Financial Reporting of not for Profit Organizations: A Comparison of United States and United Kingdom with Nigeria

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Abstract: *Not for profit organisations have been subjected to pressure and criticism to be more transparent and accountable by both the donors and the government of lately. It is against this backdrop that this study examined financial reporting of not-for-profit organisations in Nigeria in comparison with the United States and United Kingdom. The study drawn upon publicly available archival data, using the analytical construct of regulatory space and data sourced from the annual reports of churches and mosques from the USA, UK and Nigeria. The aim of this study is to review the financial reporting practices of religious organizations in Nigeria in comparison to similar organisations in the western world vis-à-vis the impacts of the regulatory reforms of the enacted CAMA 2020 to replace the repealed CAMA 1990. The study concluded that the reforms introduced by Companies and Allied Matters Act (CAMA) 2020 are necessary to stimulate better control and make trustees of not for profit organisations (NFPO) to be more accountable to their contributors. It was recommended that the regulatory authorities should put in place measures that would enable the third sector be better managed and positioned towards sustainable governance and attainment of global standards.*

Keywords: Not-for-profit Organisation, Faith Based Organisation, Trustees, third sector, accountability.

I. INTRODUCTION

Whatever the classification of not-for-profit organisations (NFPOs) and its basis, there has been increased visibility of NFPOs and their fulfillment of functions in areas which tend to be neglected by the private and public sectors. NFPOs have however been subjected to pressure and criticism to be more transparent and accountable. O'Dwyer (2007) states that, until the early 1990s, NFPOs were not subjected to intense scrutiny regarding their accountability, governance, legitimacy or wide social impacts. The myth of infallibility surrounding them then has since fizzled out. The increasing need for NFPOs' accountability is to mitigate the crisis of sustainability and relevance that plague NFPOs globally and Nigeria in particular (Owolabi, 2012). Previous studies have revealed charitable organisations are accountable to stakeholders who provide funds and regulate the organisations. However, empirical evidence from Nigeria is lacking (Musawa, 2019). The internal functions of NFPOs as well as other aspects, has received far less attention (Helmig, Jegers & Lapsley, 2004).

. In a survey carried out on the need to adopt an international reporting for the NFPO sector, only 14% of the respondents were opposed to an International NFPO Standard. The strongest objections appear to come from countries such as the UK, which already have well developed frameworks for NFPO accounting. According to the findings in CCBA Annual Research Report 2014, while there has been considerable academic interest in financial reporting by NFPOs in certain countries, the sector's financial reporting practices in relation to international standards have received comparatively little attention in the academic literature.

The objective of this study is to evaluate the effect of CAMA 2020 regulatory reforms in Nigeria on the operations of religious organisations in Nigeria before and after the enactment of CAMA 2020 in relation to practices in the western countries. It is against this background that this paper empirically reviews the extent of accountability of religious organization in Nigeria in comparison with UK and the US. This is with a view to enhancing the sustainability of religious organizations in Nigeria and providing a basis for delivering on their mandates.

This work promised to be of immense benefits to the religious organisations, other NFPOs, government and the academic world. The result of the study would educate religious organisations (churches and mosques) administrators on the advantages of complying with regulatory measures for better organisational governance. It is expected that, the study would promote better harmony between religious bodies and the regulatory authorities. It would be a reference point to researchers in the field of study and add to existing body of knowledge.

2. LITERATURE REVIEW

Conceptual Review

This chapter focuses on the conceptual framework, theoretical framework and empirical review of relevant literatures to provide the required platform for this work.

Before discussing the issue at hand, a caution must be put to record relating to the attempt to describe an entity as a NFPO. This is due to the fact that the literature contains numerous terminologies used to identify this sector. For example, terms like charitable institution, Non-Governmental Organization (NGOs), Not for Profit Organisations (NFPOs), Faith Based Organisations (FBOs) and Third sector are found. Hence, defining what constitutes a Not-for-profit organization would help ensure the correct focus of the discussion.

2.1 Not-for-Profit Organizations (NFPOs)

Anheier (2005) submits that, the nonprofit sector is the sum of private, voluntary, and nonprofit organisations and associations. It describes a set of organisations and activities next to the institutional complexes of government, state, or public sector on the one hand, and the for profit or business sector on the other. Sometimes referred to as the "third sector," with government and its agencies of public administration being the first, and the world of business or commerce being the second, it is a sector that has gained more prominence in recent years in the fields of welfare provision, education, community development, international relations, the environment, or arts and culture. Salamon and Anheier (1997) define NFPOs by the five key characteristics they must share as; organized, private, non-profit-distributing, self-governing and voluntary.

The sector, according to Mittilä (2003), is thus defined as the collection of entities which make a "reasonable showing" on each of the above five criteria. The definition encompasses organisations which may fulfill a variety of functions; it does not focus attention exclusively on institutions providing public goods, or efficiently and effectively supplying private goods, or on organisations which offer positive externalities for society. NFPOs are rather driven by the mission, not by the profit. The difference between businesses, government and NFPOs is in what they do.

2.2 Companies and Allied Matters Act (CAMA) 2004 AND NFPOs

Musawa (2019) submits that Charity organizations are regulated by CAC in pursuant of CAMA 1990. They are required by this legislative framework to submit annual returns each year to CAC (Section 370 & 690 CAMA). With regards to accounting and accountability, no specific statutory provisions state the rules of external reporting. However, as an accounting practice, charity organizations report on the basis of fund accounting (Iheme, 2001). In 2011, to improve the quality and consistency of information in NFPOs" financial statement, the Financial Reporting Council (FRC) of Nigeria issued the Statement of Accounting Standards 32 titled "Accounting by Not-for-profit organizations" (Asien, 2016). The financial statements of NFPOs according to the standard should include the following statements; accounting policies, financial position, activities, changes in net asset, cash flow and notes to the account. The essence of introducing this standard is not to only improve the quality and consistency of information in NFPOs financial statement, but also promote trust, confidence and enhance sector accountability (Asien et al., 2016).

2.3 Provisions in Companies and Allied Matters Act (CAMA) 2020

The Companies and Allied Matters Act (CAMA) 2020 enacted to replace the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 1990 (as amended in 2004) was to provide for the incorporation of companies, limited liability, partnerships, limited partnerships, registration of business names together with

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incorporation of trustees of certain communities, bodies, associations and for related matters. Though its enactment has been greeted with mistrust and remonstration from certain quarters of the affected sectors, the Act is a welcomed innovation into the Nigerian corporate and commercial business industry after 30 years of abiding by the repealed CAMA.

While the new Act does not contain a commencement date, it is deemed, by the provisions of Section 2 of the Interpretation Act to come into force on the day it was signed into law. The Act introduces measures to ensure efficiency in the registration and regulation of corporate vehicles, reduce the compliance burden of small and medium enterprises (SMEs), enhance transparency and stakeholders' engagement in corporate vehicles and, overall, promote a more friendly business climate (Obayomi, 2020). "Table 1" below state the distinct features between CAMA 1990 and CAMA 2020.

Table 1: Comparison of CAMA 1990 and CAMA 2020

ITEM	CAMA 1990	CAMA 2020	COMMENTS
Appointment and Replacement of Trustees	Section 590 Where a body or association intends to replace some or all its trustees or to appoint additional trustees, it may by resolution at a general meeting do so and apply in the prescribed form for the approval of the Commission.	Section 839 empowers the Commission to suspend trustees of an association and appoint interim managers to manage the affairs of the association where the Commission reasonably believes that there is a misconduct or mismanagement in the administration of the association; the affairs of the association are being run fraudulently, among others.	This provision gives wider powers to Commission to oversee the affairs of nonprofit organizations which was hitherto nonexistent. It seems to be in line with the recent moves by government to exercise greater control over the affairs of non-profit organizations.
Statement of Affairs and Accounting Records of Incorporated Trustees	Section 583 stipulates that, the Constitution of the association make provisions for where subscription and other contributions are to be collected, the procedure for disbursement of the funds of the association, the keeping of accounts and the auditing of such.	Section 845 brings about additional requirement for the trustees of an association to submit a bi-annual statement of affairs to the Commission.	This is a laudable reform to the existing law and will further strengthen the need for financial discipline on the part of incorporated trustees management for sustainability.
Merger of Incorporated Trustees	No provision made	Section 849 of the new Act provides for merger between two or more associations with similar aims and objects under such terms and conditions as may be prescribed by the CAC. The	This grants associations the opportunity to collaborate and synergize more efficiently to collectively achieve their set objectives.

		previous Act did not contain this provision.	

2.4 The Corporate Affairs Commission

The primary regulator of both the NFPOs and for profit organizations (FPOs) in Nigeria is the Corporate Affairs Commission (CAC). CAC is charged with the regulation and supervision of the formation, incorporation, management and winding up of companies via the Companies and Allied Matters Act 1990. NGOs in Nigeria may register as a company "limited by guarantee" [CAMA §26(1)] or as an "incorporation of trustees" (by which the trustees of the NGO, rather than the NGO itself, obtains the status of a body corporate regulated by Section C of CAMA 1990). Association with incorporated trustees can take two forms: where the trustees are appointed by any community of persons bound together by customs, religion, kinship or nationality and the trustees are appointed by anybody or association of persons established for any religious, educational, literary, scientific, social, development, cultural, sporting, or charitable purpose) [CAMA §673]. The overwhelming majority of Associations in Nigeria are registered under Section C of CAMA 1990 and so mostly take the form of trustee incorporated NGOs.

2.5 Association with Incorporated Trustees

An association of persons, which appoints one or more trustees and pursues registration under Part C of the Companies and Allied Matters Act, is called an association with incorporated trustees. Upon registration, the trustees become a body corporate and have perpetual succession as well as the power to sue and be sued on behalf of the association. There are two forms of associations with incorporated trustees. For the first form, the trustees are appointed by any community of persons bound together by customs, religion, kinship or nationality. For the second form, the trustees are appointed by any person or association of persons established for any religious, educational, literary, scientific, social, development, cultural, sporting, or charitable purpose (CAMA Section 673).

2.6 Accounting and Auditing

The primary purpose of accountability is to meet the donors' need to understand how their donations are utilized (Jacobs & Wilford, 2010). Osman (2012) states that this kind of accountability is similar to corporate accountability (accountability to shareholders), i.e. being accountable to the parties who provided the funds. Charity organizations are regulated by the CAC in pursuant of CAMA. They are required by this legislative framework to submit annual returns each year to CAC (Section 370 & 690 CAMA). With regards to accounting and accountability, no specific statutory provisions state the rules of external reporting. However, as an accounting practice, charity organizations report on the basis of fund accounting (Iheme, 2001). In 2011, to improve the quality and consistency of information in NFPOs" financial statement, the Financial Reporting Council (FRC) of Nigeria issued the Statement of Accounting Standards 32 titled "Accounting by Not-for-profit organizations" (Asien, 2016). The financial statements of NFPOs according to the standard should include the following statement; accounting policies, financial position activities, changes in net asset, cash flow and notes to the account. The essence of introducing this standard is not to only improve the quality and consistency of information in NFPOs financial statement, but also promote trust, confidence and enhance sector accountability (Asien et al., 2016). Because of an ideological rejection of commercial values and practices in NFPOs (Panozzo & Zan, 1995), accounting and auditing have been not very popular in NFPO circles let alone as a research topic for NFPO scholars. Froelich, Knoepfle and Pollak (2000) submit that about one third of a sample of large and medium sized NFPOs in the United States does not employ staff with an accounting education. A first attempt towards a comprehensive, principal-agent based theory for accounting and auditing in NFPOs is Jegers (2002) who explains the absence or presence of accounting and auditing in NFPOs in the context of mitigating agency cost between the NFPO board and its management. The problem of compliance with accounting rules by NFPOs has been studied empirically by Krishnan & Schauer (2000), and in the United Kingdom by Connolly and Hyndman (2001), Williams and Palmer (1998).

2.7 Financial Management

Although the techniques of financial management in NFPOs do not fundamentally differ from those in profit oriented firms, there are some peculiarities documented by the economic literature. They all pertain to the specific way NPOs are funded, and more specifically, the diversity of sources of equity, which is clearly more important than for profit oriented firms, and its consequences for the financial exposure of NPOs (Froelich, 1999; Salamon & Anheier, 1998). The direct link with the financial economics literature is to be found in the treatment of the "cost of capital," the average cost of using the funds present in the organization, be it debt or other funds (Jegers, 1997; Wedig, Hassan & Morrisey, 1996). Again, this problem can be cast in a principal-agent framework, the principal being the funder, and the agent the organization (board or management). At first sight, NFPOs should aim at minimizing debt, as the required financial returns on debt is higher than on other funds, but agency considerations may justify some level of indebtedness (Jegers & Verschueren, 2004), if monitoring management by creditors results in a reduction of the overall agency costs.

Some desirable corporate objectives that are also peculiar in NFPOs are; management (agents) will often take decisions to improve their own circumstances, even though their decisions will incur expenditure and so reduce funds. High remunerations, cars and other perks are all examples of managers promoting their own interests, the management of some NPFOs are aware of the role that organization has to play in providing for the well-being of society, the major objectives of some NFPOs will include the provision of services to the public, and the fulfillment of responsibilities towards donors and contributors (Enyi, 2014).

2.8 Why Should NFPOs Be Accountable?

Al Shanti (2019) states that, the notion of accountability is an amorphous concept that is difficult to define in precise terms. However, broadly speaking, accountability exists when there is a relationship where an individual or body, and the performance of tasks or functions by that individual or body, are subject to another's oversight, direction or request that they provide information or justification for their actions.

The last aspect of reporting behaviour is for what purposes NFPOs provide their report to the public. According to Ebrahim (2010), the purpose of charitable institutions reporting is to be accountable for different things by different people. Ebrahim et al (2010) submits that charity organizations reports are for four reasons; finance, performance, governance and mission. The first type of purpose focuses on finance which translates to disclosure on financial transactions, conformity to accounting standards/reporting requirement and account for resource use by NGOs (Ebrahim, 2003). Accountability in this context is strict, rigorous and enforced on NGOs, and if non-complied with, NGOs will be sanctioned with fines, imprisonment, withdrawal of finance, tarnishing of image or loss of tax-exempt status (Ebrahim et al., 2003). Thus, accountability for finance depicts upward accountability. Accountability for performance relates to the results of the programmes/projects of the charity organizations. This accountability measures the performance of charity organizations and links NGOs goals and objectives to immediate outcome/output. Ebrahim (2005, 2010), opines that, such accountability is primarily encouraged by donors and the stress on short-term results portray such a purpose as hierarchical accountability. Being accountable for governance, focuses on the role of the charity's board of directors. The fiduciary duties of the board of directors centers on serving the mission of the NGOs, financial oversight, follows donor intent and to ensure compliance to legal and regulatory laws. Also, this type of accountability shows conformity to the demands of stakeholders that fund and regulate the charitable sector. The last type of expectation centres on the charitable organization's mission. What charity organizations are required to do in this aspect is to report and demonstrate the progress of their programmes and projects towards achieving the sole aim of their creation. NGOs are accountable to not only upward, downward parties but also internally to their missions, boards and staff (Ebrahim, 2004, 2005, 2010). Hence reporting of mission embraces monitoring results or outcomes by NGOs against their sole existence. The mission statement for NGOs provides a focal point around which to develop internal accountability (Ebrahim et al., 2003). However, donors study the missions in selecting which NGOs to fund. Thus, reporting this way; accountability may depict both internal and upward accountability, but the former is the primary target.

3. THEORETICAL REVIEW

3.1 Role Theory and Accountability

Role theory is a concept in sociology and in social psychology that considers most of everyday activity to be the acting-out of socially defined categories (e.g. mother, manager, and teacher). Each role is a set of rights, duties, expectations, norms, and behaviours that a person has to face and fulfill. The model is based on the observation that people behave in predictable way, and that an individual's behaviour is context specific, based on social position and other factors. The theatre is a metaphor often used to describe role theory (Hindin, 2007). Although the word role has existed in European languages for centuries, as a sociological concept, the term has only been around since the 1920s and 1930s. It became more prominent in sociological discourse through the theoretical works of George Hebert Mead, Jacob L. Moreno, Talcott Parsons, and Ralph Linton, Georg Simmel. Two of Mead's concepts: the mind and the self are the precursors to role theory (Hindin et al., 2007).

Role systems theory was originally seen as a way to describe how organizations, as ''contrived social systems,'' manage to inculcate or produce reliable behavior on the part of their members (Katz & Kahn, 1978). Accountability theory is also rooted in explanations for predictable behavior. Moreover, role theory and accountability both place a great deal of emphasis on interpersonal relationships. Furthermore, they both postulate a central role for interpersonal expectations; emphasize the importance of the consequence of compliance, and link tasks and activities to individuals (e.g., Cummings & Anton, 1990; Ferris, Mitchell, Canavan, Frink, & Hopper, 1995).

The essence of this role theory is a role-play in an acceptable manner in society (Yang, (2012). Besides these striking similarities regarding the structure and functioning of role systems and accountability systems in organizations, the former perspective provides what we feel are important new insights regarding when and where accountability is produced and the organizational systems that are relevant. This seems to be a deficiency in current views of accountability theory. Thus, we feel that a role systems theory perspective adds value to any treatment of accountability in work settings (Frink and Klimoski, 2004).

3.2 Agency Theory and NFPO Corporate Governance

The theory of principal–agent problem (also known as agency dilemma or theory of agency) occurs when one person or entity (the "agent") is able to make decisions on behalf of, or that impact, another person or entity: the "principal". The dilemma exists because sometimes the agent is motivated to act in his own best interests rather than those of the principal (Mcmenamin, 1999). The first scholars to propose explicitly that a theory of agency be created, and to actually begin its creation in the 1970 were Stephen Ross and Barry Mitnick, *i*ndependently and almost simultaneously (Fayezi, O'Loughlin & Zutshi, 2012).

The agency theory has by now become a standard component of micro-economic theory. It deals with recurrent situations: an agency relation is a contract under which one person or more (the principal (s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. There is good reason to believe that the agent will not always act in the best interests of the principal (Jensen and Meckling, 1976), giving rise to "agency costs" which are in fact welfare losses resulting from the differences in objectives pursued by principals and agents. Although agency theory is fairly well developed in the context of the theory of the firm, its influence on NFPO thinking is still minimal, despite its apparent applicability in NFPO settings (Brody, 1996). One reason might be the fact that agency theory concentrates heavily on incentive based remuneration contracts between principals and agents in order to align the agents' objectives to the goals of the principals, and that goal definition and performance measurement is far more complex in NFPOs than in profit oriented firms (Brickley and Van Horn, 2002; Preyra & Pink 2001). Nevertheless, empirical work by Baber, Daniel and Roberts (2002) suggests that, in the long run, the link between NPO-performance (as seen from the point of view of the principals) and managerial remuneration might be made explicit at the organizational level, although a lot of work still needs to be done in this domain.

This study is anchored on the Agency Theory. The justification for this choice is because the theory holds that the agent is able to make decisions on behalf of, or that impact, another person or entity. This decision making responsibilities connotes trust. This is the fiduciary duties of the board of directors or managers or trustees which centers on serving the mission of the NGOs' financial oversight and follows donor intent and to ensure compliance to legal and regulatory laws (Ebrahim et al., 2005, 2010).

4. COMPARATIVE CASES OF NOT-FOR-PROFIT ACCOUNTING REGULATION

4.1 United Kingdom

The history of England and Wales charity regulation dates as far back as the 1601 *Statute of Charitable Uses,* which later culminated into the establishment of Charity Commission for England and Wales in 1853 (Irvine & Ryan, 2010). By ending of 2009, the Commission, functioning under the authority of the Charities Act 2006, had regulated a huge sector comprising of over 160,000 charities (Charity Commission, 2010). As the principal charities regulatory body, it enjoys the cooperation of both HM Revenue & Customs as well as the Accounting Standards Board (ASB), the United Kingdom's accounting standard setting body (Irvine et al., 2010). The Commission which had endured a wide-ranging criticism in the 1980s (Irvine, 1988) was subjected to a review by the National Audit Office in 1987 and to an extensive government inquiry into the efficiency of the charity sector in the following year (Irvine et al., 2010), both resulting in unfavourable reports (Palmer et al., 1998). Government's decision to increase funding to the Commission and reviewed the Charity Act eventually resulted in the Charities Act 1993, which increased the regulatory responsibilities and power of the Commission (Irvine et al., 1988). The Charities Act 1993 became the forerunner to current the Charities Act 2006 (Irvine et al., 2010).

Though accounting regulation was first introduced by the Commission in 1960 (Cordery & Baskerville, 2007), the accounting profession did not show any interest in the sector until 1984, when the Exposure draft ED38: Accounting by Charities-Exposure Draft [of a] proposed statement of recommended practice was issued by the Accounting Standards Committee (the precursor of the present Accounting Standard Board (ASB) (Irvine et al., 2010). Even though, the ASB is legally authorized to set accounting standards for reporting entities, the Charity Commission, in conjunction with the ASB is authorized to provide authoritative recommendations in the form of a Charities Statement of Recommended Practice (SORP) (Irvine et al., 2010). The SORPS introduced in 1982 were to provide comprehensive accounting guidance to specific industries and sectors. The Charities SORPs, with the first been introduced in 1988 (Palmer et al., 1998), do not relieve entities of their responsibility to comply with accounting standards, but sets out accounting and reporting requirements for the not-for-profit sector. It represents a regulatory alliance between the Charity Commission and the ASB. The late 1990s saw a determination between the two regulators to improve on the compatibility of the Charities SORP with accounting standards. This lead to the issuance of a new Charities SORP in 1995 which gives a legal backing in 2000 under the Charities Accounts and Reports Regulations 2000 (Charity Commission for England and Wales, 2003).

Consequently, the setting of accounting standards for charities in England and Wales now operates in a unified and cooperative not-for-profit regulatory system. Though this does not guarantee a perfect system, but it does provide a framework to deal with contentious issues, such as the then requirement by Treasury, following IFRS, to consolidate the accounts of large not-for-profits in the health sector (Ainsworth, 2009). The Commission still consults regularly with the sector as part of its commitment to improve its health and identify regulatory issues (Charity Commission, 2008b; Connolly, Hyndman & McMahon, 2009).

4.2 Nigeria

The Nigeria legal system is based on the English legal tradition, and the relevant law governing not-for-profit organizations is a product of English common law. Statutory law governs the creation of NFPOs, including associations with 'incorporated trustees' and 'companies limited by guarantee'. Though, the statutory regulation in Nigeria did not clearly define a charity organisation, the description of 'Companies Limited by Guarantee' under the Companies and Allied Matters Act (CAMA, 1990), Section 26 (1) surreptitiously states what charity institutions entail (Musawa, 2019). According to Iheme (2001) as cited in Musawa (2019), Nigeria had no reliable register of charity organisations in the country because some charity organisation, even though big and vibrant, may not be registered with the CAC. Studies have shown that only one registered NFPO existed till 1987. There are now more than one thousand registered NFPOs (Davis, Jegede, Leurs, Sunmola, & Ukiwo, 2011; Essia & Yearoo, 2009).

In Nigeria, the basic legal standing of faith based organizations (FBOs) is established by the legal framework that governs non-governmental organizations in the Country (Olarinmoye, 2014). A non-governmental organization (NGO) is defined under Section 590 of the CAMA 1990, as "an association of persons registered for the advancement of any religious, educational, literary, scientific, social development, cultural, sporting and charitable purpose, hence they are classified as "non-profit making organizations". NGOs in Nigeria may register as a company "limited by guarantee" [CAMA §26(1)] or as an "incorporation of trustees" (by which the trustees of the NGO, rather than the NGO itself, obtains the status of a body corporate regulated by Section C of CAMA 1990).The primary regulator of NGOs, among of which are FBOs, in Nigeria is the Corporate Affairs Commission (CAC). The CAC is charged with the regulation and supervision of the formation, incorporation, management and winding up of companies through the provisions of the Companies and Allied Matters Act 1990 (Iheme, 2001). The new CAMA 2020 expands the powers of the CAC from registering incorporated trustees or NFPOs/NGOs to now include conducting investigations into their affairs, obtaining court ordered suspension of trustees, appointment of interim managers and restriction on their financial transactions (PLAC, 2020). By section 8 (1) (c) and (d) of CAMA 2020, the functions of CAC have been expanded to emphasize the Commission's power to "arrange or conduct an investigation into the affairs of incorporated trustees" where the interest of members or the public so demands, including ensuring compliance with the provisions of the Act and relevant regulations made by the Commission. This provision is a replication of the UK Charities Act 2011, which provides that the Charities Commission has the function of "identifying and investigating apparent misconduct or mismanagement in the administration of charities and taking remedial or protective action in connection with misconduct or mismanagement in the administration of charities."

Table 2: Financial Reporting Comparison between UK and USA with Nigeria

ITEM	NIGERIA	UNITED KINGDOM	UNITED STATES
Enabling Laws	Companies and Allied Matters Act (CAMA 2020)	The Companies Act 2006	IRS and States Charity Office
Regulatory Bodies	The Corporate Affairs Commission (CAC)	Charities Act	Internal Revenue Service (IRS) and State Laws
Standards	None yet	Charities SORP (FRS 102).	Adoption of the Financial Accounting Standards Board (FASB)

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Disclosure Requirements	Conformity with standards not obligatory.	The Charities SORP sets out accounting and reporting requirements for the not-for-profit sector.	The FASB Statement No. 117 Financial Statements of Not-For-Profit Organizations mandates the preparation of statements of financial position, activities, and cash flows. Also, IRS requires most tax exempt organizations that reach certain income or asset thresholds to report on their operations, through the lodgment of Form 990.
Restrictions on Assets	No Restrictions	Organizations are required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.	Organizations are required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions.

Empirical Review

A wide spectrum of studies has been carried out globally to determine the accountability of the charity sector empirically. However, in sub-Sahara Africa, specifically in Nigeria, academic research on the accountability of the third sector is under-explored (Musawa, 2019). Accountability is an important organizational phenomenon that has been recognized by both academicians and practitioners as a fundamental element in the successful operation of organizations (Tetlock, 1985; Ettore, 1992). Accountability is the basic principle upon which societies, and the organizations within them, rests. Social systems, regardless of their size, are fundamentally comprised of sets of shared expectations for behavior. Sometimes these behavioral norms are codified. More often, however, such norms for behavior are socially understood. Accountability has been described as "the adhesive that binds social systems together" (Frink et al., 1998). That is, if individuals were not answerable for their behavior, there would be neither shared expectations nor a basis for social order. Thus, without accountability, it would be impossible to maintain any form of social system (Frink et al, 1998; Tetlock, 1985). In the work of Hall, Blass, Ferris, and Massengale (2004), on the relationship between accountability and reputation, they proposed a theoretical model in which they argued that individuals' reputations can affect the felt accountability they experienced. To them, leader's accountability is more of an informal sociopolitical process than it is a formal one, and a central component of this informal accountability is leader's reputation. Hall et al. (2004) proposed that leaders' reputations (which include human and social capital, political skill and style, among other things) influence how much stakeholders trust them. This, in turn, affects the extent to which formal accountability mechanisms are imposed upon leaders, and ultimately how much accountability leaders feel. The model proposed by Hall could be used to explain both functional and dysfunctional leader behavior. However, in their paper, Hall et al. (2004) argue that stakeholders (e.g., shareholders, employees, the public) are more likely to afford trusted leaders with good reputations wider discretion and less formal accountability mechanisms and oversight. Yet, this lack of formal accountability can set the stage for leaders to abuse their powers. Hall et al. (2004) argue that this lack of formal accountability was a possible antecedent to corporate scandals such as those that occurred at Enron and Tyco.

Laughlin (1984; 1988) argue that since churches are dominated by a scared atmosphere, accounting, believed as belonging to the secular world, is subservient to sacred needs. As a consequence, resistance to the use of accounting is very strong in the church arena. This, in turn, influences the level of significance of accounting and accountants relative to other organizational processes and occupational groups, mainly sacred occupational groups, in the church. On the contrary however, Jacobs and Walker (2000) suggest that accounting is needed to serve the spirituality of the individual members in Christian community via a process of socializing accountability. What is obvious up to this point is that there is an interaction between religious belief systems and accounting and accountability practices in religious organizations or communities. The production of high quality financial information necessitates the establishment of a regulatory system and accounting regime that recognises the unique needs of the not-for-profit sector and its stakeholders and provides guidance that aids the preparation of clear, understandable and comparable not-for-profit financial reports (van Staden & Heslop, 2009). The heightened profile of the sector internationally, together with developments in not-for-profit regulation and the introduction of the IFRS, provides a timely opportunity to take a broader view of not-for-profit accounting regimes and regulation in a variety of national contexts (Irvine et al., 2010).

This study agrees with the submissions, of Frink et al (1998) and Jacobs et al (2000). Accountability is the bedrock of a harmonious society. Managers of FBOs would earn confidence and trust of stakeholders if they are answerable to the stakeholders for their actions, as this is a fundamental tenet of faith for both the Christian and Muslim organisations. Hence, there exist a correlation between these religious belief systems and accountability. Also, in agreement with van Staden and Heslop (2009) submission, the growing influence of FBOs has necessitated demands for higher financial accountability and reporting necessiating the establishment of regulatory system in Nigerian. Contrary to Hall et al (2004), argument that individuals' reputation can affect the felt accountability they experienced and hence accountability should be informal rather than formal. This study submits that, since leaders of FBOs are not only respected but regarded to be above board in developing nations like Nigeria, accountability should be a means retaining their reputation and status in the society.

Discussion

This study provides an important advancement in the field of research on accountability and reporting in the NFP sector. The work focused on accounting and reporting which had not been given any serious attention either by the NFP sector or academic research in the past. The appropriateness of this study is underscored by the prominence of the regulatory reforms in the enacted CAMA 2020 which has generated much attention of recent. The three relevant sections in CAMA 2020 were compared in "Table 1" with similar sections in the repealed CAMA 1990. Sections 839 and 845 of CAMA 2020 on appointment & replacement and filing of bi-annual statement of affairs respectively as provided have not only empower the Commission to exercise greater control over the affairs of NFPOs but would also strengthen the desire of incorporated trustees to be committed to attaining their economic objectives.

Of primary importance is the analysis carried out on the financial statements of selected churches and mosques in Nigeria, the United Kingdom and United States of America with a view to reaching a conclusion on similarities and dissimilarities in financial reporting. "Table 2" above highlights the key features of the analysis are; the enabling laws establishing NFPO in each of the three countries, the regulatory authorities, existence of accounting standards, disclosure requirements and the powers of contributors/donors.

Findings are that, the activities of not-for-profit organisations of each of the countries of this study is established by enabling laws and controlled by regulatory bodies. Secondly, whereas financial statements in the United Kingdom and United States are prepared in compliance with relevant accounting standards adopted in the countries with their disclosure requirements; Nigerian religious organisations compliance with IFRS on NFPOs is still on voluntary basis. The third one is the requirement of the organisations in UK and USA to prepare their financial statements in two categories to reflect "funds with donors' restrictions" and "funds without donors' restrictions" which is yet to be the case in Nigeria.

5. Conclusion & Recommendation

Overall, the reforms introduced by CAMA 2020 are intended for better control and make trustees of not for NFPOs to be more accountable to their contributors. Among other things, the regulatory agencies will be able to regulate the activities of FBOs. This should stimulate efficient management of the organisations resources towards achievement of set objectives and sustainability. In "Table 2" above, whereas, Nigeria like the two western nations have enabling laws and regulatory bodies to register and regulate the activities of faith based organizations respectively, their financial statements in the United States and United Kingdom are being prepared strictly in accordance with relevant accounting and reporting standards. This is not yet the case in Nigeria as compliance with the requirements of the IFRS is still voluntary for NFPOs. Funds in the financial statements are categorized into restricted and non-restricted in both the USA and UK. Restricted funds are either for specific future projects or for a period. In each of the cases, approval must be given by donors/contributors before the release. These measures enable donors/contributors oversight over their investments to an extent. It will engender accountability and probity in the system. The study recommends that;

1. CAC, the regulator of activities of FBO should carry out its statutory duties in a business friendly manner devoid of unwarranted disruption to the business of the organization.
2. The Commission should take advantage of technology and the "new normal" ways of doing business for optimal result.
3. While government should move towards adopting those regulatory measures in place in the western countries that will enable Nigeria attain global best practice in NFPOs' administration, efforts should be made to carry the stakeholders along.
4. Managements of NFPOs should brace up for compliance with regulatory provisions and build an internal mechanism for timely reporting.
5. Stakeholders of NFPOs in Nigeria should be ready to demand probity and accountability of their managers.

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