Operating Treasury Single Account in Public Services: The Challenges and Prospects in Nigeria

1Talabi, A. O.; 2Adekanmbi, J. A.; 3omula, G.O.
3Department of Accountancy, The Federal Polytechnic, Ile Oluji, Ondo State. Nigeria

ABSTRACT
The introduction of Treasury Single Account (TSA) does not take place in vacuum. It hangs on the economic reform programme and the needs to control government cash balances, promotion of transparency in governance and accountability in public sector. This paper highlighted the operation of TSA in public services. It emphasized on the challenges and prospects of TSA in government sector. However, the rationales for the operation of TSA were over view with more emphasized on its benefits in public services which flow from its objectives to include improvement of appropriation control (i.e control over budget allocation). In conclusion, the paper did an analysis on the prospects of TSA, including how it can be helpful in term of economic development and the recommendations were made to include effective implementation of TSA requires a well developed financial system, adequate technological infrastructure and sophisticated banking system.

Key words: Accountability, Control Government, Transparency, Economic Development, Treasury Single Account.

INTRODUCTION
In line with the determination to ensure discipline and greater transparency in the management of the nation’s finances, President Muhammadu Buhari directed all Ministries, Department and Agencies (MDAs) of government to enhance forth pay their earnings into a unified bank account known as Treasury Single Account (TSA).
The directive applies to the MDAs that are funded from the Federation Account such as Nigerian National Petroleum Corporation (NNPC), the Central Bank of Nigeria (CBN), the Securities and Exchange Commission (SEC), the Nigerian Port Authority (NPA), the Federal Inland Revenue Service (FIRS) and a host of others. The MDAs that are to pay all their revenues to a sub-account linked to the TSA at CBN Okechukwu, (2015). Over the years Nigeria Government has continued to operate multiple accounts for the collection and spending of Government revenue in flagrant disregard to the provisions of the constitution of the Federal Republic of Nigeria; section 80 (1) of 1999 which requires that all government revenue be remitted in to a single account of Consolidated Revenue Fund (CRF). Without adherence to the constitution provisions, the Federal Government had been operating a fragmented banking arrangement with thousands of banks accounts in multiple banks.

As a result of these, over N70 billion Government funds was lost in failed commercial banks OAGF, March 2012. The Federal Government of Nigeria, through the office of the Accountant General (OAGF) is implementing Treasury Single Account (TSA) as a part of the Economic Reform Programme and the “Change Agenda” of the present administration for National Development.

However, in justifying the basis of TSA, in 2012, government ran a pilot scheme for a single account using 217 Ministries, Departments and Agencies (MDAs) as a test case; The pilot scheme save Nigeria about N500 billion in frivolous spending. The success of the scheme motivated the government to fully implement TSA, leading to the directives to banks to implement the technology platform that will help accommodate the TSA scheme. However, the recent directive by President Mohammed Buhari that all government revenues should be remitted to a Treasury Single Account is in consonance with this economic reform programme and in compliance with the provisions of the 1999 constitution.

The Federal Government officially commenced the operation of TSA on Monday, 17th of September, 2015. The directive to banks has effectively moved about N1.2 trillion from commercial banks to the Central Bank of Nigeria. However,
there is no doubt, this new development will have negative effect on all deposit money banks because some see public funds as gifts and cheap funds.

**Concept of Treasury Single Account (TSA)**

Treasury Single Account (TSA) is a unified structure of the Government bank accounts; a single account or sets of linked accounts for all government transactions. TSA is a public accounting system under which all Government revenues, receipts and income are collected into one single account or Consolidated Revenue Funds, usually maintained by the Central Bank of Nigeria, and all payments done through this account as well. According to Yusuf and Chiejina, (2015) a TSA is a unified structure of government bank account enabling consolidation and optimal utilization of government cash resources. 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.

However, the maintenance of a TSA will help to ensure proper cash management or elimination of idle funds usually left with deposit money banks and in a way to enhance reconciliation of revenue collection and payment Adeolu (2015).

In addition to the above, Treasury Single Account can be defined as a public sector or government accounting policy which is meant to unify government bank accounts by which all government transactions are linked in order to ensure effective and efficient management and control of public funds.

**Rationale for Treasury Single Account (TSA) In Nigeria**

In November 2013, the CBN called for an urgent implementation of the TSA in order to properly manage the country’s revenue. The CBN stated this in a communiqué at the end of its 235th Monetary Policy Committee (MPC) meeting where it noted that a TSA is an essential tool for consolidating and managing government’s cash resources. In countries with fragmented government banking arrangement, the establishment of a TSA receives priority in the public financial management reform agenda. The CBN lamented that the “erosion” of the fiscal buffers through the depletion of the Excess Crude Account (ECA) has further exposed the economy to vulnerabilities while the fall
in oil revenue has left capital inflow as the only source of external reserves (CBN, 2014:20).

Central Bank of Nigeria also expressed concern that the federal government’s debt had also risen phenomenally along with its deposits at the deposit money banks. This is said, showed the federal government as a net creditor to the system. This underscores the urgent need for the immediate implementation of the TSA. The continued delay in returning government accounts to the central bank is adding to the huge cost of government debt due to poor cash flow management (CBN, 2014: 21) the MPC statement added.

There is no doubt that corruption has prevailed in Nigeria and above all, the Transparency International in 2015 revealed that the corruption percentage index in Nigeria was 26%. This shows that Nigeria still ranked among the African countries with highest percentage of corruption. Apart from the main objective of TSA which is meant to ensure effective aggregate control over government cash balances which is a key element in monetary and budget management. The following are among the reasons why TSA is being introduced:

I. Government currently has a fragmented banking arrangement; thousands of bank accounts in multiple banks.

II. Over N70 billion government funds was lost in failed commercial banks OAGF, March, 2012

III. Government does not always know the balance of funds held in the commercial banks, across all Ministries, Departments and Agencies (MDAs).

IV. Government still goes to borrow money when it has money in commercial banks

According to System Spec (2015), on the training on e-Payments and e-Collections summarized the need for T.S.A to include:

1. Helps Government to unify banking arrangements
2. Gives government oversight of cash resources.
3. Promotes efficiency, transparency and accountability in government payments.
4. Ensures that government has access to funds when needed.
5. Helps reduce over all cost of government borrowing

I. Government currently has a fragmented banking arrangement; thousands of bank accounts in multiple banks.
II. Over N70 billion government funds was lost in failed commercial banks OAGF, March, 2012
III. Government does not always know the balance of funds held in the commercial banks, across all Ministries, Departments and Agencies (MDAs).
IV. Government still goes to borrow money when it has money in commercial banks

According to System Spec (2015), on the training on e-Payments and e-Collections summarized the need for T.S.A to include:

1. Helps Government to unify banking arrangements
2. Gives government oversight of cash resources.
3. Promotes efficiency, transparency and accountability in government payments.
4. Ensures that government has access to funds when needed.
5. Helps reduce over all cost of government borrowing
6. Reduces idle cash balances of MDA funds in banks

**How is Treasury Single Account Run**

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

These accounts are maintained for transaction purposes for funds flowing in and out of the TSA.

**Benefits of Treasury Single Account (TSA) in Nigeria**

The cardinal objective of TSA is to facilitate implementation of the federal government’s cash management policy, and to achieve greater accountability for public expenditure. This would ensure that sufficient cash was available as and when needed to meet commitments. TSA would control aggregate cash flow, improve the management of government domestic borrowing programme, enhance efficiency and enable investment of idle or excess cash.

Obinna, (2015)

It is not an over statement to say that the benefits of a TSA flow from its objectives:

1. Improve Appropriation Control: The TSA ensures that the Ministry of Finance has full control over budget allocations and strengthen the authority of the budget
appropriation. When separate bank accounts are maintained, the result is always a fragmented system, where funds provided for budgetary appropriations are augmented by additional cash resources that become available through various creative, often extra budgetary. Through TSA scheme, budget is well articulated.

II. Allows Complete, Accurate and Timely information on government cash resources: In countries with advance payment and settlement systems and Integrated Financial Management Information System (IFMIS), with adequate interfaces with banking system, this information will be available in real time, as minimum, complete updated balances would be available daily, hence, cash available for spending could be seen at a glance.

III. Facilitates Efficient and Effective Cash Management: A Treasury Single Account (TSA) facilitates regular monitoring of government cash balances. It also enables higher quality cash outturn analysis to be undertaken (e. g identifying casual factors of variance and distinguishing casual factors from random variations in cash balances).

IV. Reduces Transaction Costs: Reducing the number of bank accounts result in lower administrative cost for the government for maintaining these accounts, including the costs associated with the bank reconciliation and reduces banking fees.

V. Lower Liquidity Reserve Needs: A Treasury Single Account (TSA) reduces the volatility of cash flows through the treasury, thus allowing it to maintain a lower cash reserve and buffer to meet unexpected fiscal volatility like needs to finance contingency projects.

VI. Improve Operational Control During Budget Execution: When the treasury has full information about cash resources, it can plan and implement budget in an efficient, transparent and reliable manner.

VII. Improves Bank Reconciliation and Quality of Fiscal Date: Introduction of TSA allows for effective reconciliation between the
government accounting system and cash flow statement from the banking system. This reduces the risk of errors in reconciliation processes and improves quality of the fiscal accounts.

VIII. Enhance Efficient and Effective Payment Mechanisms: Treasury Single Account ensures that there is no ambiguity regarding the volume or the location of government funds, and makes it possible to monitor payment mechanisms precisely. Evidence shows that government has achieved substantial reductions in her real cost of banking services and also eliminate the float of funds in the banking and the payment systems as a result of the penalty structures for payment services.

IX. Finally the establishment of an effective TSA significantly reduces the debt servicing costs.

Challenges in Establishing a Treasury Single Account (TSA)

Otunla (2015) emphasized that the TSA had instilled fiscal discipline and prudence as well as closed over 1,000 dormant or idle amounts. He however acknowledged that TSA was not without challenges. He said, MDAs and commercial banks are resisting some due to ignorance, others because previously they have been able to manipulate the system to their benefit which will not work under TSA. Some fear it will threaten the autonomy of certain agencies and give the accountant general power over them, this is not true. Other challenges include inadequate capacity in the form of access and ability to use the internet to do transactions Okwe (2015). As expected, the implementation of TSA has elicited divergent responses. For instance, the committee of Vice Chancellors of federal universities urged the government to exclude universities from TSA policy. A delegation of the committee led by professor Michael Faborode, during a courtesy visit to the Accountant General of the Federation, Alhaji Idris Ahmed, said that the universities by means of their operations and services should be regarded as a peculiar establishments, which should be treated purely public service in function or categorized as revenue generating agencies. The operation of Treasury Single Account (TSA) in public service has a number of challenges. Except government take into account the pre-condition for establishing a TSA that will continue to pose or constitute
challenges to its operation. The following are however, some of the challenges in establishing the TSA.

I. Legal Framework: The legal and regulatory requirements should be amended as necessary to allow for the establishment of the TSA. There is need to strengthen the relevant laws that established the TSA. The establishment of TSA must be accompanied by the closure of irregular bank accounts of Ministries and budget units, and legal authority for opening government accounts should be vested on the Ministry of Finance.

II. Political Will: This may be referred to as lack of political support. The establishment of TSA requires hard decisions, such as closing the existing bank accounts budget organization (outside treasury control). This will no doubt put an end to the era when politicians or top government functionaries divert or transfer public funds to their private accounts. This can provoke powerful opposition.

III. Capacity Building of the TSA Users: The users of the TSA scheme need to be trained in the new procedures and applications. This training should involve users both within the Ministry of Finance/Treasury and agencies. In combating this challenge, a user manual on receipt and payment procedures under the TSA programme as well as in – service training and capacity development should be carefully developed and coordinated.

IV. Interface between the Treasury and the Banking Network: Another precondition that also constitute challenge to TSA if not properly managed is the interface between the treasury and banking network; The interface between the Ministry of Finance or other line agencies should be agreed and formalized by all the stakeholders. If not the arrangement for reporting and reconciliation of receipts and payments would not be successful.

V. The Technological Platform: For TSA to achieve its objectives, a decision on TSA could trigger the acquisition and introduction of necessary technology by the banking system as the banking system need to
be remuneration based. Also some of individual payers are not acquainted with the model technology.

VI. The Existence of an Interbank Settlement System: This involves the development of a small payment clearing system, a Real Time and Gross Settlement System (RTGS) at the central bank, and the connection of major Deposit Money Banks to the RTGS. This requirement is especially important in case of a decentralized TSA architecture. The treasury should also be connected to the RTGS.

Prospect of Treasury Single Account (TSA) and Economic Development

It is no doubt that the implementation of TSA will ensure effective aggregate control over government cash balances, reducing over all cost of government borrowing and promotes efficiency, transparency and accountability in government payment. In developing economy, the contributions of TSA in ensuring adequate control over government cash resources cannot be overstressed. According to Lawal (2016), the prospect of TSA requires adequate technological, infrastructure and sophisticated banking system. However, if all preconditions which constitute challenges are met, there will be future prospect for TSA in Nigeria. The following points should be considered for economic development:

1. Liquidity and Cash Management: TSA regime should be supplemented by proactive cash management. It contains forward cash planning and control as precondition and implies the development of a strategy for remunerating temporary cash surpluses and financing temporary cash needs. The overall economic development of a country purely depends on how the available resources like cash are being channeled to appropriate assets and managed efficiently. The cash management is very imperative and its objective is to reduce the average cash balances of the government to minimum level so as to avoid unnecessary borrowing and to maintain stable liquidity level as far as possible.

2. Emergency Assistance Funds: According to Thierry (2013) suggested that for any country to
have a rapid and sustainable industrialization and employment generation, emergency assistance fund is crucial and government should ensure liquidity and accessibility of the funds. The cash surplus or balances accrued to the country through the TSA, part or certain percentage could be made available to promote Small and Medium Entrepreneurs (SMEs). Private finance or a blend of private and public finance has a rule to play in this regards that is a very clear rule in social development and if we channel some of these surplus realized through introduction of TSA to what we call “impact investing”. This will cover the investment gap Adekanmibi and Talabi, (2016).

3. Strategies for Investing Cash Surplus and Funding Temporary Cash Short falls: The sustainability of our (Nigeria) economy involves strategy and this strategy includes options for both short term and long term investment. According to Adeolu (2015) emphasized that the management of surplus cash investment and short term borrowing could options for investing idle cash balances at long term which include;

a) Interest bearing fixed deposit of specific duration at Central Bank to store cash not immediately required

b) Interest on Treasury Operational Account

c) Deposit at Commercial Banks

d) Sovereign Wealth Funds; This is a government own investment fund investing in real and financial asset or securities like stocks.

However, the choice of approach depends mainly on how long the assets need to be retained and handled either by a specialized unit within the Ministry of Finance or by a fiscal agency agreement with the Central Bank. In some developed countries like USA, expertise is required to handle this task on behalf of Ministry of Finance. We therefore add that if all these are given attention, we believe that it will go a long way in revitalizing and reconstructions of our dying economy and also gives room for economy diversification. For prospect,
TSA must be explicitly and strongly supported by all arms of government.

**Conclusion**

It is obvious that the introduction of TSA in Nigeria is seen to be a right peg in a round hole, because corruption remains one of the major problems in the public sector. TSA provides holistic strategy by which control over government cash balances, promotion of transparency in governance and accountability in government payment are catalyst for a sustainable economic development and eradication of widespread of corruption in the public sector. However, having discussed the rationale, benefits, challenges and prospects of TSA in public sector in Nigeria, we therefore, add and conclude that the maintenance of a TSA system in public sector by the present and the future government administration will not only help to ensure proper cash management and reduce corruption in public sector but will also go a long way to fast track economic development if all cash surplus are channel and diversify into short and long term investment opportunities.

**Recommendations**

- The TSA has come to stay, government should ensure total compliance from Ministry, Department and Agencies (MDA’s)
- Professional Accountancy Bodies in Nigeria, such as ICAN, ANAN, ICMA should ensure that the best standards and regulations are established to ensure best practice and service delivery in the implementation of TSA.
- Effective implementation of the TSA requires a well developed financial system, adequate technological infrastructure and sophisticated banking system. This includes existence of an interbank settlement system, a small payments clearing system, a Real Time Gross Settlement System (RTGS) at the Central Bank for high value transactions, and the connection of major deposit money bank to the RTGS. Therefore, government should ascertain that all these
preconditions for implementing TSA are met

- The banking system should be remunerated for the acquisition or upgrading of necessary technology for them to improve on their performance towards the success of the system.
- The establishment of the TSA must be accompanied by the closure of irregular bank accounts of Ministries and budget units and the legal authority for opening government accounts should be vested in the Ministry of Finance.

References


Deposits Loss May Hit #2trn, August 17, p18