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Corporate Governance Structure In Selected Churches In Nigeria: A Legal Appraisal

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ABSTRACT
The issue of good corporate governance for churches has been of great concern to the Nigerian government in the last few years. There is a perceived ambiguity and uncertainty with regards to the corporate governance principles that should be followed by churches. Churches have adopted various corporate governance principles to suit their objectives as there is no standard code in Nigeria. The objective of this research is to review the governance structure of selected churches and how corporate governance principles will improve transparency in the administration of churches. This study adopted the phenomenology research method which is a qualitative method of research. The targeted population of this research comprises of top executives and officials, that is, the leadership teams and their representatives in churches. The findings revealed that a good corporate governance code, specifically for churches, is needed and there is a need for the amendment of the law governing churches.
Keywords: Administration, CAMA, Church, Corporate governance, Leadership.

INTRODUCTION

Nigeria has the highest population of Christians in Africa with over 80 million members.[1] Christians in Nigeria are dedicated to the religion. The intensity of Christian's beliefs in literal scripture and theological doctrines to heaven and other similar supernatural concepts is joined with a great level of religious commitment and practice. About 87% of Christians in Nigeria claim that religion is important in their daily lives[2]and a high number of Christians participate in various religious activities including prayer, fasting, tithing or giving to charity, reading the scripture, attending religious services and sending their children to religious educational programs.

Noticing the attachment of its citizens to their religion, the Nigerian government took a step to ensure good corporate governance practices by enacting the National Code of Corporate Governance (NCCG) issued by the Financial Reporting Council (FRC) in 2018 for public companies, private companies and Not-For-Profit organisations. The Not-For-Profit Organizations: Governance Code was a regulatory directive issued by the Financial Reporting Council pursuant to its powers under sections 7 & 8 of its enabling Act[3]. This directive acknowledged the significance of good corporate governance practices to the communal sector including churches and mosques. This Bill was however suspended due to the massive outcry and uproar it caused in the Nigerian Christian society.

The misconception of the aim of the suspended Code of Corporate Governance caused a public outcry when the code was enacted. These church leaders believed that the enactment of the Code was an attempt by the Nigerian government to take over the ruling and administration of these churches. However, this was not the intention of the policy makers. The aim of corporate governance in any organization is to

ensure that due procedures and processes are followed in a transparent, accountable and responsible manner, complying with relevant legislation and improving the immediate community.

The major objective of corporate governance in churches is not to dictate the affairs of the church as the religious leaders seem to believe, it is rather to encourage transparency, responsibility and accountability within the church and in all its dealings. The principles of corporate governance have no intentions of distorting religious beliefs, rather, they help to enhance the administration and achieve the aim and objective of religious institutions in a clear and transparent manner.[4]

Corporate Governance

Corporate governance distributes rights and duties amongst the various stakeholders in the organization and dictates the methods and processes involved in making decisions on specific affairs. It also affords the structure through which the company sets its objectives, attains those objectives and monitors the organization's performance.[5]

CG may be defined as the totality of methods, practices and codes that ensure the proper governance of an organization to achieve its objects in the best interest of all stakeholders.[6] It is simply a set of principles, procedures and practices that may be employed to direct and manage the affairs of an organisation towards the achievement and goals of such organisation.[7] It encompasses the entire interior and exterior elements that affect the organisation's stakeholders. The board of directors of the organization is the primary force for the enforcement of corporate governance

Good CG is structured around four principles: fairness, accountability, responsibility and transparency. There is no stone cast approach to cooperate governance, but these principles guide the development of the structures, practices and processes that are appropriate to an organisations needs and circumstances.[8]

Fairness requires that the leadership must be, and appear to be fair in conducting the affairs of the church. This requires that the leadership seek independent opinion of a knowledgeable entity to assess and advice on a complex or difficult issue. This principle also requires the equal and unbiased treatment of all stakeholders in the church. Accountability implies that some of the stakeholders of the company have the right to hold the others to a set standard which will serve as a benchmark for performance monitoring and assessment in relation to their responsibilities. Good corporate governance will focus on accountability on the part of both the governing body, and the employees.

Responsibility on the part of the leadership extends beyond the corporate activities in relation to true and fair financial statements or tax compliance, to meeting the expectations of the society. This principle also covers giving proper timely accounts and to whom such accounts are given. Who do religious leaders account to? Transparency is a principle that helps both the leadership and stakeholders to assess the performance of a church based on timely reporting and disclosure of material facts. It addresses judicious and precise disclosure of all matters regarding the church including financial health, title, risks, governance and other important matters. The more transparent an organisation is, the easier it is for the leadership to detect any potential risk issues that may likely affect the church and the stakeholders will be able to monitor the leadership.[9]

Corporate Governance (CG) Theory

The CG theories such as stewardship theory, agency theory, transactions cost economics and resource dependency theory, enable us understand how organisations are run and understand the role of directors in achieving the performance goals of the organization they govern.[10] The stewardship theory serves as a foundation for this study.

The stewardship theory articulates that managers are contracted to handle the organization's operations appropriately and a manager's achievement and success is measured by satisfaction he gets from the performance of the firm; therefore the leader's primary objective is to maximize the firm value.[11] Thus, managers make decisions that are allied with the maximization of shareholders wealth rather than their selfish goals.[12]

The steward's only aim is to realize the goals of the organization. This is eventually valuable for shareholders in terms of increase in share prices and return on shares. The theory posits that board and management should be a single body known as the collective stewardship team[13]. The theory also notes

that the duality of the position of CEO and chairman will make decision making easier and the organization will be able to achieve more of its objectives in shorter time.[14] This reduces unnecessary bureaucracy and there will be no hidden dispute or trouble of top management's motivation.

While most CG theories focus on individual work for self-interest at the expense of owners, the stewardship theory discards this idea. In stewardship theory the steward is self-actualizing and focused on higher needs (achievement and self-actualization). Stewards place the achievements of the organisations objectives ahead of their selfish goals. The stewards do not primarily target survival needs though humans must have income to survive.[15] It argues that stewards inherently seek to do good job. They do not treat themselves as external bodies instead they treat themselves as important members of the firm.

The main criticism of the stewardship theory is the obliviousness to the inherent nature of man. Studies have shown that the moral hazard problem is the main cause of why mangers do not work with good faith and honesty in order to increase wealth of owners.[16] The most distinguishing feature of this theory is the vesting of more trust in managers which is lacking in the perspective of agency. The duality of the role of CEO and chairman waters down the principle of checks and balances.

Relating the stewardship theory to the Not-for-Profit Sector, especially churches, fundraising is carried out to further the mission of the church on the shoulders of very important people, their donors and volunteers. These donors and volunteers entrust their resources, time, talent and money, to the care of the church to help the church achieve its objectives. It is therefore incumbent on the church to carefully and judiciously manage those key resources in the most effective manner possible. There are three ways the church can make this possible: By ensuring that donors gifts are used in accordance with the donors wishes, by being transparent and forthright about how their gifts are managed and used and finally being proactive and consistent in the acknowledgement and recognition of donors and volunteers for their gifts.[17]

METHODOLOGY

This study adopted the phenomenology research method which is a qualitative method of research. Personal interviews were conducted with the leaders of three churches; The Seventh-day Adventist Church, The Redeemed Christian Church of God and the Catholic Church in Nigeria. An interview guide was prepared before the interviews but additional questions were asked during the interviews.

Applicable Corporate Governance Principles

Considering the corporate governance framework for companies in Nigeria, some of the principles enshrined in the various codes will be of immense benefit to the various churches. Firstly, the issue of dual boards with a singular leader may constitute a conflict of interest. Two out of the three churches where the researcher conducted interviews operate a dual board system of administration. The dual board system where the registered board of trustees differ from the board of management operates in Germany where the dual board system is prescribed for listed companies. The essence of a dual board is for a more effective achievement of objectives, however, members of the supervisory board are elected by the shareholders.

For churches in Nigeria, the dual board system may not necessarily mean more transparency and accountability as the chairman of the board of trustees doubles as the president of the management board. If the church were a company, this equates to the same individual occupying the positions of the chairman and the CEO. This takes a toll on the independence of the board in decision making.

Another corporate governance issue for churches is the appointment, rotation or removal of directors. It was observed during the course of this research that directors are usually not removed or rotated until they die or retire at the age of 70. This is essential to maintain the impartiality of the board. For two of the three churches researched on, appointment of board members is another issue. Board members are selected and not elected. The issue with selection is that the criteria for selection is not clear and this may give room for bias.

Audit is another aspect of corporate governance that can be improved in churches. Two out of the three churches researched on carry out a yearly external audit, however, the SDAC is audited by an independent body still within the organization. S. 848 (2) of the Companies and Allied Matters Act

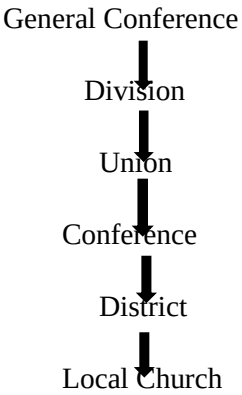
(CAMA) states that an audited statement of account must be submitted to the Corporate Affairs Commission (CAC) yearly, however, the law is not specific on whether or not the audit should be by external auditors. External audit ensures a more accurate independent report, giving a proper view of the financial position of the church.

Whistleblowing is another area of corporate governance that will be immensely advantageous to churches. The concept of whistleblowing is important for churches because of the process fundraising and the amount of raw cash that may be gathered weekly. There should be proper channels for reporting financial misconduct especially if ones immediate superior is directly involved.

There is also the issue of Executive, Non-executive and Independent Non-executive directors. It will however be unreasonable to expect churches to implement this principle because of the peculiarity of the church's nature. The trustees should be individuals who believe in the church's faith and objectives. Corporate governance encompasses all mechanisms and framework by which a body and its controllers are held to account. The church is an organization that runs based on trust and faith and should have structures for accountability. The presence of these structures does not imply a lack of trust, it just ensures transparency at every point in time.

Corporate Governance Structure of the Churches

The Seventh-Day Adventist Church (SDAC)



The church was founded in 1861 and was introduced in Nigeria in 1914. The SDAC operates a Board-led system of governance where members of the board act on behalf of members and take decisions in member's interest. The SDAC has a dual board system where the registered Board of Trustees is different from the governing board.

The union is the overall governing body for the SDAC in Nigeria. The governance organ is the Executive Committee and the Committee meets quarterly except an emergency meeting is called. This organ has three major officers; the president, the executive secretary and the treasurer. These officers are elected every five years during the constituency meeting. The constituency meeting consists of select members of the Conference, select members of the Union, the current executives and the nominated executives.

The governing body of the conference is the executive committee (EXCO). The three major officers in the conference are the president, the treasurer and the executive secretary. The officers take directives from the EXCO, implements the directives and report back to the EXCO. The conference has its constituency meeting every four years and the new officers are elected at this constituency meeting.

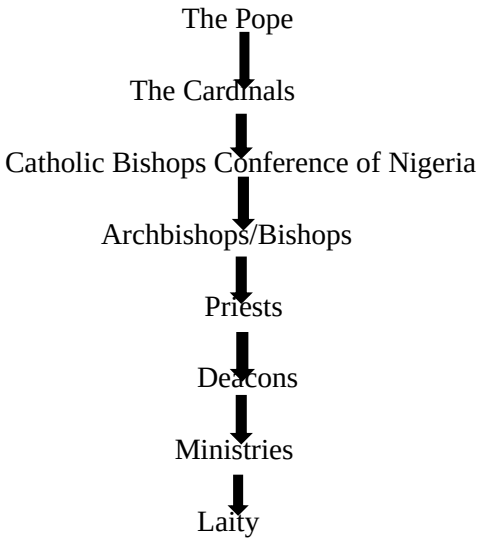
A district is made up of four or five local churches. Districts are not recognized in the official organogram of the SDAC but were created for administrative convenience. Every local SDAC is governed by a church board. This church board consists of the local church pastor, all the church elders and the heads of all church departments. The church pastor is the head of the board. The church board makes major decisions on behalf of the church and meets once every month except an emergency meeting is called. All the

decisions of the church board are reported to the Church at Business. Complex issues are also referred to the Church at Business. The Church at Business comprises of all baptized members of the church.

When tithes are collected at the local church, they are kept in the custody of the church treasurer. The funds are remitted monthly. 100% of the tithe is remitted to the conference. 50% of the offering is retained at the local church, 10% is remitted to the district and 40% of the offering is remitted to the conference. 34% of the offering remitted to the conference is remitted to the union. The church is audited yearly by the General Conference Audit Service (GCAS).

Before a person can be a pastor in the SDAC, such person must have completed their first degree or post graduate degree in theology or religious studies from a recognized institution.

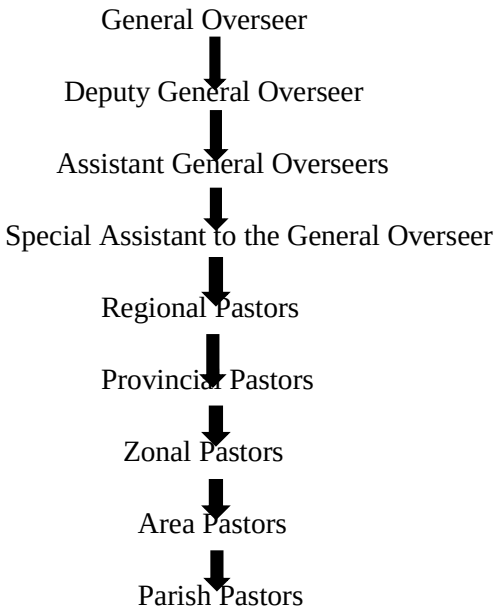
The Catholic Church



The Catholic Church operates an episcopal system of governance where Bishops are in charge of the affairs of a diocese or archdiocese. The governing body of the Catholic Church in Nigeria is the Catholic Bishops Conference of Nigeria (CBCN). The CBCN is headed by an executive body made up of the President, the Vice President, the Secretary and the Assistant Secretary. The current president of the CBCN is Augustine Obiora Akubeze (Archbishop of Benin city). The Bishops are directly appointed by the Pope himself. The Bishops are not rotated or removed but they may however retire (optionally). Tithes and offerings are remitted from the local parishes to the diocese/archdiocese. Each parish has a peculiar percentage to be remitted depending on the size of its members; there is no uniform percentage for remission. The dioceses/ archdioceses remit all funds directly to the headquarters of the church which is in Rome. The church is audited annually by independent auditors.

Before a person can become a priest in the Catholic Church, such a person must have undergone at least nine years of training. In the eighth year of this training, such a person becomes a deacon. The Catholic Church has affiliations with various universities who train the priests-in-training and issue them certificates at the end of the training. At the end of the training, the priests have degrees in both philosophy and theology.

The Redeemed Christian Church of God (RCCG)



RCCG operates a pastor-led system of governance where there is a strong church leader assisted by a group of elders or pastors. The church was founded in 1952 by Pa. Josiah Akindayo, however, the current leader is Pastor Enoch A. Adeboye. He was selected by the founder of the church. The governance structure is classified into three; the low level, the middle level (zonal and area) and the managerial level (provincial and regional). Remission of funds is done monthly from the parish, through the Province to the National office. Other levels (Area, Zones, and Regions) do not receive remissions but may serve as collection points for the province or national office. The province audits the Zones, Areas and Parishes while the National office audits the Province and the Regions. The National Office is audited yearly by external auditors.

Before a person can be a pastor at RCCG, such person must have undergone the various levels of training. This training involves believer's class (1-3 months), baptismal class (3 months), church worker (5 years), minister; school of disciples (10 months), deacon (5 years), assistant pastor (5 years) and then such a person becomes ordained as a pastor.

CONCLUSION AND RECOMMENDATION

There is a perceived ambiguity and uncertainty with regards to the corporate governance principles that should be followed by churches. This is due to the perception that some of the corporate governance guidelines were developed mainly for corporate organizations as well as the lack of corporate governance principles that have been developed specifically for the unique nature and characteristics of churches.

All entities, public, private and not-for-profit organizations as well as government parastatals all have one thing in common and that is the fact that they all have to be governed. The lack of churches sound corporate governance might result in threats to the sustainability of churches, which might ultimately reduce the significant impact of churches in the provision of social services.

It is therefore recommended that the law should be amended to eliminate the dual board system, include external audit, board composition, board diversity, rotation of trustees, retirement of trustees, board evaluation and whistleblowing. A panel should be set up by the Financial Reporting Council of Nigeria to look into churches corporate governance and suggest principles that may be adopted by the church considering the church's peculiar nature.

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