

Corporate Governance in Selected Not-For-Profit Organisations in Nigeria: A Review

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Abstract

Over the years, Not-For-Profit Organisations (NFPOs) in Nigeria have been actively involved in a variety of humanitarian endeavours in various sectors; health, education, research, sports and social welfare. Foundations and other non-profit organizations are the main way that philanthropists and other well-meaning people and organizations donate their funds to address social issues like reducing poverty, offering free healthcare and education, empowering women and youth and preventing drug abuse. Regarding the corporate governance guidelines that NFPOs ought to adhere to, there is a sense of vagueness and confusion. Since Nigeria lacks a standardized code, NFPOs have used a variety of corporate governance principles to meet their goals. This paper reviews the corporate governance practices in selected NFPOs and how good corporate governance will be of immense benefit to these NFPOs. The study adopted the phenomenology research design which is a qualitative research methodology. Interviews were conducted with the leadership teams of selected NFPOs and the results were thematically analysed using the themes; leadership, budgeting, succession planning and appointment of leaders, Audit and financial reporting and stakeholder participation. The study concluded that a Code of Corporate Governance for the not-for-profit sector is required in order to improve the performance of non-profit organizations, establish transparent and accountable frameworks, and increase public trust and confidence especially among citizens, beneficiaries of these organizations, donors, volunteers, and other important stakeholders.

Background to the Study

Not-for-Profit Organisations (NFPOs) are communities of people bound together by custom, religion, kinship or nationality or by anybody or association of persons established for any religious, educational, literary, scientific, social, development, cultural, sporting or charitable purpose (Abuah, Sulayman, and Belgore-Abdulhamid, 2021). Upon registration, NFPOs become a corporate body by the name described in the certificate and shall have perpetual succession, can sue and be sued, hold and be able to act on any property/interest belonging to the association. Under the Companies and Allied Matters Act 2020 (CAMA), NFPOs can be registered as Incorporated trustees and Companies limited by guarantee. For Companies Limited by Guarantee, the CAMA provides that where a company is to be formed for the promotion of research, sports, science, religion, culture, commerce, art, education, charity or other similar objects, the company may be registered as a company limited by guarantee. For this structure, the consent of the Attorney-General (AG) of the Federation must be received before it can be incorporated. Such consent will be granted within 30 days of the application provided the AG does not require further information from the promoters of such a company. If the AG requires further information, the 30 days starts to count after the receipt of all the required information.

With respect to incorporated trustees, the CAMA provides that where two or more trustees are appointed by any community of persons bound together by custom, religion, kinship or nationality, or by anybody or association of persons established for any religious, educational, literary, scientific, social, development, cultural, sporting or charitable purpose, they may, if so authorised by the community, body or association, apply to the CAC for registration as a corporate body. The board of trustees, being the leadership organ of NFPOs, is a critical agent of governance for NFPOs to attain credibility and create an impact on constituents and the community. It has however been observed that many NFPOs in Nigeria lack accountability, in practice; they are not sanctioned for failure to use their budget and investments for the purposes intended, particularly when funding does not come from the government, nor their personal pockets, and it is the founder that majorly solicits for it from the public (Odiaka and Ichaba 2021). It is therefore expected that these monies are legitimately channelled towards the achievement of the goals for which the organisation is formed.

Corporate Governance

The process of accomplishing a goal or carrying out an action is referred to as governance. The governance procedures of the charity sector tend to be less researched on, even though several theoretical and empirical research have been conducted that address the governance of for-profit organizations. None of the numerous definitions of corporate governance found in the literature are appropriate for nonprofit organizations. Corporate governance is seen as the interaction between the management of an organisation, its shareholders and its directors. The shareholders grant the directors authority to establish the corporate culture, business goals, and strategy. The board of directors' responsibility is to determine the organisation's strategic direction to maximize shareholder value and ensure long-term success. In general, CG regulates the relationship between shareholders, directors, the government, the community, employees and other stakeholders. CG strikes a balance between the needs of

the company, its shareholder, investors, senior management, financiers, suppliers, the government, clients and the community.

The reputation of an organisation can affect how the organisation is perceived amongst its stakeholders and potential investors. When a good CG structure is put in place in a organisation, it ensures transparency in all transactions, responsibility and clarity. All organisations have problems and idiosyncrasies which can be isolated by a good CG system, reducing the impact on the organisation and often containing the risk internally. Corporate governance may not guarantee improved corporate performance at the individual company level, as there are too many other factors that have impact on performance (Rathod, 2018). However, CG should make it more likely for the company to respond rapidly to changes in the business environment, crisis and the inevitable periods of decline. Although it is understood that solid governance practices won't completely prevent organisational failures, they can minimize fraud and help organizations make the best use of their limited resources provided they are put into place, routinely reviewed, and updated. According to the same logic, better corporate governance procedures in nonprofit organizations will likewise minimize risk and maximize the use of scarce resources (Reddy, Locke, and Fauzi, 2013).

Methodology

This study adopted the phenomenology research method which is a qualitative method of research. Semi-structured interviews were conducted with the leaders of four NFPOs; Babcock University, Adeleke University, Nigerian Bar Association and the Chartered Institute of Bankers of Nigeria. An interview guide was prepared before the interviews, but additional questions were asked during the interviews. The responses of participants were thematically analysed.

Babcock University

Babcock University was established and is fully owned and operated by the Seventh-Day Adventist Church. It was established on September 17, 1959. It was initially established, by the Europeans, as a seminary, but has undergone different phases to become Babcock University. It is led by a Vice-Chancellor (VC) along with his principal officers.¹ The leadership and succession planning structure of Babcock University cannot be comprehensively discussed without a proper foundation on the structure of the Seventh-Day Adventist Church.

¹Deputy Vice Chancellor (DVC) Finance, DVC Academics, DVC management Services, Senior Vice President, Student Development and the University Pastor.

Figure 1: Organogram of The Seventh-Day Adventist Church (SDAC)



Babcock University is led by a Governing Council which is chaired by the Pro-Chancellor who is a Union president. The council consists of members from all the Unions in Nigeria; Western Nigeria Union Conference, Northern Nigeria Union Conference and Eastern Nigeria Union Conference. Each conference has representatives on the Council, usually the secretary and the treasurer of the Union. It also includes professionals in various fields who are also educationally inclined. Currently, the Northern Union President is the chair of the Council, while the presidents of the Western and Eastern Conferences are co-chairpersons.

The VC of the University serves as the secretary to the governing council. Principal Officers of the university are also members of the governing council. The governing council meets at least two times a year. They also meet during the graduation week of the university to approve promotions for professors and associate professors. There are two management committees in the university: The Principal Officer's meeting and the Administrative Committee (ADCOM). The officer's meeting, which is a meeting of the VC and the principal officers holds every week, while the ADCOM meets every month. ADCOM involves the major leaders of the university and sometimes deans and HODs. The ADCOM deliberates on various reports from every department in the school, funding for various projects and academic reports.

Succession Planning and Appointment of Officials

The tenure for principal officers is five years with a maximum of 2 tenures. For Deans and HODs, the tenure is two years, renewable based on the performance of such individuals. The maximum number of tenures is two, but if there seems to be no competent person, then it is renewable even if it exceeds the maximum tenure. The criteria for being HOD is to be at least a senior lecturer and to be a senior lecturer, a candidate must have a Ph.D.

The selection of the VC occurs at the year-end meeting of the Division, in the last year the second tenure of the principal officers' elapses. Interested and qualified candidates apply to the

Division and the division sends the applications to the Governing council. The Governing Council sets up a 'Search' committee to evaluate and scrutinize each candidate. Interviews are conducted with all candidates to better evaluate them. After this process, the 'Search' committee selects the best two or three candidates and sends their names to the Division. The division then selects one candidate as the President/Vice Chancellor. For the selection of principal officers, the Vice Chancellor selects individuals that he feels he can work with. He recommends them to the governing council who then confirms their appointment. It is important to note that the VC has no power to remove principal officers once appointed. He can only submit his grievances to the division if they underperform, abuse their powers or perform any actions which do not align with the university's values.

Budgeting

The budgeting process is quite simple. Each department, through the Head of Department (HOD), in the university submits their budget to their respective schools. The Deans review the budget and edit if necessary. The Deans then send their budgets to the Bursary department. The bursar reviews and compiles all the budgets received and presents at the administrative committee for approval. The Administrative committee reviews and approves, then the VC presents the budget to the governing Council. The council then approves the final budget.

Principles of Corporate Governance

Babcock University is an establishment that prides itself on compliance with the principles of corporate governance. Fairness, accountability, responsibility, independence and transparency are evident in all the processes, especially in the discipline of staff and students. The school ensures that the concerns of all stakeholders are properly channelled and addressed.

Audit and Financial Reporting

Babcock University is not audited by independent auditors. It has a strong and thorough internal audit team that ensures that all transactions are properly reported and documented. Babcock University is also audited by the General Conference Audit Service (GCAS). This is an independent body created by the General Conference of the SDA. GCAS is responsible for auditing all SDA establishments around the world. They present their reports to the General Conference. The Audit report is for internal consumption only and is not published externally.

Stakeholder Participation

The major stakeholders are seventh-day Adventists (SDA), pastors, members and students but the stake is extended to other people. That is why there are teachers and staff who are not SDA and even students who are not SDA. Their interests are taken into consideration in so many ways. For example, in matters of admission, SDAs apply for admission and enjoy what is called Adventist Heritage Reward. This is a special reward in term of Scholarship given to them for being owners of the school because the school was established through their various contributions like tithes and offerings. There are various modes of communication with them. Print media, emails, media, telephones are channels used in the dissemination of information and sometimes, meetings are organised to get their input on how to run the organisation.

Research Observations

Babcock University has a strong framework for its operations. This ensures the sustainability of the institution. However, one cause for concern is the fact that whilst there is a good framework for succession, the handover process is less than optimal. It was noted that the previous VC and principal officers had fully vacated office before the resumption of the current VC and officers. This creates a lacuna of knowledge transfer. In normal circumstances, the new officers should understudy for a short while before fully taking over their respective duties. There is also no formal training or mentoring for the new officers. It is advisable that newly appointed officers undergo leadership training courses to better equip them for their new roles. On the principles of corporate governance, the researcher observed that the independence of Board members is questionable because some of the Board members have family members who are employees or study in the organisation. This may influence the judgement of such board members.

Adeleke University

Adeleke University was founded in 2011 and is fully owned by Dr. Deji Adeleke who serves as the Pro-Chancellor on the Governing Council. There are two major sources of funding in Adeleke University. The school fees paid by the students and grants from the pro-chancellor. The Pro-chancellor funds most of the university projects from his personal pocket. Whilst all the principal officers report to the VC, the DVC is senior in rank to the other officers. He assists the VC and the VC refers certain matters to him to be dealt with. Principal officers are appointed for a tenure of four years, though there is no maximum number of tenures.

Succession Planning and Appointment of Officials

The governing council conducts interviews with qualified candidates for the role of principal officers. The principal officers are appointed by the prerogative of the chairman and pro-chancellor of the governing council. He has the priority of appointment. Deans and HODs are recommended by the VC and DVC after reviewing their performance and character over the years. The deans and HOD are appointed for a term of two years, renewable only once. Appointments of other staff members are ratified by the governing council as presented by the registrar. Whilst there is no formal channel for training and mentoring, the council sometimes allows senior personnel, who are not principal officers, to attend meetings to learn the ropes of the administration.

Budgeting

The Bursary department goes around all departments to collect their projections for the year. The Bursary reviews all departmental budgets and inputs them into the master budget at the beginning of each school year. The VC reviews the budget with the Administrative Committee and presents the budget to the Council. Evidence of every previous expenditure must be submitted along with the budget. This enables the organisation to track all expenses and budget appropriately.

Principles of Corporate Governance

Adeleke University is compliant with the principles of corporate governance. To a large extent, fairness, accountability, responsibility, independence and transparency are evident in all the

processes, especially in the discipline of staff and students. The school ensures that the concerns of all stakeholders are properly channelled and addressed.

Audit and Financial Reporting

The University has a good internal audit department. The team focus mainly on pre-audit. They ensure that documentations are carried out and cost has been reviewed even before funds are spent. The University is audited yearly by external auditors though the reports are not published for general consumption. This adds an extra layer of transparency for stakeholders.

Stakeholder Participation

The major stakeholders are the proprietor, students, parents and staff. Information is passed to stakeholders by various channels; circulars, letters and social media (mainly WhatsApp). Stakeholders can also contact the university through emails, the school's website or WhatsApp.

Research Observations

The administrative structure of Adeleke University is commendable. The adherence to the maximum term for deans and HOD aligns with corporate governance principles. However, since the same principle is not applicable to principal officers, it gives cause for concern.

Additionally, the pro-chancellor is vested with ultimate authority for the affairs of the university. This raises an issue of objectivity on the governing council and council members may not be able to give objective opinions on certain matters. The issue of sustainability also comes up here. Whilst the university has an informal succession plan, when it comes to the appointment/training of another pro-chancellor, there is no laid down framework.

Nigerian Bar Association

The Nigerian Bar Association was created by an Act of the National Assembly.² It operates on a national level and each state of the federation, including the Capital Territory has a chapter, and there are branches in each chapter.

Succession Planning and Appointment of Officials

At both the national and state level, leadership is selected by election which holds every two years and is non-renewable. At the national level, it is led by the president while at the state level, it is led by the chairman. It is national executive committee. Only the general meeting can overrule the chairman at the state level, at the national level, it is the national executive committee.

The law allows the chairman to select 4 members of the executive committee out of which one person must be a representative of the young lawyers. The committee meets once a month at the minimum. The officers have their own jobs and are not paid based on their appointment. The law sets out specific requirement for instance to vie for the post of chairman, you must

²Nigerian Bar Association Act

have practiced law for a minimum of 10 years. Training is at the instance of each contesting candidate. Due to the electoral nature, individuals train themselves and enrich their cvs to appear as the best candidate. They may attend mentorship training, business development trainings, public speaking trainings, professional development trainings on their own accord.

Budgeting

The budgeting process in the NBA is quite straightforward. The constitution dictates that all expenses must be budgeted and approved before any spending can be carried out. The general meeting approves the budget. Each branch sets up a committee to draw up their budget, then the secretary will collate all the budgets from all the committees and present at the general meeting.

Principles of Corporate Governance

The NBA is reasonably compliant with the principles of corporate governance. Transparency, accountability, responsibility, independence and fairness are demonstrated in all dealings, meetings and processes. The average score for this was 8 over 10.

Audit and Financial Reporting

The NBA is audited by independent auditors and the results are published as parts of the annual report. It forms part of the Annual General Meeting Bundle.

Stakeholders

The major stakeholders are the national executive council, at the national level and the executive committee at the state level. Because the legal professional is a profession of seniority, the senior lawyers are also major stakeholders. All lawyers around the country are also major stakeholders in the Nigerian Bar Association. The constitution of the NBA allows for the impeachment of any officials who go against its values or commits any unbecoming act. A committee is convened, and the accused is allowed the opportunity to present his case and defend himself. Votes are cast and the general meeting can impeach such a person depending on the outcome of the votes. There should be more accountability for NFPOs, and members should be held accountable for breach of any of the principles. More training should be conducted for NFPOs regarding corporate governance especially in remote rural areas.

Chartered Institute of Bankers of Nigeria (CIBN)

The CIBN is a professional association established by the National Assembly.³ It was created to regulate the banking profession and serve as an intermediary between banks and the government. There are two levels of the leadership structure in the CIBN. The first is the Governing Council consisting of the President, 1st Vice President, 2nd Vice President, National Treasurer, the CBN Governor or his representative, the MD of the Nigeria Deposit Insurance Corporation or his representative, the MDs of six banks (appointed by the Council), two past Presidents of the Institute, a representative each of the Ministry of Finance, Ministry of Education National Universities Commission (NUC), the National Board for Technical Education (NBTE), a representative of branches in each zone of the Institute and the Registrar and Chief Executive Officer who also serves as the secretary to the council. The

³Chartered Institute of Bankers of Nigeria Act, 2007

position of the Registrar is attained through a rigorous process. Applications are received both from internal (CIBN) and external candidates. For internal candidates, individuals on the level of deputy director may apply for this position.

Succession

An audit firm is appointed at the Annual General Meeting (AGM) preceding the appointment year to review applications for the role of Registrar. The call for applications is published and applications are received from both external and internal individuals. The audit firm reviews all applications and selects the most qualified applicant as the Registrar. The term of each tenure is four years and this is renewable only once. So, in total the registrar can be in office for not more than eight years combined.

Budgeting

The budgeting process is straightforward. Each department submits their budget after considering staff costs, promotion costs, training cost and other operational expenditure items. They submit their departmental budgets to the management who then presents the budget to the Finance and General-Purpose Committee, headed by the National Treasurer of the CIBN. Once the committee approves, the governing council reviews and approves making the budget an implementable document.

Audit and Financial Reporting

The CIBN is audited by independent auditors who have been previously approved at the Annual General Meeting. The results are published in the annual reports and presented at the next Annual General Meeting. This ensures the transparency of the published accounts.

Stakeholder Participation

The major stakeholders are banks, the government, all bankers, international bodies and staff of the CIBN. The organisation communicates and receives information through print media, social media, letters, the website and publications. The CIBN serves as an intermediary with all stakeholders. For example, before any law or policy for the banking industry is passed, the government seeks the opinion of the CIBN who in turn meets with all bank MDs for their opinions. This is done through the Bankers' Committee meeting. The CIBN also conducts trainings for its stakeholders.

Research Observation

The research participants were very knowledgeable about the principles of corporate governance and how they are implemented in the organisation. The corporate governance principles practiced in the CIBN align with international best practices. The process for succession planning was quite transparent and this ensures the sustainability of the organisation. The organisation accounts for funds properly being that it is also funded by banks through the Central Bank of Nigeria.

Conclusion and Recommendation

In Conclusion, the study analysed the administrative structures of selected NFPOs and found that most organisations have self-regulatory structures and are not efficiently informed and

educated on the principles of corporate governance even though they are in leadership positions. The concept of corporate governance was explained by the researcher to the participants. The incorporation of good corporate governance practices will transparent and accountable frameworks, and increase public trust and confidence especially among citizens, beneficiaries of these organizations, donors, volunteers, and other important stakeholders.

It is recommended that a comprehensive NFPO law be enacted in Nigeria to streamline the regulatory framework and policies applicable to not-for-profit organisations. The government should consider establishing a dedicated body to oversee and support the NFPO sector. This body could provide guidance, resources, and training to NFPOs, helping them navigate the regulatory landscape and improve their operational capabilities. Such an institution would also serve as a liaison between the government and the NFPO sector, facilitating better communication and collaboration.

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