

# Effects of Treasury Single Account on Public Finance Management in Nigeria

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## ABSTRACT

The Treasury Single Account (TSA) policy was introduced to block financial leakages, promote transparency and prevent mismanagement of government's revenue, unifies all government accounts, enabling it prevent revenue loss and mismanagement by revenue-generating agencies. This research examines the effect of treasury single account policy on the public financial management in Nigeria. The objective of this research is to examine the extent to which Treasury Single Account can block financial leakages, promotes transparency and accountability in the public financial management. Both primary and secondary data had been employed. The populations of this study are Ministries, Department and Agencies (MDAs) within Bauchi metropolis using a sample of 72 respondents through judgment sampling. The data were analyzed using the Pearson Correlation techniques. The result of this research shows that adoption of a Treasury Single Account (TSA) is capable of plugging financial loopholes, promoting transparency and accountability in the public Financial System. Thus, the researchers recommend that for the success of this policy government should promulgate more legislation to make it mandatory for all the three tiers of government in Nigeria.

**Keywords:** Treasury Single Account, Public Financial Management, Transparency, Accountability.

## 1.0 Overview of Treasury Single Account:

President of Nigeria, Muhammad Buhari's directive to all federal Ministries, Departments and Agencies (MDAs) to start paying all government revenues, incomes and other receipts into a unified pool of single account with the Central Bank of Nigeria (CBN), is a bold and highly commendable move directed at one of the bastions of corruption in the polity, namely, public institutions.

Apparently, a master stroke against a tactless financial strategy emanating from an unholy alliance between banks and MDAs, the current implementation of this unified accounting structure, rightly called the Treasury Single Account (TSA), is laden with high expectations of economic prospects owing to its possibility of ensuring transparency and accountability.

The TSA is a unified structure of government bank accounts enabling consolidation and optimal utilisation of government cash resources. Through this bank account or set of linked bank accounts, the government transacts all its receipts and payments and gets a consolidated view of its cash position at any given time.

The former Accountant-General of the Federation (A.G.F), Jonah Otunla, also backed the implementation of TSA stressing that it would bring about transparency, efficiently and accountability. This is because TSA is bound to improve transparency and accountability in public finance management. First, it will remove that organisational secrecy around the management of public finances. The discretionary aspect of accounting officers and politicians collaborating to do all manner of business with government finances before executing projects thereby causing delays or negotiating interest rates with banks for private gains will be over. The second is that revenue generating agencies that have been depriving the Treasury of due revenue through a plethora of bank accounts under their purview and which is not known to the authorities will no longer be able to defraud the revenue since all funds will be swept into the TSA. Thus, beyond transparency and accountability, the TSA will introduce economy and efficiency into overall management of public finances and this will in the long run lead to effectiveness of government spending since it places government in a better position to realise overall policy goals. (Okechukwu, Chukwurah, Daniel, & Iheanacho, 2015).

According to the former A.G.F prior to TSA, Nigeria had fragmented banking arrangements for revenue and payment transactions. He stated that, "There were more than 10,000 bank accounts in multiple banks, which made it impossible to establish government consolidated cash position at any point in time. It led to pockets of idle cash balances held in MDAs' accounts when government was out borrowing money." (Obinna, 2015:52)

The idea of treasury single account came into being when some agencies refused to declare and remit the 25 percent 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 being 25 percent 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. (Daily Trust Editorial, 2015:16)

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 purpose is primarily to ensure accountability of government revenue, enhance transparency and avoid misapplication of public funds. 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 collection and payment (Adeolu, 2015).

The Revenue Mobilization and Fiscal Commission released an audit report which indicted some banks for withholding about N12 billion revenue collected on behalf of the Nigerian Customs Service and Federal Inland Revenue Service. The revenue according to the commission is 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. (Hamisu, 2015).

It is important to note that the TSA issue did not start with Buhari administration. Former President Goodluck Jonathan initiated the policy last year. But he could not implement it before he left office on May 29 this year. The implementation deadline by Jonathan was fixed for February 28, 2015. But the said deadline was ignored by the MDAs and no sanction was meted out to them. Some said that Jonathan lacked the gumption to enforce the implementation of TSA because the hands of his administration were not clean enough. Others argued that the former president could not resist the pressure to drop the idea from bank executives and top business magnates in the country who were playing major roles in the sponsorship of his re-election bid. (Jegede, 2015).

Though, the government is yet to unveil its economic agenda, leading institutions are keying to the administration's resolve to move the country forward. In fact, it was the Economic and Financial Crimes Commission (EFCC), which spearheaded the flurry of actions, then followed by Ministries, Departments and Agencies (MDAs), and now, the Treasury Single Account (TSA) policy compliance introduced last year to block revenue generation leakages by former President Goodluck Jonathan, which was not effected even after a deadline was set for MDAs for February this year. (Okwe, 2015).

Suddenly, these MDAs following President Buhari's comment at a function on plans to block revenue leakages by revenue generating agencies on their own without another enabling government circular promptly complied and moved their several revenue accounts maintained in banks to the Central Bank of Nigeria (CBN), including offshore accounts maintained by them, which has boosted Nigeria's foreign reserves.

The TSA policy directive is not the only Jonathan's 'dead' policy that President Buhari has revived by not making any addition, change, circular or by rolling out enforcement, but just by mere pronouncement at a public function. Others include, the Integrated Personnel and Payroll Information System in the public (IPPIS), introduced to block ghost workers syndrome, but was resisted by some MDAs and the harmonisation of the country's various data banks hosted by different government agencies such as, the CBN; National Population Commission, INEC, Customs, Immigration Service and others. (Guardian Editorial, 2015:14)

Federal establishments affected by this directive include all fully funded organs of government, ministries, departments and agencies (MDAs), foreign missions and partially funded government establishments like teaching hospitals, medical centres and tertiary institutions. Others include the Central Bank of Nigeria (CBN), Securities and Exchange Commission (SEC), Corporate Affairs Commission (CAC), Nigerian Ports Authority (NPA), Nigerian Communication Commission (NCC), Federal Airports Authority of Nigeria (FAAN), Nigerian Civil Aviation Authority (NCAA), Nigerian Maritime Administration and Safety Agency (NIMASA). The list of affected organs also has National Deposit Insurance Corporation (NDIC), National Shippers' Council (NSC), Nigerian National Petroleum Corporation (NNPC), Federal Inland Revenue Service (FIRS), Nigeria Customs

Services (NCS), Ministry of Mines and Steel Development (MMSD) and the Department of Petroleum Resources (DPR), amongst others. (Guadian Editorial,2015:16).

Contrary to views celebrating the TSA as a creation of Buhari's administration, this principle of public accounting system and revenue management has been both a constitutional provision and an extant fiscal practice. Section 80 of the 1999 Constitution, which gives legal backing to the TSA reads: "All revenues or other moneys raised or received by the Federation (not being revenues or other moneys 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 and form one Consolidated Revenue Fund of the Federation". Other subsections of that provision explain restrictions regarding the withdrawal of money from this Consolidated Revenue Fund. (CBN.2015).

Concerning its practice, as far back as the government of former President Olusegun Obasanjo, the need for a consolidated Federation Account was what informed the establishment of the Government Integrated Financial Management Information System (GIFMIS). However, it was President Goodluck Jonathan who piloted the TSA in its present form, when he commenced implementation with about 42 public institutions comprising ministries, departments and agencies, until recently when President Buhari began full implementation.

In the common sense appreciation of Buhari's anti-corruption roadmap, the proper implementation of the TSA would remove the ambient secrecy in the management of public finance in MDAs. Under the guise of non descript official secrecy, government staff and politicians have been known to employ all sorts of administrative devices and illegal liaisons to engage in business ventures for private gains using government money, and thereby frustrating proper execution of projects, as well as causing salary delays.

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

In practical terms, as one informed commentator surmised: "There is palpable optimism that with diligent implementation, the TSA will enhance transparency and accountability in the management of public funds. Furthermore, the practice should expectedly capture additional revenue to effectively fund more capital projects that will lift the social welfare of Nigerians."

As laudable as the directive on TSA suggests, it is fraught with challenges which this administration may want to address for it to serve its purpose. In an economy notorious for late passage of budgets, a TSA regime may hamper disbursement for capital projects and operational projections of MDAs, unless as some argue, a certain percentage of government receipts are retained for smooth operations by these MDAs. (Vanguard Editorial,2015:16)

For foreign exchange generating organs like the NNPC, whose transactions are often denominated in dollar, the TSA regime may be said to likely affect optimal business operations. Banks that sit idly waiting for government funds to fall on their laps rather than seek out and manage depositors' funds for economic growth and their profitability would need to re-strategies.

### **1.1 Limitations**

Readers should bear in mind that absent of literatures to review due to the fact that the policy is recently implemented by the Nigerian government is considered as one of the major limitation of this research again, the study is based on a relatively small sample, hence future study, using larger samples and adequate literatures that may provide additional insight on the effects of Treasury Single Account on Public Finance Management and possibly the economy in general is suggested in order to improve on the existing literature

## 2.0 Problem statements

The directive by the President that all revenues due to the Federal Government or any of its agencies must be paid into the Treasury Single Account (TSA) or designated accounts maintained and operated in the Central Bank of Nigeria (CBN) has been described by many as a welcome development. It is seen as one of the very good measures adopted by the current administration in its fight against corruption. Corruption is a cankerworm that has eaten deep into the fabrics of our system and kept us in a terribly precarious situation that made our great country, Nigeria, to look poor, despite the huge human and natural resources we are divinely blessed with. According to Eze Onyekpere, the Lead Director of Centre for Social Justice, a civil society group based in Abuja, "The TSA is a process and tool for effective management of government's finances, banking and cash position. In accordance with the name, it pools and unifies all government accounts through a single treasury account. The advantages and benefits of the TSA are legion. The consolidation into a TSA paves way for the timely capture and payment of all due revenues into government coffers without the intermediation of multiple banking arrangements." (Vanguard Editorial, 2015)

Notwithstanding some of the worries raised against the TSA concept, most Nigerians seem to be pleased with its implementation. It is believed, as pointed out by John Ocheni, a Lokoja-based business entrepreneur that scattering government funds in different commercial banks serve as a conduit for the perpetration of fraud by government officials in the MDAs. The thinking is that with this new method, leakages would be blocked and openness and accountability enhanced in the running of government businesses.

Justifying the order for the operation of TSA, which is aimed at promoting transparency and facilitating compliance with sections 80 and 162 of the 1999 Constitution, the Permanent Secretary, Federal Ministry of Finance, Mrs. Anastasia Daniel-Nwobia said: "The position of the constitution is that all revenues should go into the Federation Account. Before now, all agencies were allowed to generate revenue, use part of it to fund their operations and then remit the operating surplus to the Federation Account. But, this act is a further confirmation of the federal government's resolve that the provision of the constitution must be adhered to. And, with all revenues going into a single treasury account, government will have an overview of the money it has in its account and better plan its expenditure. So, the leakages that used to be there in the system where people used money as they want and decided what to return to the government will no more be there. So, there is a better control and management of government revenue." In his reaction to the TSA policy, a development economist, Odilim Enwegbara, who commended the efforts of Buhari, said: "with TSA leading to the closure of about 10,000 multiple bank accounts operated by MDAs in commercial banks, banks will have to wake up from their slumber. This is because the era when government's money is either lent back to government or invested in forex speculations is over. It also means that no longer at Bankers' Committee meetings should member banks demand that the CBN pursues their self-serving high interest rates to their benefits and those of heads of MDAs who placed public money in their high-interest-yielding fixed deposit accounts. (Daily Trust Editorial, 2015:22)

According to the Accountant General of Federation, (AGF), "out of the 900 MDAs, about 600 of them have so far fully complied with the directive on TSA, while others are still at different stages of compliance. He said contrary to media reports that some MDAs were exempted from the exercise, no agency had been excluded from complying with the directive by the FG". (Jegede, 2015).

He further stated that the policy if implemented would also help government to block leakages in revenue and increase transparency and efficiency. Some MDAs, Daily Trust learnt that claimed not to be affected by the new policy. It was gathered that most of the MDAs are against the TSA for fear of losing control of monies they have stationed in their choice banks' accounts. It was also learnt that some agencies stationed the revenue they generated in fixed deposit accounts where fat interests accrues and are siphoned.

Also, it was gathered that banks also benefited from such funds by using it to buy government securities such as treasury bills, certificates and bonds to make quick returns. Since last year, the Federal Government kept postponing the policy due to non-compliance. In one of the circulars, the OAGF gave a February 28, 2015 deadline. The circular said the implementation of the TSA will free more revenue from the MDAs to government for other projects.

It was gathered that the heads of revenue generating agencies and their parent ministries are not comfortable with the TSA regime because it will limit their control over the funds they are making which in most cases they use to finance some extra budgetary expenses, a source at the ministry of finance told Daily Trust. In the same vein, Academic Staff Union of Universities (ASUU) has criticized President Muhammadu Buhari's Treasury Single Account (TSA) policy, barely a month after the Academic Staff Union of Polytechnics (ASUP) expressed similar concerns. According to ASUU, the TSA could constitute bottlenecks in the smooth running of the Nigerian University System if hurriedly implemented.

Speaking during the National Executive Council (NEC) Meeting of the union held in Owerri, ASUU National President, Dr. Nasir Isa Fagge, said the Federal Government must deliberate over the policy with university representatives to make it workable.

The TSA, introduced to block financial leakages and prevent mismanagement of government's revenue, unifies all government accounts through a single treasury account, enabling it to prevent revenue loss and mismanagement by revenue-generating agencies.

Fagge said universities cannot function without the financial autonomy that the TSA takes away.

"There is no way any university can operate freely without having financial autonomy and the union will fight against any plans to deny us such," Fagge said.

He explained that the autonomy enables universities to make long and short term plans and taking it away will have consequences.

"When government shifts funding responsibilities to university authorities, the implication will be enormous."

It will be recalled that, in mid-September, ASUP National President, Comrade Chibuzo Asomugha, had advised Buhari to provide a special consideration for educational institutions in the country as regards the TSA. (Daily Trust Editorial,2015:22).

However, it is in view of the aforementioned inherent challenges of financial leakages in the revenue generation, remittance, and absence of transparency, revenue loss as well as mismanagement by revenue-generating agencies that the researchers undertake to carry out the research objectives.

### **3.0 The objective of the Study:**

The objective of this research is;

1. To determine the extent to which TSA can block financial leakages, promote transparency and accountability in public financial management.

### **4.0 Hypotheses:**

It is in view of the above objective that the researcher formulated the following hypothesis:

Ho: Treasury Single Account does not block financial leakages, promote transparency and accountability in the Public financial Management.

### **5.0 Significance of the Study**

The results from this study will go along way in enlighten the general public on the benefits of Treasury Single Account to the economy of the country. The outcome of this research will serve as an input to policy makers in decision making concerning management of public finance. This research will also contribute to other scholars and researchers interested in carrying out further research in the field.

### **6.0 Methodology:**

This is a survey research based on survey design. It involves gathering of data about the effect of Treasury Single Account on Public Finance Management. The study population used in this research comprises of workers in the finance offices of MDAs in Bauchi state. In order to have a sizeable number for this study, the judgmental method of sampling was used as only people of knowledge and experienced in the area under this study were selected. A total of seventy two workers selected for the study out of the population.

Data considered for the study were obtained from primary source. The questionnaire survey was designed where respondents were asked to determine the degree of importance of each information using Likert-type five scales, where (1) referred to strongly disagree, and (5) strongly agree, and the hypothesis tested statistically using SPSS to fulfill the research objectives.

In view of this, 72 questionnaires were administered to relevant accounting departments of some selected Federal Government departments and agencies in Bauchi metropolis which include Federal pay offices, Nigerian Custom office, Federal Polytechnic and Corporate affairs commission office Bauchi.

### 6.1 Study Area

The research study area is Bauchi metropolis of Bauchi state Nigeria. Bauchi is the capital city of the state, it therefore houses all state office's of federal Ministries Departments and Agencies (MDAs). The state was founded in 1976, it is located in the north-east region of Nigeria.

### 7.0 Results and discussions:

The correlation method was used to analyze data collected from the field as shown in the below tables:

Reliability test was performed on the factors after the exploratory factor analysis. Treasury Single Account had Cronbach's alpha of 0.621 and public finance management had alpha of 0.702.

Ho: Treasury Single Account does not block financial leakages promote transparency, accountability in the Public financial Management.

**Table1. Descriptive statistics and Cronbach's Alpha Coefficient**

Variable	Mean	Std. Deviation	Cronbach's Alpha	N
Treasury Single Account	24.81	3.31	0.62	37
Public Finance Management	11.06	1.95	0.70	34

**Source:** Researcher Computation 2015

The correlation coefficient indicates a strong positive relationship between Treasury Single Account and Public financial management with 50.3% correlation. This relationship is reflected in table 2. The P value was 0.002 which was <0.05. This means that the P value is statistically significant at 1% level (Bhatti, Hee, & Sundram, 2012). Therefore, there is enough evidence to reject the null hypothesis ( $H_0$ ) and uphold the alternative hypothesis ( $H_1$ ). That is, Treasury Single Account promotes greater transparency in the public finance management.

**Table 2 Correlations**

		Treasury Single Account	Public Management	Finance
Treasury Single Account	Pearson Correlation	1	.503**	
	Sig. (2-tailed)		.002	
	N	37	34	
Public Finance Management	Pearson Correlation	.503**	1	
	Sig. (2-tailed)	.002		
	N	34	34	

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Source:** Researcher Computation 2015

In view of the above analysis, the result shows that Treasury Single Account is positively correlated with Public Financial Management which goes further to confirm that Treasury Single Account is capable blocking the financial loopholes and promoting transparency and accountability thereby rejecting the null hypothesis as suggested by the decision rule.

## 8.0 Conclusion

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

## 9.0 Recommendation:

Based on the findings of the study, the researcher recommends the followings:

- For the success this policy, government should engage in massive public enlightenment about the important of the policy
- Government should overhaul the capacity of the Federal Ministry of Finance and the CBN to cope with challenges associated with enforcement of the provisions of the TSA.
- Government should secure as soon as possible the appropriate legislative support to facilitate the relevant regulatory environment which will drive the effective implementation of the TSA.
- Another suggestion is that, there is need for more legislation to cover the states and local government level since the policy in question only covered the federal level.
- for TSA policy to be effective the Fiscal Sunshine Bill needs to be put in place, which if enacted will open up the financial activities of government in a way that there will be no more hiding place for those who divert or loot government money. For instance, with Fiscal Sunshine Act in place, budgeting process and implementation, including contract awards, should be in the open for Nigerians to see both how revenues are generated and how public money is being spent by those in government, and why.
- Government should review the TSA policy to specifically safeguard the financial autonomy of the Nigerian educational institutions.

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