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**Treasury Single Account Policy in Nigeria Performance, Bottlenecks and Prospects**

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**Abstract**

The treasury single account model was introduced in the Federal Republic of Nigeria to mitigate financial leakages, promote probity and prevent misappropriation of government revenue and also consolidate government accounts, this is a bid to prevent embezzlement and high handedness by revenue generating agencies. This work examined the performance, bottlenecks and prospects of treasury single account policy in Nigeria. The paper being qualitative as it relies heavily on secondary data. The study was underpinned by the systems theory. The study concluded that the implementation of the treasury single account has blocked financial leakages, promoted probity and accountability to a very large extent in the public financial system. Consequently, the paper suggested for a synergy between the executive and legislature to enforce and ensure compliance to the provisions of the TSA by ministries extra ministerial department and financial institution.

**Keywords:** Executive, Financial Leakages, Legislature, Ministries, Performance, Prospects and Treasury Single Account.

**Introduction**

There is no gain saying that effective and efficient allocation of resources is a problem that has hunted countries across the globe this more pronounced in developing countries like Nigeria. As an emerging market with low income, Ocheni (2016) argues that Nigeria has fragmented system for handing government inflows and outflows due to lack of central control over government revenue. Consequently this moneys' continue to lie idle without usage in various bank accounts operated by spending agencies while government continue to borrow money to execute its budget. It is on the basis of these that there was an overhaul of government accounting system and the

result was the implementation of the treasury single account by Nigeria to combat financial leakages and misappropriations.

Treasury single account is a consolidated structure of government account designed to enable efficient, effective allocation of government resources. Through this central account or set of proxy accounts the government conduct its transaction of receipt and payment and as a result have a consolidated overview of its liquidity and cash position at any time. The World Bank recommended the treasury single account in order to enhance probity, accountability and fiscal integrity for countries with fragmented financial system.

Treasury single account (TSA) as an accounting system of government has its legal and theoretical framework from both the constitution and extant fiscal provisions. The 1999 constitution reads under section 80(1) as follows “All revenues or other money raised or received by the federation shall be paid into and form one consolidated revenue fund of the federation (Federal Republic of Nigeria LL56). Other subsection, Provide for withdrawal from the consolidated revenue fund (CBN, 2005). Unfortunately, successive governments operated different and fragmented accounts in flagrant abuse of the provisions of the constitution which mandates remittance to the single account. This has led to and encouraged embezzlement, misappropriation and outright theft of moneys.

Former minister of finance Dr. Ngozi Okonto Nwaela and then president Olusegun Obasanjo in a bid to unifying government account introduced an electronic financial platform to be known as Government Integrated Financial Management and Information System (GIFMIS). Although, it was former president Goodluck Ebele Jonathan who rowed the boat of treasury single account in its present form. This he did by the test running of the system in Forty Two (42) public institutions in 2012, until 17<sup>th</sup> September, 2015 when the incumbent president Muhammad Buhari began its total implementation.

Non remittance to the treasury was the genesis for the idea and birth of the treasury single account model. This happened when the defaulting agencies failed to declare and remit 25% of their annual revenue as demanded by the law. One hundred and twenty Billion Naira (₦120B) was forcefully retrieved from ministries, extra ministerial departments and agencies being 25% of the gross revenue to the treasury. This was followed by the collection of N34 Billion Naira in 2013. Bashir (2016) posted that ministries, departments and agencies were reluctant to submit such revenues as statutorily demanded by the law.

According to Adeoulu (2015), the purpose of treasury single account is primarily to ensure transparency, accountability, probity and mitigating misappropriation of funds. This is justified with the position of CBN Guidelines (2016) which posit the objective of treasury single account to be effective cash management, cash availability and optimal usage of idle cash and most importantly blocking of financial loopholes in revenue management.

Nigeria is known for outstanding policies and plans but bedevilled with execution, this has also affected the TSA model, as beautifully conceived, the TSA has to meander across icebergs which the Buhari's regime is determined to accomplish in order to help the policy achieve its objective. Late passage of budget is characterized with Nigerian governments in the past, the TSA regime will in no doubt obstruct timely disbursement of funds for capital projects and operational projects of the MDAS.

It is owed to the aforementioned reason, that this paper seeks to examine the performance bottlenecks and prospects of treasury single account on control and management of public finances in Nigeria. The main goal is to examine the impact of performance of treasury single account on management of public finances. Other sub-objectives are to access the factors mitigating the implementation of the treasury single account in Nigeria. To also have an overview of the prospects of TSA in Nigeria; and also to recommend the possible footsteps for the realization of the TSA goals in Nigeria.

### **Literature Review and Theoretical Framework**

Nigeria which is the most populous country in Africa is blessed with a lot of resource be it human and capital which if harnessed optimally will put the country as one of the most advanced and developed nations, despite all these potentials Nigeria is still ranked among the comity of countries classified as under developed (Okey & Eduno, 2014). This is owed to embezzlement, misappropriation, corruption and outright theft of resources by public officials who are saddled with the responsibility of managing the public resources.

Nigeria is faced with a lot of challenges in management of financial resources. This is as a result of fragment accounts held by various ministries, department and agencies. This has led to inefficient allocation of resource and in stability of policy objectives. As put by Ocheni (2016) an important factor in management of public resources is a consolidated structure of government

banking. This unified structure should be designed to minimise government spending, enhance efficient allocation of resources and ultimately maximize the opportunity loss of cash resources. Fragmented systems of handling government finances is most popular in developing countries as well as low income countries. This system contributes to non-tracking of government cash position as the ministry of finance or treasury is unable to ascertain the consolidated cash position of the economy at a particular point in time. This however, will lead to idle cash resources in the till for an extended period of time while government continue to borrow hard currency to execute its project.

It is owed to this reason that there was an overhaul of the government accounting system following which Nigeria introduced the treasury single account and other fiscal and economic policies to aid her economy from financial mess. It is expected that the TSA will mitigate corruption both in the private and public sector.

The central bank of Nigeria (CBN, 2016), defined treasury single account as a “Treasury single account initiative is the operation of a unified structure of government bank accounts in a single account or a set of linked accounts for all government payment and receipts”. Derivative of this notion will mean that TSA is a policy in which Government consolidates its accounts in such way and manner that all transaction of receipts and payments are transacted from the consolidated account or by any means of the set of linked accounts.

In the same vein, European commission (2016) defines TSA as “A bank account or a set of linked bank accounts used for all/most government transactions”. In principle, if a set of linked accounts are maintained it must be operated on the basis of Zero balance. The International Monetary Fund (IMF, 2016) defined TSA as a “unified structure of government bank accounts that give a consolidated view of government cash resources” this will in factual view supposes that TSA is an initiative and integral tool for consolidation and management of government’s cash resources which in consequence minimize governments borrowing cost.

To put simple, TSA has been defined different by multivariate scholars, irrespective of how it is defined, it has the following integral characteristics:

- i. The modus operandi of government banking operation should be consolidated. This is to enable the ministry of finance or treasury to have an overview of the cash position of government at any point in time.

- ii. No other minister, department, agency or extra ministerial department operates bank accounts in opposition to the treasury single account.
- iii. The consolidation should be all encompassing to cover both budgetary and extra budgetary.

It should be noted that the implementation of treasury single account will not affect financial institutions such as banks but will hurt quasi banks that pretends to be banks operating in contrast to the provision of the constitution. As put by Garbande cited in Ocheni, (2016), TSA provides the opportunity for financial institution such as banks to operate on the bases for which they are actually registered, to collect money, to safe the money as well as serve as a proxy for wealth distribution from area of surpluses to areas of deficit. Larson cited in Ocheni (2016), put the TSA has the advantage of bringing about probity, transparency and accountability in control and management of public finances. This it achieves in two ways:

- i. It eradicates organizational concealment in management of public finances.
- ii. There will no longer be available avenue for defrauding the government through embezzlement and misappropriation by revenue generating agencies. This is achieved as a result of consolidation of government accounts which deprives revenue generating agencies of maintaining numerous bank accounts that is unknown to the government.

To put simple, treasury single account will lead to adequate management of government resources this will in turn lead to welfare maximization of the citizenry. In other words, resource will be distributed for the purpose they are meant to be to the extent of achieving the level of pareto – optimality.

The treasury single account is just a policy, in other words, it's just a means to an end but not an end in itself. To achieve goals and objectives of treasury single account in Nigeria, Schimtz cited in Ocheni (2016) is of the view that there should be a concurrent adoption of the treasury single account alongside the fiscal sunshine bill. This mutually exhaustive policy will bring about the following advantages:

- i. There will be maximum transparency, accountability and probity as government account are consolidated, hence, Nigerians will be aware of what is being earned by the government in terms of revenue and what is expended in terms of payments.

- ii. The idea of secrecy will be an option long forgotten as corrupt public officials will have no avenue to hide or maintain plethora of accounts for corruption putting the government to disadvantage.

For instance, with the fiscal sunshine bill, the whole process of budgeting and budget implementation, biddings and contract award will be so vivid to Nigerians, hence the citizenry will have a general overview of what is being done with public money and how those revenues are generated and expended and also the rationale behind any action. This will bring about trust and confidence.

### **Theoretical Framework**

This study adopts a holistic approach being that it considers modus-operandi of a policy and its execution, to put simple, the application and implementation of a policy. As put by Hussaini (2010), if there is a move to study what has happened in the past and what is happening at the present taking notes of the potential challenges at hand, it should be of utmost importance to adopt a style which is absolute in nature to cover all ramifications of the stake at hand. This study adopts the system theory, the rationale behind this is because of its basic assumptions which enables us to understand:

- i. The past policies adopted over time in public financial management.
- ii. And also enables us to understand the residual of policy outcomes generated as a result of the various interactions in the economy which can be proxied by social, religions, political and economic factors.

The system theory underpinning, this work has a direct relationship with our society as well as the policy application. As suggested by Easton (1965), the political system which forms the universal set is a combination of five (5) subsets. They are: the environment, input, conversion process, output, and feedback loop. It can be deduced therefore the treasury single account owed its origin from the implementation of past policies and challenges in public financial management.

As put by Dlakwa (2010), the ability of a public policy to offer a favourable outcome or vice-versa depends on the quality of inputs and resources that comes into the policy building process, also it is to consider the logical, theoretical framework and stability of environmental factors at the time. It can be concluded that the system methodology is consistent with the input-output analysis of the political system. This will pave way for the research to look at the execution process of the model

as well as look forward to the potential bottlenecks. The bottlenecks will therefore form the basis for concerted efforts towards mitigating the constraints and ensuring that the model (TSA) achieve its goal and objectives.

### **Methodology**

Qualitative research design was adopted for the study to enable us gain an insight into the performance, bottlenecks and prospects of treasury single account in Nigeria. The work is theoretical in nature and draws its conclusions from secondary data that includes extant legal provision and other related provisions, journals, articles, statistical bulletin and newsprint media. Existing studies were consulted in order to make reasonable and informed inferences and analysis.

### **Result and Discussion**

#### **Performance of Treasury Single Account**

The treasury single account was fully implemented in 22nd March, 2018, a clear review of the total amount accrued to the government of federal republic of Nigeria was N8.9 trillion (Shittu, 2018). This whopping sum is an assemblage of mop up and direct debit by the central bank of Nigeria. The compulsory adoption of the treasury account has brought about 1, 674 ministries department extra ministerial departments and agency to oblige (Okwe, 2018). The adoption and implementation of the treasury single account has brought about tremendous benefit to the federal republic of Nigeria which include:

##### **i. Mitigating the Quagmire of Fragmented Accounts**

- a. The pre-adoption era of treasury single account has seen an unethical conduct by ministries, extra ministerial department and agencies maintaining a very large quantum of fragments accounts held in deposit money banks. Ogundipe (2017), reports that at least 20, 000 fragmented accounts were being operated by ministries, departments and agencies (MDAs). This to a very large extent contribute to the looting of government moneys as well as misappropriation which creates and avenue for corruption. The post treasury single account era has seen a lot of improvement on government finances, this as put by Uwaleke (2018), who reports that the country was saving as much as N24.7 billion monthly with concurrent adoption of bank verification number (BVN).

- b. The Accountant-General of the federation, Mr. Ahmed Idris who recounted the importance of the treasury single account by giving an example of a certain university which operates over 100 accounts which was unknown by the management of the university was brought to the knowledge of the management by the adoption of the treasury single account. As put by Ahmed cited in Agabi (2017): “If you lose track of what you have, it means it has gone”. The Adoption of the treasury single account has brought to an end such obnoxious and treacherous practices.
- c. The adoption of treasury single account has succeeded in doing away with fragmented bank accounts, this was done by consolidating the over 20,000 bank accounts into a unified structure. This in turn, has increased accountability, financial management which as a consequence has blocked avenues for leakages and abuse of public funds.

**ii. Welfare Maximization**

The treasury single account has made available funds necessary for development. The pre-TSA era has seen the federal government paying as much as N4.7 billion naira monthly on bank charges. The post TSA era has record a saving by the federal government of N108 billion on bank charges for a period ranging from 2015-2017.

In the past MDAs will maintain account with deposit banks maintaining huge amount of deposits only for sister agencies to borrow from such savings. The post TSA era has done away with such practises of government paying interest to deposit money banks on its own funds.

The implication is such idle funding that will have been ultimately stolen will be channelled for developmental purposes and hence maximizing the welfare of its citizens.

**iii. Effective and Efficient Cash Management**

It was a herculean task for government to able to manage its finances effectively and efficiently in the pre-TSA era. This efficient management is stipulated by the fiscal responsibility act 2007. It was in the past close to impossible, if not impossible for government to be able to manage its finances and determine the cash position at a particular point in time. This non-information has a boomerang effect on the ability of government to be able to finance its budget expenditure.

More often than not ministries, departments and agencies keep idle cash which generates huge interest in the pre-TSA era which makes funds available for unscrupulous elements



within the government to misappropriate and steal. This disadvantage of mismanagement is not limited to the unscrupulous public officials, it extends to the banks when they get distressed to look into this public money for their own corporate balance, this as put by Ogundipe (2017) stated that “up to N70 billion was used by the bank in the time of distress. The adoption and the TSA has put a stop this misdirection and saved government a lot of its hard earned resources.

**iv. It Eliminates Fraud and other Sharp Practices**

Prior to the TSA era it has been a norm for government agencies to engage in sharp practices. This is the case of NIMASA, JAMB, Customs and even universities to misappropriate government funds. These agencies engage third parties to remit such funds to government accounts, this way the government is unable to determine with certainty the actual revenue generated by these agencies. The adoption of TSA has brought to halt these prevalent fraud and sharp practises by these unscrupulous public officials.

**v. Audit Becomes Easier**

The centralisation of funds into a consolidated account maintained by the central bank of Nigeria will go to a very large extent making the work of audit very easy. Times has passed and changes are being made which sees the electronic systems of payment be applied to cash transaction, this way the flows of funds can be tracked in real time.

Cash receipts and disbursement from a consolidated account can be queried by the audit in the TSA era.

**Bottlenecks of Treasury Single Account**

As no model or policy is without limitation, the treasury single account is no exception. The TSA has contributed to a significant amount of cash management but then it has the following challenges to battle with, this bottlenecks is observed by Odia and Odia (2016). The following is outlined:

**i. Non Audit of TSA**

One of the greatest challenges of the TSA is its non-audit since its inauguration four years ago. Daily Editorial (2017) put it that since inception of the TSA it has not been audited. This was brought to the lime tight in 2017 when a sitting of the ad-hoc committee of the

house of representative supervising the performance of the policy in the last two years. It was very disappointing and unfortunate that the auditor general Mr. Anthony Ayine was unable to give the exact amount in the TSA, this was a result of his office not conducting a performance audit on the policy. This enough puts the policy on the muddy waters. Considering the extant provisions of the law non-audit of a policy of this nature for more than two years is a criminal offence.

**ii. Non Passage of the audit Bill**

The audit bill has suffered and continued to suffer tremendous delay in the national assembly. This bill is expected to provide sufficient autonomy and independence of the office of the auditor general to be able to carry out such audit exercise on the policy.

**iii. Non Support and Opposition**

The TSA has continues to suffer tremendously from continuous criticism and non adherence by some MDAs inclusive is the Academic Staff Union of Universities (ASUU) which is on strike for about six months, others ministries that have toyed with the effectiveness of the policy is the National Judicial Council (NJC).

**iv. Reduces the Health of Commercial Banks**

It is abundantly obvious that the policy has weakened the financial position of commercial banks. It is no gain saying that a bulk majority of deposits held by commercial banks are public funds. Its estimated that about N2.2 trillion public sector funds formed the deposit of commercial banks in the first quarter of 2015 (Utsu, Muhammed and Obakenni 2016). The post TSA era will see commercial banks reacting to the policy by downsizing their expenses.

**v. Behavioural, Attitudinal and Unfounded Fears**

The TSA continues to suffer greatly from ministries, department and agencies who sees the TSA as a threat for their reckless and high handedness in the management of cash which the TSA introduced to inculcate financial discipline and elimination of embezzlement, misappropriation and misdirection of public money.

### **Prospects of Treasury Single Account**

The adoption and integration of the TSA in the Nigerian financial system and its potential output cannot be overemphasized considering its ability to bring about accountability, probity and financial discipline in both the private and public sectors.

The adoption of the TSA will bring about government borrowing less and therefore save the government potentially from servicing hard currency debt (Abdullahi, Emmanuel, 2016). This has the potential of engaging to recover already looted public funds as already seen in the Buhari regime of “fight against corruption”.

Should the TSA be properly integrated and implemented, the government will be able to see at any point in time its cash position which will enable it to make realistic and well informed decision. It will go a long way in installing financial discipline as MDAs will spend in conjunction with their budgetary provision.

Finally the TSA has the potential of putting to a stop corruption, embezzlement and misappropriation of public funds. These will block leakages and the treasury or ministry of finance will be able to monitor the activities of the MDAs.

### **Conclusion and Recommendations**

This research concludes that the TSA is a very power tool, model, policy and proxy for combatting corruption and installing financial discipline and promoting accountability, transparency and probity.

Refer to the bottlenecks highlighted above, this paper suggests that there should be policy support by the arms of government to see strict policy adherence to the policy.

The world is becoming digital, technology is now overtaking manual ways of doing things it is recommended that the office of the Auditor General should massively engage in human resources training and development of its personnel on Information Communication and Technology (ICT) skills needed to audit a very huge account as the TSA.

To put finally, there should be a joint collaboration between the MDAs and the executives to draw their budget for passage by the legislative arm. The CBN should as matter of urgency as a regulatory body correct any mishap that may haunt the policy. By and large, what is needed as a catalyst to move this policy is political will from the highest authority (National Leadership) and attitudinal re-orientation by the MDAs.

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