds by the banks to avoid sanctions. It is eminent at this point to note that the TSA issue did not start with Buhari’s administration. Former President Goodluck Jonathan initiated the policy in 2014. But he could not implement it before he left office on May 29, 2015.

The implementation deadline by Jonathan was fixed for February 28, 2015. But the said deadline was ignored by the MDAs and no sanction was meted out to them. In that regard Jegede (2015) opined that Jonathan lacked the courage to enforce the implementation of TSA because the hands of his administration were not clean enough. Others argued that the former president could not resist the pressure to drop the idea from bank executives and top business magnates in the country who were playing major roles in the sponsorship of his re-election bid. (Jegede, 2015, Hamisu, 2015 and Adeolu, 2015). Suddenly, as Buhari emerged as President, and being absolutely aware of his stand in curbing corruption, and blocking every revenue leakage, revenue generating agencies on their own without another enabling government circular promptly complied and moved their several revenue accounts maintained in banks to the Central Bank of Nigeria (CBN), including offshore accounts maintained by them (Adeolu, 2015).

The TSA policy directive is not the only Jonathan’s ‘dead’ policy that President Buhari has revived by not making any addition, change, circular or by rolling out enforcement, but just by mere pronouncement at a public function. Others include, the Integrated Personnel and Payroll Information System in the public sector (IPPIS), introduced to block ghost workers syndrome, but was resisted by some MDAs and the harmonization of the country’s various data banks hosted by different government agencies such as, the CBN; National Population Commission, INEC, Customs, Immigration Service and others (Komolafe, 2015). Many Federal establishments were affected by this directive; they include all fully funded organs of government, ministries, departments and agencies (MDAs), foreign missions and partially funded government establishments like teaching hospitals, medical centres and tertiary institutions. Others include the Central Bank of Nigeria (CBN), Securities and Exchange Commission (SEC), Corporate Affairs Commission (CAC), Nigerian Ports Authority (NPA), Nigerian Communication Commission (NCC), Federal Airports Authority of Nigeria (FAAN), Nigerian Civil Aviation Authority (NCAA), Nigerian Maritime Administration and Safety Agency (NIMASA).

The list of affected organs also has National Deposit Insurance Corporation (NDIC), National Shippers’ Council (NSC), Nigerian National Petroleum Corporation (NNPC), Federal Inland Revenue Service (FIRS), Nigeria Customs Services (NCS), Ministry of Mines and Steel Development (MMSD) and the Department of Petroleum Resources (DPR), amongst others. (Odunsi, 2015). Though, contrary to views celebrating TSA as a creation of Buhari’s administration, this principle of public accounting system and revenue management has been both a constitutional provision and an extant fiscal practice (see Section 80 of the 1999
Constitution). Other subsections of that provision explain restrictions regarding the withdrawal of money from this Consolidated Revenue Fund. (CBN, 2015). Concerning its practice, as far back as the government of former President Olusegun Obasanjo, the need for a consolidated Federation Account was what informed the establishment of the Government Integrated Financial Management Information System (GIFMIS). However, it was President Goodluck Jonathan who piloted the TSA in its present form, when he commenced implementation with about 42 public institutions comprising ministries, departments and agencies, until recently when President Buhari began full implementation.

**Contextualizing Treasury Single Account**
The Treasury Single Account, a single pool for harvesting revenue inflows of MDAs was not Buhari’s idea. It was conceived by the immediate administration of President Goodluck Jonathan, but it remained a mere policy on paper due to lack of political will on the part of past administration to enforce it. But with Buhari on board as President, the enforcement has become a compulsory policy that all the revenue generating MDAs must comply with. They have been mandated to channel their earnings into a single account to be domiciled with the Central Bank of Nigeria (CBN). Federal Government’s seriousness about enforcing TSA was conveyed in a circular entitled, “Re: Introduction of Treasury Single Account (TSA) (E-Collection of Government Receipts)” by the then Head of the Civil Service of the Federation, Danladi Kifasi. The circular dated August 7, 2015 made it known that President Buhari:

“…has approved the establishment and operation of Treasury Single Account for e-Collection of Government Receipts for all Federal MDAs with effect from the date of this circular. Specifically, the circular was to aid transparency and facilitates compliance with sections 80 and162 of the Constitution of the Federal Republic of Nigeria 1999 (as amended). Consequently, he said all receipts due to the Federal Government or any of her agencies shall be paid into the TSA maintained in the Central Bank of Nigeria (CBN), except otherwise expressly approved” (Vanguard Editorial, 2015:18 as cited in Odunsi, 2015).

Kifasi said:

“…that the government had put in place effective monitoring mechanisms to ensure strict compliance. “All Accounting Officers, Directors of Finance and Accounts, Directors of Internal Audit, Heads of Accounts and Heads of Internal Audit Units of MDAs and other arms of government are enjoined to give this circular the widest circulation and ensure strict compliance to avoid sanctions. He said that further enquiries on the issue should be directed to the Accountant-General of the Federation” (Vanguard Editorial, 2015:18 as cited in Odunsi, 2015).

The payment of government revenue into multiple bank accounts operated by MDAs in commercial banks, as obtained under the old order, was clearly against the Nigerian Constitution (see Sections 80 and 162). It was a flagrant breach of the constitution that underscores the rot in the management of the country’s finances. It is heartening that this has now become history, going by the efforts of the new administration to implement the TSA policy that was reportedly first recommended by the Federal Government’s Economic Reform and Governance Programme in 2004, but dumped in 2005, following intense pressure from the banking industry. TSA also is part of the Public Financial Management reforms which falls
under Pillar 3 of the National Strategy for Public Service Reforms towards Vision 20:2020. The public financial management reforms were designed to address impediments to effective and efficient cash management. The former President Goodluck Jonathan’s administration had set a February 2015 deadline for the implementation of the initiative but did not go ahead with it. Bankers had pressurized the former government of Goodluck Jonathan, which had initiated the policy in December 2014, to soft pedal on the implementation, which was originally scheduled for February 2015, on the reasons of a likely negative impact on the economy. Recently, bank treasurers told Vanguard that the implementation would adversely affect liquidity in the banking system and end up putting pressure on interest rates and availability of credit to the economy. According to a publication in The Nation newspaper as cited in Okwe (2015:53):

“...Banks would be losing about N2 trillion deposits to the Central Bank of Nigeria, CBN, with the implementation of the Treasury Single Account, TSA, as ordered by President Muhammadu Buhari. The report on accounts of banks with CBN shows that at beginning of this current quarter, banks’ total public sector deposits was N1.3 trillion but additional net flows from Federation Accounts Allocation Committee, FAAC, as at end of the previous month (about N240 billion) as well as expected inflows by end of this month may push the figure close to N2.2 trillion by the time the pull out begins next month” (Okwe, 2015:53).

Henceforth, according to a statement by Laolu Akande, the Senior Special Assistant to Vice President Osibanjo on Media and Publicity, all receipts due to the Federal Government or any of its agencies must be paid into TSA or designated accounts maintained and operated in the Central Bank of Nigeria (CBN), except otherwise expressly approved. According to Obinna (2015), it is a bank account or a set of linked bank accounts through which the government transacts all its receipts and payments and gets a consolidated view of its cash position at any given time. This presidential directive would end the previous public accounting situation of several fragmented accounts for government revenues, incomes, and receipts, which in the recent past has meant the loss or leakages of legitimate income meant for the federation account.

It was common practice for agencies saddled with revenue generation to defraud government by siphoning public funds through all sorts of bank accounts in their custody and unknown to the authorities. But with all government revenues and receipts being pooled into the TSA, not only would it be difficult for this monumental fraud to continue without serious sanctions, but also it would afford government a quick glance at the daily funds pooled into the TSA by revenue generation agencies. TSA also has the advantage of blocking capital flight and other leakages that would ensue from the pockets of unauthorized foreign accounts; and thereby retain more revenue for the system (Obinna, 2015)

**TSA and Banking Sector**

In Nigeria, commercial banks have been the custodians of government funds. Therefore, with the maintenance of a single account, banks will be deprived of the free flow of funds from ministries. Indeed, it is estimated that commercial banks hold about N2.2 trillion public sector funds at the beginning of the first quarter of 2015 (Obinna, 2015). When such amount of money leaves the system, your guess is as good as mine. When one considers the fact that each time the monthly federal allocation is released, the banking system is usually awash with liquidity,
and as soon as this public-sector fund dries up, the result is liquidity problem with an increase in inter-bank rates. The banks must be affected, when such high revenue generating parastatals like the NNPC moves out of commercial banks. As a matter of fact, commercial banks stand to lose immensely from the implementation of Treasury Single Account. This will cause insufficiency of available cash in the banking system, resulting in a surge in money market rates during the period as banks source for funds to cover their poor liquidity positions.

Indeed, the Nigerian banking industry, on an aggregate basis, would be affected regarding deposits and funding cost structure (FAAC Sub-Committee, 2012). As a matter of fact, Obinna (2015) opined that TSA generated much fear in the banking industry even before its implementation. He maintained that its implementation would not be favourable to banks. Irrespective of how tough this policy will be on banks, it will perhaps compel the banks to focus on the funds of the real sector of the economy, rather than spending much on Federal Government projects, Oil & Gas Transactions, Forex dealings, etc. Any commercial bank that fails to operate based on the core banking functions for which they were licensed must definitely close shop. This will cause heavy downsizing of staff, thereby increasing the unemployment rate in the country. Managements of banks should understand the aim of establishing banks and that the Government is not only the customer banks have.

The issue of banks chasing government money at the expense of other clients especially in the sector of the economy is questionable and wrong. The issue of the non-accessibility to financial service causes poor economic sustainability and rural development in Nigeria. The adoption of the TSA is in the greater interest of the states, as it will pave the way for the timely payment and capturing of all government revenue in a single government treasury account, without the intermediation of multiple banking arrangements as had been the case (Obinna, 2015). Moreover, embracing the scheme can help reduce the mismanagement of public funds by revenue-generating agencies, as well as check excess liquidity, inflation, high interest rates and round-tripping of the government deposits. The use of multiple bank accounts left room for the misappropriation of huge sums of money belonging to all levels of government in the country. It encouraged unbridled corruption in the management of public finances, with the result that all tiers of governments became heavily cash strapped.

**TSA and the Nigerian Economy**

Government sees Treasury Single Account as a useful tool to establish centralized control over its revenue through effective cash management. It enhances accountability and enables government to know how much is accruing to its accounts on a daily basis (Akande, 2015). In Nigeria, it is expected that the implementation of TSA will help tame the tide of corruption of financial leakages and embezzlement. The implementation of Treasury Single Account (TSA) is expected to block revenue leakages within the MDAs as the Ministry of Finance will be able to monitor the inflows and outflows, hence, augment the reduction in oil revenue due to falling oil prices. CBN (2015) reasoned in the same direction and said that the implementation of TSA will enable the Ministry of Finance to monitor fund flow as no agency of government is allowed to maintain any operational bank account outside the oversight of the ministry of finance. The implementation of the TSA will have a positive effect on the national economic planning, swift & full budgetary implementation; reduce leakages and other irregularities in the MDAs, aid appropriate planning, data collection, analysis and timely aggregation of Federal Government Revenue. Realization of the government revenue on time causes its effective allocation. The primary benefit of a Treasury Single Account is to provide 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 economy. We have a situation where some Ministries, Departments, and Agencies manage their finances like independent empires and remit limited revenue to government treasury. But, under a properly run Treasury Single Account, it can no longer be possible, as agencies of government are meant to spend in line with duly approved budget provisions (Yusuf & Chiejina, 2015). Oyedele (2015) said that “Government should make banking arrangements for efficient management and control of government's cash resources”. It should be designed to minimize the cost of government borrowing and maximize the opportunity cost of fund. TSA ensures that all money received is available for carrying out government's expenditure program and making payments on time. Many 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 fund lies idle for extended periods in numerous bank accounts held by spending agencies while the government continues to borrow to execute its budget.

Udoma (2016) opines that maintenance of TSA will enhance funding government budget rather than depend on Federal allocation. In any economy where the budget is fully funded, the aim certainly will be accomplished. The consequence should be improved economic system, political and social development. It is clear that a government that lacks effective control over its cash resources can pay for its institutional deficiencies in multiple ways. They are as follows:

- Idle cash balances in bank accounts often fail to earn market-related remuneration.
- The government, being unaware of these resources, incurs unnecessary borrowing costs on raising funds to cover a perceived cash shortage.
- Idle government cash balances in the commercial banks are not idle for the banks themselves, and can be used to extend credit (Oyedele, 2015).

These have been the case in Nigerian economy. Nigeria still owes a huge amount in both external and internal debts. Therefore, the implementation of TSA will promote a healthy economic system. In the views of Oyedele (2015) five questions come to mind once TSA is mentioned. They are as follows:

*How does TSA operate?*

For TSA to work effectively, he opined that there must be daily clearing of and consolidation of cash balances into the central account even where the MDA’s accounts are already held at the CBN such as the FIRS. Some may argue that it is necessary to separate the cash transactions of each MDA for control and reporting purposes; however, this objective can be achieved through proper accounting rather than by holding cash in separate bank accounts. In any case, the various bank accounts held by MDAs in commercial banks do not necessarily have to be closed, but they must be operated at Zero-Balance Accounts where any closing balance must be swept to TSA at the Central Bank of Nigeria (CBN) on a daily basis to give government a consolidated cash position. He continued that TSA can therefore cover all funds including earmark and extra-budgetary accounts or even funds held in trust by government. To make this work, accounting systems must be robust and capable of accurately distinguishing trust assets in the TSA. This is not different from what a private company operating in many states or even internationally will do to consolidate its funds rather than fragment them by divisions or sub-entities. Hence, a company will only borrow externally if and only if its overall cash position is negative rather than when a division has a deficit even though others may have
surpluses. Oyedele quickly pointed out that TSA is not a new concept; it has been adopted for decades in many countries both in the developed world such as the United States, UK, France and developing economies like India and Indonesia.

**Are there exceptions and what role should commercial banks play?**

As a matter of fact, deposit money banks (DMBs) stand to lose immensely from the implementation of TSA. This is because of the fact that public sector funds constitute a large chunk of commercial banks deposit. Indeed, it is estimated that commercial banks hold about N2.2 trillion public sector funds at the beginning of sector quarter of 2015. The impact of this amount of money leaving the system can be imagined when one considers the fact that each time the monthly federal allocation is released by the Federation Accounts Allocation Committee (FAAC), the banking system is usually wet with liquidity and as soon as these public-sector funds dry up through withdrawal by the states, liquidity tightens again with interbank rates going up. Of major impact, will be the movement of funds of revenue generating parastatals such as the NNPC, out of commercial banks (FAAC Sub-committee, 2012).

There also seems to be a return of “deposit wars” amongst banks as each DMB devices means of mobilizing funds from the private sector. We see a return of the era when women are employed by banks specifically for deposit mobilization and tacitly encouraged to use any means necessary to get funds. We see increase in deposit interest rates as a major means of inducing customers and most importantly we see a drop in lending and in the profitability of banks, at least, in the short to medium term until they fully come to terms with the impact of the policy and begin to properly position themselves for true banking business. Ultimately, we see the share price of these banks falling as investors attempt to price in the policy impact.

**What are the Potential Benefits and Challenges?**

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 MDA’s manage their finances like independent empire and remit limited revenue to government treasuries. Under a properly managed TSA, this is not possible as agencies of government are meant to spend in line with duly approved budget 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. 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 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 them 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 should be prompt release of funds for projects. Oyedele continued that if contractors are paid on time then the need for them to borrow at high interest 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 should be 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. TSA should also provide some transparency around unspent budgetary allocation which can be carried forward to another year. One has always wondered why we have low budget executions (sometime 60% or less) and yet we begin every budget year based on zero revenue (Hamisu, 2015). There may be some legal barriers to full implementation of TSA. While Section 162 of the Constitution regarding maintenance of Federation Account provides a broad legal framework, it does not address the operational details.

**Are there potential tax implications?**

If tax collection fees are negotiated based on transactions rather than value of revenue collected, then cost of tax collection will go down for the tax authorities from over 5% currently in some cases to a ratio closer to the 1% international benchmark. It will also ensure that gross revenue collection and commissions are separately accounted for rather than the net revenue approach which does not promote transparency. Given that interest on government bonds and treasury bills are tax free, tax revenue should increase to the extent that banks will be compelled to lend to the private sector which is mostly taxable.

Unfortunately, banks’ reported profits may go down especially in the short term while their taxes will increase. The impact will be partially offset by the excess dividend tax which banks currently pay whenever they distribute their exempt profits as dividends to shareholders. Also, TSA should facilitate transparent reporting of tax revenue and pave the way for tax offsetting and faster payment of refunds. It should be possible for taxpayers to use excess payments or refunds in one tax area (say withholding tax or VAT) to pay other taxes such as corporate income tax, and so on, as this is merely an accounting issue which can be dealt with within TSA configuration. There should be enhanced fiscal federalism as TSA transit accounts maybe necessary for tax revenues that are centrally collected but are to be shared by the different levels of government such as VAT. It should in fact be possible to automatically allocate monies to states and local governments on a real-time basis rather than on a monthly basis.

TSA should lead to better fiscal and monetary policy coordination as better transparency is achieved through reconciliation of fiscal and banking data, which in turn improves the quality of fiscal information. It may be necessary to introduce codes within TSA to provide required geographical and organisational information for taxes where derivation is one of the factors for revenue sharing. TSA should prevent delays in reconciling taxpayers’ accounts which historically has been the case where taxes paid by companies are not remitted promptly to tax authorities or the authorities do not have visibility on collections to update taxpayers’ records. This leads to delays in obtaining tax credits or even tax clearance certificates. Each day, all banks involved in revenue collection should remit taxes collected to the tax authorities’ accounts linked to TSA and provide information to the tax authorities to update taxpayers’ records. Hopefully once the ongoing implementation of electronic tax filing system is fully implemented, this process should happen automatically with little or no human intervention.

**Treasury Single Account and Case of Fraud**

In recent times, the National Assembly of Nigeria and the readable public was thrown into a state of confusion and disagreements as it were, as a result of accusations and denials of fraud
with Treasury Single Account between Senator Dino Melaye and Lai Mohammed (representing the Presidency). The operation of TSA has been tagged as a fraud; this was the conclusion of Senator Dino Melaye. He contested the alleged outrageous commission of 25 billion Naira received by SystemSpecs, the organization in charge of the operation of TSA. His position necessitated the National Assembly of Nigeria (NAN) to summon a committee of enquiry to investigate the operation of the project since its inception. The Central Bank of Nigeria (CBN) in the same vein, requested the return of all the commission charged and received by SystemSpecs (Komolafe, 2015). However, the Federal Government of Nigeria (FGN) through the office of The Minister of Information and Culture Lai Mohammed described as rumour the information flying around that TSA is a project meant to siphon the Nigeria treasury and also that the 1% being charged as commission by SystemSpecs can’t be justified (The Sun Newspaper, 2015). The minister in his statement cleared the administration of President Muhammadu Buhari from the signing of the contract that led to the operation of TSA (Sahara Reporters, 2015).

The platform handler, who is also the managing director of the project SystemSpecs, Mr. John Obaro, explained the distribution of the 1% commission charged as a portion being shared between SystemSpecs, Commercial Banks and CBN in the ratio of 50:40:10 respectively (Odunsi, 2015).

On November 11, 2015, Senator Melaye, representing Kogi West, requested that a panel of enquiry should be set up to investigate the operation of TSA. By his submission, the use of Remita as a collection medium is against the laid down principle in the constitution of the federal republic of Nigeria stated in section 162 (1) that:

“...the federation shall maintain a special account to be called the federation account into which all revenues collected by the government of the federation except the proceeds from the personal income tax of the personnel of the Armed Forces of the Federation, the Nigeria Police Force, the ministry or department of government charged with foreign affairs and the residents of the FCT, Abuja.”

He claimed the constitution only recognized a banking institution to be the collector of government funds, therefore since Remita is not a bank, the establishment of such platform to collect government fund is against the dictate of the constitution. He also alleged the total inflow of 1% commission allegedly charged and received by SystemSpecs for all revenue collected on behalf of the government from the various ministries, departments and agencies to be 25 billion Naira as of November, 2015. He claimed the fee is a fraud and must be returned to the account of the Central Bank of Nigeria (Ibekwe, 2015).

According to the daily newspaper, Vanguard Nigeria in her letter dated 27 October 2015, the CBN instructed SystemSpecs to return all the revenue made so far on the contract (Omoh, 2015). According to a publication in December 2015 by Salius Idris on Today Newspaper, John Obaro, Managing Director of SystemSpecs, owners of Remita, the e-payment and e-collection platform used for payments into the Treasury Single Account (TSA), disclosed that SystemSpecs and participating commercial banks took a “business decision” to return to the Central Bank of Nigeria (CBN) the N8 billion and not N25 billion it collected as charges for its services despite a valid contract backing the transaction. That the refunded N8 billion represents monies accrued from the one per cent TSA remittance charge collected by
SystemSpecs, participating commercial banks and the CBN from federal government ministries, departments and agencies (MDAs).

Obaro said this during a public hearing on the “Abuse and Mismanagement of Treasury Single Account (TSA) Regime” organised by the Senate Joint Committee on Finance, Banking, Insurance, and other Financial Institutions and Public Accounts. Obaro told the Senate joint committee that although SystemSpecs was not averse to price renegotiation in view of “emerging realities”, the one per cent fee was discussed by all stakeholders, set by CBN and Office of the Accountant-General of the Federation (OAGF) and communicated to all MDAs by the CBN.

In another development, the Premium Times reported a counter claim by Ibrahim Muazu, the director of communication of CBN said Dino Melaye’s position was ‘completely misleading’:

“That is false...That is false...,” “It is grossly exaggerated. We are talking of one per cent. What is one per cent of the money? Have we collected up to a trillion? That is completely misleading information. Even at the beginning of the TSA, the estimation of all the movement of federal government funds into the account is 1.2 trillion Naira...” (Ibekwe, 2015).

So, contrary to Melaye’s argument in the senate, Muazu posits that Remita is indeed software that facilitates the payment of government revenue from financial institutions to a TSA in the CBN and not a revenue collection agent. Also, contrary to Mr. Melaye’s submission, the entire one per cent commission does not go to SystemSpecs. The commission is shared by the CBN, commercial banks, and the CBN. From the political point of view, Ekiti state governor Ayo Fayose also accused the federal government of Nigeria of using the fund collected through TSA to finance the Bayelsa and Kogi state gubernatorial election (Balogun, 2015). Fayose also rejected a call by the federal government of Nigeria to attend a meeting convened to deliberate on the operation of this system among the state government.

He said in Vanguard that “From all intent and purposes, this TSA policy is aimed at recouping money spent on the last general elections by the leadership of APC, as well as raise money for future elections, especially the Kogi and Bayelsa States gubernatorial polls. He claimed it was also meant to enrich some individuals for doing virtually nothing and that can be seen from the discovery of N25 billion that already accrued to just a single company in one month” (Balogun, 2015). The CBN in an attempt to justify their position released a letter to the press titled “Commencement of Federal Government independent revenue collection under the Treasury Single Account (TSA) initiative”. In this letter, the CBN debunked all the allegations made by Melaye as being a gateway for misleading the people of Nigeria.

In another report by Vanguard on the 9th of December 2015, the Accountant General of the Federation (AGF) Ahmed Idris and the CBN governor Godwin Emefiele denied being privy to the agreement signed by SystemSpecs. The AGF said “since my assumption as (AGF) no monies has been sent via the OAGF. There was no agreement between the OAGF and the Central bank, I am not part and my office is not part of this payment. ... We have not engaged anybody and have not paid anybody; I have also said what I know” (Idris, 2015). The Minister of Information and Culture, Lai Mohammed, in his defence, has dismissed as a “contrived distraction” the alleged fraud in the Treasury Single Account, TSA, and the rumoured diversion
of the TSA funds to bankroll elections in Bayelsa and Kogi States. The Information Minister further stated that:

“...it is understandable that the psyche of those who are making the frivolous allegations concerning the TSA has been badly affected by the impunity that permeated the country under the immediate past Administration, when unappropriated funds were freely used to finance elections and the public still was seen as an extension of personal piggy banks”.

The Minister assured Nigerians that no one has tampered with the TSA funds, saying though the TSA was initiated under the previous Administration, the reason it has begun to enjoy a new lease of life and attracted national attention was because of the political will and transparency demonstrated by President Buhari. On the issue that Senator Dino Melaye had called on the Senate to investigate the implementation of the TSA alleging that the company implementing it has made N25billion for “doing nothing”. Lai Mohammed opined that “Those behind the rumour that a single company, Systemspecs, made 25billion Naira from charging 1 per cent of TSA funds that passed through the company’s software, Remita, may need to return to elementary school to get some lessons in arithmetic.”

This is because in order for 1 per cent charge to fetch 25billion Naira, the funds accruing into the TSA must have reached 2.5trillion Naira. Yet, the total amount of funds in the TSA to date is still much less than 2trillion. More importantly, at the time the Governor of the Central Bank of Nigeria (CBN) ordered that all monies that were erroneously charged as ‘revenue’ be returned to the TSA Account late last month, the TSA had less than N800 billion. It therefore beggars belief that anyone could attempt to mislead the public by raising a false alarm that a firm made 25billion Naira in TSA charges (Idris, 2015).

Conclusions
It is obvious that TSA policy will go a long way in blocking the identified financial leakages in revenue generation and promote transparency and accountability in the public financial system if it is fully implemented. It will equally pave way for the timely payment and capturing of all revenues going into the government treasury, without the intermediation of multiple banking arrangements. The policy will also enable the government at the centre to know its cash position at any given time without any hindrance. The system will likely reduce round-tripping of government deposits. One major shortcoming of this research is the inadequacy of literature because the policy is fairly new.

On the whole, 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. Tax authorities should use the opportunity to start presenting robust tax revenue reporting to include tax collection by tax types; industry sectors, states, number of taxpayers, demography, tax credits, unpaid refunds, and value of tax incentives granted, and so on. The FIRS and Joint Tax Board should fast-track the implementation of their e-filing projects which should help
ultimately in ensuring that instant credits are granted to taxpayers for remittances to TSA via commercial banks.

For the success of this policy, government should engage in massive public enlightenment about the importance of the policy at all levels. Government should adhere to the provisions of Section 162(1) of the Constitution of the Federal Republic of Nigeria (as amended) for the maintenance of Federation accounts and avoid using private contractors (SystemSpecs-Remita). Although Section 162(1) has made provisions for maintenance of Federation accounts, the legislature should look inwards and address the operational details.

Government should overhaul the capacity of the Federal Ministry of Finance and the CBN to cope with challenges associated with enforcement of the provisions of the TSA. Government should secure as soon as possible the appropriate legislative support to facilitate the relevant regulatory environment which will drive the effective implementation of the TSA. Another suggestion is that there is need for more legislation to cover the states and local government level since the policy in question only covered the federal level for now. Government should review the TSA policy to specifically safeguard the financial autonomy of some sectors, like the education sector.

References


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