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Treasury Single Account and Its Effect on Fraud Detection and Prevention in Federal Tertiary Institutions in Adamawa State

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Abstract

The purpose of this study is to assess Treasury Single Account and Its Effect on Fraud Detection and Prevention in Federal Tertiary Institutions in Adamawa State. The research design adopted for the study is the survey research. The population of the study comprised of 30 bursary staff from Modibbo Adama University Yola, Federal College of Education Yola and Federal Polytechnic Mubi. This study is anchored on statistical test of formulated hypotheses based on the Multiple Correlation Coefficient 'r' by using the Statistical Package for Social Sciences (SPSS). Data were gathered using questionnaire and interview (primary data) as well as review of books, journals and internet (secondary data). 90 copies of questionnaire were distributed to the respondents and only 60 were returned. Two hypotheses were formulated, the first to test whether treasury single account (TSA) affects fraud detection and prevention in tertiary institutions and the second to determine the level of compliance with the TSA and a model was formulated. Findings from hypothesis one show that about 92.1% of the proportion of change in fraud detection and prevention is being predicted by the treasury single account (TSA), hence the null hypothesis was rejected. With regards to hypothesis two, a correlation level of 55.0% (.550) indicates a significant level of compliance with the TSA by federal tertiary institutions, therefore the null hypothesis was rejected. The study therefore recommends that the treasury single account regime should be strengthened to guard against financial improprieties and given the success of TSA regime in federal tertiary institutions, state owned tertiary institutions who are yet to adopt the TSA should be made to comply in order to prevent fraud in state owned tertiary institutions.

Keywords: Effects, Treasury, Single Account, Fraud, Detection, Prevention.

Introduction

Treasury Single Account (TSA) is one of the financial policies that was implemented by the federal government of Nigeria to make all inflows such as money and other things from all the ministries, different categories of departments and agencies (MDA's) in the country by way of deposit into commercial banks so that it will be noticeable in a single account at the apex bank in the country.

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 fraud (Okerekeoti and Okoye 2017). The Central Bank of Nigeria distributed a circular to all money deposit banks to implement e-collection platform. This platform is a technology platform deployed by the federal government to support the collection and remittance of all government revenue to a consolidated account domiciled with the central bank of Nigeria. This marked the beginning of the full implementation of treasury single account system in Nigeria.

Section 80 (1) of the 1999 constitution as amended provides that all revenue or other moneys raised or received by the federation (not being revenues or other money payable under this 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 one consolidated revenue fund of the federation most government have continued to operate multiple accounts for the collection and spending of government revenue in figurant disregard to the provision of the constitution which requires that all government revenues be remitted into a single account (Kivaonyi 2022). It was not until 2012 that government ran a pilot scheme for a single account using 217 ministries, department and agencies as test cases. The pilot scheme saved the country about N500 billion frivolous spending. The success of the pilot scheme motivated the government to fully implement treasury single account, leading to the directives should be remitted to a treasury single account is in consonance with this program and in compliance with the provision of the 1999 constitution (Obara, Ordu and Obara 2022).

Efficient management and control of government's cash resources rely on government banking arrangements. Nigeria, like many middle-income countries, employed fragmented systems in handling government receipts and payments. Establishing a unified structure as recommended by the IMF, where all government funds are collected in one account would reduce borrowing costs, extend credit and improve government's fiscal policy among other benefits to government. The IMF also recommends the establishment of a legal basis to ensure its robustness and stability. The introduction of the Treasury Single Account policy therefore was vital in reducing the proliferation of bank accounts operated by ministries, departments and agencies (MDAs) towards promoting financial accountability among governmental organs. The compliance of the policy in Nigeria created challenges for majority of the MDAs. Deposit money banks in Nigeria remitted over 2 trillion Naira worth of idle and active governments deposits with full implementation of this policy in 2016. The operation of the Treasury Single Account in Nigeria has not been without controversies. On Tuesday, 10 November 2015, Dino Melaye, a Nigerian senator representing Kogi West, raised a motion that the operation of the treasury single account (TSA) be investigated for possible corruption. He claimed that "the appointment of REMITA, an e-collection agent, is a gross violation of section 162 (1) of the Nigerian Constitution and the banks and other Financial Institutions Act." He claimed the constitution only recognised a banking institution to be the collector of government funds, that Remita was not a bank. The provision of the Constitution cited by Melaye states, "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" (wikipedia.org).

Statement of the Problem

The issue of government agencies operating multiple accounts was a case in study and was brought to light when the then CBN governor, Mr. Sanusi accused the NNPC of failing to pay about $20 billion in oil revenue to the government between 2012 and 2013 by operating up to seven accounts, thereby violating Section 80 (1) of the 1999 constitution as amended.

Preliminary research has revealed that at the institutional level, accounting for institutional funds is often difficult because the institutions operate multiple accounts for various payments ranging from application forms, acceptance fees and the registration fees etc. In the past, cases of frauds and misuse of institutional resources were unearthed and this cast a shadow of doubt on accountability (Bello, Mohammed and Javan 2022).

The level of fraud in present day Nigerian tertiary institutions has assumed an epidemic dimension and yet there are anti-fraud professional institutions in Nigeria that are highly funded (Akpomi, Ugodulunwa and Nnadi 2012).

A common and widely accepted notion is that institution and enforcement of proper accountability will always lead to improvements in fraud detection and prevention in organizations. Nevertheless, issues raised and observations made still allude/point out that in spite of elaborate system of controls in tertiary institutions, accountability has been elusive in most of these institutions.

It is evident that the problems discussed above are not peculiar only to government corporations such as the NNPC but also affects tertiary institutions as well, hence there is the need for a comprehensive study to find out if there is a significant relationship between treasury single account and fraud detection and prevention in federal tertiary institutions. To achieve this, the three federal tertiary institutions in Adamawa State were selected.

Objectives of the Study

The objectives of this study are to determine:

1. whether the treasury single account affects fraud detection and prevention in federal tertiary institutions in Adamawa State, and
2. the level of compliance with the treasury single account by federal tertiary institutions in Adamawa State

Research Questions

1. Does treasury single account affect fraud detection and prevention in federal tertiary institutions in Adamawa State?
2. What is the level of compliance to the treasury single account by federal tertiary institutions in Adamawa State?

Literature Review

Treasury Single Account

Treasury Single Account (TSA) is a financial policy in use in several countries all over the world. It was proposed by the federal government of Nigeria in 2012 under the Jonathan Administration and was fully implemented by the Buhari Administration to consolidate all inflows from all agencies of government into a single account at the Central Bank of Nigeria (wikipedia.org).

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 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 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 Akande (2015) treasury single account will ensure adequate monitoring of government revenue receipts and expending and blocks leakages, as MDAS is allow to keeps any operational bank account. Treasury single account will help to check incidence of belle cash lying over extended periods in bank account held by spending MDA'S while government continues to borrow to execute it's budgets under treasury single account, DMBS using public sector funds deposited by MDA'S to make free profit will not be possible to pay money under treasury single account in commercial bank and the funds are automatically remitted to the consolidated revenue in the central bank of Nigeria at regular interval at the end of the business day or at more fervent interval.

According to Okerekeoti and Okoye (2017) 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 as 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).

Fraud Detection and Prevention

Fraud: is a broad legal term referring to dishonest acts that intentionally use deception to illegally deprive another person or entity of money, property, or legal rights. Unlike the crime of theft, which involves the taking of something of value through force or stealth, fraud relies on the use of intentional misrepresentation of fact to accomplish the taking. In proven cases of fraud, the perpetrator—a person who carries out a harmful, illegal, or immoral act—may be found to have committed either a criminal offense or a civil wrong (Longley 2022).

Fraud takes on many forms, and it adapts to every business model. However, there are a few recurrent attack vectors worth knowing about. These include:

Stolen credit card purchase: criminals steal credit card numbers and use them to buy services or products from your company. A chargeback is then submitted, for which you must cover the administrative fees.

Account takeover: more sophisticated attacks, which use identity theft (often through phishing) to steal credentials of an existing account. The end goal, however, is still the same: steal money or personal data from the original user.

Fake accounts: fraudsters falsify information or use stolen IDs to create a new account. A lax signup policy may allow easier onboarding for traction, but it also opens the door to bad agents. It's one area we've seen a boom during the pandemic – for example in the FX trading world.

Bonus abuse: fraudsters use linked accounts to abuse merchant terms, whether it is to benefit from signup promotions or loyalty rewards.

Friendly fraud: This fraud happens when the legitimate cardholder contests a payment. This is either because they forgot, regret their purchase, or maliciously anticipated a chargeback request.

Affiliate fraud: a marketing partnership can quickly turn sour if your affiliates send bad traffic to your site on purpose. This is particularly prevalent in the iGaming industry, where unscrupulous affiliate fraudsters target PPC (pay-per-click) and PPL (pay-per-lead) acquisition models.

Return fraud: another new fraud attack vector, growing in popularity due to Amazon's frictionless COVID return policies. Fraudsters purchase items on your site and take advantage of your return policy to get free items, or intentionally deplete your inventory.

Fraud Detection

Kadar (2020) revealed that fraud detection is a collection of processes and techniques designed to identify, monitor, and prevent fraud. In the online business world, fraud, scams, and bad agents are damaging in a number of ways. Companies have to put steps in place to ensure that fraud is detected and stopped before it affects business. Detecting fraud is the first step in identifying where the risk lies. You can then prevent it automatically or manually.

For fraud prevention and detection, you'll need to combine as many of the following features as possible:

Data enrichment: to learn more information based on a single data point. This process aggregates external data to complete picture about a user, for instance. A good example is reverse email lookup, which lets you know how risky the user is based on the single datapoint of an email address.

Social media lookup: a powerful way to learn if your user has a social media presence. This can be useful for compliance reason, or simply to verify someone's ID. Make sure that your solution can check as many social media networks as possible, and in as many regions as possible.

Custom risk scoring: fraud prevention works by weighing risk. You need to be able to control how risk is calculated to make sure the results adapt to your business. This is not only important to improve accuracy, but also to automate the approval, review, or rejection of certain user actions.

Pay-per-API pricing: paying per API call offers the most flexibility as you can scale your fraud prevention usage based on your business growth. Be especially aware of chargeback-guarantee models, which incentivize vendors to be overly zealous in declining credit card payments.
Clean UX: fraud prevention involves a lot of data visualization. Ensure it's available in a way that's user-friendly and intuitive. At the very least, you should be able to export your data and to access reports to understand what how fraud prevention engine is working under the hood (Kadar 2020).

Materials and Methods

Research Hypotheses

To achieve the above objectives, 2 hypotheses were formulated as stated below:
H_{01}: Treasury Single Account does not affect fraud detection and prevention in federal tertiary institutions in Adamawa State.
H_{02}: There is no significant level of compliance by federal tertiary institutions to the treasury single account in Adamawa State.

Research Design

The research design adopted for this study is the survey research method. The survey design approach was justified on account of its economy, rapid data collection and ability to understand a population from a part.

Population and Sampling Technique

The population of the study comprised of 30 bursary staff from Modibbo Adama University Yola, Federal College of Education Yola and Federal Polytechnic Mubi totalling 90 from the 3 institutions combined.

Method of Data Analysis

$Frauddetnprvnt_o = \alpha + \beta_o Trsrysingleacct_o$
Where: $Frauddetnprvnt_o$ = Fraud Detection and Prevention
α = Intercept of regression model
$\beta_o Trsrysingleacct_o$ = Treasury Single Account
μ = Error

Results and Discussion

Test of Hypotheses

H_{01}: Treasury Single Account does not affect fraud detection and prevention in tertiary institutions.

Table 1. Distribution and response rate of questionnaires

Sample Size	90
Questionnaires distributed	90
Questionnaires retrieved	60
Questionnaires not retrieved	30
Percentage response rate	66.67%
Percentage success rate	66.67%

Source: *Field work 2022*

Table 2: Model Summary of Treasury Single Account and Fraud Detection and Prevention

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.921[a]	.550	.545	11.78041

a. Predictors (Constant), Treasury Single Account

This table provides the R and R^2 values. The R value represents the simple correlation and is .921[a] (the 'R' column), which indicates a high degree of correlation. The R^2 value (the R square column) indicates how much of the total variation in the dependent variable (fraud detection and prevention) can be explained by the independent variable (treasury single account).

Table 3: Analysis of Variation Goodness of Fit Model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9837.664	1	9837.664	164.281	.000[b]
	Residual	17785.196	307	89.8247		
	Total	27622.86	308			

a. Predictors: (Constant), Treasury Single Account

b. Dependent Variable: Fraud Detection and Prevention

This table indicates that the regression model predicts the dependent variable very well. The regression Row "Sig" column shows that the statistical significance of the regression model was run. Here, $P<0.0005$, which is less than 0.5, and indicates that, overall, the regression model statistically significantly predicts the outcome variable i.e (it is a good fit of the data).

Table 4 Models Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	37.017	4.335		13.1927	.000
	Trsrysingleacct	.852	.818	.9264	16.1684	.000

a. Dependent Variable: Fraud Detection and Prevention

The coefficients table provides the necessary information to predict fraud detection and prevention from treasury single account, as well as determine whether treasury single account contribute statistically to the model (by making reference to the "Sig" column.

Furthermore, the values in the "B" column under the unstandardized coefficients column can be used to present the equation as:

$Frauddetnprvnt_o = \alpha + \beta_o Trsrysingleacct_o$

Substituting into the equation reveals;

$Frauddetnprvnt_o = 37.017 + 0.852$(treasury single account)

From the table, it can be seen that the relationship between fraud detection and prevention and treasury single account is positive (0.852) and based on the P-value of 0.000, it can be concluded that the relationship is statistically significant.

Therefore, the first hypothesis which states that Treasury Single Account does not affect fraud detection and prevention in federal tertiary institutions in Adamawa State is hereby rejected and it can be concluded that there is a statistically significant linear relationship between treasury single account and fraud detection and prevention in federal tertiary institutions in Adamawa State.
As already stated above, the R^2 value (the R square column) indicates how much of the total variation in the dependent variable (fraud detection and prevention) can be explained by the independent variable (treasury single account). Here, 55.0% (.550) can be explained, which is significant. Hence the second hypothesis which states that there is no significant level of compliance by federal tertiary institutions to the treasury single account in Adamawa State is hereby rejected and it can be concluded that there is a significant level of compliance to the TSA by federal tertiary institutions in Adamawa State.

Conclusions

Based on the findings of the study, it is concluded that Treasury Single Account significantly affects fraud detection and prevention in federal tertiary institutions in Adamawa State due to a positive relationship of .921[a].
On the level or extent of compliance to the treasury single account, the study also concludes that federal tertiary institutions in Adamawa State have complied with a significant extent by virtue of the regression level prediction of .550 (a significant R^2 value).

Recommendations

Since it was evidenced in the study that treasury single account affects fraud detection and prevention in federal tertiary institutions in Adamawa State and given the success of the treasury single account regime in federal tertiary institutions, the study therefore recommends that:

- The treasury single account regime should be strengthened to guard against financial improprieties and fraud.
- State owned tertiary institutions that are yet to adopt the TSA should be made to comply with the treasury single account in order to prevent fraud in state owned tertiary institutions.

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