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## Examining the progress of treasury single account in preventing financial leakages in public offices in Nigeria

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### Abstract

This research aims to assess the effectiveness of the Treasury Single Account (TSA) in curbing financial leakages within Nigerian public offices. The TSA, a government policy, seeks to enhance payment and revenue collection systems by consolidating government bank account balances for better oversight of public funds. The lack of transparency in fund management prompted the introduction of TSA to prevent the misuse of public funds, consequently hindering the nation's development due to the depletion of necessary resources. Despite its potential, the success of TSA in public fund management requires a comprehensive approach, addressing corruption and establishing the essential infrastructure for its optimal implementation. In Nigeria, the adoption of TSA for fund management is still in its early stages. The study underscores the imperative for a robust TSA implementation and highlights its significance in enhancing public financial management. Ultimately, the research concludes that embracing TSA is integral to establishing an efficient and effective public financial management system, aiding the government in identifying idle cash balances across federal Ministries, Departments, and Agencies accounts.

**Keywords:** TSA; Fund management; Financial leakages; MDAs

### 1 Introduction

Poor management of government resources for improved service delivery in most developing economies including Nigeria has resulted to high level of financial misappropriation. These countries lack centralized control of public resources mobilization which has continued to impede accountability and transparency in most public offices. Fund management in government financial system encompasses a range of services namely; cost valuation, budget preparation and execution, accounting, management of financial operations, formulation of fiscal policy and auditing.

Maintaining an organized revenue mobilization and payment structure requires policies to strengthen and enhance economic management to deal with weak governance and corruption. Hence, the focus of this scheme undertaken by the government to promote accountability, transparency, fight corruption and instill fiscal discipline in the management of public funds by integrating all government bank account balances by maximizing the return on cash surpluses and the use of cash resources through a consolidated single account, minimize government borrowings by releasing cash to cover approved spending and to make fund readily available when required (Browne, 2010).

Treasury single account (TSA) is intended to give detailed information about the government's cash resources and spending on a daily basis as well as provide some clarity around unspent budgetary allocations. This certainty means blocking the means through which government revenues are diverted and syphoned using TSA which will lead to

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optimal use of government fund. This is a difficult task to be met unless balances of all the Ministries, Departments and Agencies (MDAs) are immediately available to the treasury on daily basis.

Nigeria has been in fore front of fund mismanagement and fraud which has defied diverse efforts to curb. It is expected that TSA will ensure financial discipline, transparency, accountability and close the loopholes in government financial system through which financial leakages occur. The number and recognition accorded to people entangled in this net gives the impression that it is a practice; a propelling chain to most government that need to be broken. Though, endowed with human and various natural resources, the economy lack developmental progress to commensurate its resources that will place the country among the developed economies. This is as a result of financial mismanagement ravaging the public sector, thus, the greatest obstacle affecting rapid growth and development.

Various theories has been used to explain TSA and public fund management. The theory of public finance propounded by Richard Musgrave in 1959 advocates an efficient allocation and proper management of government resources for the benefit of the citizenry. This is in line with the study since the intent of TSA is to avoid mismanagement of public fund. Incremental theory also known as theory of rational analysis by Charles Lindblom in 1950s assumes decision makers adopt past policies as the basis for their decisions and focus on incrementally improving existing policies. The TSA, a policy of preceding administration, was adopted by the succeeding government in 2015 in Nigeria and so in line with incremental theory.

The objective of this study to examine the progress of TSA in preventing financial leakages in public offices in Nigeria. We hypothesize that the implementation of TSA so far (i); has not significantly improved public fund management in Nigeria (ii) has not helped in preventing financial leakages in public offices in Nigeria.

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## 2 Literature Review

### 2.1 Concept of Treasury Single Account

Treasury single account is a policy of cash management that aggregates all government accounts into a unified structure to show a view of all revenues and expenditures of the government (Abdullahi, Canice & Yahaya, 2019). TSA implementation entails that all government cash balances are directed into centralized bank accounts into which all government revenues flows and from which all payments are made, thus portraying a consolidated view of its cash position at the end of each day.

International Monetary Fund (IMF) portrays TSA as a public accounting arrangement in which all government revenues, receipts and income are collected into one single account; keep by the Central Bank of the country through which all payments are made. According to Muhakanizi (2014), setting up TSA, limiting cash withdrawal and advances by public servants, closure of all redundant bank accounts and improving budget implementation, monitoring and reporting while strengthening its transparency are steps to effective public financial management.

Eme, Chukwurah and Iheanacho (2015) observed that TSA serve as a useful tool for the ministry of finance/treasury to establish oversight and centralized control over government's cash resources.

Tari, Myatafadi, and Kibikiwa (2016) opined that TSA will wedge most if not all the leakages arising from MDAs' revenue management. Eme and Chukwurah (2015) on the other hand state that TSA will close the loopholes in government financial system and enables optimal utilization of government cash resources. In the same vein, Ajibade, Oyedokun and Doumu (2018) observed that Treasury Single Account expectedly improve accountability and transparency and as well reduce leakages in the financial system.

Dener (2014) retaliates that TSA operation is reliable as clear legal and regulatory framework since its operations has been established with appropriate and effective sanctions for non-compliance, more so as other duties of TSA such as accounting/reconciliation, payment management and control are implemented through organizational structures in the treasury/payment systems. Udo and Esara (2016) established that adoption and full implementation of TSA by the state governments will be of greatest benefit for successful control and accountability of public funds so as to avoid bailout funds. Pattanayak and Fainboim (2010) opined that fragmented government banking arrangements hinder effective cash management and that the consolidation of cash resources through a TSA helps to avoid borrowing and paying additional interest charges to finance the expenditures of some agencies. Gbegi, Duenya and Ipevnor (2019); Ajibade, Oyedokun and Doumu (2018) found that TSA improved transparency and accountability in public fund management.

## 2.2 Pre-Treasury Single Account in Nigeria

Treasury single account is a policy recommended by World Bank to promote accountability and transparency in the management of public funds. Nigeria as a country has been battling with incessant cases of financial embezzlement, inadequate accounting and auditing of financial records, weak or lack of financial information which have increasingly lead to adverse impact on decisions making with a serious impediment to the control of leakages from revenue generating Ministries, Departments and Agencies (MDAs).

Prior to the adoption of TSA in Nigeria, MDAs held various bank accounts; some of which are in-active for government revenues, incomes and receipts, forward whatever they deem fit to the treasury which results in the loss of legitimate income meant for the federation and has been stumbling blocks to the growth of the economy (Tari, et.al, 2016). In 1999 Constitution of Federation as amended, Section 80(1) mandates "All revenues, or other moneys raised or received by the Federation (not being revenues or other moneys payable under this Constitution or any Act of the National Assembly into any other public fund of the Federation established for a specific purpose) shall be paid into and form one Consolidated Revenue Fund of the Federation" (Igbokwe-Ibeto, Nkomah, Osakede & Kinge (2017) as in Yusuf & Chiejina, 2015: 10). The provision of the constitution was not adhered to. However, a test ran by the government in 2012 for TSA using 217 MDAs which saved a whopping sum of N500 billion lead to implementation of TSA.

This fragmented arrangement of government cash receipts and payments through deposit money banks create opportunities where the government, being unaware of idle cash balances domicile in some DMBs incurs unnecessary borrowing cost on raising funds to cover an observed cash shortage. These cash balances in the deposit money banks are used by banks in credit creation. Draining this extra liquidity through open market operations also imposes unnecessary debt burden on the Central Bank (CBN, 2011). This however does not mean that TSA transaction is without cost on the government. The government bore the payment and revenue transaction costs pre-TSA. On adoption, government bears the cost of transactions made to its vendors, but for Government Collection, the payer settles the transaction charge. As stated earlier, the effectiveness of TSA depends on the structure put in place. The inability of the government to make available the necessary infrastructure to enable collection and payment system exposed them to the services of certified and regulated service providers such as Central Bank, commercial banks, mobile money providers and agents who the transaction fee for TSA go to as remuneration for service delivery.

## 2.3 The implementation of TSA in Nigeria so far

The achievement of TSA in Nigeria so far is arguable, one of the objectives of TSA is to achieve accountability by channeling the revenues of the government into one single account and the movement of such funds is authorized through due diligence and processes. Through this arrangement, minimum cost of government borrowing, availability and accessibility of cash to fund government's expenditure programs and making payments in a timely manner is made possible through the use of idle cash in numerous bank accounts held by spending agencies for extended periods while the government continues to borrow to execute its budget while maximizing the opportunity cost of cash resources through timely investments in short-term liquid assets.

The implementation of TSA in Nigeria has helped, to some extent in curtailing financial mismanagement. According to CBN Circular (2018), TSA implementation saves ₦24.7 billion monthly and enhances government revenue collection. Mboto, Offiong and Ibor (2017) opined that there is efficient use of public fund and profit-yielding public investment in the development sectors of the country as a result of constrained use of public fund. Nwankwo (2017) observed that not less than 10,000 accounts being operated by some 900 MDAs were closed. Treasury single account has been of immense benefit to the government by providing appropriate information on the government cash resources, complete budget appropriation and control, reduced fees and transaction costs, improved quality of bank reconciliation and government fiscal data, enabling efficient cash management, easy and efficient payment mechanisms, reduced liquidity needs of the government (World Bank, 2014).

However, adoption of TSA cannot completely stop financial embezzlement in Nigeria because the loopholes in lower cadres who are not signatories to the consolidated accounts may have been closed while the top management syphon funds through diverse means which includes; padding of budget, contracts awards, and kick-backs.

While the implementation of TSA is seen as one of the laudable initiatives of the government, its adverse effect on banking sector and the growth of the economy at large is an issue of discuss. The depletion in banks deposit occasioned by the withdrawal of public sector deposit into a consolidated account seriously eroded banks liquidity position. This is reflected in the number of retrenched bank staff, merged, acquired and distressed banks. To remain in business, banks have to scramble for fund. This has adverse effect on the growth of the economy with the reduction in the loanable funds of banks.

## 2.4 Modalities of Treasury Single Account

The operational modality of TSA differs from country to country; all aimed at cash control, supervision, fund collection and payment as well as division of roles and responsibilities for the treasury. Implementation of TSA depends on country's regulations, financial control, technological and banking infrastructure, electronic payment system arrangements, the level of transparency and the control function assigned to the treasury (Browne, 2010). Implementation of TSA depends on unified banking arrangement built on proper electronic banking to; allow oversight of cash flow in and out of the bank; ensure full consolidation of all government cash balances and non-operation of account outside the oversight of the treasury (Pattanayak & Copper, 2011),.

Treasury Single Account in Nigeria is fashioned from other countries that have been operating the scheme. Most African countries including Nigeria adopted TSA from the French model whose mode of operation is centralized in principle with special payment procedures in vogue in several countries which has diluted the treasury control over payment (Pattanayak & Fainboim, 2010).

No matter the country concerned TSA structure may be centralized and decentralized or both. In the centralized structure, all revenues and expenditure of the government are channeled into a single account kept with the Central Bank also called the Treasury. It involves the monitoring of daily collections and spending promptly and cost effectively. Some other countries associated with centralized mode of operation are Russian Federation, Colombia, Brazil and New Zealand. Conversely, in decentralized or distributed structure several bank accounts exist aside TSA main account with all account balances swept into the TSA main account at the end of each days transaction (Pattanayak & Fainboim, 2010; Dener, 2014).

## 3 Methodology

The study made use of descriptive research. The study collected information that helped in describing existing conditions and provide good insights into circumstances surrounding the operations of TSA for decision making through questionnaire. The study made use of well-structured questionnaire which captures questions that will help to assess how TSA has helped in preventing financial leakages in public offices in Nigeria so far. The population of the study is 520 staff made up of 180 staff of State Inland Revenue Service, 150 staff of Ministry of Finance and 200 staff of Ministry of Transport, Enugu State. Using 4 point Likert scale: Agreed (A), strongly agreed (SA), Disagreed (DA) and Strongly Disagreed (SD), well-structured questionnaire were administered to 320 sampled staff selected at random which responded to the questions. The variables are; financial leakages and public fund management.

**Table 1** The TSA Construct and Items

Construct	Items
Ajibade, Oyedoku and Doumu (2018) TSA and public fund management	TSA has positive relationship with accountability of public fund TSA has positive effect on transparency of public fund TSA has positive effect on public fund management
Kabiru, Sirajo and Abubakar (2019) on treasury single account as a tool for managing of public finances	The benefit of the TSA on revenue administration and cash balances. The effect of TSA in managing public finance.
Ganyam, A. (2018) on the effect of treasury single account on financial accountability, corruption and financial discipline in the Nigerian public sector.	Treasury single account has reduced the level of corruption in the Nigerian public sector There is no financial discipline after the introduction of TSA in the Nigerian.
Nwaorgu, et. al (2017) on treasury single accounting and public sector accountability in Nigeria	Does regular monitoring of government cash balances affect accountability in the public sector? Does unexpected fiscal volatility affect accountability in the public sector?

**Table 1** Analysis of responses on the progress of TSA as a tool to preventing financial leakages in public offices in Nigeria

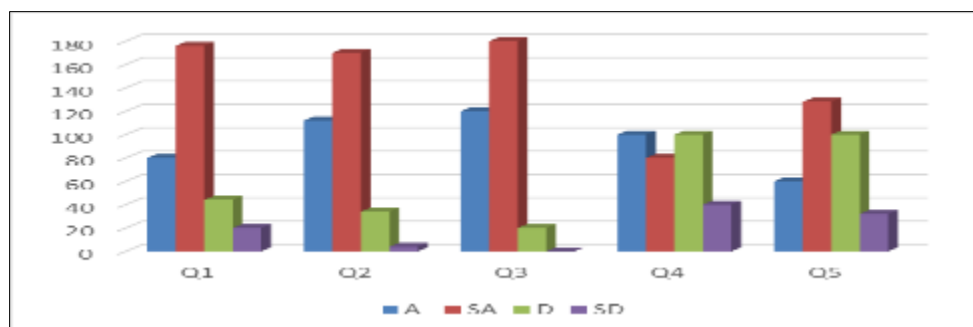
S/N	Questions	(A)	(SA)	(DA)	(SD)
1	Treasury Single Account has helped to prevent financial leakages in public offices in Nigeria	80(25%)	176(55%)	44(13.75%)	20(6.25%)
2	The level of financial accountability has improved since the adoption of Treasury Single Account in Nigeria.	112(35%)	170 (53%)	34(10.6%)	4(1.25%)
3	The adoption of TSA eliminates multiple banking arrangements that lead to embezzlement in the public sector.	120(37.5%)	180(56.25%)	20(6.25%)	0
4	The level of transparency has improved since the adoption of Treasury Single Account in Nigeria.	100(31.25%)	80(25%)	100(31.25%)	40(12.5%)
5	Channeling of bank balances into a consolidated single account by MDAs has been satisfactory.	60(18.75%)	128(40%)	100(31.25%)	32(10%)

#### 4 Results and Discussion

On whether TSA has help to prevent financial leakages in public offices, in line with the chart in figure 1, 80(25%) of the respondents agreed, 176(55%) strongly agreed, 44(13.75%) disagreed while 20(6.25%) strongly disagreed. This shows that implementation of TSA helped to reduce the level of leakages in public offices to so extent.

In relation to whether the level of financial accountability has improved since the adoption of Treasury Single Account in Nigeria, 112 representing 35% of the respondents agreed, 170(53%) strongly agreed, 34(10.6%) disagreed while 4(1.25%) strongly disagreed. Since the majority of the respondents are positive to the question, this indicates that TSA implementation has improved the level of accountability in public offices in Nigeria.

Responses on whether the adoption of TSA eliminates multiple banking arrangements that lead to embezzlement in the public sector, 120(37.5%) agreed, 180(56.25%) strongly agreed, 20(6.25%) disagreed while no respondent strongly disagreed to the question. This responses reflects to large extent that TSA eliminate multiple banking arrangements that leads to embezzlement in the public sector.



X-axis denotes the responses  
Y-axis denotes the response rates

**Figure 1** Analysis of responses using Histogram

In relation to whether the level of transparency has improved since the adoption of Treasury Single Account in Nigeria, 100 representing 31.25% of the respondents agreed, 80(25%)strongly agreed, 100(31.25%) disagreed and 40(12.5%) strongly disagreed. This reveals that TSA implementation has to some extent improved transparency in public offices.

On whether channeling of bank balances into a consolidated single account by MDAs has been satisfactory, 60(18.75%) agreed, 128(40%) strongly agreed, 100(31.25% disagreed while 32(10%) strongly disagreed. From the responses, channeling of bank balances into a consolidated single account by MDAs has been satisfactory to some extent. This

reveals that public funds were no longer scattered in various bank accounts that are not linked since TSA implementation.

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## 5 Conclusion

The rationales behind TSA implementation is for cautious fund management and minimize the cost of borrowing. The fragmented arrangement of government cash receipts and payments through the banking system is a fertile ground for embezzlement and mismanagement of public finance. It is believed that if TSA is properly implemented it will reduce the mismanagement of public.

The structure of a country's TSA depends on banking institutional arrangement, technological advancement and the level of its Financial Management Information Systems. Regardless of their level of development, all countries should aspire to set up a TSA provided it is introduced in a way that fully suits countries' level of development. The study suggests an efficient financial management information system for effective cash management since IFMIS and TSA fits together as both generates required information and controls to facilitate sound and efficient public financial management.

### *Recommendations*

Based on the results of the study, we recommend that government should enforce more control in order to attain utmost degree of accountability and transparency over its revenue mobilization and disbursement. Also, the government should put in place the necessary infrastructure for effective implementation of treasury single account.

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## Compliance with ethical standards

### *Disclosure of conflict of interest*

No conflict of interest to be disclosed.

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