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An Assessment of the Implementation of the Treasury Single Account on Government Finances by the Government of Sierra Leone

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Abstract

The Treasury Single Account (TSA) is a system of accounting in the public sector where all government revenues generated are paid into a single central account. It was introduced to block financial leakages, promote transparency and prevent mismanagement of government's fund, unifies all government accounts, enabling it to prevent revenue loss and mismanagement by revenue-generating agencies.

The aim of this study is to evaluate the aftermath of TSA policy implementation on government finances and the economy. The study adopted the mixed approach of research design to provide answers to the formulated research questions. A well-structured and validated questionnaire was administered to 30 staff from the MDAs implementing the TSA using the drop and pick method.

Data obtained from the field survey was analysed and presented using statistical tools. The study revealed that the adoption of the Treasury Single Account facilitates effective and efficient cash management, reduces corruption, promotes transparency and accountability, curbs revenue loss and financial leakages and blocks misappropriations and misapplication of public funds thereby improving the country's economy.

The study therefore concluded that great strides should be made to maintain the positive effect of the implementation of the Treasury Single Account on government finances since there is a positive relationship with the growth of the economy. The researcher recommends that the government should initiate policies and penalties to make sure that proper accounting of the funds into the Treasury Single Account follows due process and any subsequent foul play by any agency, or even the central bank is duly prosecuted.

Keywords: Public Financial Management Act, Gross Domestic Product, Ministries, Departments and Agencies, Fiscal Deficit, Public Debt and Value for Money.

Introduction

Sierra Leone is a low-income economy endowed with abundant natural resources including diamonds, rutile, bauxite, gold, arable land and fish. Sierra Leone's economic performance and stability has been staggering quite widely, year after year, but the overall trend has been a marked deceleration in growth since the 1960s and government policies and management of its resources has been factored as one of the causes for such fall in growth.

Efficient control and management of government's cash resources rely on government banking arrangements. Sierra Leone, like many low-income countries, employed fragmented systems in handling government receipts and payments. Establishing a unified structure as recommended by the International Monetary Fund (IMF), where all government funds are collected in one account would reduce borrowing costs, extend credit and improve government's fiscal policy among other benefits to government. The IMF also recommends the establishment of a legal basis to ensure its robustness and stability. The introduction of the Treasury Single Account policy therefore was vital in reducing the proliferation of bank accounts operated by ministries, departments and agencies (MDAs) towards promoting financial accountability among governmental organs.

The Public Financial Management Act of 2016 makes provision for the operationalization of a Treasury Single Account by the government, aimed at closing leakages and ensuring fiscal discipline. The Act was enacted on the 21st of July 2016 but became functional in May 2018 after the President executive order No. 1 issued on 9th April 2018 on revenue mobilization.

This executive order mandated all ministries, departments and agencies of government that collect and retain revenue to direct all such revenues into the consolidated revenue fund. This order also mandated the Accountant General to close all revenue collection accounts at the commercial banks and open at the central bank those account. All of these were geared towards the operationalization of the Treasury Single Account (TSA).

The fragmented system of handling government receipts and payments greatly hampers the preparation of comprehensive public accounts that will include all government operations. The previous system lacks a unified view and a centralized control over government's cash resources, the treasury single account addresses these challenges.

A Treasury Single Account is a structure that links all government bank accounts held in several commercial banks. The new system enables consolidation and optimum utilization of government cash resources. It separates transaction-level control from overall cash management. Simply put, 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 its cash position at the end of each day. The TSA is a government initiative supported by the IMF.

The single treasury account is defined as an account that all ministries and government departments' (MDAs) accounts balances are collected at the central bank whereas there is an intermediate account for every ministry and department that shows the total of all debit and credit transactions. Thus, the total amount will be reflected eventually on the single treasury account at the end of the day, whether the type of transaction is collected or disbursed.

The TSA is principally a cash management tool for efficient management of the government's cash position. Prior to the implementation of the TSA, government was incurring finance cost on debit balances in some MDA's accounts while it was earning close to nothing on the credit balances of other MDAs. With the TSA, the net balances on all the MDAs' accounts will now reside with the Central Bank, hence the government will avoid incurring interest costs when it has positive net position.

Treasury Single Account therefore is considered a prerequisite for modern cash management and is an effective tool for the ministry of finance/Accountant General's Department to establish oversight and centralized control over government's cash resources. The TSA provides a number of other benefits and thereby enhances the overall effectiveness of a public financial management system.

The Sierra Leone Economy - Sierra Leone is rated as one of the poorest countries on the globe with a fluctuating economy and nearly half of the working-age population residing in the rural and provisional towns engages in subsistence agriculture. The country possesses substantial mineral, agricultural, and fishery resources, but it is still recovering from a 11-years civil war that destroyed most institutions, which ended in the early 2000s. In recent years, economic growth has been driven by mining - particularly iron ore.

The country's principal exports are iron ore, diamonds, and rutile, and the economy is vulnerable to fluctuations in international prices. Until 2014, the government had relied on external assistance to support its budget, but it was gradually becoming more independent before the Ebola outbreak. The Ebola outbreak of 2014 and 2015, combined with falling global commodities prices, caused a significant contraction of economic activity in all areas.

While the World Health Organization (WHO) declared an end to the Ebola outbreak in Sierra Leone in November 2015, low commodity prices in 2015 to 2016 contributed to the country's biggest fiscal shortfall since 2001. In 2017, increased iron ore exports, together with the end of the Ebola epidemic, supported a resumption of economic growth (source – www.mofed.gov.sl).

Mineral exports remain Sierra Leone's principal foreign exchange earner. Sierra Leone is a major producer of gem-quality diamonds. Though rich in this resource, the country has historically struggled to manage its exploitation and export. Annual production estimates range between $70 –$250 million; however, only a fraction of that passes through formal export channels; 1999: $1.2 million; 2000: $16 million; 2001: projections $25 million (source – foreign trade statistics bulletin – 2011). The balance is smuggled out and has been used to finance rebel activities in the region, money laundering, arms purchases, and financing of other illicit activities, leading some to characterize Sierra Leone's diamonds as a "conflict resource".

Recent efforts on the part of the country to improve the management of the export trade have met with some success. In October 2000, a new UN-approved export certification system for exporting diamonds from Sierra Leone was put into place that led to a dramatic increase in legal exports. In 2001, the Government of Sierra Leone created a mining community development fund, which returns a portion of diamond export taxes to diamond mining communities. The fund was created to raise local communities' stake in the legal diamond trade [1].

Sierra Leone has one of the world's largest deposits of rutile, a titanium ore used as paint pigment and welding rod coatings. Sierra Rutile Limited, fully owned by Nord Resources of the United States, began commercial mining operations near Bonthe in early 1979. Sierra Rutile was then the largest non-petroleum U.S. investment in West Africa. The export of 88,000 tons realized $75 million for the country in 1990 (source: www.sierra-rutile.com). The Company and the Government of Sierra Leone concluded a new agreement on the terms of the company's concession in Sierra Leone in 1990.

Rutile and bauxite mining operations were suspended when rebels invaded the mining sites in 1995. Negotiations for reactivation of rutile and bauxite mining were then embarked upon and the plant became functional. The U.S. interest in the company has been reduced to 25% and later sold to Iluka Resources Limited an Australian based company (source: www.sierra-rutile.com).

Since independence, the Government of Sierra Leone has encouraged foreign investment, although the business climate suffers from uncertainty and a shortage of foreign exchange because of civil conflicts. Investors are protected by an agreement that allows for arbitration under the 1965 World Bank Convention. Legislation provides for transfer of interest, dividends, and capital. Real GDP growth slowed to an estimated 3.5% in 2018 from 5.8% in 2017. The decline reflects lower than projected iron ore mining due to the decline of prices since 2014 and the 2017 closure of the main mining company, Shandong Iron and Steel Company (source: www.mofed.gov.sl).

The fiscal deficit continued to worsen to an estimated 7.7% of GDP in 2018 from 6.8% in 2017, due largely to a shortfall in revenue mobilization and overspending related to elections. The deteriorating fiscal position led to a sharp increase in public debt from 55.9% of GDP in 2016 to 60.8% in 2017. New measures, such as adopting the treasury single account and reducing waivers and exemptions from customs duties, could improve the government's position (source: www.mofed.gov.sl).

The Bank of Sierra Leone has proactively implemented a tight monetary policy and reduced the accommodation of government financing needs. The exchange rate has depreciated by more than 30% since 2016, and inflation remained high at an estimated 13.9% in 2018. The current growth patterns have slightly reversed the gains in poverty reduction: per capita income, estimated at US$506 in 2018, remains below its pre-Ebola level ($660) compounded by a population growth of about 2% (source – www.bsl.gov.sl). The 2018, Sierra Leone Integrated Household Survey provisionally puts the overall poverty headcount at 56.7% compared to 53.8% in 2011. The poverty rate remains higher in rural areas - 72.2% than urban towns -18.4% in Freetown (source: www.statistics.sl).

Broad macroeconomic stability is yet to be assured. Inflationary pressure has persisted due to the depreciation of the exchange rate, food supply constraints in early 2018 and the adverse impact of the liberalization of fuel prices in July 2018. The Bank of Sierra Leone increased the monetary policy rate (MPR) by 200 basis points to 16.5% in December 2018 in a bid to reduce the high inflation. The Leone depreciated by 12.0% year-on-year, underpinned by the widening of the current account deficit to 14.0% of GDP (from 11.7% in 2017), following the sharp drop in exports earnings (source: www.bsl.gov.sl).

The overall fiscal deficit is estimated at 6.6% of GDP in 2018, a considerable reduction from the 8.6% of GDP in 2017. Total domestic revenue increased to 17.2% of GDP in 2018 (from 14.9% in the previous year) due mainly to elimination of fuel subsidies, reduction of excessive duty and tax waivers and introduction of a treasury single account (TSA) (source: Sierra Leone 2019 budget speech). The current account deficit worsened to an estimated 16.9% of GDP in 2018 from 13% in 2017, due to increased imports of consumption goods and weak export performance.

Most of the country's exports are unprocessed commodities such as gold, diamonds, iron ore, and cashew nuts, while the bulk of imports are rice, petroleum, and machinery. Real GDP growth is projected to increase to 5.6% in 2019 and 5.8% in 2020. The main drivers of economic growth will be increased private agricultural and mining investment amid business climate reforms.

Total public debt reached 66.3% of GDP in 2018 (from 64.6% of GDP a year earlier), reflecting depreciation of the exchange rate as well as the increase in domestic debt. The recent World Bank and IMF Debt Sustainability Analysis assessed the country to be at a "high risk" of debt distress for both external public debt and overall public debt (source: www.worldbank.org). Growth is expected to improve to 5.4% in 2019 and stabilize at 5.2% by 2021, largely reflecting the recovery in the mining sector but also improvements in agriculture and services.

Although, the government of Sierra Leone is trying to maintain a stable financial management system, the past decade performance has not been encouraging. Reasons drawn from financial leakages, transparency and accountability issues in government ministries, departments and agencies, mismanagement of government's revenue, multiply bank accounts of MDAs of which some are unaccounted for, high interest paid to commercial banks, unnecessary expenditure of which value for money is not obtained, bank reconciliation problems and more as outlined in various Auditor General's Report of Government MDAs. In considering the above stated problems, the drive for this study was carried out in order to investigate and evaluate how effective has the treasury single account helped in solving these financial.

For this research, the Ministry of Finance (MoF) to be specific the Accountant General's Department (AGD) is the focus of this study as it the Treasury of the government. The Accountant General's Department has over one hundred employees of which some of them are attached to the government departments and agencies in which the treasury single account has be implemented. This study attempts to is to assess the effectiveness of the treasury single account on government finances through the implementing and monitoring government departments and agencies.

Materials and Methods

Research Methodology

The Accountant General's Department has over one hundred employees of which some of them are attached to the government departments and agencies in which the treasury single account has be implemented. Thirty employees were drawn as a sample from the entire population of the Accountant General's Department (AGD) cutting across the different levels of management and from the Bank of Sierra Leone as it is the government banker.

For this research, a sample size of thirty (30) participants was selected, twenty-five (25) participants from the Ministry of Finance (MoF) and the Accountant General's Departments and five (5) participants from the Bank of Sierra Leone. All of these participants are individuals whose works are directly related to the Treasury Single Account. Sampling technique is the process of selecting a representative group (sample) from the population under study. The target population is the total group of individuals from which the sample might be drawn (Saul McLeod 2019).

The target population cut across employees of the selected departments and agencies using the treasury single account, the Accountant General's Department and the Bank of Sierra Leone using random sampling technique for selection.

Data sources are broadly classified into primary and secondary data. Primary data means original data that has been collected specifically for the purpose of this study meaning the data was collected from the original source first hand. Secondary data is a data that has been already collected by and readily available from other sources (Manu, 2013).

For the purpose of this study, the secondary data collection include – the Auditor general's report; government of Sierra Leone financial reports; journals and reviews; the treasury single account manual and discussions with senior and operational staff in the various government departments and agencies. For primary data collection, qualitative and quantitative methods were used through the use of questionnaire administration and direct interviews. This will help the readers to understand the different variables and issues that are involved in this research.

Two methodologies were used for this study survey – pre-survey and actual-survey interviews with experts in the Accountant General's Department and the Bank of Sierra Leone. A field survey, which entailed the administration of questionnaire after all recommendations on errors were taken into consideration in order to increase the credibility of the questionnaire. The pre-survey interviews lasted for 1 week while the field survey was conducted over a 2-week period in Freetown where the office of AGD and the Bank of Sierra Leone are located – in January 2024.

The primary data were collected using the structured questionnaire, which comprised of two sections - section A deals with the demographic features of the respondents while section B focuses on the implementation, statutory policies and purpose of the Treasury Single Account (TSA). The questions comprised Likert type, closed- and open-ended questions that provided answers to the research questions. A final sample size of twenty-six was obtained from properly and completely filled questionnaires. After the collected data have been coded, edited, compiled and computerised, it was analysed using SPSS version 26 to analyse the questions and statements therein.

Findings And Discussions

Analyses of Data from Section A of the Questionnaire

Demographic Characteristics

Every question/statement on each questionnaire was thoroughly checked for different types of errors before they are entered for analysis. If, in the process of identifying errors a questionnaire is found to have some missing data, the questionnaire was either rejected or accepted based on the extent of the errors. In this section of the questionnaire, six (6) questions were posed, and their analyses are presented thus.

Data were obtained from 26 respondents out of 30 questionnaires circulated: representing 87% response rate. The 10% non-responsive and 3% improperly and uncompleted questionnaires were not considered for the analysis. The demographical factors revealed that the majority of the responsive respondents were male (69%) while the rest were female (31%). This disproportion in the gender of respondents could be as a result of the gender gap in the national civil and public service workforce in the country.

The analyses revealed that 42% of the respondents, were from the Accountant General's Department (Treasury), another 42% from other Ministries, Departments and Agencies and 16% from the Bank of Sierra Leone. The results reveal that (58%) of the respondents were between the ages of (31–40) years, (23%) between the ages of (36–40) years, eleven percent (11%) between (25–30) years and the minority of (8%) were 41 years and above. Majority (92%) of these respondents can be considered to be active and youthful workforce and these could be attributed to the fact that, the youth population of Sierra Leone is almost half of the total population [2].

The category with the least responses is 'the above 41' age group (8%). Also, this can be interpreted to mean that, the most job opportunities/positions in the civil and public service institutions in Sierra Leone are being occupied by the youths. This is also an indication the Government of Sierra Leone is determined to solve the problem of youth unemployment in the country [3-5].

The analysis revealed that (46%) have only a first degree (BA/BSc.), (31%) have second (MA/MSc.) degree and the rest of the population constituting (23%) have professional certificates and/or a doctorate (Ph.D.) degree. On the respondents' years of experience, those who have worked with the various institutions involved in regulating and implementing the TSA for a period of 6 - 10 years constitute (46%) which is very refreshing because they have an idea of how the accounts were operated previously. (31%) have worked between 1 - 5 years, (15%) between 11 - 15 years and the minority of (8%) have worked with the institutions for 15 years and above which is good because they can give a fair idea of the TSA. (61%) of the respondents were non-management staff, (31%) were middle management staff while only (8%) were top management staff, which means credible analysis can be drawn from the responses of the TSA implementation and regulation.

Data Analysis for the Research Questions

Findings from the Literature Review

The literatures reviewed clearly shows that the implementation of the Treasury Single Account is a bid by the government of Sierra Leone to strengthen its public financial management by consolidating government's receipt and payment through the banking system. The fragmented system of handling government receipts and payments greatly hampers the preparation of a comprehensive public account that includes all government operational bank account. Before the implementation of the Treasury Single Account in Sierra Leone billions of Leones where sitting idling in separate accounts held in commercial banks across different government Ministries, Departments and Agencies [6-10].

The investigations revealed that the Government of Sierra Leone previously had over one thousand accounts in different banks accumulating billions of Leones in the form of bank charges, commission and interests. The introduction of the Treasury Single Account provides unified view and centralized control over government's cash resources.

Treasury Single Account structure and links all government bank accounts held in the commercial banks, thereby curbing lack of control over its cash resources and fixing institutional deficiencies such as - idle cash in bank accounts; and unknown funds laying in accounts while incurring borrowing cost in raising funds to cover perceived cash shortage. The most important factor in establishing the Treasury Single Account is the political will and support and this was achieved through enactment of a bill. In Sierra Leone the legal base for the implementation of the TSA is with the public Financial Management Act of 2016.

Also, the TSA is a condition set forth by the International Monetary Fund (IMF) to countries that need budgetary support. Sierra Leone operates a centralized model of TSA rather than the distributed model. It is a centralized model because all revenue and expenditure transactions of the government passes through the TSA maintained at the central bank. The preconditions necessary for the successful implementation of the TSA are - Inventory of existing bank accounts – a country with a fragmented banking arrangement must conduct a census of the existing bank accounts of all government entities [11-15].

- **Political support** – establishing a TSA requires a hard decision such as closing the existing bank accounts of budget organization that can provoke powerful opposition.
- **Legal and regulatory requirement** – this enables the establishment of the TSA. The legal authority for the opening and closing of government accounts is vested in the Ministry of Finance (Treasury).
- **Technological requirement** – technological feasibility and capacity of banking system to participate in the operation and report on TSA transactions must be fully assessed and should meet the necessary standards.
- **Existence of inter-bank settlement system** – connections between commercial banks in payment clearing and real time gross settlement system should be in place.
- **Appropriate interface between the treasury and the bank network** – the interface between the treasury, agencies and department and the banking networking should be agreed by the stakeholders and formalized through agreement; A comprehensive chart of account should be prepared.
- **Capacity development of the TSA users** – the prospective users of the TSA should be trained in the new procedures and applications.

Awareness of the Existence of the TSA

For the primary data, six (6) key research questions were constructed in order to provide answers to the research objectives. (100%) of the respondents agreed to be aware and know of the existence of the Treasury Single Account. (85%) of the same respondents are involved in its implementation while (15%) are just part of regulatory body.

Strategies for Monitoring and Regulating the TSA

An overwhelming majority (100%) agreed that there are regulating strategies for the implementation of the TSA and such strategies include - the clearing of every transit account in the commercial banks at the close of business; a daily consolidation of funds by the central bank; and the Treasury department preparing a cash position for the government the following working day.

On the monitoring strategies and statutory documents, (100%) responded that there are strategies for monitoring the implementation of the TSA and one of the predominantly used strategies is the zero-balance monitoring of every TSA linked bank account within the commercial banks. All (100%) respondents are aware and aufait with the statutory documents supporting the implementation of the Treasury Single Account, which are - the Public Financial Management Act of 2016, the Fiscal Management and Control Act of 2017 and the Finance Act of 2019.

In order to assess the governance perception of the respondents, a five-point Likert scale options were used – namely: 1 for strongly agree, 2 for agree, 3 for not sure, 4 for disagree and 5 for strongly disagree. (46%) of the respondents strongly agreed that the introduction of the TSA reduces corruption, (31%) lending their voice by agreeing, while (11%) were very much uncertain about the impact of the TSA in reducing corruption and the minority of (4%) and (8%) of the respondents strongly disagreed and disagreed respectively that TSA helps in reducing corruption.

Good Governance of the TSA

On whether the purpose of the TSA ensures

accountability, (58%) of the respondents strongly agreed that the purpose of the TSA is to ensure accountability of government revenue, enhance transparency and avoid misapplication of public funds, (19%) agreed while fifteen percent (15%) were uncertain about the accountability aspect and the rest of the (4%) each strongly disagreed and disagreed with the purpose of accountability.

As to whether the TSA ensures fiscal discipline, (46%) of the respondents strongly agreed in affirmative, (30%) also agreed to the notion while (12%) were uncertain, (4%) strongly disagreed and (8%) disagreed that the TSA will ensure fiscal discipline. On the evidence of any positive effect on the economy, (69%) of the respondents strongly agreed that the adoption of the Treasury Single Account has a positive effect on the country's economic growth, (23%) agreed that the TSA contributes positively while (8%) were uncertain about the effect of the TSA on economic growth.

Forty-six percent (46%) of the respondents agreed that the adoption of the TSA has helped in the curbing of revenue loss and financial leakages since TSA is the only means through which receipts and payments of government transactions are done. Thirty-nine percent (39%) of the respondents strongly agreed to that whiles the remaining fifteen percent (15%) of the responding population were uncertain about the impact of TSA on curbing revenue loss and financial leakages.

On whether TSA has curbed revenue loss and stopped leakages, (46%) of the respondents agreed that the adoption of the TSA has helped in the curbing of revenue loss and financial leakages since TSA is the only means through which receipts and payments of government transactions are done. (39%) strongly agreed to that while only (15%) of the responding population were uncertain about the impact of TSA on curbing revenue loss and financial leakages.

In light of the aforementioned, (69%) of the respondents strongly agreed that the adoption of the Treasury Single Account has ensured constant monitoring and management of cash balances while (31%) of the responding population also agreed to the notion. In ascertaining whether, TSA has aided in the prudent and budgeted compliant spending, (53%) of the respondents agreed in affirmative, (31%) strongly agreed while (8%) of the respondents were uncertain and only (4%) each represented strongly agreed and disagreed.

Significance of the TSA on Government Financial Systems and Management

(77%) of the respondents strongly agreed that the introduction of the Treasury Single Account has helped in reducing the numbers of bank accounts and their associated cost of running such accounts held in commercial banks by government ministries, agencies and departments while (23%) also agreed to this. Also, (70%) of the respondents agreed that the introduction of Treasury Single Account has helped in reducing borrowing cost from the banks because the government now has timely and accurate report on its cash position, (15%) strongly agreed while the remaining (15%) of the respondents were uncertain about this effect. (54%) of the respondent agreed and were of the opinion that the adoption of the Treasury Single Account has helped in improving bank reconciliation and the quality of financial reports, (23%) strongly agreed while (15%) of the respondents were uncertain and (4%) each representing strongly disagreed and disagreed respondents of the population.

The role of the Accountant General's Department (Treasury) is to manage the liquidity of government, which means that all current and projected cash inflows and outflows must be monitored to ensure that there is sufficient cash to fund government operations as well as to ensure that excess cash is properly invested. While the role of the Central bank in the implementation of the TSA is to receive government revenues, keep deposits of the various ministries, departments and agencies and make payments on behalf of the government.

Ways to Improve and Enhance Revenue Mobilization for the Government

From the data collected respondents suggested that government can improve revenue mobilization by incorporating more government Ministries, Departments and Agencies into the folds of the Treasury Single Account as that can further aid government in consolidating it resources into one basket. Another means of improving government revenue is to reform government parastatals or privatize government institutions that are not performing. Furthermore, government can enhance revenue by increasing the tax rates, reduce tax holiday and broaden the tax base, improve tax collection enforcement and simplify the tax system and curb exemptions.

Challenges and/or gaps in the Implementation of the TSA in Sierra Leone

Some of the challenges faced in implementing the Treasury Single Accounts are - inadequate technological infrastructure and Internet connectivity; the redistribution of income from the Treasury Single Account back into the economy through the MDAs, there is too much bureaucracy into disbursing funds from the TSA and that hinders government deliverables; and clearing of bank balances at the commercial banks on a daily basis and consolidating them at the central bank in a country where electricity and internet connectivity is not reliable is also a major challenge.

Recommendations Towards the Continuance and Future Success of the TSA

Some of the recommendations from the respondents towards the continuance and future success of the TSA are - a strict compliance with the directive on TSA by the relevant government Ministries, Departments and Agencies should be complied with to ensure that it contributes to the development of the economy; the fear that the TSA will negatively affect commercial banks and possibly lead to massive job losses should be addressed through public sensitization; and government should initiate policies and various means to make sure that proper accounting of the funds into the TSA follows due process and subsequent foul play by agency or even the central bank is duly prosecuted [16-18].

Conclusions and Recommendations

Conclusions

In conclusion, the adoption of the Treasury Single Account (TSA) and its phased implementation in some government Ministries, Agencies and Departments has helped the government in consolidating its cash resources and knowing it cash position at a glance. Many of the results and findings in this study generally appear consistent with the prevailing views, feelings and knowledge that the establishment of the TSA will promote accountability and transparency, curb revenue losses and financial leakages, reduces corruption and above all improves the economy of Sierra Leone.

Prior the implementation of the Treasury Single Account, the commercial banks were holding up government funds in their respective accounts. Upon the inception of the TSA, the central government ordered the closure of all these accounts and only transit accounts were set-up and cleared up at the end of each business day into the consolidated account housed at the central bank. This new working procedures will definitely affect the amount of funds available to the commercial banks (i.e. Liquidity) to doing the normal business activities and this in turn affects bank profitability.

The study discovered that the implementation of Treasury Single Account in the public Accounting System has influenced the monitoring of government cash resources and has brought efficient and prudent spending thereby making provision for excess cash to be spent on other areas of the economy creating an overall improvement. Findings of this study, therefore, provide insight into the effect of Treasury Single Account on public fund management and the result has shown that treasury single account have been of great effect on the economy, drawing a conclusion that fragmented government banking arrangements hinder effective cash management.

The primary objective of a TSA is to ensure effective aggregate control over government cash balances. The consolidation of cash resources through a TSA helps to avoid borrowing and paying additional interest charges to finance the expenditures of some agencies while other agencies keep idle balances in their bank accounts. Effective aggregate control of cash is also a key element in monetary, debt, and budget management. A TSA system should embody the following principles:

- the government banking arrangement should be unified to ensure the fungibility of the government's cash resources.
- no other government agency should be allowed to operate bank accounts without the oversight of the treasury.
- the coverage of the TSA should be comprehensive, encompassing all government cash, both budgetary and extra-budgetary.
- the central bank to monitor all transit bank accounts at the commercial banks to ensure all those cash are transferred to the single account at the central bank at the end of each working day; and
- the treasury department prepares cash position or status

report based on the funds received in the Treasury Single Account.

Issues related to consolidation of cash in a TSA for cash management purposes should not be confused with issues related to the distribution of responsibilities for accounting control and processing of receipts and payments. A TSA can operate with both centralized and decentralized transaction processing and accounting control systems, but Sierra Leone is using the centralized system since the TSA is in its introductory stage.

Recommendations

There is the need to improve the revenue base of the country through full implementation of TSA so as to block all leakages and improve the efficiency of revenue administration. The revenue base of the country is still low, and its administration still leaves room for improvement and therefore the following recommendations are put forth in order to maintain the status of the TSA and its future success:

- A strict compliance with the directive on TSA by the relevant government ministries, departments and agencies should be complied with to ensure that it contributes to the development of the economy.
- The financial regulator, that is the Ministry of Finance with its line agencies, should also be proactive and institute measures to correct any lapses or negative impact of the TSA, as no law or measure is full proof. The fear that it will negatively affect commercial banks, and possibly lead to massive job losses, should also be addressed.
- The census of government bank accounts should be reviewed to identify bank accounts for closure. In particular, those bank accounts that have outlived their usefulness should be closed and their balances should be transferred to the TSA.
- Some existing cash-holding bank accounts at commercial banks should be converted to zero-balance accounts (ZBAs) for transaction banking purposes.
- An orderly and gradual transfer of cash balances from the existing commercial bank accounts to the TSA should be implemented, with a view to ensuring minimal disruption to banking system liquidity and monetary policy (this activity needs to be coordinated with the central bank).
- Government institutions, banks and members of the general public should be further educated on the positivity of the operation of the Treasury Single Account.
- The government should initiate policies and penalties to make sure that proper accounting of the funds into the Treasury Single Account follows due process and any subsequent foul play by any agency, or even the central bank is duly prosecuted; and
- There is a need to further conduct a study on the effect of the Treasury Single Account on commercial banks liquidity and profitability.

The study concludes that Treasury Single Account has a significant positive relationship to public fund management and the performance of a country's economy.

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