

Effect of Treasury Single Account (TSA) on Selected Tertiary Institutions in Nigeria

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ABSTRACT

Successive governments in Nigeria have continued to operate multiple accounts for the collection and disbursement of government revenues in flagrant disregard to the provision of the constitution which requires that all government revenues be remitted into a single account. The Treasury Single Account (TSA) was recently implemented fully in the Nigerian economy by the present government in order to ensure prudence and probity in the management of financial resources. Treasury Single Account (TSA) came as a quick fix to regulate the level of accountability and transparency in managing the financial resources of the government of the country. With the TSA, government expects to block all loopholes and leakages of financial resources of the government and also ensure a robust financial management system.

This paper therefore provides the conceptual meaning of the TSA, and also outline its expected benefits to the economy of Nigeria such as, enhanced system of financial management and control, unification of various Accounts of government, reduction of the costs of government borrowing and ensuring the optimum utilization of government financial resources.

This paper also analyses the objectives of the TSA systems and its various Accounts such as TSA main account, Subsidiary Account, ZBAs, Transit and Imp rest Account among others.

This paper finally discussed the prospects of the TSA system and its challenges and concludes that, the system requires political will, honesty and determination so as to overcome the various challenges identified in the paper in order to achieve the expected benefits of the system.

KEYWORDS: collection, disbursement, TSA system, Subsidiary Account, financial resources Words 236

INTRODUCTION

The adoption and full implementation of Treasury Single Account (TSA) by any government, especially in a dwindling economy cannot be over-emphasized. Treasury single account (TSA) is a financial policy in use in several countries all over the world. It was proposed and partially implemented by the Federal Government of Nigeria in 2012 under the Jonathan Administration- and fully implemented by the Buhari Administration to consolidate all inflows from all agencies of government into a single account at the Central Bank of Nigeria. Efficient management and control of government's cash resources rely on government banking arrangements. Nigeria, like many low income countries, employed fragmented systems in handling government receipts and payments. Establishing a unified structure as recommended by IMF, where all government funds are collected in one account would reduce borrowing costs, extend credit and improved government's fiscal policy among other benefits to government. (Pattanayak & Fainboim, 2010).

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). He believes that The 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 strongholds of corruption in the polity, public institutions (Adeolu, 2015). According to Section 80 of the Nigerian constitution (as amended) posits that...

“all revenues, or other monies raised or received by the Federation (not being revenues or other monies payable under this said 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 from one Consolidated Revenue Fund of the Federation”.

In spite of this, successive governments of Nigeria have continued to operate multiple accounts for the collection and disbursing of government revenues in flagrant disregard to the provision of the constitution which requires that all government revenues be remitted into a single account.

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).

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 unauthorized foreign accounts; and thereby retain more revenue for the system.

Governments in Nigeria have never hesitated to place the educational sector in their priority list for development believing that every other sector depends on it to achieve growth and development. The Treasury Single Account policy involves all Federal Government Ministries, Departments and Agencies (MDAs) as players. Automatically, the Federal Government owned universities fall under these categories in which the treasury single account is being implemented. There has been agitation over the years that there is need to increase the budget allocation to education sector because of the pivotal role education plays in the developmental process of the Nigerian economy. Budgets made by government for the sector is usually minimal compared to the universally accepted percentage as stipulated by United Nations Education and Scientific Cooperation (UNESCO). United Nations Education and Scientific Cooperation provide 26% of total annual budget for developing countries like Nigeria, (Akindele, 2016). He noted that Nigeria educational budget is 8% of total annual budget. In spite of the agitation for upward review of budgetary allocation to the sector, it is common to discover that the yearly allocation to this sector is not often totally

released; and where percentage of it is released, it is usually delayed.

Literature Review

Concept of Treasury Single Account

A Treasury Single Account is a public accounting system under which all government revenue, receipts and income are collected into one account usually maintained by the country’s Central Bank. As well, all payments are effected through this same (The Stalwart Report. 2015)

Sailendra and Isreal (2015) define Treasury Single Account as “a unified structure of government bank accounts enabling consolidation and optimum utilization of government cash resources”. In their submission, “a Treasury Single Account transacts all its receipts and payments and gets a consolidated view of its cash position at the end of each day”. In their words, the TSA is “a banking arrangement for government transactions which is based on the principle of fungibility of all cash irrespective of its end use”.

Ocheni, (2016) also defines Treasury Single Account (TSA) “as a unified arrangement which enhances the interchangeability of all the government cash resources, and implies that no other government agency should be allowed to operate bank accounts without the oversight of the treasury”. He stated that the TSA is comprehensive and encompassing all government cash. He is, however, of the opinion that TSA does not have a “single model or design”. He emphasized that the implementation in each country depends on the stage of development of the quality of its public institutions and financial management system, its technological development and communications infrastructure and the degree of maturity its banking system. public monies, irrespective of whether the corresponding cash flows are subject to budgetary control or not, should be brought under the direct control of government. Government banking should be unified to give room for control by the Accountant-general of the Federation and Ministry of Finance.

Reasons for the Adoption of Treasury Single Account in Nigeria

Until the introduction of the TSA, the country faced numerous challenges with management of Public Finances that affect government efficiency and effectiveness in service delivery, transparency and accountability. Some of these challenges were:

Loss of Control on the Number of government Bank Accounts:

MDAs are required under FR 701 to get the approval of the Accountant-General of the Federation (AGF) for all their banking relationship. In addition, each MDA is required by regulation to maintain four bank accounts, one each for revenue, personnel costs, overhead costs and capital. However, many MDAs failed to comply, hence the number of bank accounts became over bloated and monitoring the accounts became a herculean task for the OAGF. A survey of the number of such accounts with both the Central Bank of Nigeria (CBN) and Deposit Money Banks (DMBs) carried out by the OAGF in 2010 puts the number of accounts at over 10,000. With such a large number, government could not have timely consolidated information of cash position necessary for efficient cash management in the country.

Idle Cash in MDAs’ Accounts While the CRF Account is perpetually overdrawn:

Prior to the reforms, government financed its personnel and overhead costs monthly in advance while capital projects were funded quarterly in advance but often the funds remained underutilized for the periods. This leaves the Consolidated Revenue Fund (CRF) Account from which MDAs in line with S.38 (2) of their Act. Accordingly, government incurs cost of borrowing on the overdrawn balance while the DMBs that are keeping the MDAs’ idle funds do not remunerate them but buy government treasury bills and bonds to earn interest income. The level of ways and means granted by CBN to meet cash flow shortfalls has grown over the years reaching N342 billion in 2014.

Methodology

The research design adopted for this study is the survey design as the researcher aims to gather information directly from the respondents in order to describe the existence of the problem in this study and proffer solutions. This method is useful in describing the characteristics of a large population which ensures a more accurate sample, to gather targeted results in which to draw conclusions. Survey design also allows for anonymity in that it allows respondent to answer with more candid and valid answers. To get accurate data, respondents need to be as open and honest as possible with their answers. Surveys conducted anonymously provide an avenue for more honest and unambiguous responses than other research methodologies, especially if it is clearly stated that the survey answers will remain completely confidential. The method was chosen because it will help to record, describe, analyses and interpret the belief, opinion, thought and feelings of the respondent in the cause of the research work.

Test of Hypotheses

Hypothesis one: implementation of Treasury Single Account (TSA) does not have any effect on prompt payment of expenditure in tertiary institution

Sampling Size and Sample Technique

The sample size was determined from the total staff strength of One Hundred and Eighty- three (183) Bursary Staff. The Taro Yamane (1967) Formula was used to determine the sample size.

$$n = \frac{N}{1 + N(e^2)}$$

Where; n= number of population N= sample size e= standard error assumed to be 0.05

$$n = \frac{183}{1 + 183(0.05^2)}$$

$$n = \frac{183}{1 + 183(0.0025)}$$

$$n = \frac{183}{1 + 0.4575}$$

$$n = \frac{183}{1.4575}$$

125.557461 ≈ 126 respondents

The researcher used a sample size of 126 for the study. The 126 selected is spread across the senior staff, and junior staff of the Institutions.

Data Presentation and Analysis

The data were presented using frequency tables while the hypothesis were tested using chi-square test and multiple linear regression. All test was performed with 0.05 level of significance.

Table 1: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.355	.085		4.175	.000
	Payment of salaries	.941	.080	.988	11.793	.000
	Payment of Impresses	-.074	.166	-.076	-.447	.655
	Payment of Furniture and Fittings	.059	.146	.061	.403	.688
R=0.973 R-Square=0.948 Adjusted R-Square=0.946 Durbin Watson=1.820 F-Ratio=736.820 Sig.=0.000						

- a. Predictors: (Constant), Payment of salaries, Payment of Impresses, Payment of Furniture and Fittings
- b. Dependent Variable: Prompt Payment of Expenditures

Source: SPSS printout, 2018

Table 1 shows the model summary of the effect of implementation of Treasury Single Account (TSA) on Prompt Payment of Expenditures. It shows a R-square of 0.973 which indicates that there is very high (97.3%) change in Prompt Payment of Expenditures explained by the implementation of Treasury Single Account. The R-square implies that Payment of salaries, Payment of Impresses and Payment of Furniture jointly effect a 97.3% change in Prompt Payment of Expenditures.

The table also shows the analysis of variance of the fitted ordinary least square model. Since the P-value (0.000) is less than the significant level (0.05), we reject the null hypothesis that implementation of Treasury Single Account (TSA) does not have any effect on prompt payment of expenditure in tertiary institution. This implies that Payment of salaries, Payment of Impresses and Payment of Furniture jointly, statistically and significantly influence Prompt Payment of Expenditures.

Finally, the table shows the coefficients of the various parameters. It shows the constant coefficient to be 0.355 which is significant at 0.05 significant level. Coefficient of payment of salaries (0.941) is significant at 0.05 significance level, however, payment of impresses (-0.074) and Payment of Furniture (0.059) was not significant at 0.05 significance level. This implies that the changes in Prompt Payment of Expenditures is as a result of significant changes in payment of salaries, however, the change in Payment of Impresses and Payment of Furniture may not significantly effect a change in Prompt Payment of Expenditures.

Hypothesis two: there is no significant relationship between Treasury Single Account (TSA) and revenue generation

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.180	.085		2.123	.036
	Government Sources	.655	.068	.677	9.617	.000
	Non-Government Sources	.021	.103	.021	.201	.841
	Tet fund	.290	.079	.292	3.681	.000
R=0.975 R-Square=0.951 Adjusted R-Square=0.949 Durbin Watson=2.180 F-Ratio=783.702 Sig.=0.000						

- a. Predictors: (Constant), Government Sources, Non-Government Sources, Tet fund
 b. Dependent Variable: Revenue Generation

Source: SPSS printout, 2018

Table 2 shows the model summary of the relationship between Treasury Single Account (TSA) and revenue generation. It shows a R-square of 0.975 which indicates that there is very high (97.5%) change in Revenue Generation explained by Treasury Single Account. The R-square implies that Government Sources, Non-Government Sources and Tet fund jointly effect a 97.5% change in Revenue Generation.

The table also shows the analysis of variance of the fitted ordinary least square model. Since the P-value (0.000) is less than the significant level (0.05), we reject the null hypothesis that there is no significant relationship between Treasury Single Account (TSA) and revenue generation. This implies that Government Sources, Non-Government Sources and Tet fund jointly, statistically and significantly influence Revenue Generation.

Finally, the table shows the coefficients of the various parameters. It shows the constant coefficient to be 0.180 which is significant at 0.05 significant level. Coefficient of Government Sources (0.655) and Tet fund (0.290) are significant at 0.05 significance level, however, Non-Government Sources (0.021) was not significant at 0.05 significance level. This implies that the changes in Revenue Generation is as a result of significant changes in Government Sources and Tet fund, however, the change in Non-Government Sources may not significantly effect a change in Revenue Generation.

Conclusion

Based on the finding of the study, it is concluded that Treasury Single Account policy would go a long way in blocking the identified financial leakages in revenue generation and promote transparency and accountability in Tertiary Institutions' financial system if it is fully implemented. It would equally pave way for the prompt payment of expenditures and capturing of all revenues going into the Federal Government Institutions.

Treasury Single Account is justifiable since it provides a secure funds management system, and permits full transaction tracking and visibility. With this in place, it has

become increasingly difficult for federal tertiary institutions in general to play "Santa" with monies in its trust.

This study concluded that the Treasury Single Account has a positive effect on the Nigerian Federal Institutions.

Recommendation

Based on the findings of the study, the followings recommendations are made:

1. The study recommends that, since the adoption of TSA has significantly improved the prompt payment of expenditures, the policy framework should be reviewed and amended where necessary to include training of Bursary staffs with regards to the growing trend in ICT in order to be able to effectively utilize Integrated Payroll and Personnel Information System (IPPIS), and Integrated Financial Management Information System (IFMIS) framework.
2. Treasury Single Account policy should be fully implemented to address the ghost workers' syndrome in tertiary institutions payroll. This will help cut down personnel cost budget by the institution, thus rewarding only those who are in active workforce.
3. Considering the benefits of maintaining single account, the Federal Government should secure as soon as possible the appropriate legislative support to facilitate the relevant regulatory agencies which will drive the effective implementation of the Treasury Single Account in the states owned tertiary institutions in order to promote accountability and transparency in revenue generations.
4. On the whole, the adoption of Treasury Single Account should be positive for the economy in general and also the tax system in particular. The appropriate authorities will have to now embrace transparency and accountability more than ever before

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