

## **Correlation Between Treasury Single Account and Transparency and Accountability in the Nigerian Public Sector**

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### **Abstract**

This study examines the Treasury Single Account (TSA) in the Nigerian Public Sector between 2016 and 2019. The 1999 Constitution of Nigeria as amended requires that all government revenue be paid into the TSA in CBN. Revenue leakage were blamed on the multiple accounts owned by Ministries, Departments and Agencies (MDAs). Reviewed studies on TSA were devoid of model techniques without of analysis. Correlation between the variables were not established either. Such lacuna provided the gap for this study which can create awareness on the credibility of government's accounting system. Primary and secondary data were utilized. Product-Moment Correlation for testing hypothesis one resulted in a coefficient,  $r$  of 0.99. Chi-square,  $\chi^2$  for testing hypothesis two has computed  $\chi^2_{0.95}$  of  $3.81 < \text{tabulated } \chi^2_{0.05}$  at 1 df of 10.1. TSA has significant positive correlation with transparency and accountability, and actually impacted on the latter. Strong regulatory framework, more expert managers, and accountants, and extending TSA to all tiers of government are imperative.

**Keywords:** Accountability, Correlation, Regulatory-framework, Revenue-Leakages and Transparency.

### **Introduction**

Treasury Single Account, (TSA) is a Federal Government's mechanism for managing funds through planned legislations for the collection, remittance, budgeting, uses, and reporting financial resources in the Public Sector. To achieve this purpose, a single account is maintained by the Central Bank of Nigeria (CBN) for ensuring transparency and accountability through proper financial management devoid of misappropriation of funds. TSA is strongly believed to be helpful in ensuring fiscal discipline by the elimination of multiple account holdings by Ministries, Departments, and Agencies. MDAs (Adeolu, 2016). Hence, the achievement of TSA depends on proper compliance of the MDAs through the CBN.

Adequate Financial management of public funds requires a unified system which can eliminate waste, revenue leakages, reduction of borrowing costs, ease of credit access, and improving government's fiscal policy. Thus, the reduction in fictitious expenditure and blockages of revenue leakages were vital to promoting the integrity of government financial system. One immediate

instance of the advantage of TSA to Nigeria was the recovery of ₦2million naira in 2016 (CBN, 2016).

The 1999 Constitution as amended to date requires that “All revenues, or other income raised or received by the Federation (not being revenues or other money payable under this Constitution or any Act of the National Assembly into any other public fund of the Federation established for a specific purpose) shall be paid into, and from one Consolidated Revenue Fund of the Federation”. In 2012, TSA pilot scheme using 217 MDAs saved for Nigeria several millions of naira (CBN, 2016). The MDAs were expected to anchor to this scheme by maintaining only one revenue collection account and to remit same to the single account in CBN (Akande, 2015). By the new system, the MDAs are required to use the deposit money banks as mere collection and remittance agencies. By implication, all revenue collections by the banks are meant to be transferred to the CBN at the end of every working day. This could help to block revenue leakages alleged to be the bane of corruption in the country (Adeolu, 2016).

As a matter of fact, deposit money banks faced some challenges with TSA. For instance, the banking system used to be 'showered' with liquidity at the release of most federation allocations but as soon as they were exhausted, public liquidity tightened again with interbank rates going up due to government's directive to all MDAs to transfer all government revenue into the Consolidated Revenue Fund.

Prior to the unified financial system in 2016, the Nigerian public sector faced several challenges like revenue leakages and proliferated government accounts. The Nigerian public sector consists of civil service, and parastatals or Agencies. The civil service comprises government ministries and departments, while parastatals are statutory corporations, Boards, Authorities, and Agencies which do not have statutory status of government departments.

First and foremost, as posited earlier, almost all government establishments maintained several bank accounts, some seemingly fictitious (Otunba, 2015). This made the MDAs' accounts difficult to monitor because of their multiple accounts for revenue and expenditure. Hence, it dawned on the government through CBN's survey of Deposit money bank accounts in 2010 which were put at 10,000 in number. These constrained government efforts to monitor the finances of the MDAs. Government Financial Regulation 701 which pegged bank accounts for each MDAs at four in two categories, namely, revenue account(s) on one hand, and expenditure account(s) on the other hand, but were not properly complied with.

Secondly, while most government establishments stashed huge sums of money in several accounts difficult to monitor, the Government Consolidated Revenue Funds Accounts (GCRFA) were perpetually in red as the MDAs' monthly advance capital projects' quarterly funding were usually overdrawn thereby putting on mounting debts on CBN's advances granted to the MDAs (Nwankwo, 2017).

Thirdly, the maintenance of extra budgetary accounts practiced by the MDAs caused huge charges on the GCRFA, resulting in rising cases of non-remittance of government income into the GCRFA (Nwankwo, 2017). Moreover, the financial operations of the various MDAs under the old system negated the financial ordinances of the constitution which requires that occurring revenue must be channelled into TSA domiciled in CBN.

The implementation of TSA was widely considered to be a crucial financial process for the public sector. Thus, TSA is a necessary reform meant to inject financial discipline which can guarantee probity and accountability in the public sector.

The aim of this study is to determine the correlation between TSA, and transparency and accountability in the public sector from 2016 to 2019 through the following:

- i. the correlation between MDAs revenue remittance and funds withdrawal from the consolidated account in CBN.
- ii. examination of TSA implementation and transparency and accountability (full disclosure or true and fair financial reporting) of the MDAs.

This study will be of immense benefit to the government and MDAs for policy formulation and financial reforms in the sector. The research result arising from this study can be a veritable criterion for assessing transparency and accountability of the Nigerian public sector. The result of this study can be a veritable criterion for assessing transparency and accountability of the Nigerian public sector. This study can also contribute to the knowledge on how to continue improving government accounting system in Nigeria. Furthermore, the body of literature from this study report can be explored by researchers in similar or related areas. Finally, in terms of contribution to knowledge, this study can serve as an enlightenment on the ongoing campaign for integrity of government transparency profile.

There are several socio-economic responsibilities by the government to citizenry. Transparent accounting system which provides clarity for fund accounting is a prerequisite for proper discharge of these responsibilities to the people. The 1999 constitution which requires payments of government revenue into the Consolidated Federation's Revenue Account (CFRA) planned in 2004 govern the management and operation of public funds for enabling the government not only meeting the world transparency standard but also for enabling the government to discharge its responsibilities.

### **Theoretical Basis**

Five theories underlying transparency in public sector accounting system include the following:

**The Accounting Theory:** This theory advocates transparency in sourcing, remittance, custodian, the uses, and reporting of public finances. Public sector financial system requires uniformity, standard and conformity in meeting probity and accountability (Eseoghene, 2018).

**The Commander Theory:** This theory advocates that resource owners reserve the right to direct the sourcing, custodian and uses of resources. Hence, the government requires the MDAs to give adequate accounts of their stewardship (Okoroafor & Ohaizurike, 2016).

**Stewardship Theory:** This theory advocates that agents are duty bound to their principals. Hence, MDAs TSA compliance lends credence to this theory. Therefore, acting in the best interest of government, MDAs are steward compliant (Hamisu, 2015).

**Conceptual Clarity:** According to Estemetan and Otemu (2018), Treasury Single Account is a unified financial management system in which revenue collections, it's a custodian and disbursements are consistent with government financial regulations (GFR).

**Transparency:** According to Okoroafor and Ihuoma (2019), different definitions can be offered as follow:

- i. Diligent and prudent collection and remittance of funds in explicit manner
- ii. Truthfulness and fair reporting of actual revenue or income
- iii. Clarity in reporting of the sources, remittances, management and uses of funds in conformity with the laid down legislations, and global best practices
- iv. Promoting specific, measurable, achievable, result oriented transactions (SMART)

**Accountability:** To Bashir (2016), accountability refers to the responsibility of agents or subjects to their principal in terms of adherence to satisfactory discharge of their duties as may be prescribed. Accountability therefore implies that agents or delegates demonstrate their obligations to the principal the work performance in line with set rules (Adegbite, 2010).

In Aminu (2018) while assessing the level of transparency and accountability in Nigeria (Ojiakor, 2009) cited several constraints as nepotism, and religious discrimination, except for this new reform.

**Effective Management of Public Funds through TSA:** The economic reform summit of 2004 provided the premise for this financial reform which strengthened the full implementation of its constitutional provision. Enforcement of TSA was conveyed to the MDAs via a circular dated August 7<sup>th</sup> to take effect from August 11<sup>th</sup> 2016.

According to Otunba (2015), Yusuf and Chiejina, (2016), Bashir (2016), consolidated account 300000209 with CBN is meant for e-collection of all government revenue or income upon which all funds withdrawals be made. Hence, all MDAs were mandated to comply with TSA guidelines instead of operating several fragmented individual accounts for all revenue monies and receipts. Obinna (2015) on the other hand describes TSA as a network of subsidiary accounts connected to a consolidated account into which balances from the subsidiaries are left at the end of the day.

According to Onyekpere (2016), the consolidated financial system enables the government to manage its financial resources efficiently. TSA was therefore principally considered to be a unified super structure for managing public funds. TSA is widely applauded to have several advantages

(Nelson & Orioha, 2016, Eme, Chukwuka & Iheanacho, 2015). As against the former system, government financial positions can easily be viewed from the pool of all MDAs accounts in the consolidated account in CBN.

Again, a pool of government finances can prevent or at least reduce financial losses, thus guarantying reliable government cash positions at any point in time. Furthermore, this can enable borrowing with its attendant interest costs. Since TSA promotes the elimination of idle funds in individual MDAs' accounts, reconciliation of government funds will be easier and thereby enhancing transparency of government accounting system.

### Summary of some Empirical Review

S/N	Author	Year	Title	Main Objective	Findings	Recommendations
1	Estemetan & Otemu	2018	<i>TSA and Transparency in Public Sector Financial Management in Nigeria</i>	To examine TSA scope, prospect, features, merits and demerits	TSA enhances public financial Managements	Frequent training of personnel for financial effectiveness
2	Bashir	2016	Effect of TSA on Public Financial Management in Nigeria	To examine effect of TSA on public financial management in Nigeria	TSA can enhance transparency and accountability	Legislation for 3 tier government to implement TSA
3	Okoroafor & Ihuoma	2019	TSA: An Instrument of Public Accountability and Transparency	To examine TSA efficacy for Accountability and Transparency in public service	TSA can checkmate financial malfeasance in the public service	Stronger political will and synergy among government institutions

*Source: Secondary information from Journals*

Several studies on the influence of TSA on transparency and accountability were devoid of model investigation. This was strengthened by Chi-square determination of the influence of TSA on transparency and accountability of government accounting system.

## Materials and Methods

### Design of the Study

Descriptive and exploratory designs were used. According to Agu (1992) and Adefila (2008), a descriptive design gives a description of a scenario, or occurrence of an event. Adefila (2008) Posited further that a descriptive design describes a situation or event which is an end on its own. This design is suitable for the description of government accounting systems, both the old, and new with the relative consequential advantages of the latter.

On the other hand, exploratory design deals with the curiosity to gain insight or more understanding of a subject matter. Hence, this design is also suitable for determining relationship between the level of financial prudence and reporting in the public sector.

This study employed questionnaire administration and oral interviews for generating the needed primary data, while secondary sources of information included publications and unpublished reports.

The study employed both qualitative and quantitative approaches. CBN was purposefully selected as the study organization, being the sole custodian of TSA and convergence of MDAs' TSA compliance. Therefore, there is no need of sampling from the MDAs.

### **Test of Hypothesis**

Hypothesis one,  $H_0$ : There is no correlation between TSA compliance and true and fair financial reporting in the public sector.

Using Product-Moment Correlation Coefficient,  $r = \frac{\epsilon xy}{\sqrt{(\epsilon x^2)(\epsilon y^2)}}$ ,

Where  $x$  = Independent variable (TSA implementation)

$y$  = Dependent variable (True & Fair Financial Reporting).

If  $r$  is negative, then TSA compliance has no relationship with true and fair financial reporting in the public sector. if not, otherwise, i.e '  $H_0$ : TSA has no relationship with true and fair financial reporting' be accepted but if  $r$  is positive,  $H_1$ : TSA influences transparency and accountability will be accepted. Then there is significant relationship between TSA compliance and true fair financial reporting in the sector. Using variate frequency tables, if computed  $\chi^2_{0.05} >$  tabulated  $\chi^2_{0.95}$ , then  $H_0$  will be rejected, implying a significant relationship between TSA compliance and true fair financial reporting in the sector, if not otherwise.

### **Discussion of Findings**

Of the 131 respondents, 105 (or 80%) agreed that the implementation of TSA significantly influenced transparency and accountability in the public sector, while only 26 (or 20%) disagreed (Table 1 below).

The product-moment correlation was used for testing hypothesis one, '  $H_0$ : There is no correlation between TSA implementation and transparency and accountability' shows a coefficient  $r$  of 0.99. This result corroborates the survey result that there is linear relationship between the independent variable, (TSA implementation or compliance) and the dependent variable, transparency and accountability (or true and fair financial reporting) in the sector.

The chi-square,  $\chi^2_{0.95}$  tabulation of  $3.81 <$  chi-square,  $\chi^2_{0.05}$  computed of 10.1 which implies that the computed value of 10.1 falls outside the acceptance for  $H_0$ . Hence,  $H_0$  is rejected in favour of

H1 which states that TSA implementation or compliance significantly impacted on transparency and accountability in the public sector.

Table 1: Respondents’ opinions that TSA implementation impacted on transparency and accountability in the public sector.

S/N	Category (Sub-Sample)	NO: (X)	Yes Response (Y)	No
1	Directors	5	4	1
2	Deputy Directors	6	2	2
3	Assistant Directors	10	8	2
4	Principal Managers	20	15	5
5	Supervisors	25	20	5
6	Officers	30	24	6
7	Clerks/Operators	35	30	5
Total		131	105	26

Source: [www.cbn.ng](http://www.cbn.ng), 2020

Test of hypothesis one: H<sub>0</sub>: There is no correlation between TSA implementation and true and fair financial reporting in the public sector.

Table 2; TSA Compliant MDAs, and True and Fair Reporting MDAs

S/N	TSA Compliant MDAs (x)	True and Fair Reporting MDAs (Y)
1	Ministries	26
2	Department/Agencies	144
Total		170

Source: Adjusted 'Federal Govt. of Nigeria Achieves, 2020

Correlation Coefficient, r – Computation (Using Table 1 above)

N	x	Y	x <sup>2</sup>	y <sup>2</sup>	xy
1	26	10	676	100	260
2	144	138	20,736	19044	19872
$\Sigma x = 170$		$\Sigma y = 148$	$\Sigma x^2 = 21412$	$\Sigma y^2 = 19144$	$\Sigma xy = 20132$

Source: Researchers’ Computation, 2020

$$r = \frac{\sum xy}{\sqrt{(\sum x^2)(\sum y^2)}} = \frac{20132}{\sqrt{(21412)(19144)}} = \frac{20132}{\sqrt{409911328}} = \frac{20132}{20246} = 0.99$$

The correlation coefficient, r of 0.99 indicates significant positive linearity between TSA compliance and true and fair financial reporting by the MDAs. Hence, H<sub>0</sub> is rejected, while the alternative hypothesis H<sub>1</sub> is accepted.

Test of hypothesis test: To test the hypothesis ‘H<sub>0</sub>: TSA implementation has no significant impact on transparency and accountability’ using chi-square x<sup>2</sup> at 5% level of significance at 1 degree of freedom (12.6).

$$x^2 = \sum \frac{(O-E)^2}{E}$$

Actual or observed (O)	Expected (E)	O – E	(O-E) <sup>2</sup>	$\left(\frac{O-E}{E}\right)^2$
ministries 10	26	-16	256	9.85
MDAs 138	144	-6	36	0.25
Total 148	170	-22	292	x <sup>2</sup> =10,1

Source: Researchers’ Computation, 2021

The computed Chi-Square, X<sup>2</sup><sub>0.05</sub> value of 10.1 > Chi-Square, X<sup>2</sup><sub>0.95</sub> tabulated at 1 degree of freedom of 3.81. Since 10.1 is in the rejection region, H<sub>0</sub> is rejected in favour of H<sub>1</sub>. Hence, TSA implementation significantly impacted on transparency and accountability in the public sector.

### Summary of Findings

- i. There is linear relationship between TSA implemented and financial reporting (i.e fair reporting) in the public sector, given the result of correlation coefficient, r = 0.99.
- ii. TSA implementation is a pre-requisite from the result of hypothesis one (No. 1 above).
- iii. The computed Chi- Square, X<sup>2</sup> results also showed that TSA implementation significantly influenced fair financial reporting in the public sector.
- iv. A major challenge of TSA in Nigeria is the lack of its reinforcement to achieve full implementation at all levels of government and hence the less than unity (or chi-square result of 0.99)

### Conclusion

The linear relationship between TSA implementation and financial reporting implied that TSA is not just a requisite, but really impacted significantly on transparency and accountability in the public sector. In the same vein, the chi-square, X<sup>2</sup> Test of hypothesis two of H<sub>0</sub> also showed that TSA implementation significantly impacted on transparency and accountability. However, the less



than unity Chi-Square result is an indication that TSA implementation itself was not sufficient enough to guarantee true and fair financial reporting. Insufficient skilled personnel and non-involvement of expert professional accountants did not boost of TSA implementation.

### **Recommendations**

The study recommends continuous financial reforms in the public sector for optimum financial performance since there is linear correlation between TSA, and transparency and accountability.

Secondly, the government should continue to employ more expert managers and accountants in order to achieve optimal Performance. Again, the lopsided implementation of TSA which is limited to the MDAs at the federal level has only limited impact. Extending it to all the three tiers of government is therefore imperative.

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