



The Senate

Federal Republic of Nigeria

Report Of The

Senate Joint Committee On Finance; Banking,
Insurance, And Other Financial Institutions; And
Public Accounts

On The Abuse And Mismanagement Of Treasury
Single Account Regime (TSA)

February, 2016

REPORT OF THE SENATE JOINT COMMITTEE ON FINANCE; BANKING, INSURANCE AND OTHER FINANCIAL INSTITUTIONS; AND PUBLIC ACCOUNTS ON THE ABUSE AND MISMANAGEMENT OF THE TREASURY SINGLE ACCOUNT (TSA) REGIME

1.0 INTRODUCTION

The Senate at its sitting on Wednesday, 11th November, 2015, debated a motion on "Abuse and Mismanagement of the Treasury Single Account Regime" sponsored by Senator Dino Melaye and resolved to, among others, mandate the Joint Committee on Finance; Banking, Insurance and other Financial Institutions; and Public Accounts to carry out a holistic investigation on the matter to report back within two (2) weeks.

2.0 MEMBERSHIP

2.1 Committee on Finance

- | | | | |
|----|---------------------------|---|-----------------|
| 1. | Sen. John Owan Enoh | - | Chairman |
| 2. | Sen. Umaru I. Kurfi | - | Deputy Chairman |
| 3. | Sen. Usman B. Nafada | - | Member |
| 4. | Sen. Hope O. Uzodimma | - | Member |
| 5. | Sen. Joshua C. Dariye | - | Member |
| 6. | Sen. Adeola O. Solomon | - | Member |
| 7. | Sen. Mustapha M. Sani | - | Member |
| 8. | Sen. Yahaya A. Abduallahi | - | Member |

- | | | | |
|-----|-----------------------|---|--------|
| 9. | Sen. Nelson A. Efiong | - | Member |
| 10. | Sen. Yusuf A. Yusuf | - | Member |

2.2 Committee On Banking, Insurance And Other Financial Institutions

- | | | | |
|-----|-------------------------|---|----------|
| 1. | Sen. Rafiu A. Ibrahim | - | Chairman |
| 2. | Sen. Mohammed D. Goje | - | Member |
| 3. | Sen. Umaru I. Kurfi | - | Member |
| 4. | Sen. Adesoji R. Akanbi | - | Member |
| 5. | Sen. Ahmed M. Abubakar | - | Member |
| 6. | Sen. Peter O. Nwaoboshi | - | Member |
| 7. | Sen. Tijjani Y. Kaura | - | Member |
| 8. | Sen. Philip A. Gyunka | - | Member |
| 9. | Sen. Stella Oduah | - | Member |
| 10. | Sen. Joseph G. Dada | - | Member |

2.3 Committee on Public Accounts

- | | | | |
|----|--------------------------|---|-----------------|
| 1. | Sen. Andy E. Uba | - | Chairman |
| 2. | Sen. Joseph G. Dada | - | Deputy Chairman |
| 3. | Sen. Yahaya A. Abdullahi | - | Member |

- | | | | |
|----|-----------------------|---|--------|
| 4. | Sen. Binta M. Garba | - | Member |
| 5 | Sen. Joshua C. Dariye | - | Member |
| 6 | Sen. Albert B. Akpan | - | Member |
| 7. | Sen. David Umaru | - | Member |
| 8. | Sen. Foster Ogola | - | Member |
| 9. | Sen. Sabo Mohammed | - | Member |

2.4 Secretariat:

- | | | |
|----|----------------------|---|
| 1. | Abdullahi El-Rasheed | - Committee Clerk, Finance |
| 2. | P. N. Ikeokwu | - Committee Clerk, Banking, Insurance &
Other Financial Institutions |
| 3. | A. E. Abdullahi | - Committee Clerk, Public Accounts |

3.0 BACKGROUND

The Federal Government in December 2004, with the support of the World Bank initiated the Economic Reform and Governance (ERG) project with the goal to “significantly strengthen governance and accountability, reduce complicity and deliver services more effectively”. A critical aspect of the ERG is the introduction of Government Integrated Financial and Management Information System (GIFMIS). The purpose of GIFMIS is to assist the FGN in improving the management performance and outcomes of public financial management. One key area within the scope of GIFMIS is

improving the effectiveness of transfer of collections to the Treasury through implementation of the Treasury Single Account (TSA).

The Treasury Single Account is a public accounting system under which all government revenues, receipts and income are collected into one single account maintained by the country's Central Bank.

The purpose is primarily to ensure accountability of government revenue, enhance transparency and avoid misapplication of public funds. The maintenance of Treasury Single Account (TSA) will help to ensure proper cash management by eliminating idle funds usually left with different commercial banks and in a way enhance reconciliation of revenue collection and payments.

Mr. President, Distinguished Senators, the allegation by the mover of the Motion on the one percent (1%) automated online charge for e-Collection by SystemSpecs Nigeria Limited has generated a lot of interest from Nigerians, given the huge amount of money deducted between March and October, 2015.

4.0 METHODOLOGY AND COMMITTEE OBJECTIVES

The Joint Committee (herein after referred to as the Committee) held its inaugural meeting on 19th November 2015 to define its goal, objectives, activities and agreed on modalities for conducting the investigation, which included:

1. Developing and defining key issues and nature of interrogatories/questions which resolution would assist the Investigation;
2. Requests for inputs and documents from identified major interests and stakeholders;
3. Conducting of Public Hearing; and where necessary
4. Committee Interactive Session(s).

4.1 Goal and Objectives

4.1.1 The goal of the Committee's work is to investigate the alleged abuse and mismanagement of Treasury Single Account (TSA) in order to establish the true position of things and recommend appropriate actions/measures. This was succinctly captured in the Welcome Address of the Chairman of the Joint Committee who clearly stated that:

"It is pertinent to conduct this investigative hearing noting observations already made on the floor of the Senate, take and reconcile them with inputs from Stakeholders and other comments on the allegation of 1% charge for the e-collection by SystemSpecs. At the end of our work, we hope to establish the true position of things and recommend appropriate actions/measures".

4.1.2 The Committee identified the following objectives to guide its investigation:

1. To determine the purpose, content and implementation process of the Treasury Single Account (TSA);
2. To identify the roles of agencies and companies in the conceptualization, design and implementation of TSA;
3. Drawdowns (if any) on the TSA from inception to date;
4. To inquire and determine the nature of relationships and contracts (if any) their scope, tenure, fees and other key terms between the Federal Government and the e-Collection Agent(s) including name(s) and address(es) of the Agents/Consultant(s) on the TSA operation; including evidence of due process in their appointment;
5. To determine the nature of TSA infrastructure, software design and identify the platforms used for the transfers and e-collections of the TSA from inception to the current period under investigation, spanning from March to October, 2015;
6. To determine the amount remitted so far by the Ministries, Departments and Agencies (MDAs) to the CBN (Consolidated Revenue Fund of the Federation) under TSA regime; and

7. To ascertain the charges/fees collected by the e-Collection Agents; including the parameters/approvals for payments made so far.

4.2 Other Activities/Modalities of the investigation included:

4.2.1 Preparatory Meetings to draw up the agenda, interrogatories for the inputs of stakeholders, design the nature of hearings;

4.2.2 Dispatch of requests for documents/guideline for inputs from identified stakeholders, and letters of invitations for Public Hearing and Committee Hearing;

4.3 Public Hearing was held on Wednesday, 9th December, 2015;

4.4 Committee Select Hearing/Interactive session with the three (3) major stakeholders (i.e. e. Accountant General of the Federation, Central Bank of Nigeria and SystemSpecs Nigeria Limited) was held on 16th December, 2015;

4.5 The Joint Committee wrote identified Stakeholders requesting information/documents on the subject matter. The choice of those invited was influenced by their position and role in the TSA process as well as the Committee's assessment of expected inputs from them. The invitees included:

1. Budget Office of the Federation (BOF) – the Committee expected to learn a lot from this source, on the philosophy of

- economic reforms and governance project with World Bank package and loan for GIFMIS and TSA;
2. Office of the Accountant General of the Federation (OAGF)- As the face of Federal Government Treasury and the custodian of GIFMIS and TSA, the Committee hoped to be apprised of its activities and liaison with CBN and other authorities, approvals and engagements of consultants;
 3. Central Bank of Nigeria (CBN) – Its role was viewed as central for a number of reasons. It was expected to serve as TSA solution development/gateway provider, or the process and condition of outsourcing and engagement of solution providers/vendors; and
 4. SystemSpecs – From the software provider, the Committee would receive for examination its proposal for engagement, work plan, contracts documents scope, tenure and role in the administration of TSA.; and
- 4.6 Post Hearing Meetings to evaluate and prepare report.

5.0 NOTATIONS

The Joint Committee observed that conduct of public officers and institutions must be guided by the Constitution of the Federal Republic of Nigeria, 1999 (as amended) and other laws.

Consequently, the validity and quality of their behavior, decisions, operations and conduct should comply with these instruments. In addition, global best practices and ethics do, and should, influence policy decisions and implementations, especially in such technical innovative programmes. One clear example is the issue under investigation (TSA), which is neither a new idea nor one without precedents that should assist the diligent. The Committee therefore noted as follows:

- 5.1 Section 80(1) of the 1999 Constitution stipulates that all revenues, or other monies raised or received by the Federation shall be paid into and form one Consolidated Revenue Fund (CRF) of the Federation;
- 5.2 Section 80(4) provides that no amount shall be spent from the CRF except in a manner prescribed by the National Assembly;
- 5.3 Section 162(1) of the Constitution of the Federal Republic of Nigeria 1999 (as amended) states that the Federation shall maintain a special account to be called: The Federation Account, into which shall be paid all revenues collected by the Government of the Federation;

- 5.4 The various laws establishing the CBN, FIRS, Public Procurement, and Appropriation Acts, especially those for the period 2009 to 2014;
- 5.5 Various Treasury Circulars, especially that of 5th October 2015 ref No. TRY/A7 & B7/2015 OAGF/CAD/026/V.11/240 and Guidelines on the Implementation of Treasury Single Account (TSA)/e-Collection (September, 2015) (See annex 1);
- 5.6 IMF Working Papers on TSA and World Bank Reports and Guidelines on TSA (See annexures 2 and 3);
- 5.7 SystemSpecs Contract award letters, 2011 (See annexure 4), SystemSpecs/CBN MOA 2011 (See annexure 5), SystemSpecs Award Letter 2013 (See annexure 6) and SystemSpecs MOA 2013 (See annexure 7);
- 5.8 Other Publications and submissions from OAGF, CBN, Commercial Banks (referred to as DMBs for this purpose – Deposit Money Banks), SystemSpecs Nigeria Limited etc.

6.0 FINDINGS

The Committee carefully evaluated the testimonies of key agencies, SystemSpecs and Commercial Banks at the Public Hearing and the Committee Hearing/Interactive Session and other follow-ups. It also perused the submitted documents, tons of published materials including those identified in the

Notations above. The Committee has therefore made some key findings broken into three categories

- 1) Factual Findings,
- 2) Systemic Findings; and
- 3) Related Findings.

All these findings will sufficiently equip the Committee, thus providing solid foundation for its recommendations.

6.1 Factual Finding

These are findings extrapolated from our examination, judgment and assessment of the evidence submitted before the Committee and they are as follows:

6.1.1 Treasury Single Account (TSA) is a component of a Public Finance Reform (PFR) programme, particularly subsumed in the Government Initiative of Government Integrated Financial Management Information System (GIFMIS). This project is anchored through the Office of the Accountant-General of the Federation. As part of the Federal Government Initiative of GIFMIS, it has been of great benefit to the nation;

6.1.2 However, full implementation of TSA (e-collection) kicked off in March 2015 and gained traction when President Muhammadu Buhari mandated the closure of all FGN accounts held in

Commercial Banks by September 2015. This led to a massive one time surge especially for September and October, 2015 as MDAs rushed to comply;

6.1.3 As a result, the Senate Resolution setting up the Joint Committee, the Senate President and all the testifiers at the hearings applauded the sagacity, foresight and dogged determination of President Muhammadu Buhari to fully implement the programme, which no doubt compliments the anti-corruption crusade;

6.1.4 What is rather in contention is the cost and terms of engagement of vendors whose services have been procured for the implementation of TSA's e-collections. The point is more magnified, given the huge resources the Federal Government has so far invested in the project, including alleged borrowing from the World Bank for the GIFMIS/TSA project. As a matter of fact, more than fourteen billion, twenty-four million naira (₦14.24 Billion) was provided in the Appropriation Acts of 2009 to 2015 for IPPIS and GIFMIS. In the proposed 2016 Appropriation Bill, the sum of seven billion naira (₦7.0 Billion) has been proposed for IPPIS and GIFMIS under Service Wide vote. The troubling issues hinge on whether the cost of new scheme can stand the test of the current anti-corruption standard of the Buhari

administration. Thus, in issue is the need to throw light and bring “sunshine” on government programmes, especially the much welcome TSA initiative given a fresh breath by Mr. President. Also given the huge drop in the revenue from oil, the Senate is determined to take all steps to block revenue leakages and waste. The Committee therefore noted that the huge benefits of the implementation of GIFMIS/TSA should not be lost due to abuses and mismanagement;

6.1.5 The implementation of ERG (the IPPIS and GIFMIS/TSA programmes) is domiciled in the Office of the Accountant General’s Office (OAGF);

6.1.6 SystemSpecs’ Remita software solution provides a shared service in technology platform for companies, individuals, Government Agencies and Banks to make and receive payments. The Remita e-collection charges are fees that accrued on revenue collections on behalf of the FGN using Remita application. The DMBs collect these revenues and transmit to CBN;

6.1.7 Supported by this platform, TSA regime could then commence with processing of outward e-payments in early 2012 with a pilot of 116 MDAs. The implementation of inward part of the e-collection component commenced in 2014, peaking from March,

2015 and by December 2015 has increased its connectivity to over 900 MDAs;

6.1.8 All MDAs are required to close all existing accounts (Expenditure/Receipts/Collections/Revenues/projects etc.) in Deposit Money Banks (DMBs) and entrust their bankers to transfer available balance to CBN using the CBN payment Gateway (Remita). CBN is the provider of the gateway, while Office of the Accountant-General of the Federation are managers;

6.1.9 Eighteen Commercial Banks referred to as Deposit Money Banks (DMBs) have been integrated with the Remita platform and each has signed Service Agreement with SystemSpecs (for fee of over ₦31 Million). These DMBs were advised to use the Remita platform for ease of reconciliation at CBN;

6.1.10 Prior to the TSA regime, before the engagement of Systemspecs for REMITA platform, there were other e-Collection platforms available to both CBN and OAGF. Banks on their part collected revenue on behalf of Government agencies using the following platform prior to Remita:

1. Pay direct for FIRS and NPA;
2. Assycuda for NCS; and

3. Manual Collection as for Nigeria Export Supervision Scheme (NESS).

- 6.1.11 A sample of commissions/fees charged for fund transfers and collections include pay direct: 0.03% for Federal Inland Revenue Service (FIRS) just as Nigeria Customs Service (NCS) and Manual collection fee of two naira (₦2) per million for NESS. For NPA, Standard Chartered Bank reported a zero charge. For Union Bank, the fees for collection range from 0.03% for FIRS and NCS; 0.75% but capped at one thousand naira (₦1, 000) per transaction for NPA. For the Federal Road Safety Corps (FRSC) a fee of one hundred naira (₦100) per transaction and same applied to Nigeria Immigration Service (NIS) (See sample of Bank Charges at annex 8);
- 6.1.12 Remita and Real Time Gross Settlement (RTGS) are platforms used to carry out the e-collection into the TSA domiciled at the Central Bank of Nigeria, while the OAGF still has the GIFMIS platform;
- 6.1.13 The Presidential directive issued on 17th August 2015 witnessed a high level of compliance, which in turn produced a huge harvest in TSA e-collection effort. From March 2015 to 19th November 2015, CBN confirmed that the sum of one trillion, five hundred and fifty-three billion naira (₦1.553 trillion) was

transferred by the DMBs. Out of this amount, the sum of one trillion, thirty-two billion naira (₦1.32 Trillion) came through Remita application platform, one hundred and sixty-eight billion, twenty-two million naira (₦168.22 Billion) came through RTGS application, and two hundred and sixty-nine billion, seventy-seven million naira (₦269.77 Billion) was through direct debit between CBN and the DMBs;

6.1.14 However, the period under investigation spans from March to October 2015. For this period, the sum of seven billion six hundred and fifty-one million naira (₦7.651 Billion) was deducted at source as one percent (1%) fee charged by SystemSpecs based on eight hundred and thirty six billion naira (₦836 Billion), which passed through Remita platform. The amount was apportioned to the beneficiaries of the 1% fees based on the sharing formula as follows:

- | | | |
|----------------|---|----------------------|
| 1. Systemspecs | - | 50% (₦3.824Billion) |
| 2. DMBs | - | 40% (₦3.062 Billion) |
| 3. CBN | - | 10% (₦764 Million) |

6.1.15 Only the amount that came through Remita platform was subject to fees/charges;

6.1.16 The Committee could not ascertain the deduction/collection of twenty five billion (₦25 Billion) by SystemSpecs as 1% fee

charged for the use of its Remita platform within the period under investigation. However, as at 8th December 2015, about Two trillion and thirty-eight billion naira (₦2.038 Trillion) has been collected and/or transferred from the DMBs to CBN (CRF account). With a projected total transfer by the end of 2015 put at over two trillion, five billion naira (₦2.5 Trillion), without Senate motion halting further deductions, the Federal Government could have paid over Twenty five billion naira (₦25 Billion) to the platform provider, based on the charge of 1% fee for transfer/collection; and

6.1.17 However, it was confirmed that all fees/deductions, which accrued to SystemSpecs has been paid back to CBN with effect from 27th October 2015. There has been no further deduction by SystemSpecs from 28th October 2015 to date for e-collection on its REMITA platform.

6.2 Systemic Findings

The Committee's review of the evidence has revealed a number of systemic weaknesses that further compounded full implementation of the TSA. If these are not addressed, they could continue to impede progress and achievement of essential public sector programmes, which further the course of good governance and transparency. They include the following findings:

- 6.2.1 With commencement date of TSA fixed for early 2012, the CBN was required to provide the necessary Electronic Funds Transfer (EFT) platform. CBN claimed to lack capacity to develop and provide the required platforms for e-payment to meet the deployment deadline, so it opted for what it called a stop gap solution;
- 6.2.2 In October, 2011, CBN selected SystemSpecs to provide the electronic payment technology platform to power TSA, which culminated to the deployment of REMITA;
- 6.2.3 There exist two award letters (first letter was dated 19 October, 2011 and the second was dated 28th March 2012) and an agreement between CBN and SystemSpecs in 2011, with the contract signed by Deputy Governor, Central Bank of Nigeria engaging the latter to install its software Remita platform at designated sites as well as conduct training for staff of MDAs. Both assignments cost a total sum of eighty-five million, one hundred and seven thousand, seven hundred and fifty naira (N85,107,750.00 Million). The contract was for a tenure of 12 calendar months from 18th October 2011 to 17th October 2012. Other terms in the contract included initial Implementation fee of twenty nine million, eight hundred and twenty five thousand, two hundred and fifty naira (N29, 825,250) and provision for

“Transaction Fees consisting of e-payment tariff of one hundred naira (₦100) per million per transaction to be shared between CBN (40%) and SystemSpecs and DMBs (60%), Schedule Delivery at a tariff of one thousand naira (₦1, 000.00 naira) for every schedule delivered to a schedule beneficiary and Collection, where an appropriate tariff shall be agreed among OAGF, Collecting DMBs, SystemSpecs and CBN and included as an addendum to this agreement”.

6.2.4 Despite the fact that the Accountant-General did not sign the MOA with the CBN, which CBN submitted for his signature in 2015, some middle level officials at the CBN still went ahead to purportedly issue a renewal of CBN’s contract with Systemspecs;

6.2.5 Without the OAGF’s concurrence and signature, which should have provided the basis for amending the initial contract, the so-called amendment stands on nothing! Meanwhile, the new contract was based on SystemSpecs request for extension of the one-year tenure contract to a five-year tenure. The request was alleged to be granted by CBN for another year, “starting from 18th October, 2012 and ending 17th October, 2013 at no cost to the Bank”. The Committee observed that while the purported request granted tenure of one year, the language and content of the so-called renewal contract that ought to have been

determined by the award letter suddenly granted an automatic timeless and limitless engagement. Clause 4 of the new contract covering **Commencement and Duration** granted "the Parties have agreed that this Agreement shall commence on the date of its execution for a term of one year and shall continue unless terminated in accordance with the terms contained in this Agreement"! (See annexure 4 through 7)

6.2.6 Another weightier infringement was a fresh insertion granting a new fee regime at Clause 3 of the Fee Annexure. It provides that "A tariff of one percent (1%) of funds collected shall be charged for government revenue collection". The listed beneficiaries and sharing ratios were as follows:

- | | | |
|------|----------------------------|-------|
| i. | Platform Owner/Systemspecs | - 50% |
| ii. | Collecting Agents/DMBs | - 40% |
| iii. | Introducer/CBN | -10%; |

6.2.7 Furthermore, there was a rather laborious effort to redefine e-Collection as distinct from the e-Payment clause captured in the original contract under the guise of an amended contract. Apart from the fact that it is in dispute, it also runs against common sense and the posted tariff of the same company SystemSpecs. The tariff published on its website provided for a scale of fees ranging from two hundred naira (₦200 naira) to two thousand,

five hundred naira (N2,500 naira) per transaction. (See annex 9). However, neither the OAGF nor the CBN has power and capacity to appropriate one percent of CRF without the approval of NASS;

6.2.8 It has to be emphasised that the funds movements in the period under investigations were as a result of the directive of Mr. President. They were not collections from clients/payers but fund transfers from one account to another. For this class of transactions, CBN approved in its Guideline on Banking Tariff for Electronic transfer/payments as specified in the Revised Guide to Bank Charges, April 2013 is between transaction bands for electronic payment of five hundred naira (N500 naira) to seven hundred naira (N700 naira) per transaction. (See annex 9). The effect of the rape on national patrimony becomes glaring when a sample is taken from the list of the TSA Collections/Fund Transfers by MDAs from March 1 to November 30, 2015 submitted by SystemSpecs. From the list, we compare the "cost saving" Remita platform with approved rates of the CBN. Take a close look: since the transactions were merely fund transfers of the MDAs' deposits at their various DMBs, a more appropriate tariff regime is that issued in the CBN Guideline of April 2013 stated above. The FIRS was debited the sum of one hundred and sixty-six million, seven hundred and seventy-four thousand, six

hundred and sixty-one naira, twenty-one kobo (₦166,774,661.21) for two thousand, nine hundred and thirty-nine (2,939) transactions for the total transfer of twenty two billion, six hundred and ninety-five million, nine hundred and ninety-nine thousand and thirty-one naira, forty-five kobo (₦22,695,999,031.45) for the use of Remita platform. At seven hundred naira (₦700 naira) per transaction, it would have paid the sum of two million, fifty seven thousand, three hundred naira (₦2,057,300) – a difference of one hundred and sixty four million, seven hundred and seventeen thousand, three hundred and sixty-one naira, twenty-one kobo (₦164,717,361.21). Not even the Armed Forces were spared: Nigerian Air Force for fund transfer of six billion, six hundred and fourteen million, nine hundred and sixty four thousand, nine hundred and eighty six naira, fifty-seven kobo (₦6,614,964,986.57) in two hundred and fifty-four (254) transactions, SystemSpecs deducted a whopping sum of fifty three million, two hundred thousand, five hundred and fifty-four naira, eighty-one kobo (₦53, 200,554.81), Nigerian Army for fund transfer of four billion, eight hundred and forty-three million, four hundred and thirty six thousand, four hundred and eighty-one naira, seventy-seven kobo (₦4,843,436,481.77) in seven hundred and forty-four (744) transactions was billed forty-

five million, seven hundred and fifty-three thousand, eight hundred and thirty-eight naira, ninety-six kobo (N45,753,838.96) as deduction by SystemSpecs. The Nigerian Air Force would have paid one hundred and seventy-seven thousand, eight hundred naira (N177,800) for two hundred and fifty four (254) transactions at the rate of seven hundred naira (N700) for each transaction. Similarly, the Nigerian Army for seven hundred and forty-four (744) transactions would have paid five hundred and twenty thousand, eight hundred naira (N520,800). The losses of revenues stand at fifty-three million and twenty-two thousand, seven hundred and fifty-four naira (N53,022,754) and forty-five million, two hundred and thirty-three thousand, and thirty-eight naira, ninety-six kobo (N45,233,038.96) respectively.

- 6.2.9 Even the educational institutions lost huge sums in the name of collection/transaction fees on funds transfer/collection: Tertiary Education Fund, a deduction of one hundred and seventy-six million, six hundred and ninety-five thousand, one hundred and seventy-three naira, eleven kobo (N176,695,173.11) for transfer of twenty-nine billion, three hundred and forty-three million, eight hundred and thirty-three thousand, three hundred and sixty-two naira, forty-eight kobo (N29,343,833,362.48) in eight-three (83) transactions instead of fifty-eight thousand, one

hundred naira (N58,100) amounting to a depletion of the fund by one hundred and seventy-six million, six hundred and thirty-seven thousand and seventy-three naira, eleven kobo (N176,637,073.11) University of Lagos suffered a deduction of forty-nine million, five hundred and seventy-eight thousand, eight hundred and seventy-one naira, sixty-nine kobo (N49,578,871.69) for transfer of eight billion, five hundred and twenty-seven million, sixty thousand, four hundred and twelve naira, twenty-three kobo (N8,527,060,412.23) in nine thousand, seven hundred and ninety (9,790) transactions as against six million, eight hundred and fifty-three thousand naira (N6,853,000.00) causing a loss of forty-two million, seven hundred and twenty-five thousand, eight hundred and seventy-one naira, sixty-nine kobo (N42,725,871.69). For Ahmadu Bello University, Zaria, it lost the sum of twenty-one million, six hundred and thirty-one thousand, nine hundred and ninety-three naira, seventy kobo (N21,631,993.70) in six thousand, one hundred and seventy-three (6,173) transactions on a total fund transfer/collection of three billion, forty-two million naira (N3.042 Billion). At the rate of seven hundred naira (N700) per transaction, it would have paid the sum of four million, three hundred and twenty-one thousand, one hundred naira

(N4,321,100) thus revenue of seventy million, three hundred and ten thousand, eight hundred and ninety-three naira, seven kobo (N17,310,893.7) by the University. On a global scale, for fund transfer/collection in the sum of one trillion, thirty-two million (N1.32 Trillion) in nine hundred and thirty-seven thousand, eight hundred and sixty-nine (937, 869) transactions, Remita platform deducted UPFRONT, as first charge, the sum of seven billion, sixty-five million (N7.65 Billion). Note however the deduction stopped on October 28, 2015 and this was for the sum of eight hundred and thirty-six billion (N836 Billion), which passed through the Remita platform between March 30, 2015 and 30 October 2015. Applying the old rates approved by CBN in its Guideline on Banking tariff for Electronic transfer/payments as specified in the Revised Guide to Bank Charges (see annex 8) in circulation since April 1, 2013, at the rate of five hundred naira (N500) per transaction, the entire fee for nine hundred and thirty-seven thousand, eight hundred and sixty-nine (937,869) transactions for the period ending 30 November, 2015 is four hundred and sixty-eight million, nine hundred and thirty-four thousand, five hundred naira (N468,934,500.00) or at RTGS rate of seven hundred naira (N700), is six hundred and fifty-six million, five hundred and eight thousand, three hundred naira

(N656,508,300). Note for the period ending October, 2015, the transaction were definitely below the nine hundred and thirty-seven thousand, eight hundred and sixty nine (937,869) mark, thus a minimum saving of over seven billion naira (N7 Billion) would have been achieved for the period.

6.2.10 The CBN in letter ref: BPS/CSO/GEN/DMBS/01/79 of 8th October 2015 directed that “all Deposit Money Banks (DMBs) are hereby advised to transfer TSA funds through the Remita platform and not the RTGS”. (See annex 10). The directive was followed with a stern reprimand that “Henceforth, all TSA transferred through the RTGS would be returned to the originating bank and appropriate penalties imposed, as such would be construed as deliberate mischief, aimed at causing confusion and reconciliation issues”;

6.2.11 But why did the DMBs applaud the looming monopoly deliberately conferred on SystemSpecs at their expense? We found that justification solely hinged on avoiding “causing confusion and reconciliation issues”, which led to a colossal loss of over seven billion naira (N7 Billion) of the CRF is definitely against the spirit of war against waste and corruption. As observed earlier not even approval from the OAGF would clean up the abuse and mismanagement of the TSA operation. For the

DMBs they fared much better under the new Remita platform monopoly. Ordinarily, the DMBs received fees for transfer per transaction, which was pegged, between one hundred naira (₦100) to seven hundred naira (₦700) per transaction depending on platforms and volume of transaction. Under the Remita monopoly, which instituted an ad valorem basis of one percent of transaction volume/value rather than transaction number or frequency, the beneficiaries were rewarded as follows:

- i. Systemspecs - 50% (or 0.5% of Transaction Value)
- ii. DMBs - 40% (or 0.4% of Transaction Value)
- iii. CBN - 10% (or 0.1% of Transaction Value)

6.2.12 These sweet heart business relationships helped DMBs (See annex 12) to receive a windfall of three billion, six million naira (₦3.06 Billion) for the period under review against four hundred and sixty-eight million, nine hundred and thirty-four thousand, five hundred naira (₦468, 934,500) based on CBN approved tariff earlier mentioned. In other words, they derived a minimum of additional profit of two billion, fifty-nine million (₦2.59 Billion). For CBN, it earned an embarrassing income of over seven hundred and sixty-three million (₦763 Million) just as an “introducer”;

6.2.13 Because a lot has to do with the purported amended contract, the Committee's requested for CBN's Request for Proposal (RFP) or the proposal and work plan submitted by SystemSpecs in order to ascertain issue of contract scope, purpose and at least some semblance of justification. Both SystemSpecs and Central Bank did not provide the documents. In a rather intriguing twist CBN attested to existence of only two contracts – one was the “doctored” contract signed by some middle-cadre CBN officials, which purportedly superseded the contract signed by both a Deputy Governor and the Director in charge of Information Technology Department. The so-called second contract/MOA was hinged on a purported contract to be between AGF and CBN and it was dated 24th February 2015. The AGF vehemently denied this contract, which further weakened the purported second contract between CBN and SystemSpecs. Furthermore the AGF declared that, “there is no agreement between OAGF and SystemSpecs on the REMITA platform”;

6.2.14 The CBN Governor apparently unaware of these facts, since he was not then at the helm of affairs at CBN, admitted, “he is not aware of the 1% fee charged by SystemSpecs” and in his opinion the fee was rather on the very high side. All the parties who testified at the hearings shared this position. It was indeed one

point all parties agreed even the SystemSpecs who suddenly became amenable to “negotiation” due to his surprising admission of the unanticipated huge volume/value of the TSA transactions;

6.2.15 For the Accountant-General of the Federation, the one percent (1%) charge “is high considering the volume of the transactions”. He therefore issued a letter on 14th September 2015, where he “expressed concern at the project and asked for a review meeting about the fees considering the enlarged scope of the project”. He further recommended the rate of 0.0001% as charge for the TSA e-collection to service providers, which of course is in tandem with other e-payment platform service charges for transaction/processing conducted electronically;

6.2.16 Rather than the OAGF making provision for absorbing the 1% fee/charge, the MDAs were made to pay for the cost; and

6.2.17 Apart from all parties ready for re- negotiation on a new fee/charge for the e-collection/funds transfer, a payment gateway designed by CBN is ready and would soon be deployed to infuse competition. This in turn would improve the efficiency and effectiveness of the TSA current single payment gateway.

6.3 Related Findings

There is ample evidence that if those entrusted with public power and duty are more diligent and note that most policies and programmes are only meaningfully contextualized to the extent of reflecting local conditions and expected outcome. Those in charge of public trust must not see such as opportunity to “reinvent the wheel or explore the world”. The TSA initiative is an old tested programme carefully conceptualized, designed and implemented towards the end of the twentieth century.

6.3.1 The World Bank consultants have over the years developed authoritative manuals that addressed issues of design and implementation of TSA. Of particular interest are the works of Ali Hashi whose pioneering efforts yielded strong templates for TSA. The International Monetary Fund (IMF), the EU and several countries specific studies have long identified the issues, challenges, options and cost analysis for serious minded implementers;

6.3.2 Over the years World Bank support package comes with the software solution. However, one key argument has hinged on the options and tenure in systems procurement and software solutions. In spite of the initial relative advantage the bespoke solution, as Remita, could have over the globally accepted

Commercially available Off The Shelf (COTS) software like SAP, Oracle Financials, Epicor, Navision etc., a desirable strategy is a two-step approach that starts with the locally designed bespoke software solution and transiting to the more sophisticated and tested COTS;

6.3.3 CBN, which should have provided the payment gateway, opted for homegrown bespoke software solution. This in the circumstance was a wise decision so long as there were overall cost benefits. What could have initially been posted as a cheaper deal in the 2011 contract between CBN and SystemSpecs suddenly resulted in costs profile that can only be posted and condoned in Nigeria;

6.3.4 The experience of most of the developing countries such as Ghana, Indonesia, The Philippines etc. could have provided solid guidance. The costs and quality issues were strongly raised in the OAGF's letter of 8th October 2015, ref OAGF/SD/ABJ/284/2 titled ISSUES WITH THE REMITA PAYMENT GATEWAY. He made reference to "TSA implementation efforts that are placing heavy reliance on REMITA Payment Gateway" and also catalogued a number of flaws that needed immediate rectification. (See annex 11). Perhaps a timely lesson like a "stitch in time could have saved nine"; and

6.3.5 Again, it is commonly known that a typical recurrent cost for system maintenance provides between 15-20% of installed software per annum for Application Software and DBMS/Tools license fees as such is the practice worldwide. SystemSpecs was allowed a “free ride” as the purported amended contract issued a blank cheque to draw the one percent (1%) so-called collection fee for an undefined tenure.

7.0 RECOMMENDATIONS

7.1 **Whereas** the Senate commends the sagacity, foresight and dogged determination of President Muhammadu Buhari in the full implementation of TSA;

Whereas what is rather in contention and has been the mandate of the Committee is to investigate the process, costs and terms of engagement of vendor(s) procured for the implementation of TSA’s e-collections in order to avoid abuse, waste and mismanagement;

Whereas withholding or diverting funds from Consolidated Revenue Fund (CRF) without the approval of the National Assembly violates the 1999 Constitution of the Federal Republic of Nigeria (as amended);

Whereas the huge fund transfers from MDAs' accounts with DMBs to CBN for the period under review were as a result of compliance with the directive of Mr. President, which had set a deadline for such transfers and cannot be ascribed to extra effort by any firm;

Whereas the SystemSpecs relied on the so-called renewal contract, which contains obnoxious provisions, especially the upfront deduction of one percent (1%) as transfer/collection transaction fee;

Whereas these terms are by all out of tune with acceptable global TSA standard/practice and very much above industry rates, and it is indeed out of sync with the government war against waste and corruption;

Whereas the so-called renewal contract of 2013 was at variance with its very letter of award and indeed altered major terms of the initial 2011 award signed by superior authority at CBN; and

Whereas the OAGF has denied any knowledge of, or authority for, any such contract with SystemSpecs and any contract with CBN, *the Committee hereby recommends that the 2013 purported renewal contract between CBN and SystemSpecs be terminated forthwith and consequently the TSA transaction fee*

of one percent (1%) for e-collection/transfer be disregarded for any computation whatsoever;

- 7.2 *The Committee further recommends that the CBN should carry out in-house inquiry to sanitise its procedure for award of contracts; identify the culprits in the purported contract;*
- 7.3 *The Committee further recommends that the CBN be directed to ensure the total refund of the portion of the deductions retained by the CBN and DMBs and present evidence of compliance to the appropriate Senate Committee;*
- 7.4 However, given that SystemSpecs provided solution and services at the nick of time and has allowed it to be used in spite of a freeze on its upfront deduction as transaction fees, the *Committee hereby recommends that its efforts should be rewarded based on the CBN approved rate band of between five hundred naira (N500) and seven hundred naira (N700) per transaction for electronic transfer/payments as specified in the CBN Revised Guideline* (Please see Finding in 6.2.8 above). This compares favorably with SystemSpecs' quoted rates on its website (See Finding in 6.2.7 above).
- 7.5 *The Committee further recommends that a total sum of six hundred and fifty-six million, five hundred and four thousand, one hundred naira (N656, 504,100.00), instead of the claim of seven*

billion, six hundred and fifty million, nine hundred and twenty-five thousand, five hundred and sixty-six naira, forty kobo (₦7,650,925,566.40), be provided as transaction costs for fund transfers/collections for the period ending 30th November, 2015.

The amount was arrived at using the upper end of the approved band of seven (₦700) per transaction for nine hundred and thirty-seven thousand, eight hundred and sixty-nine (937,869) transactions (as reflected in annexure 12) for the period between March 1 and November 30, 2015. This makes a **minimum saving of over seven billion naira (₦7 Billion) for the period between March 1 and October 27, 2015.** With an estimated total transfer of over two trillion, five million (₦2.5 Trillion) by the end of 2015, barring the Senate Resolution halting further deductions, the Federal Government could have paid about twenty-five billion (₦25 Billion) to the platform provider, based on the charge of 1% transaction fee for all transfers/collections;

- 7.6 *Committee further recommends that CBN should immediately be directed to open up the space to other e-collection providers for competition, effectiveness, efficiency and greater robustness.* However, CBN should take steps to avoid compromising national treasury and security. The intending vendors as licensors should be willing to negotiate outright sale of solution or annual license fees;

- 7.7 *The Committee further recommends that all agreed fees and payments for e-collection service should not be borne by MDAS but provided and disbursed from a central pool. Consequently, the amount arrived at should be forwarded to National Assembly for appropriation and accommodation in the 2016 Appropriation Bill;*
- 7.8 *The Committee, based on Senate's unequivocal and unflinching commitment to the success of TSA implementation, further recommends that Senate direct all its standing Committees to tighten their oversight role in order to ensure a hitch-free and smooth implementation of TSA in order to give strong support to the current anti-corruption war and crusade against mismanagement and waste; and*
- 7.9 *Finally, the Committee recommends that the Senate Public Accounts Committee be directed as a matter of urgency to investigate the sources and utilization of various funds earmarked for implementation of GIFMIS/TSA platform from its inception in order to determine whether funds had earlier been provided for the various services now being paid for in the CBN Service Agreement.*

8.0 CONCLUSION

The Joint Committee sincerely expresses its appreciation to the Senate leadership, and the entire Senate for the opportunity to serve in this capacity. It is our sincere hope that the Senate of the Federal Republic of Nigeria would approve the Joint Committee's recommendations.

Thank you.

A stylized handwritten signature in black ink, featuring a large, looped 'O' and 'W' followed by a horizontal line.

Senator John Owan-Enoh
Chairman, Joint Committee

A handwritten signature in black ink, appearing to read 'Abdullahi El-Rasheed' with a stylized 'A' and 'R'.

Abdullahi El-Rasheed
Clerk, Joint Committee