

BAUCHI STATE GOVERNMENT

Being

REPORT OF THE COMMITTEE

ON

IMPLEMENTATION OF
TREASURY SINGLE ACCOUNT (TSA)
SYSTEM, IN BAUCHI STATE.

SUBMITTED

TO

THE SECRETARY TO THE STATE GOVERNMENT BAUCHI
BAUCHI STATE

-- APRIL, 2017

FORWARD

Formation of the State TSA Implementation Committee was out of the zeal towards ensuring transparent and Accountable Governance processes of His Excellency, the Governor, Barr. M. A. Abubakar. The TSA system will certainly contribute immensely in articulating the Public Financial Management (PFM) processes of the state for efficiency and effectiveness.

The Bauchi State Government strategically reasoned well in selecting representations from every relevant stakeholder MDA to be on this Committee, comprising of the Ministry of Finance (MoF), Treasury Division, State Planning Commission (SPC), Board of Internal Revenue Services (BOIRS), State and LGAs Audits, Debt Management (DMO), House of Assembly (BAHA), Ministry of Justice (MoJ), and Office of the Secretary to the State Government (OSSG). Other representatives are from the Organized Private Sector, Civil Society Organizations and the Organized Labour Union, among others. This composition surely represents every section in the society and can definitely deliver as expected. The personalities representing these entities are qualified civil servants and every one is a professional in his own field of specialization. This gave the Government every confidence that the process of the TSA system in Bauchi State is surely starting on a very solid foundation.

**Garba S. M. Akuyam,
Honourable Commissioner,
Ministry of Finance & Economic Development,
Chairman, TSA Implementation Committee,
Bauchi State,
15th March, 2017.**

ACKNOWLEDGEMENT

It is a rare privilege for (all members) to serve on this important Committee in our capacity as indigenes of Bauchi State, Committed and hard working Civil servants and political appointees, officially considered by the Government to offer their own personal time and sacrificed these kind of services that would lead the way to efficiency and effectiveness in Government operations for evidence-based results to the citizenry.

My special thank goes to His Excellency, the Governor for the confidence reposed in all TSA Committee members. Gratitude to members of the Committee for their tireless efforts, to see to the successful completion of this noble assignment towards guiding the state to prosperity.

I cannot conclude without tendering apology, on behalf of the TSA Committee for the little delay, extending beyond the two (2) weeks ultimatum within which to deliver and this was due to some unforeseen/obvious reasons beyond the Committee's control.

Thank you and Allah's endless blessing to everyone, Ameen.

**Magaji Abubakar Dambam,
Special Adviser to the Governor,
On Revenue Matters,
Chairman, TSA - Facts Finding Sub-Committee,
Bauchi State.
15th March, 2017.**

ABBREVIATION AND ACRONYMS

AG	Accountant General of the State
AUGS	Auditor General of the State
BATMIS	Budget, Accounting and Treasury Management Information System
BASG	Bauchi State Government
BAHA	Bauchi State House of Assembly
BOIRS	Board of Internal Revenue Service
CBN	Central Bank of Nigeria
CMU	Cash Management Unit
CRF	Consolidated Revenue Fund
DMB	Deposit Money Bank
ERGP	Economic Reforms and Government Resources
FAAC	Federation Account Allocation Committee
FGN	Federal Government of Nigeria
FMOF	Federal Ministry of Finance
FRN	Federal Republic of Nigeria
FIRS	Federal Inland Revenue Service
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
IGR	Internally Generated Revenue
IPPIIS	Integrated Personnel and Payroll Information System
IPSAS	International Public Sector Accounting System
ITT	Implementation Task Team
LGA	Local Government Area
PFM	Public Financial Management
POS	Point of Sale
SLA	Service Level Agreement
SPC	State Planning Commission
ST	Sub-Treasury
TSA	Treasury Single Account
TOR	Terms of Reference
MDA	Ministries, Departments and Agencies
MDB	Money Distribution Banks
M&E	Monitoring and Evaluation
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Frame work
MTSS	Medium Term Sector Strategy

NIBBS	Nigeria Inter Bank Service
NIPSS	Nigerian Institute of Policy & Strategic Studies
NSPSR	National Strategy for Public Sector Reform
OAGF	Office of Accountant General of the Federation
OAG	Office of Accountant General of the State
OAGS	Office of the Auditor General State
OAGLG	Office of the Auditor General Local Governments
PFM	Public Financial Management
PPP	Public - Private Partnership

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REPORT OF THE STUDY TOUR TEAM TO SOME FEDERAL ESTABLISHMENTS AND PILOTED STATES, ON THE IMPLEMENTATION OF TREASURY SINGLE ACCOUNTING (TSA) SYSTEM IN BAUCHI STATE,

1.0 INTRODUCTION

1.1 Definition

The Treasury Single Account, is a banking arrangement where all cash resources of Government are gathered into a single account to enable it have consolidated view at any particular time for purpose of effective planning and control. Treasury Single Account (TSA) is one of the priorities of Public Financial Management (PFM) reform programs of the Government. TSA will enable the State Government to consolidate cash resources on a daily basis and reduce borrowings currently necessitated by perceived cash shortages arising from operating so many government bank accounts and a fragmented system for handling receipts and payments. A unified structure of government bank accounts under TSA will deliver the following benefits:-

- ❖ Greater clarity of funds inflows and outflows
- ❖ Greater transparency in Public Financial Management
- ❖ Facilitating more accurate account and improved reporting
- ❖ Reduced transaction cost while increasing interest earned

On realizing the importance of Treasury Single Account system for the effective management of Internally Generated Revenue, the Bauchi state Government saw the need for immediate implementation of the scheme in the financial management system of the state. Against this, under the directives and approval of His Excellency, the Governor, a strong Committee of stakeholders was established which immediately swung into action. A ten (10) members sub-committee under the Chairmanship of the Special Adviser to the Governor on Revenue Matters was mandated by the main committee to go on study tour of the Federal establishments and some pilot states who are already implementing the TSA as follows:- Federal Ministry of Finance (FMoF), Office of the Accountant General of the Federation

(OAGF), Federal Inland Revenue Service (FIRS) and the Central Bank of Nigeria (CBN) in Abuja and the three (3) Pilot states of Lagos, Kaduna and Plateau. The sub-committee was given two (2) weeks within which to submit its report.

1.2 TERMS OF REFERENCE AS MANDATES OF THE TSA-FACTS FINDING TEAM

- i. Conduct all necessary research and findings to establish data base to guide the main Committee for the smooth implementation of Treasury Single Account system in the state.
- ii. Assess current situation to know position of things at the State Treasury (OAG) and find out level of the state preparedness.
- iii. Assess all available sources of IGR and its management challenges in the state.
- iv. Study all legal frameworks guiding Revenue management in Bauchi State and prepare road map for comparative analysis with other states implementing the TSA.
- v. Visit other Federal and state MDAs implementing TSA such as FMoF, FIRS, CBN in Abuja and the 3 pilot states of Lagos, Kaduna and Plateau with a view to evaluating performance, modus operandi in consideration of Bauchi State realities.
- vi. Perform any other assignment relevant to the implementation of TSA in Bauchi state.
- vii. Considering the complexities of the assignment, the sub-committee was granted approval to co-opt relevant person(s) that will assist it in achieving its goals.

1.3 METHODOLOGY:

The sub-committee adopted the following methodologies in order to achieve the desired result:

- i. Develop a work plan to guide the committee achieve.
- ii. Study all relevant literature review on TSA implementation.
- iii. Identify the critical key stakeholders with their roles and responsibilities.
- iv. Evaluate the TSA performance and impediments of designated places to visit.

2.0 GENERAL VISITATIONS

2.1 AT FEDERAL INLAND REVENUE SERVICE (FIRS)

The state team was received by the Executive Adviser to the Chairman of the FIRS Board in company of Director Finance, Personal Assistant to the Adviser and Secretary to the Chairman. After self-introduction by both sides, the Bauchi state team was warmly entertained and put through an educating session that detailed everything about TSA, The first leg of a 4-hour session educated the Bauchi state team on:- Concepts, History, Benefits and implementation Procedures. The second day was fully occupied with other interesting but, most sensitive sessions on;- Implementation Challenges being experienced at Federal level so far. Learning points and the way forward for any state interested in implementing the TSA system.

Some of the excerpts from the sessions are among others,

a. **TREASURY SINGLE ACCOUNT**

In a nutshell, a Treasury Single Account is a public accounting system under which all government revenue, receipts and income are collected and remitted into one single account. 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 in a way, enhance reconciliation of revenue collection and payments.

b. **OPERATIONALITY OF THE TSA**

With particular reference to Nigeria, the Central Bank has opened a Consolidated Revenue Account to receive all government revenue and effect payments through this account. This is the Treasury Single Account. All Ministries, Departments and Agencies are expected to remit their revenue collections to this account through the individual commercial banks who act as collection agents. This means that the depositing banks will continue to maintain revenue collection accounts for MDA's but, all monies collected by these banks will have to be remitted to the Consolidated Revenue Accounts with the CBN at the end of each banking day. In other words,

MDA's accounts with money deposit banks must be zeroed at the end of every banking day by a complete remittance to the TSA of all revenue collected. The implication is that banks will no longer have access to the float provided by the accounts they maintained for the MDA's.

Different types of accounts could be maintained under a TSA arrangement and these may include the TSA main account (CRC), subsidiary or sub-accounts, transaction accounts and zero balance account. Other types of accounts that could operate include imprest accounts, transit accounts, correspondence accounts and domiciliary accounts preferably with CBN. These accounts are maintained for transaction purposes for funds flowing in and out of the TSA. All these are managed by the Central Bank of Nigeria as closely being monitored by the Office of the Accountant General of the Federation and the Federal Ministry of Finance.

c. **BENEFITS OF TSA**

From the foregoing, it is obvious that the primary benefit of a TSA is the mechanism it provides for proper monitoring of government receipts and expenditure. In the Nigerian case, it helps in blocking most, if not all the leakages that have been the bane of the growth of the economy. We have a situation where some MDA's manage their finances like independent empire and remit limited revenue to government treasuries. Under a properly run TSA, this is not possible as agencies of government are meant to spend in line with duly approved budget provisions. The maintenance of a single account for government now enables the Federal Ministry of Finance monitor funds flow as no agency of government is allowed to maintain any operational bank account outside the oversight of the Ministry of Finance.

Finally, the implementation of this program therefore, is a critical step towards curbing corruption in public finance. This is in line with the commitment 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.

3.0 AT THE OAGF (SECOND TRIP)

The State TSA facts finding sub-committee was warmly received, attended to and taken through full sessions. Paper presentations, questions and answers were entertained on the major topics of concern directly on TSA concepts.

3.2 AT KADUNA STATE OAG

The reception was overwhelmingly wonderful. The sub-committee was taken through sessions full of presentations, lectures and group discussions. The Kaduna State Ministry of Finance served the TSA sub-committee with all it requires to guide the process in Bauchi State. Kaduna has the needed experiences and capacity. The Treasury Staff were trained and had acquired the necessary skills to guide the state sub-committee team for a smooth take-up of TSA.

State level practical experiences in TSA implementation was really shared to Bauchi team, ranging from processes, initial challenges, other implementation impediments and even expected resistance and strategies to handle them were all spelt out during the four-days stay in Kaduna.

3.3 AT PLATEAU STATE (JOS) OAG

Plateau State has started the TSA implementation, but the experiences shared were almost covered by the Kaduna State Treasury management regarding TSA. The specific and peculiar difference with Kaduna is that, the rate at which TSA implementation is moving in Plateau is relatively slow and are currently on series of preparations for gradual intensive trainings. The whole process is being handled by a consultant, managing every aspect, from e-collection to disbursement/payments, hence a very little skills and experience to share with others.

3.4 AT LAGOS STATE OAG

Bauchi State TSA team was warmly received from the airport, down to the four days sessions. The experiences from Lagos State were just similar to that of the FIRS Abuja. The team had gotten all the attention materials and even practical

demonstration as to how IPSAS/IFMIS works. We were taken to the data centre, the section hosting / controlling all the ICT operational processes. Their system was very effective and efficient because of the use of ICT and skills in TSA/ICT. Added experiences shared with Lagos are around the following:-

- The need to sustain relationship with commercial Banks
- The need for an escape-route to the office of the Accountant General, in case of emergency fund requests, (but must be electronically recorded and reflected in the TSA processes (IFMIS compliance).
- Need for a very strong M&E framework at all stages/levels (state MDAs and LGAs) e.g. Appointment of LGA/IGR consultant.
- Timely reporting to address challenges.
- Need for critical analysis of issues (State/LGA).
- Joint Account, management (JAC).

3.5 ACCOMPLISHMENTS:

All the Federal and states MDAs proposed for visit by the sub-committee were successfully visited. The TSA sub-committee was received and attended to in all the places visited. In addition to this, the sub-committee was taken through the TSA implementation stages, success and challenges during the study tour. The documents and other relevant facts obtained from these MDAs assisted the sub-committee in no small major to achieve its goals.

4.0 SITUATION REPORT ON THE IMPLEMENTATION OF TREASURY SINGLE ACCOUNT IN BAUCHI STATE

It is worth to states here that Bauchi State Government in order to fast track and assess the inflow of its Internally Generated Revenue, had introduced the partial implementation of treasury Single Accounts as far back as 2nd February, 2010 using its own model call the "Pay direct platform" which has the following characteristics:-

- i. Pay-direct Account - A;; collecting Banks.
- ii. Lead Account - Skye Bank

iii. Establishment of a Consolidated Accounts - Skye Bank

4.1 **PAY - DIRECT ACCOUNTS**

In collaboration with the Skye Bank Plc, the state Government started the pay-direct solution since February, 2010. All Collecting Banks in the state were granted the right to collect revenue accruing to the State Government from individuals, corporate bodies and MDAs.

4.2 **LEAD ACCOUNT**

This is an intermediary account that temporarily houses all revenues from the Pay-direct account. Monies in practice are swept (moved) to the Consolidated Revenue Account on monthly basis or upon the request for such movements by the Accountant General.

4.3 **CONSOLIDATED REVENUE ACCOUNT (MAIN ACCOUNT)**

The Account is domiciled in the Skye Bank and maintained by the Accountant General. It is the final destination of all collections Revenue made by Collecting Banks via the Lead Account. When the pay-direct platform was introduced, training sessions were conducted for Top Government functionaries and Executives of Bauchi State Board of Internal Revenue, on the following:-

- i. Computer Appreciation
- ii. Understanding pay-direct (E-payment Platform)
- iii. Tax Administration.

4.4 **STREAMLINING OF GOVERNMENT ACCOUNTS**

Sometimes in 2015, the Office of the Accountant General proposed the idea of streamlining the number of Accounts to be maintained by each MDA (both active and dormant Accounts).

4.5 **RESTRUCTURING THE STATE CASH BOOKS**

The State Cash Book format was modified to a single column cash book in compliance to IPASAS standard.

Salient issues of concern:-

- i. The need to bring in other Government Agencies (MDAs) on the pay direct platform in order to have a single view of all Internally Generated Revenue of the State.
- ii. Closing/streamlining number of Bank Accounts in operation by MDAs while keeping in mind the continuity of the banks in business.
- iii. Overcoming the issue of ICT infrastructure that will help in the successful integration of other applications like the Financial management modules for reporting purposes.

4.6 APPOINTMENT OF LEAD BANK TO HOST THE CRF ACCOUNT

Based on our understanding during the tour to on various agencies regarding Treasury Single Account (TSA) implementation, TSA is a public accounting system under which all government Revenue, receipt and income are collected into one single account. The provision section 80 (I) of 1999 constitution as amended, which states that all revenues or other monies raised or received by the federation shall be paid into one CRF.

By this, there is need for TSA both in the state and Federal Government, Bauchi State is not an exception. Before implementation, there is need for the following observations.

4.6.1 Bank

Though Federal Government has chosen CBN as its lead bank, at the state level, it is optional to choose between CBN and commercial bank to serve as the Lead Bank. Each one has its own peculiarities as follows:-

a. CBN

Advantages

- It cannot be liquidated
- It is bankers to the government
- It is regulated by government policy

Disadvantages

- Their policy is too harsh
- It is rigid in nature
- It closes by 3:00pm and strictly adhered to. (inflexible to attend to emergency/pressing issues of government)

b. COMMERCIAL BANK

Advantages

- Commercial bank has quicker service (as at on request/door step service)
- Policy is soft
- You can get it anytime you need service as long as there is good understanding.

Disadvantages

- Can be liquidated as (determined by Nature of the Economy)
- It is flexible in nature (and so can be abused)

Before implementation of TSA, a survey or statistic of all government accounts must be conducted in all banks with a view to knowing the balance available. In doing this, the committee has to be very careful because of the following reasons:-

- Some banks may decide to hide some accounts
- Some banks may not give the correct balance in the account
- Some accounts may be in debit balance

To that effect, as stated by Mr. Toyin of NIBSS, all we need to do in the committee is to get all the accounts details and send to NIBSS for them to give us the financial position of all accounts, and direct the bank to sweep the balance into TSA account. With regard to accounts with debit balance, government should sit down with the banks with a view to off settings the balance.

4.6.2 REVENUE ASPECT OF TSA

All commercial banks in the state should be appointed as collecting banks which will be automated via pay-direct account and these accounts should be swiftng all the revenue collected in to the CRF account known as TSA account. In Bauchi State, this process was in existence since 2010 with a different name called PAY-DIRECT System with a lead account at SKYE Bank. To enhance the service, there is need for the Revenue Board to establish POS terminal in the rural areas.

4.7 **TSA AT LOCAL GOVERNMENT AREA (LGA) LEVEL**

- The TSA is an important factor in the management and control of cash resources. The ability of any government institution to deliver services depends on how well its budgetary resources are utilized (managed) for the benefit of the public.
- Majority of the people live in the rural areas which are mostly under the care of the Local Government Areas. It is therefore, imperative that a robust control mechanism is put in place to ensure efficient and effective utilization of resource so as to deliver the dividends of democracy to the teaming populace at the Local Government level.
- The implementation of Treasury Single Account (TSA) at Local Government Area level would serve as a catalyst for improving the quality of the Financial Management System in the Local Governments, which will further translate into effective service delivery.
- For quite a long time, the state government was faced with the problem of how to deal with the excessive wage bills from the local governments. This is because the payroll system is not supported by a computer based payroll system, such as the IFMIS which will guarantee accurate personnel data and eliminate payroll frauds. This is one of the major reason why the local government should be carried along in the implementation of the TSA.
- Beside the benefits associated with the implementation of TSA, its objective among others, include the enthronement of an era of effective budgetary

control through close monitoring and evaluation. If budgets are properly monitored, controlled and evaluated, all programmes budgeted for, will be achieved and if targets are achieved, it means that value is created out of the huge public expenditure.

- In view of the expected / enormous benefits that Local Government stands to gain from the implementation of TSA, they should be directed to ignite the process of implementing the TSA while taking into cognizance their peculiarities, as the third tier of government.

b. Beyond accountability and transparency the TSA will introduce economy and efficiency in the overall management of public finances thus, placing the Local Government in a better position to realize policy objectives.

The implementation of TSA at Local Government will require some things to be considered that are critical to its success.

- Local Governments are third tier of government.
- A decentralized TSA will be appropriate to the local governments. i.e. Two separate TSA/CRF Accounts (one Central Account for Local Government Area and one Central Account for the entire state) for ease of management.
- In a nutshell, there will be two (2) TSA accounts and two (2) CMU at the treasury.
- There must be political will for complete inventory of the Local Governments.
- Other factors which the committee thinks will be necessary for TSA to succeed at Local Government Area level include the availability of ICT equipment, capacity of the Local Government treasuries to implement TSA.

- Besides these, the implementation committee at the State Government level will be of great help in starting the process at the Local Governments level.

5.0 FINDINGS FROM THE TOUR AS LEARNING POINTS

- Key Players:** According to the Northern Nigeria's Organic Financial Laws of 1958, all monies belongs to the Government, and hence, every Revenue must be remitted/paid into the Consolidated Revenue Fund Accounts and thereafter, request can be tendered for release/expenditure. This is to ensure financial discipline and control.

Accordingly, the following findings were also made

- ✓ An indigene of the state was noted to have contributed immensely to the success of TSA implementation in Nigeria (Baffayo Shehu).
- ✓ Emphasis should be given to improving the Revenue Base of the state (IGR) as a pre-requisite for the implementation of TSA.
- ✓ TSA could be an alternative to borrowings (Loans and other facilities) for improved liquidity positions.
- ✓ Government must be well prepared and ready for TSA.
- ✓ All TSA proceeds should preferably be project specifics (be dedicated to infrastructure development) Investments in quick wins projects like, Rural Electrifications, Health facilities, Al'majiri issues, feeder Roads and Water.
- ✓ Total enforcement of all financial rules and regulations must be complied with.
- ✓ All MDAs collections must reflects as revenue in the Budget (of whatever type, IGR or Capital receipts)
- ✓ Maintenance of monthly impress system is also essential in order not to jeopardize the operations of the MDAs but, with a very close Monitoring and Evaluation framework to track collection processes and evaluate challenges.

- ✓ Full Computerization of the Treasury Operations (implementation of Integrated Financial Management Information system)(IFMIS), is a major ingredient to the TSA system.
- ✓ MTEF/MTSS Budgeting system as well, complements the TSA operations in getting quick results (IGR coding for effective control measure)
- ✓ The TSA has comprehensive coverage of cash balances of all government entities, both budgetary and extra budgetary
- ✓ TSA will be domiciled at the preferred Lead Bank as a banker for government
- ✓ The government bank accounts structure under a TSA system could be either centralized or distributed, or it could have a feature of both:
- ✓ Centralized bank accounts structure, the TSA is composed of a single bank account –with or without sub accounts usually at the Central Bank
- Distributed bank accounts structure.

Other preconditions for setting up a TSA include but not limited to:-

- i. A complete inventory of existing bank accounts to have full information about the accounts opened/operated by various MDAs is a condition.
- ii. Political support for reform, establishing a TSA may require hard cabinet decisions to initiate and reinforce.
- iii. **Banking Network and Technology**:- this includes the existence of an interbank settlement system (NIBBS)
- iv. A steering committee and a complementary technical committee could usually oversee/coordinate TSA implementation and provide technical support as necessary.
- v. TSA is to be implemented using the computer-based integrated Financial Management Information System (IPSAS/IFMIS) which has in –build controls to ensure that capital budget expenditure are used only for capital projects.
- vi. Cash Management Unit (CMU) is to be put in place.
- vii. TSA could be implemented in phases.

- viii. Under TSA, MDAs process payments from their offices, they create and submit payment mandates to Lead Bank electronically. Lead Bank transfer funds to beneficiary's accounts.
- ix. TSA has facilitated easy Budget execution and implementation

6.0 IMPLEMENTATION CHALLENGES .

Daily Bank reconciliation:- This can occur due to poor narration.

- ✓ Opening an operation dedicated domiciliary account:-
- ✓ Determination of exchange rate
- ✓ Where to place it (CBN or Commercial Banks)
- ✓ Management
- ✓ Required IT infrastructure to support the TSA implementation to commence online access to the TSA
- ✓ Overwhelming requests for refunds from MDAs (time lag management).
- ✓ Establishing accurate number of accounts and Bank position operated by all MDAs is very difficult
- ✓ Non compliance of complete account closure of all MDAs by Money Deposit Banks (MDBs) Commercial Banks.
- ✓ Interface problem between IFMIS and Lead Bank.
- ✓ Training, change management, capacity building issues/problem.
- ✓ Fees charged by service providers e.g. remitta/NIBBS
- ✓ Funding of infrastructure, incentives and logistics support to staff directly involve in TSA implementation structure.
- ✓ Position of statutory MDAs like Judiciary, State INEC and Legislatures
- ✓ Organization restructuring

7.0 OBSERVATIONS

- i. That Bauchi state revenue collection system is already on TSA, but only needs to adopt some physical control technicalities to conform with the requirement of the TSA.
- ii. Domestication/compliance of all FGN's Financial Laws is necessary to ensure Good Governance.
- iii. Cash Management Plan (Realistic Costing) of all projects for Budget officers to analyze is also a condition to TSA implementation.
- iv. Procurement plan by all MDAs should also be a pre-requisite before H. Es approval for release of funds.
- v. All the above issues are intended to attract funding support from partners, because they are all necessary requirements to ensure Good Governance at both state and LGAs.
- vi. Special Consideration for Commercial Banks to sustain their operations in the state.
- vii. Institutionalize M&E framework for compliance to ensure constant periodic Supervision for Quality assurance in prudence, Transparency & Accountability
- viii. Total integration and coordination of the state's PFM system
- ix. Gradual implementation of TSA is recommended but depending on Peculiarities
- x. Signing of MoU with Lead Bank
- xi. The State Government is to choose a Lead Bank as the custodian of its TSA. In this regard, it will sign a Memorandum of Understanding that will govern this relationship and clearly articulate the responsibility of each party. In addition, each of the two parties will inaugurate a technical team to guide the implementation of the TSA.
- xii. Deployment of e-Banking Platform at the AG's office by the Lead Bank
- xiii. Creating More Sub-accounts under the TSA - AG Placements Returns

- xiv. Move some MDAs Funds into respective Sub-Accounts; (the exempted MDAs) if any.

8.0 HOW TSA WORKS (PROCESSES & PROCEDURES)

8.1 SUB ACCOUNT:-

TSA will consist of a main account and several sub-accounts, exact number to be determined subsequently. The sub-accounts will be revenue accounts of the BOIRS, VAT, FAAC and possibly Budget support account and any other that may be determined by the government.

8.2 ARCHITECTURE OF THE TSA SUB ACCOUNTS-

As illustrated above, the TSA will consist of a main account and many sub-accounts to be decided by the Government. The cumulative amount in all sub-accounts will be reflected in the TSA main account.

8.3 IMPLEMENTATION PLAN/TIME LINE

S/No.	Activity	Deadline	Responsible
1.	Meeting with Chosen Lead Bank		
2.	Set up Cash Management Unit (CMU) – to prepare them for standard training		
3.	Lead Bank revert with Account number, necessary forms		
4.	Invitation to Commercial Banks for meeting to come with statements		
5.	Send our Treasury Circular on TSA to MDAs outlining guidelines, close accounts and open operation accounts		
6.	Letter to Speaker on TSA establishment and authorization to open account with Lead Bank and receive. House resolution		
7.	Receive cheque book, internet access and start funding TSA Account (sweeping of account)		
8.	Meet Banks and give notice of account closing. All balance to be transferred to Lead Bank/TSA account.		

	Banks to provide bank statements and open operation accounts for all revenue (including schools and hospitals)all MDAs no exemption		
9.	Receive Statement on TSA balance from the Lead Bank		
10.	Reconciliation and follow up with non-compliant commercial banks and other MDAs		
11.	TSA Live in real action		

The table above is interpreted below:-

- ✓ Inventory taking of all MDAs accounts (meeting with Banks to assess all accounts)
- ✓ Appointment of Gateway service provider (NIBBS / REMITA)? For Collection and payments
- ✓ Appointment of Lead Bank
- ✓ Sweeping of all accounts
- ✓ Rigorous reconciliation before start of operation
- ✓ Classification of MDAs accounts before establishment of Cash Management Units in the OAG for cash dispensation (one for the state CRF and the other CRF accounts for the Local Government Areas).
- ✓ TSA daily Reconciliation
- ✓ The reconciliation tries to trace as much as possible, balances moved to the TSA by MDAs. The expected challenges would be that, in some cases, the narration was not descriptive enough to enable tracing the relevant MDAs.

8.4 THE CASH MANAGEMENT UNIT (CMU)

Cash Management Unit would be the life wire of TSA operations, and hence, the Treasury should restructure its operation to establish one Cash Management Unit (CMU).

8.4.1 Role of Cash Management Unit:

The Cash Management Unit will be responsible for coordinating would budget institutions and revenue agencies to ensure the submission of annual cash plans and quarterly cash flow projections.

The information should be consolidated to provide cash flow projections on a rolling basis and serve as an input for treasury decision-making, including on borrowing requirements.

8.4.2 Functions of the Cash Management Unit

- ✓ Coordinate submission of monthly cash flow projections by MDAs (spending units and revenue agencies)
- ✓ Prepare (consolidated) cash flow projections on a rolling basis
- ✓ Monitor cash inflow/outflow outturns and identify seasonal/monthly patterns
- ✓ Monitor major receipts and payments and the daily cash position, including government bank balances
- ✓ Prepare and analyse revenue/expenditure reports and update cash projections as appropriate
- ✓ Make proposals to Exchequer/Liquidity Committee for adjusting cash flows as the need arises
- ✓ Keep the lead bank fully informed of projected cash flows.
 - For cash planning purposes, the transactions flowing through the Treasury are important, but also the budget preparation and budget execution functions within the SPC and at the spending agencies (MDAs) are critical to the success in developing an accurate cash plan.
 - The hands-on experience and authority necessary to enable the CMU to demand accurate and updated information from MDAs requires a permanent staff and position within the MoF/Treasury..
 - The relationship between line MDAs in TSA implementation had to be cordial and must be very clearly defined. The Commissioners of Finance and that of Budget & Planning must both ensure that the staff of the CMU have unfettered access to other departments in the MoF, and also have their unequivocal

support when demanding more accurate and timely information from MDAs/outside government agencies.

- Technically, CMU staff do not need to be highly mathematical, although some statistical and ICT training would be advantageous. Much of the IT requirements of the group can be provided by the Treasury and Lead Bank, and where appropriate, an Excel spreadsheet is perfectly adequate to produce cash plans. As the experience of the group grows, more sophisticated forecasting analysis may be undertaken by more qualified staff. Similarly, as the need develops to access securities markets and have dealings with banking arrangements, financial markets training will become necessary.
- Most importantly is the OAG to organize and get ready to train all its staff in MDAs to clearly understand how TSA works and the ability to produce accurate cash flows projections and regularly update them. This is not a complex task, the information is very often within the ministries including their contracts for the provision of goods and services. Delivery and payment dates are fundamental terms in such contracts. It may be that instilling a requirement for more rigid structuring of suppliers' contracts is necessary within the spending agencies. This is a training task for which the CMU will need to be responsible.

8.4.3 RESPONSIBILITIES AND STAFF PROFILE OF CMU

8.4.3 A. Manager: Cash Forecasting

Responsibilities

- ✓ Prepare forecasts of government cash flows (both inflows and outflows) and cash balances for the next 3 months to one year to be circulated to the senior management and members of the relevant committee (every week/month).
- ✓ Advise on the risks associated with the cash forecasts Including sensitivities.

- ✓ Design forecast templates for MDAs and Revenue Authorities/Agencies; prepare associated guidelines and instructional materials; and develop protocols for the supply of cash flow forecasts, consulting with MDAs, the Revenue Authority and others.
- ✓ Make recommendations as necessary tools (e.g. SharePoint) to receive or share forecast; and to ensure their accurate aggregation.
- ✓ Ensure the receipt of cash flow forecasts from (chosen) MDAs and Revenue Authority according to format and timelines specified, following-up as necessary with responsible officials.
- ✓ Establish and maintain cash forecast data; identifying any IT requirements.
- ✓ Establish the flow of information from Budget and Macro-fiscal departments, Debt Management Unit and others as necessary on any changes in expenditure, revenue or financing/borrowing policies that might have implications for the profile of cash flows.
- ✓ Develop presentation of forecast data, and financing options, that meet decision-maker's requirements.
- ✓ Analyse divergences between cash forecast and outturn (and also divergences between plans and outturns) with a view to improving the accuracy of future forecasts.
- ✓ Analyze past expenditure and revenue patterns with a view to enhancing the accuracy of raw forecast data.
- ✓ Prepare a quarterly report for senior management (and members of the relevant committee) in reviewing forecast performance and making recommendations for future improvement.

Competence

Formal qualification in accountancy, economics, finance or statistics

Proven analytical and policy skills, including the use of spreadsheets and the analysis and presentation of complex data.

Broad understanding of economic policy (in particular the inter-linkages between fiscal, debt management and monetary policies).

Managerial experience, including good understanding of public policy making and of the working of government; excellent communication skills, both oral and written.

Sufficient strength of personality to build close working relationship with counterpart officials in MDAs and Revenue Departments, (and to handle any reluctant officials).

8.4.3 B. Supporting Staff to CMU Manager (2 - 3 staff) Cash Forecasting

Responsibilities

Support to Manager: Cash Forecasting is required, including covering all his or her tasks in the event of absence.

Tasks

- ✓ Ensure receipt of cash forecasts
- ✓ Maintain log and backup of all spreadsheets.
- ✓ Prepare regular reports as required
- ✓ Contribute to analytical work on divergences between forecasts and outturn, on historical patterns and on forecasting performance.
- ✓ Develop understanding of parallel staff supporting other cash management functions with a view to being able to cover for them as necessary, and contribute as required to the CMU's work.

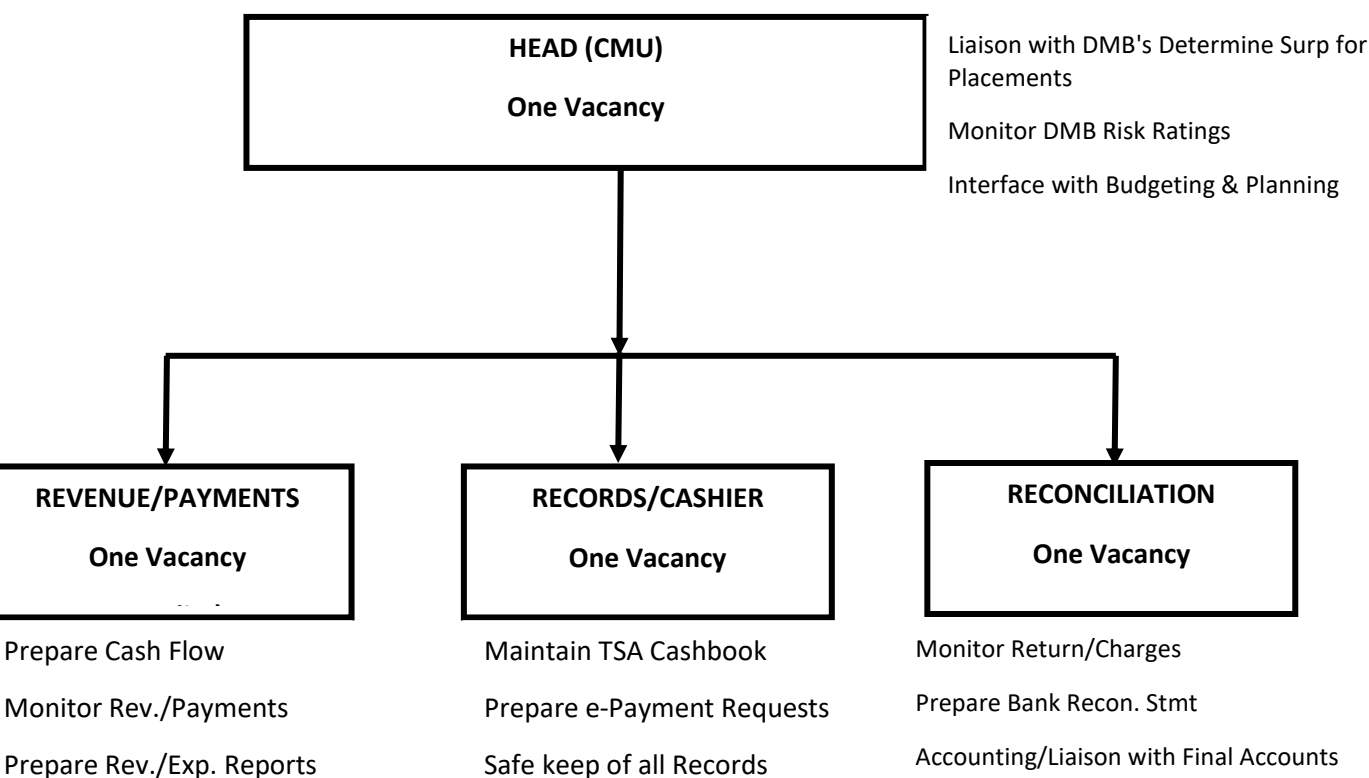
Competence

Graduate in a relevant discipline (e.g. Accountancy, Economic, Finance or Statistics)

Proven numeracy and skills in handling, analysis and presentation of complex data.

Broad understanding of public policy making and working of the government.

Good communication skills, both oral and written.



8.5 GOVERNMENT - LEAD BANK RELATIONSHIP

Preparation of Time table / time line on expected deliverables for immediate action between the CMU & Lead Bank to commence implementation

S/No.	Task/Activity	Responsibility	Expected Deliverable	Status
1.	Establish Integration With NIBSS / PAY Plat Form From ERP-Microsoft Dynamics NAV 2015	BASG/OAG/ CMU & the appointed Consultant on Collection and payments	Send data and receive information between both system	To be Done
2.	System Configuration and Test	BASG/OAG/ CMU & the appointed Consultant on Collection and payments	Import Approved Payments to ERP, Push Payment Schedule from ERP to NIBSSPAY,	To be Done

			Check Status, Login to NIBSSPAY, Approve and Pay	
3.	Practical Demonstration of Process Flow on Test Environment	BASG/OAG/ CMU & the appointed Consultant on Collection and payments	Import Approved Payments to ERP, Push Payment Schedule from ERP to NIBSSPAY, Check Status, Login to NIBSSPAY, Approve and Pay	To be Done
4.	Mapping of Lead Bank Sub-Account to IGR Revenue Items	BASG/OAG/ CMU & the appointed Consultant on Collection and payments	Mapped Lead Bank Sub- Account to IGR Revenue Items	To be Done
5.	User Profiling (List of User to be provided for Training)	BASG/OAG/ CMU & the appointed Consultant on Collection and payments	List of Users by Role/Profile	To be Done
6.	Commence Training of Users	BASG/OAG/ CMU & the appointed Consultant on Collection and payments		To be Done
7.	Mapping of IGR Revenue Items to Budget/GL Codes	BASG/OAG/ CMU & the appointed Consultant on Collection and payments	Mapped IGR Revenue to Budget/GL Code	To be Done
8.	Generating New Item Code for IGR Revenue Item	BASG/OAG/ CMU & the appointed Consultant on Collection and payments	New IGR Revenue Item Code Mapped to Old	To be Done
9.	Providing cloud Sever with Public IP to be used	BASG/OAG/ CMU & the appointed Consultant on Collection and payments	Sever in the cloud for BASG	To be Done

10.	Payment Mandate	BASG/OAG/ CMU & the appointed Consultant on Collection and payments	Scanned copy of pay mandate from LEAD BANK	To be Done
11.	Conclude on the choice of Single/Multiple Account in Commercial Bank for Revenue collection	BASG/OAG/ CMU & the appointed Consultant on Collection and payments	Single Account	To be Done
12.	List of BASG Revenue Account in Commercial banks	BASG/OAG/ CMU & the appointed Consultant on Collection and payments	Account Numbers and Name used for collection by banks	To be Done
13.	Mapping of old MDA Organization Code to New	BASG/OAG/ CMU & the appointed Consultant on Collection and payments		To be Done
14.	Completeness of the Budget 2015 – 2017	BASG/OAG/ CMU & the appointed Consultant on Collection and payments		To be Done
15.	Send the minimum System requirement for end user	BASG/OAG/ CMU & the appointed Consultant on Collection and payments		To be Done
16.	Provide List Of Expected Reports	BASG/OAG/ CMU & the appointed Consultant on Collection and payments		To be Done
17.	Provision of Regular Internet Connectivity for those that will be generating reports	BASG/OAG/ CMU & the appointed Consultant on Collection and payments		To be Done
18.	Go-Live with viewing reports of Generated Revenue on ERP	BASG/OAG/ CMU & the appointed Consultant on Collection and payments		To be Done

9.0 RECOMMENDATIONS AND SUGGESTIONS

9.1 ***Issues for Immediate Attention***

- a. Government should negotiate a service level agreement (SLA) with the Lead Bank and other stakeholders for the establishment and maintenance of the TSA.
- b. IPSAS and IFMIS should be designed to integrate and provide for the required interface between the TSA and the transaction processes and accounting systems, whether centralized or decentralized.
- c. BASG to always subject all its accounts to scrutiny by donor partners where there is counterpart funding and because of accountability and transparency associated with the operation of TSA more donor Agencies will be attracted.
- d. Appointment of Market Management Consultants or High Powered Committee to effectively monitor local collections of IGR.
- e. There is need to review all the Financial laws of the state to clearly spell out the functions of all Public Financial Management (PFM) stakeholders, like Planning and Budget, Treasury and Revenue Board State and Local Government Audits Offices.
- f. Specify all financial instructions for MDAs to comply.

9.2 **OTHER SPECIFIC AREAS FOR IMMEDIATE ACTION ARE;-**

- a. Designing timetable to start TSA Implementation in phases, starting with major concerned MDAs.
- b. Conduct analysis of staff capacity and available structures in place, at MDAs/ LGAs levels.
- c. Designing a Training schedule by rank, by cadre for finance and audit planning officers etc.
- d. Review of all legal backings, with emphasis on enforcements of Laws to support the smooth operations.
- e. State Government to embark on advocacy and sensitization of the stakeholders.

- f. Development of State Strategic development plan document as a tool to derive the entire development processes, for a new Vision, Mission and Targets of the state.

9.3 OTHER ACTION AREAS ALSO ARE;-

- i. General overhaul of the entire state IGR Collection and other management aspects for efficiency and effectiveness.
- ii. Review the current revenue sources and management system in all MDAs to identify gaps and fill them up. With a view to exploring all other untapped revenue opportunities.
- iii. Realistic annual revenue forecast is the foundation for effective implementation of TSA.
- iv. Need for a strategic Revenue Monitoring & Evaluation framework, provably through signing Revenue Performance Contract MDAs. (Failure of which must face penalties).
- v. Strategic sector Planning would immensely help the TSA processes, by way of having in place;-
 - ❖ Addressing the issue of idle and investable funds with Lead Bank (CRF).
 - ❖ Linking of all special accounts and social trust funds to the TSA.

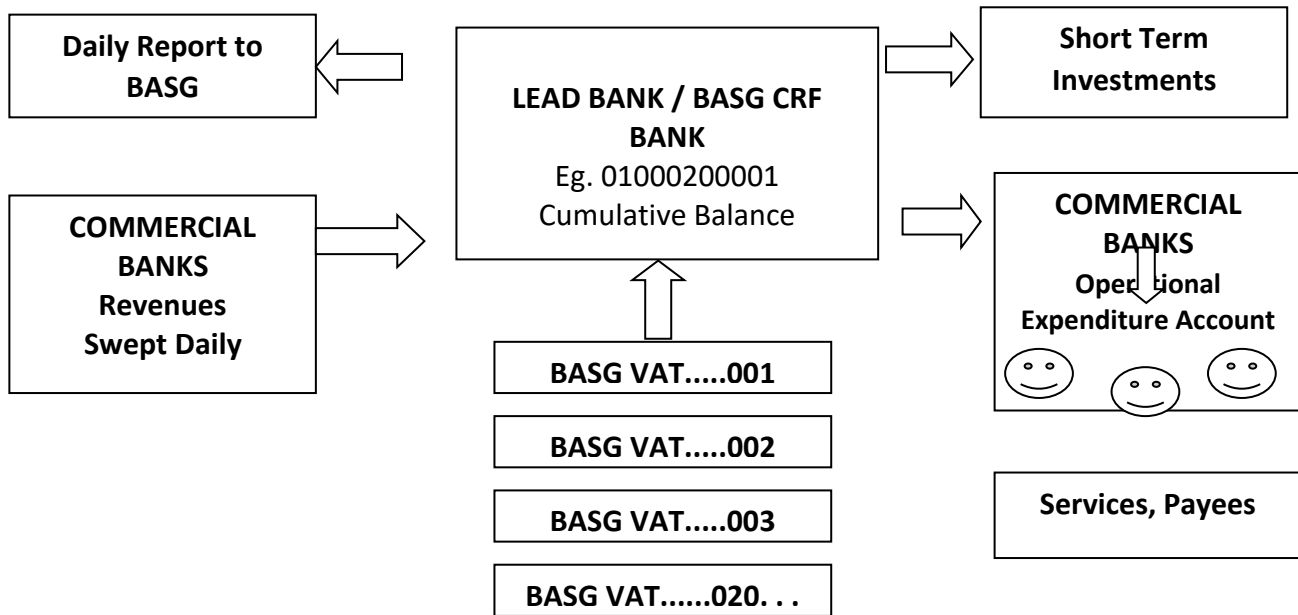
9.4 FORMATION OF A HIGH POWERED TSA IMPLEMENTATION TASK TEAM (ITT)

This Team when inaugurated will be given the task of coordinating the implementation of TSA. The first action will be to meet with the chosen Bank that will serve as the Lead Bank.

Specifically, the team will be expected to among other things;-

- i. Define Business Requirement Document. This is to include all activities that intended to be captured under the TSA, which may include how to operate the account through Revenue collections and Payments.

- ii. IT Solutions to be deployed and their interfaces.
- iii. Deployment of more ICT skilled support staff.
- iv. Develop Memorandum of Understanding between government (OAG/CMU/ITT) and the Lead Bank and other stakeholders.
- v. Any other relevant information that will assist the committee to design the structure on how the TSA would look like.
- vi. For guidance, TSA structure in most of the places visited looks like below;-



9.5 TSA FLEXIBILITIES

- ✓ TSA account (the chosen Lead Bank) can offer placements to any interested Commercial Bank at a negotiable interest rate on behalf of His Excellency or with the consent and approval of His Excellency, the Governor.
- ✓ Sweeping of accounts can be periodically, monthly or weekly or fortnightly.
- ✓ Legal Frame work, based on the Financial Controls & Management Acts of 1958 and other provisions of the Nigerian Constitutions;-
- ✓ Treasury circulars to emphasize on penalties for non-compliance.
- ✓ Governor pronouncements can also serve as a policy.
- ✓ Exploitation of the **WHISTLE BLOWER** Policy in case of any connivance with or between actors.
- ✓ All reporting TSA format must be IPSAS compliant.

- ✓ Formation of TSA progress Review Committee as an M&E Framework to track MDAs compliance and performance. The committee will be made up of Experts in relevant field to identify implementation gaps, challenges and report
- ✓ Appointment of mobile Money Agents to coordinate Collections from Higher institutions, Health and other special service Agencies
- ✓ TSA process requires effective Budget performance review and publication of findings
- ✓ IPSAS/BATMIS/IFMIS are is for integration of MDAs operations to ensure proper recording of financial transactions, Budget tracking, project monitoring and Evaluation, Reporting Revenue and Auditing can also be added as a module in structuring the IFMIS
- ✓ Appointment of other additional capable Hands with full knowledge and skills in ICT / Excel operations

9.6 TSA AT LOCAL GOVERNMENTS LEVEL

Recommendation

- i. Budgeting System at Local Government Area should conform with IPSAS/BATMIS/IFMIS/MTEF/MTSS.
- ii. IFMIS should integrated the Local Government Area accounting system.
- iii. Full automation of revenue collection at Local Government Area level.
- iv. International Development Partners can be contacted for funding all of requirement TSA implementation.

In view of the financial situation of the state and considering the high cost of implementing TSA State Government can liberage on available windows of opportunities existing with international development partners which are willing to assist any state implementing TSA like EU, DFID, WB

10.0 CONCLUSION

- 10.1 **Prayers:-** The implementation of a TSA in Bauchi State is a blessing not a curse, as a result of the interactive sessions the committee had with different pilot MDAs, at

both Federal and State level the Committee can assist the TSA implementation process in the state and at Local Government level. I, the Chairman and the committee members pray that the hard efforts of this committee will be highly valued by considering all recommendations and suggestions for a prudent Public Financial Management (PFM) system and we wish the state government success on its mission.

GARBA SARKI AKUYAM
CHAIRMAN

SAMAILA A. LANZAI
SECRETARY

APPENDIX I

BAUCHI STATE GOVERNMENT TSA COMMITTEE MEMBERS

1. Garba Sarki Mohammed Akuyam	Hon. Com. Finance	Chairman
2. Hashimu A. Dori	Perm. Sec. Finance	Member
3. Aliyu Jibo	Perm. Sec. Gen. Service	Member
4. Aliyu Musa Kobi	Dir. OHCS	Member
5. Bala A. Kani	Dir. Fin. & Acct. Gen. Serv.	Member
6. Kasimu A. Jibrin	Asst. Dir. (PMD) DMMA	Member
7. Chiroma Ahmed Malle	DAHR, Min. of Finance	Member
8. Yahaya Baitu	Board of Internal Revenue	Member
9. Idris M. Lawal	DAF, Min. of Justice	Member
10. Sha'awanatu Yusuf	Ministry of Justice	Member
11. Abdullahi A. Sakwa	DFA, Ministry of Finance	Member
12. Mohammed Lawal Ranga	BAHA	Member
13. Musa Bako Ningi	NLC/JNC	Member
14. Garba Mohammed Azare	State Audit	Member
15. Yusuf Jibrin Gane	LGA Audit	Member
16. Danladi Mohammed Jibrin	DAG/OAG	Member
17. Alh. Magaji A. Dambam	Adviser Revenue Matters	Member
18. Hon. Yakubu Shehu Abdullahi	Chairman Appropriation BAHA	Member
19. Hon. Abdullahi Abubakar	Chairman Fin. Committee BAHA	Member
20. Hon. Adamu Bello	Chairman Public Account BAHA	Member
21. Yahuza Adamu Haruna	Perm. Sec. SPC	Member
22. Nasiru Yalwa	Perm. Sec. MoE	Member
23. Sama'ila A. Lanzai	Director M&E, SPC	Member /Secretary