

## An Ex-Ray of Treasury Single Account (TSA) for Sustainable Development

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### ABSTRACT

Sustainable development lacks where poor financial discipline, transparency and accountability exist. Treasury single account (TSA) was introduced into Nigeria accounting system as a result of numerous corrupt practices that prevail in the public accounting system. The paper starts by discussing the concepts of sustainable development and treasury single account (TSA). This is followed by an assessment of objectives, benefits and operational guidelines of TSA. It then ex-rays the challenges facing TSA implementation in Nigeria. The study concludes that TSA as a financial policy can curb corruption and financial recklessness among government functionaries and executives, if government provides legislative supports and practicable enabling environment. In addition, the study recommends that proper monitoring of government account should be carried out promptly and stringent punitive measures should be meted out against corrupt officers.

**Keywords:** Treasury single account, financial policy, sustainable development, accountability

### INTRODUCTION

Treasury Single Account (TSA) is a policy to implement section 80(I) of the 1999 constitution as amended. It states that "all revenue or other money raised or received by the Federation (not being revenue or other money 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". From international perspective TSA can be considered as an initiative of the International Monetary Fund (IMF) /World Bank in 2010. It is a key component of the economic reform programme of government that commenced in 2004 through the IMF/ World Assisted Programme.

Pattanayak and Fainborn (2010) note that a full fledged TSA shares three essential features:

- (1) The government banking arrangement should be unified, to enable Ministry of Finance (MOF) or (treasury) oversight of government cash flows in and out of these banks;
- (2) No other government agency operates banks accounts outside the oversight of the treasury. Options for accessing and operating the TSA are mainly dependent upon institutional structures and payment settlement systems; and
- (3) The consolidation of government cash resources should be comprehensive and encompass all government cash resources, both budgetary and extra budgeting.

To kanu (2016) the primary aim of TSA is to ensure accountability of government revenue, enhance transparency, and avoid misapplication of public funds. It is to ensure that transparency on unspent budgetary allocations is carried forward automatically to another year. Financial policies according to Ebong (2016) are deliberate policy response to correct impending financial crises and subsequent failure. Reforms in the financial industry are aimed at addressing issues such as governance, risk management and operational inefficiencies. Specifically financial reforms are primarily driven by the need to achieve the objective of consolidation, competition, and convergence in the financial structural design. Hence, the introduction of TSA can be viewed as a measure to correct the corrupt practices in the management of accounts being operated by MDAs.

Oyedele (2015) observes the implementation of TSA as a critical step towards reducing corruption in public finance. This is line with the pledge of the current administration to combat corrupt practices, eliminate indiscipline in public finance and ensure adequate fund flow that will be channeled to critical sectors of the economy to catalyze development (Oyedele, 2015). Sustainable development is a goal every nation aspires to attain. It involves both economic developments and economic growth that does not compromise the future of generations. Sustainable development is not a mono professional subject but applies to all professions as sustainable

development is a development that is all encompassing. The sustainability of any endeavour can only be evaluated when it guarantees existence and continuity of that profession and humanity at large in subsequent years (Isah; Ayeni; Atanda and Mohammed, 2010).

### **Sustainable Development Concept**

Development refers to positive changes in the society and it embraces political, social economic and psychological tenet of life (Akpan, 2008). It can be viewed in terms of the improvement of people's standard of living through education, skill development, income and employment. Development has to do with the transformation of a society from its traditional structure, thinking, ways of life, and methods of doing things to more modern ways. Servaes (1999) states that development embodies improvement in all aspects of people's lives in a given nation or society and is, therefore, multidimensional. Sustainable development on the other hand means the capacity of a nation to maintain a balance between the human needs to improve lifestyles or standard of living and preserving the natural resources on which the present and future generations depend.

Sustainability is the effective use of available human, material and technological resources to meet the community needs and at the same time ensuring that these resources meet the needs of the present without compromising the ability of the future generations to meet their own needs (UNCED, 1987).

Sustainable development consists of the following two components: -

- Sustainable Human Development (SHD), and
- Environmental Sustainability

SHD represents an evaluation of the classical concept of development; its emphasis has moved from the material well-being of states to the well-being of individual human beings. SHD places people at the center, as the principal actors and the ultimate goal of development. It enhances human capabilities to expand choices and opportunities for men, women, youths and children. SHD creates an environment where individual human beings can, and are given opportunities to develop their full potential, thus leading

a life of dignity and freedom.

### **Concept of Sustainable Development**

Noibi and Lawa (2004) note that “it is a development strategy that manages the physical assets, natural and human resources, as well as available funds in a manner that ensures increasing health and wealth for both the present and future generations. More so, Darah (1993) in Unoh (2004) sees sustainable development as: the persistent quantitative improvement in economic and social life, the empowering of the population with skills that can be employed in the world of work to exploit the resources of our environment, to cater for the basic needs of the people.

Okpanku (2007) defines sustainable development as “the capacity to exercise reasonable control over nature, to evaluate human conditions through access to instrument of technical aids that ease labour and increase leisure”. It involves all that can be done to make human beings free to develop and maximize their potentials.

### **Treasury Single Account Concept**

The introduction of TSA is as a result of numerous corrupt practices that exist in the country’s public accounting system, lack of transparency and accountability. Treasury Single Account (TSA) is one of the financial policies implemented by the federal government of Nigeria to consolidate all the revenues from all the ministries, departments, and agencies (MDAs) in the country by way of deposits in commercial banks traceable into a single account at the Central Bank of the country.

Taiwo (2015) defines TSA as “the Federal Government independent Revenue e-collection initiative that will automate Revenue Collections of Ministries, Departments, and Agencies (MDAs) directly into the Federal Government Consolidated Revenue Fund (CRF) account at the CBN through the Remita e-collection platform and other electronic payment channels”. A treasury single account is a pool in which all government revenue is collected and controlled by the Central Bank of Nigeria, with the view to boost the economy and reduce corruption.

Oguntodu, Adekunle, Alalade and Adegbe (2016) define TSA as unified structure of government bank account that gives a consolidated view of cash resources. But Adeolu (2015) sees Treasury Single Account as a public accounting system, while Nelson, Adeoye and Ogah (2015) view Treasury Single Account as an account that all ministries and government departments' account balances are collated by the Central Bank, whereas there is an intermediate account for every ministry and department that shows the total of all debt and credit transactions.

Onyekpere (2015) observes that Treasury Single Account is a unified structure of government bank accounts, enabling consolidation as 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 all its cash position at any given time. Onyekpere (2015) emphasizes that Treasury Single Account is a process and tool for effective management of government finances, banking and cash position. The Central Bank of Nigeria (2015) defines TSA as a payment system in which all revenues due to the government are paid into a unified account domiciled with the CBN. Its objective is to ensure fiscal discipline and transparent management of the nations finances.

Pattanayak and Fainborn (2010) affirm that a Treasury Single Account (TSA) is an essential tool for consolidating and managing governments' cash resources, through the minimization of borrowing costs. The study opines that TSA should receive priority attention in the public financial management reform agenda of countries with fragmented government banking arrangements.

The consolidation into a Treasury Single Account paves way for timely capture and payment of all the revenues into government coffers without the intermediation of multiple banking arrangements. Thus, prevents revenue leakages that bring about revenue loss and management of fund by operators of all revenue generating agencies.

### **Objectives of TSA**

The primary objective of a TSA is to ensure effective aggregate control over

government cash balances. Other objectives for setting up TSA are as follows:

- (1) Minimizing transaction costs during budget execution, notably by;
  - (a) Controlling the delay in the remittance of government revenues by collecting banks, in both tax and non-tax; (b) Making rapid payments of government expenses; and (c) Facilitating reconciliation between banking and accounting data;
- (2) Efficient control and monitoring of funds allocated to various government agencies; and;
- (3) Facilitating better coordination with the monetary policy implementation;
- (4) Enthroning a new centralized, transparent and accountable revenue management;
- (5) Ensuring availability of cash when needed;
- (6) Blocking loopholes in revenue management;
- (7) Controlling aggregate cash flow within fiscal and monetary limits;
- (8) Optimal investment of idle cash;
- (9) Improving management of domestic borrowing ; and
- (10) Reducing overdraft, bank fees and other transaction and costs.

According to Obinna (2015), the cardinal objectives of TSA, are to facilitate accomplishment of the Federal Government's Cash Management Policy, and to create greater accountability for public expenditure. Chukwu (2015) says that TSA will give government an opportunity to have one-hand information about its accounts. Hence, the introduction of TSA can be viewed as a measure to correct the corrupt practices in the management of multiple accounts being operated by ministries, departments and agencies.

**The Benefits Accrued to TSA are:**

- (1) Allows complete and timely information on government cash resources;
- (2) Improves operational control during budget execution;
- (3) Improves appropriate control;
- (4) Enables efficient cash management;
- (5) Reduces bank fees and transaction costs;
- (6) Facilitates efficient payment mechanisms;

- (7) Improves bank reconciliation and quality of fiscal data; and
- (8) Lowers liquidity reserve needs (Pattanayak & Fainborn, 2010 )

Kanu (2016) views TSA as a policy introduced to reduce the proliferation of bank accounts operated by Ministries, Departments and Agencies and also to promote transparency and accountability among all organs of government.

Mba (2015) opines the under listed as the benefits accrue to the implementation of TSA:

- (1) Enhancement in tracking accurately all receipts and providing audit trail;
- (2) Ensures full remittance of taxes from all tiers of government;
- (3) Facilitates inter-government account reconciliations between Federal, State and Local Governments;
- (4) Reduction in fraud, corruption and financial irregularities;
- (5) TSA has positive effect on fiscal and monetary policy management as it controls and efficiently manages amount of cash in circulation and in turn reduces borrowing and costs of borrowing;
- (6) Enhancement in performance of duties of financial investigation agencies like EFCC (Economic of Financial Crime Commission) and ICPC (Independent Corrupt Practices and other related Offences Commission);
- (7) Enhances Real Time Accounting and Reporting in the public sector especially when integrated with e-Payment system;
- (8) Reduction in the cost of minting, printing and circulation, processing and replacing currency notes as e-Receipts and e-Collection is the order; and
- (9) TSA minimizes socio-economic risks associated with movements of large amounts of cash where most remittances are e-based (Mba, 2015).

To Okolieaboh (2016) TSA benefits are divided into major and specific. The major benefits include:

- (1) Ability to determine consolidated federal government cash position;
- (2) Reduction in ways and means charges from N3.7b/month to zero;
- (3) Significant improvement in Federal Government liquidity position;
- (4) Better control and oversight over MDA operations; and
- (5) Improved revenue collection mechanism through e-collection.

TSA specific benefits include the following:

- (1) Elimination of costly collection and exploitative Ppps;
- (2) No more bullion vans;
- (3) Elimination of cheque books;
- (4) Hijacking of cash in transit and breaking into cash rooms no longer possible;
- (5) Streamlining of bank accounts
- (6) Reduction in cash handling costs and pilfering
- (7) 24/7 access to bank account
- (8) Online, real-time bank statements
- (9) Wider scope/channel for receipts: any bank, anywhere plus e-channels at no cost; and
- (10) Flexibility/ mobility in payments, free of charge.

#### **TSA Operational Guidelines**

There are two models for the TSA, the Centralized and Decentralized TSA. Centralized TSA involves a single account with subsidiary ledger or several linked accounts while decentralized TSA model entails the account structure that allows Ministries, Departments and Agencies to maintain and operate a transaction account that is linked to TSA main account. The balance standing unutilized with the MDAs is automatically swept into TSA with CBN. The Federal Government of Nigeria adopted centralized model with each MDAs vested with the authority to make payments based on funds released by Budget office of the federation through warrant.

The mode of operation in TSA is by e-collection and e-payment. E-collection is an electronic initiative for the collection of federal government revenues like fees, duties, taxes, tariffs and so on. E-collection commences in 2015 and it is the receipt/ debit side of TSA. On the other hand, E-payment is a centralized e-payment channel used by MDAs to approve payment from TSA/ Consolidated Revenue Fund Account to beneficiaries in Universal Banks and Microfinance Banks. E-payment segment of TSA commences in 2012 and it is the credit side of TSA.

The e-collection and e-payment are made through a payment gateway interface of federal government, Government Integrated Financial



Management Information (GIFMIS) and solution provided by Central Bank of Nigeria, referred to as REMITA.

The E-payment part of TSA entails the following: (a) The government e.g. federal government share monthly allocation are credited to TSA, which is located at CBN i.e. Consolidated Revenue Fund (CRF) ;(b) All MDAs of governments draws funds from single account with a daily single consolidated balance; (c) The MDAs processes and makes payments directly to the beneficiaries through the TSA, based on warrants by the Budget office; and (d) the office of Accountant General manages the account.

E- Collection of TSA entails the following:

- (a) Revenue collected by MDAs is remitted to TSA
- (b) Agencies can spend, as allowed to them by extant laws
- (c) Agencies processes of collection are not degraded
- (d) e-collection does not reduce collection/receipt, it increases inflow
- (e) Location of a parastatals and its office/number of offices do not affect the effectiveness of e-collection. The e-collection guidelines are:
  - (i) All MDAs account to be closed
  - (ii) Appropriate sanctions apply to defaulting MDAs
  - (iii) MDAs to guide payers on e-collection guidelines
  - (iv) Categories of MDAs (if need be)
  - (v) e-collection should enable inflows through banks internet banking site, debit/credit cards, mobile wallet and point of sales (POS).

Central Bank of Nigeria, Accountant General/Designated Office, Money Deposit Banks and Ministries/Departments/Agencies are the key players in the implementation of TSA. The Central Bank of Nigeria is expected to perform the following responsibilities:

- (a) Hosting TSA for all receipts and payments of government and rendering statements for reconciliation purposes
- (b) Facilitating the transmission of payment instruments
- (c) Ensuring payment to the relevant account
- (d) Designing payment and collection processes across banks
- (e) Ensuring feedback from gateway collection/payment solution
- (f) Ensuring security and smooth running of the gateway solution

- (g) Issuing guidelines to the banks
- (h) Developing service level agreement (SLA) in conjunction with stakeholders
- (i) Providing online real-time electronics access to transaction on the account, view the balance and print statement
- (j) Providing and maintaining the payment gateway to TSA and e-payment from collected funds; and
- (k) Liaising regularly with all key stakeholders to ensure smooth operation of TSA.

Accountant General/Designated Office is expected to perform the following responsibilities:

- (a) Ensuring monthly transfer of statutory allocation to TSA
- (b) Ensuring implementation and compliance by MDAs on disbursement and collections
- (c) Monitoring payments, collection and remittance processes
- (d) Conducting cash management to determine inflows and expenditure
- (e) Issuing and updating guidelines
- (f) Carrying out regular reconciliation of accounting data with banks; and
- (g) Abiding by memorandum of understanding.

Money Deposit Banks are expected to perform the following responsibilities:

- (a) Ensuring payment to beneficiaries;
- (b) Prompt remittance of government collections;
- (c) Ensuring cooperation with respect to monitoring by CBN/Accountant General/Designated Office
- (d) Closing all existing revenue, project, revolving funds and other collection accounts of parastatals
- (e) Providing multiple channels of collections
- (f) Cooperating with relevant Departments office of Accountant General, CBN and parastatals; and
- (g) Ensuring all roles under the agreement are effectively discharged

Ministries/Departments/Agencies are expected to perform the following responsibilities:

- (a) Authorizing payments based on warrant from budget
- (b) Ensuring proper books of account and records
- (c) Discouraging collusion
- (d) Ensuring revenue target are met
- (e) Closing existing accounts with DMBs
- (f) Providing payers with details of payment
- (g) Guiding payers on e- collection /payment
- (h) Ensuring appropriate services are rendered; and
- (i) Liaising with Accountant General on e-collection
- (j) Providing relevant information required for setup on the CBN payment gateway including collection /receipt type and user details.

### **Challenges of Treasury Single Account**

Despite the avalanches of the numerous benefits of TSA e-collection system, it should be noted that it possesses some disadvantages, mentioned as follows:

- (1) Risk of identity theft, switching and interception of remittances and diversion via Hacking as well as other forms of on-line fraud
- (2) Nigerian infrastructure deficiencies and constraints e.g. lack of adequate computerization wired and wireless system
- (3) Insufficient cyber security measures
- (4) Inadequate electricity power supply; and
- (5) Regional and international terrorism (Mba, 2015).

According to Chukwu (2015), unemployment is going to be on the increase as banks have started to lay off workers as it cannot afford to pay all their staff as ministries and agencies of government have commenced withdrawal of deposits in commercial banks, in agreement with the Federal Government Directive.

To Okolieaboh (2016) TSA challenges include:

- (1) Insufficient public awareness leading to wrong perception
- (2) Continued attempt by some MDAs to circumvent TSA in collusion with commercial banks
- (3) Delay in opening TSA sub Accounts due to large number of requests within a tight deadline

- (4) Delay in making refunds to qualifying MDAs
- (5) Lack of clarity in foreign exchange transactions process;
- (6) Access to bank statement/balances
- (7) Management of endowment funds/investments
- (8) Insufficient manpower, capacity and tools for effective monitoring of all MDAs on TSA and their transactions; and
- (9) Lack of funds to drive TSA.

As part of TSA challenges, some government agencies maintain accounts with Microfinance bank in order to continue with their corrupt practices. MDAs operating MFBs is to circumvent TSA system.

## **CONCLUSION**

Treasury Single Account (TSA) is observed not to be a new concept, it has been adopted for decades in many countries both in the developed world such as the United States, United Kingdom, France and developing economies like India and Indonesia, although in Nigeria it seems to be a new concept in replacement of the fragmented accounts system operated by MDAs prior to the advent of the President Buhari administration. TSA minimizes transaction costs, block loopholes in revenue collections and enhances availability of government cash resources. From the above mentioned benefits, TSA can curb corruption and financial recklessness among government functionaries, if governments provide legislative supports and enabling environment.

## **RECOMMENDATION**

Consequent upon the foregoing discussions, the paper recommends as follows:

- (1) For TSA to operate efficiently there must be daily clearing of and consolidation of cash balances into the central account even where the MDAs accounts are held by the CBN such as the Federal Inland Revenue Service (FIRS);
- (2) There must be strong political support on the part of government/enforcement agencies;
- (3) There must be a development of Service Level Agreement (SLA) which will define the specific roles of the players in TSA;

- (4) Government should ensure that the TSA is adequately managed;
- (5) There should be a wide public awareness as regards to the idea of TSA and the benefits to the society. Government, banks and members of the business community should be further educated on the positivity of the operation of TSA;
- (6) The government should also ensure that the policy is sustained so as to ensure that all revenues are earned improve development issues;
- (7) Proper monitoring of government account should be carried out promptly and stringent punitive measures should be mete out against corrupt officers; and
- (8) MFBs should be involved in the operation of TSAs as they are grassroots banks.

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