ENUGU STATE UNIVERSITY OF SCIENCE & TECHNOLOGY

JOURNAL OF SOCIAL SCIENCES & HUMANITIES

Volume 8
Number 2,
2023

PUBLISHED BY
Faculty of Social Sciences,
Enugu State University of Science And Technology

Treasury Single Account (TSA) in Nigeria: A catalyst for blocking financial leakages in public sector

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Abstract

The purpose of this paper is to examine Treasury Single Account (TSA) in Nigeria: A catalyst for blocking financial leakage in public sector. Treasury Single Account (TSA) is a public accounting system in which all government taxes and income are gathered into a single account, which is normally kept by the Apex bank, the country's Central Bank, and all payments are made through this account as well. The TSA policy idea was initiated and introduced by the former president, Dr. Goodluck Ebele Jonathan administration, who set a February 2015 deadline for the implementation of the initiative, but did not go ahead with it due to pressures, particularly from the banking sector, to soft pedal on the implementation due to the potential negative impact on the economy. However, the Treasury Single Account (TSA) was established when President Muhammadu Buhari took office. The study's goal is to determine the value of TSA to the Nigerian economy. The purpose of this conceptual paper is to conduct a literature study on Treasury Single Accounts (TSA) in Nigeria. The library technique was used for this study, which focuses on a content review of existing literature. We concluded that the Treasury Single Account platform has significantly reduced financial leakages in revenue generation while also promoting transparency and accountability in the public financial system. We recommended that the government should review the Treasury Single Account policy to specifically safeguard the financial autonomy of some sectors, for example, educational sector.

Keywords: ***Banking Sector, Central Bank of Nigeria, Government, Revenue, Treasury Single Account.***

Introduction

Many regarded the federal and some state governments' implementation of a Treasury Single Account (TSA) as an attempt to close gaps in the Nigerian financial system. A TSA is a uniform system of government bank accounts that allows for consolidation and efficient use of government cash resources. It is a bank account through which the government makes all of its payments and receipts and obtains a comprehensive picture of its current cash situation. The importance of any government adopting and fully implementing Treasury Single Account (TSA), especially in a shrinking economy, cannot be overstated. This is because the primary purpose of a TSA is to assure government income accountability and transparency (Adeolu, 2015). Adeolu believed that the directive issued by President Muhammadu Buhari to all Federal Ministries, Departments, and Agencies (MDAs) to begin depositing all government revenues, incomes, and other receipts into a single account with the Central Bank of Nigeria (CBN) is a courageous and highly commendable move against one of the main sources of corruption in the polity, public institutions. (Adeolu, 2015). The implementation of this unified accounting structure, appropriately called the Treasury Single Account (TSA), is burdened with high expectations of economic prospects because it has the potential to ensure transparency and accountability against a tactless financial strategy coming from an unholy alliance between banks and MDAs.

Payment of government money into several bank accounts operated by MDAs in commercial banks, as achieved under the former order, was clearly in violation of the Nigerian constitution, which states in section 80 that all government earnings must be paid into a single account. According to Akande (2015), Consolidation and efficient utilization of government financial resources are made possible by the Treasury Single Account (TSA), a unified structure of government bank accounts.

Statement of the Problem

Treasury Single Account (TSA) is a single structure of government bank accounts that allows for consolidation and efficient use of government cash resources (Yusuf & Chiejina, 2015). The former administration of former President Goodluck Ebele Jonathan has set a February 28, 2015 deadline for the TSA. However, the initiative's execution was sluggish, owing to demands, particularly from the banking industry, on the grounds of a potential detrimental impact on the economy, as well as pressure from MDAs. The ongoing delay in returning government accounts to the Central Bank adds to the enormous cost of government indebtedness as a result of inadequate cash flow management. (CBN, 2014). However, the implementation of this policy was a critical step towards curbing mismanagement of funds in public sector and to ensure accountability and transparency. It is against this background that this study will investigate Treasury Single Account in Nigeria: A catalyst for blocking financial leakages in public sector and review related extant literature.

Objective of the Study

The objective of this conceptual paper is to evaluates Treasury Single Account (TSA) in Nigeria: A catalyst for blocking financial leakages in public sector.

Literature Review

Conceptual Review

Treasury Single Account (TSA) and Public Sector

Before the TSA, Nigeria's banking infrastructure for tax and payment operations was fragmented, according to Otunla (the former Accountant General of the Federation). He claimed that because there were more than 10,000 bank accounts spread across several banks, it was impossible to determine the government's total financial position at any given time. When several government organizations failed to declare and return the 25% of their estimated yearly revenue that they are required by law to generate to the Treasury, as stipulated by law, the former president Goodluck Ebele Jonathan administration devised and created the notion of the Treasury Single Account. About N120 billion from Ministries, Departments, and Agencies (MDAs) was forcibly collected by the government in 2012, accounting for 25% of the Treasury's annual revenue. Another #34 billion was collected in 2013. Okonjo Iweala explained that the reforms expected in public financial management would cover the Government Integrated Financial Management Information System (GIFMIS), Treasury Single Account (TSA), and the Integrated Payroll and Personal Information System (IPPIS) at a gathering of financial experts and calibres in the account management of all Federal government MDAs. A Treasury Single Account (TSA), according to Yusuf and Chiejina (2015), is a uniform structure of government bank accounts that allows for consolidation and optimal exploitation of government financial resources.

Former President Goodluck Ebele Jonathan's administration set a February 2015 deadline for the initiative's implementation but did not follow through due to demands, particularly from the banking sector, for fear of a detrimental impact on the economy. In addition, as expected, the committee of Vice Chancellors of Federal institutions recommended the government to exempt institutions from the TSA policy's implementation. During a courtesy visit to the then Accountant General of the Federation, Alhaji Idris Ahmed, a delegation of a committee led by Professor Michael Faborode stated that the universities should be viewed as peculiar establishments because of their operations and services and should not be treated as public services or classified as revenue-generating organizations because the implementation of TSA in the university system might stifle its efficient operation. However, when President Muhammadu Buhari administration came on board, the Treasury Single Account (TSA) was implemented.

The Treasury Single Account (TSA) was created as a solution to control the degree of openness and accountability in the financial resources of the Nigerian government. TSA also aims to close gaps in the Nigerian financial system, reducing fraud and corruption. According to Olanrewaju (2020), it is impossible to completely eradicate fraud. Since many thieves and unscrupulous people are able to get around the controls set up to prevent them, no system is totally fraud-proof. Adeolu (2015) defines the Treasury Single Account (TSA) as a system of public accounting in which all government revenues, receipts, and income are accumulated into a single account that is typically kept by the Apex bank, the CBN, and through which all payments are also made. Treasury Single Account is seen by the government as a helpful tool to create centralized control over its revenue through efficient cash management. It improves accountability and makes it possible for the government to access the daily account balance and account information (Akande, 2015).

A Treasury Single Account, according to Yusuf and Chiejina (2015), is a uniform structure of government bank accounts that enables consolidation and optimal use of government financial resources. It is a bank account, or group of connected bank accounts, through which the government conducts all transactions and receives a consolidated picture of its cash balance at any given time. According to Jegede (2015), the Treasury Single Account integrates all government accounts through a single treasury account, making it possible to prevent income loss and management by revenue-generating agencies. It was created to restrict financial leakages and prevent misuse of the government's revenue. Additionally, according to Onyewuchi (2015), TSA can be thought of as a network of subsidiary accounts connected to a main account, with transactions occurring in the subsidiary accounts but closing balances being transferred to the main account at the end of each business day. Igbekoyi and Agbaje (2017) evaluated how the adoption of the Treasury Single Account will affect openness and accountability in the public sector. The study includes 570 Ministries, Departments, and Agencies (MDAs) in the public sector, with a sample size of ten (10) MDAs selected using a purposive selection technique that are active in revenue generation. The study included both descriptive and inferential analysis. The outcome demonstrated that the Treasury Single Account significantly reduces financial leakages, increases transparency, and prevents financial theft.

In order to determine the effect of the Treasury Single Account on the Nigerian economy, Oguntodu et al. (2016) conducted research. The Central Bank of Nigeria statistical bulletin (1999–2015) was examined using the ordinary least square estimator. To this end, an empirical investigation of the connection between Nigeria's economic performance and the Treasury Single Account was conducted. Time series data were used in the research to gather information due to the utilization of sets of economic indicators spanning 17 years. Based on the unified data published in the Central Bank of Nigeria's (CBN) statistical bulletin for the year 2015, the population of the study was established. We used secondary data. For each variable, the necessary data were gathered between the years 1999 and 2015. Regression was essentially the analysis method used to evaluate their work. The appropriate analysis to ascertain the relationship between the dependent and independent variables was conducted using the E-views statistical program. The outcome demonstrates that the Treasury Single Account positively and significantly affects the nation's economic expansion.

In a similar vein, Yusuf (2016) conducted research on the impact of the Treasury Single Account on Nigeria's public financial management. The study's main goal was to assess how well the TSA can prevent financial leaks and fosters accountability and openness in public finance management practices. Workers at MDAs' finance departments in Bauchi State make up the sample population employed in the study. Out of the population, 72 workers in total were chosen for the study. Primary sources were used to gather the data for the study. To achieve the research goals, statistical testing of the hypotheses was done using SPSS. From the findings, it was revealed that about 70% of the respondents agreed with the fact that introduction of account processes largely increase the profit margins for the business.

Ocheni (2016) conducted research on the Treasury Single Account (TSA) as a driving force for Nigerian public financial management. When evaluating the data, Ocheni used the mean and standard deviation. Upon validating the tool, a reliability coefficient of 0.61 (or 61%) was discovered. The public's perception of the Treasury Single Account policy's impact on the country's revenue drive, transparency, and fight against corruption, as well as the adoption of the Treasury Single Account policy's likely effects on banks' liquidity and employment, were all examined. The study on Treasury Single Account (TSA) as a catalyst for improving efficient public finance management in Nigeria was also examined. As a result of the consolidation of cash resources through a Treasury Single Account, which helps agencies avoid borrowing money and paying additional interest fees to finance some agencies' expenses while other agencies maintain idle balances in their bank accounts, the majority of agencies have mean scores that are higher than the criterion mean of 2.50. The study came to the conclusion that the Treasury Single Account policy is crucial for the country's quest for income, transparency, and anti-corruption efforts. However, the adoption of the policy has an impact on employment and bank liquidity as well.

According to Osuala (2001), public sectors are those corporate entities that are created by a particular statute that specifies their rights and responsibilities. They are those businesses and quasi-businesses that are collectively owned by all Nigerian citizens and funded entirely by tax payers. Public sector accounting, according to Adams (2005), refers to any organizations that are not privately owned and operated but instead formed, managed, and funded by the government on behalf of the general public. Accordingly, the public sector consists of businesses whose management is under the supervision of the general public and whose main goal is to provide services rather than make a profit. Udeh (2008) claims that the public sector is involved in delivering products and services, sometimes against the express requests of the consumers but more frequently as a result of governmental organizations' decisions.

The Challenges Encountered in the Implementation Process of the Treasury Single Account (TSA) in Nigeria

The implementation of the TSA was given a deadline of February 28, 2015 by the administration of former president Goodluck Ebele Jonathan. However, the initiative's execution was sluggish due to pressure from the MDAs and, in particular, the banking sector, which was concerned about a potential impact on the economy. Before he left office on May 29, 2015, former president Goodluck Ebele Jonathan was unable to put the proposal into action. When President Muhammadu Buhari took office, the TSA policy was reconsidered, and the president directed all Federal Ministries, Departments, and Agencies (MDAs) to begin depositing all government revenues, incomes, and other receipts into a unified pool of single account with the Central Bank of Nigeria (CBN). The Federal Government's commitment to enforcing the TSA was expressed in a circular headed "Re: Introduction of Treasury Single Account (TSA) (E-collection of Government Receipts)" issued by the Federation's then-Head of Civil Service, Danladi I. Kifasi. In a circular dated August 7, 2015, it was announced that President Buhari had given his approval for the creation and operation of a Treasury Single Account for the electronic collection of government revenues for all Federal MDAs beginning on that day. The purpose of the circular was to make it easier to comply with Sections 80 and 162 of the Federal Republic of Nigeria Constitution of 1999 (as amended). As anticipated, the Federal Government's directive sparked discussions across the nation.

Jonah Otunla, the previous Accountant General of the Federation (OAGF), admitted that the TSA faced difficulties. He claimed that MDAs and commercial banks are putting up resistance, some out of ignorance and others because in the past they were able to manipulate the system set up to their advantages—something that will not be possible under the TSA. several others worry that it may undermine the independence of several agencies and grant the Accountant General authority over them. In a nutshell, the drawbacks of TSA implementation in the university system interfere with the institutions' ability to function effectively because the government's funding for them is so little. The same is true for additional MDAs that are not solely public services organizations or classified as profit-making organizations. With the installation of TSA and the Integrated Payroll and Personal Information System (IPPIS), certain allowances have been withdrawn, endangering the autonomy of some specialized agencies. The Academic Staff Union of Universities (ASUU) and the larger university system may oppose the IPPIS for this reason, among others. Additionally, the banking industry, which serves as the backbone of the country's economy and has traditionally served as the custodian of public finances, suffers significantly from the adoption of the TSA.

The Benefits of the Treasury Single Account (TSA) in Nigeria

The TSA offers a variety of additional advantages, which improves a public financial management (PFM) system's overall efficacy. TSA improves accountability and gives the government access to daily account balance information (Akande, 2015). The TSA has made provisions for effective oversight of government revenue and expense. As the Ministry of Finance will be able to track the inputs and outflows of financial resources, the TSA has the potential to significantly reduce revenue leakages inside MDAs. Since money is easily available for government spending in Nigeria, it is anticipated that the introduction of TSA will aid in stemming the tide of corruption by preventing money leaks, embezzlement, and borrowing. The Treasury Single Account (TSA) has helped the government realize revenue on schedule and facilitates its efficient use. TSA makes sure that any money received is available for funding the government budget, paying bills on time, and carrying out government expenditure programs. No government agency is permitted to maintain any operating bank accounts outside of the Ministry of Finance's supervision, therefore CBN (2015) reasoned that the installation of the TSA will allow the Ministry of Finance to oversee financial movement.

The Fiscal Responsibility Act (FRA) of 2007 has a gap that causes revenue-generating MDAs to reportedly generate $3.06 trillion in 2009 but only remit $46.80 billion to the government coffers; they reportedly generated $3.07 trillion in 2010 but only remitted $54.10 billion, according to Mr. Odilim Enwegbara, a development economist and financial analyst. He was speaking on the viability of the TSA policy. He mentioned the example of the Nigerian National Petroleum Corporation (NNPC) and its subsidiaries, which despite having created #6.132 trillion on their own between 2009 and 2011 they returned zero naira to the national coffers (Okwe et al., 2015). In a nutshell, the TSA policy has fostered transparency and accountability in the public financial system and assisted in stopping financial leakages in revenue creation. It has made it possible for all income going into the government treasury to be collected and paid on time without the need for the intermediary of numerous banking arrangements. It has also decreased the misuse of public funds by income-generating organizations, revealed fraud, and closed off revenue leakage routes.

Achievements of Treasury Single Account (TSA) in Nigeria

The government processes all revenues and payments through this bank account, or a group of connected bank accounts, and receives a consolidated picture of its cash situation at any given time. The TSA will undoubtedly increase public financial management's accountability, transparency, and efficacy (Akande, 2015). The new Electronic Revenue Collection (ERC) platform, according to the former Accountant General of the Federation (AGF), Mr. Jonah Otunla, aims to increase internally produced revenue in the face of falling oil prices. However, Mr. Odilim Enwegbare, a development economist and financial analyst, noted that in order to make the Fiscal Responsibility Act (FRA) of 2007 work more effectively, it must be revised in a way that eliminates the significant bottlenecks that are brought on by some of the Act's sections and subsections. He claimed that this one gap allowed revenue-generating MDAs to reportedly generate $3.06 trillion in 2009 but only remit $46.80 billion to the government, $3.07 trillion in 2010 but only remit $54 billion, and $3.17 trillion in 2011 but only remit $73.80 billion. He used the example of the NNPC and its subsidiaries, which despite having generated #6.132 trillion on their own between 2009 and 2011, sent 0 naira to the government's coffers (Okwe et al., 2015). In a nutshell, the TSA policy has fostered transparency and accountability in the public financial system and assisted in stopping financial leakages in revenue creation. It has made it possible for all income going into the government treasury to be collected and paid on time without the need for the intermediary of numerous banking arrangements. It has also decreased the misuse of public funds by revenue-generating organizations, exposed fraud, and closed off ways for revenue leakage.

Methodology

The methodology adopted from this study is library approach which focuses on the content reviewed of extant literature on Treasury Single Account (TSA) in Nigeria: A catalyst of blocking financial leakages.

Conclusion

The study theoretically examine Treasury Single Account (TSA) in Nigeria: A catalyst for blocking financial leakages in public sector. The current research, which has been examined, demonstrates that the Treasury Single Account has a strong positive impact on financial leakages, transparency, and the nation's economic growth. To sum up, the Treasury Single Account has a significant impact on how successfully public finances are managed. The Treasury Single Account platform has done a lot to improve transparency and accountability in the public financial system and to block financial leakages in revenue production. It has also made it possible to collect all income going into the national treasury on time and without the need for intermediary banks. The policy has also made it possible for the central government to know its financial situation at any time without any obstacles.

Recommendations

The following policy recommendations were offered in line with the theoretical findings of this study.

- The federal government should continue to operate with the principles of Treasury Single Account because of the positive influence it has on the effectiveness of public finance.
- Government should review the Treasury Single Account policy to specifically safeguard the financial autonomy of some sectors, like the educational sector.
- There is need for more legislation to cover the States and local government levels since the policy in question only covers the Federal government level, for now.

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