

CHECKS, BALANCES & FINANCIAL ACCOUNTABILITY: THE IMPORTANCE OF AUDIT

Presented by

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FIDA Nigeria CLE Training, April, 2024.

Protocol

Acknowledgement & Appreciation:

- **Honourable CVP & National Officers of FIDA Nigeria;**
- **Distinguished FIDA Elders & other Council Members;**
- **Esteemed Branch Executives & Members;**
- **Hard-working FIDA Nigeria CLE Committee.**

PRESENTATION OUTLINE

- ❑ **Preamble:**
 - **Introduction.**
- ❑ **Definition of Key terms:**
 - ✓ **Checks;**
 - ✓ **Balances;**
 - ✓ **Financial Accountability;**
 - ✓ **Audit.**
- ❑ **Importance & Benefits of Audit.**
- ❑ **FIDA Nig.'s Perspectives.**
- ❑ **Checks, Balances & Fin. Accountability In FIDA Nig:**
 - ✓ **Mode of Operation;**
 - ✓ **Internal Control Mechanism/Approval Process;**
 - ✓ **Financial Accountability/Audit**
 - ✓ **Discipline**
- ❑ **Imperatives of Efficiency In Organizations.**
- ❑ **Conclusion.**
- ❑ **References.**

Introduction

Checks, balances, financial accountability and audit are systems and processes which constitute important aspects of ensuring accountability, transparency and integrity within an organization.

These processes play a crucial role in ensuring that an organization operates in a responsible and ethical manner, to safeguard its financial resources and reputation.

FIDA Nigeria as a responsible Organization has instituted systems and processes in her Constitution and Branch Uniform Bye-Law 2020 (As Amended) as well as the Financial And Accounting Policies And Procedures Manual 2023, all aimed at the efficient, transparent and smooth running of her affairs.

It is expected that leaders at various levels of administration shall follow and adhere strictly to the guidelines provided in these Frameworks.

Definition of Key Terms

Checks:

Checks refer to the procedures and mechanisms put in place to guide, verify and monitor the activities and decisions within an organization.

This can include approval processes for expenses, reviews of activities & financial transactions and regular audits of the organization's financial records.

Definition of Key Terms Cont'd

Balances:

Balances refer to the distribution of power and responsibility within an organization to prevent any single individual or unit from having unchecked authority.

Balances can involve the separation of duties/powers, oversight functions by individuals or committees and internal controls, to ensure that no one person has complete control over the organization's financial and other decisions.

Definition of Key Terms Cont'd

Financial Accountability:

Financial Accountability refers to the responsibility of individuals within an organization to manage and report on the organization's financial resources and transactions in a transparent and ethical manner.

This includes accurate record-keeping, effective management of financial transactions and risks as well as compliance with regulations and policies - CAMA 2020, FN Const & BUBL 2020 (AA), Fin. & Accounting Policy 2023.

Definition of Key Terms Cont'd

Audit:

An audit is a formal examination of an organization's financial records and processes by an independent third party to ensure accuracy, compliance and transparency.

Audits help to identify errors, fraud, and inefficiencies, and provide assurance that financial statements are reliable.

They also help to improve internal controls, assess risks, and identify opportunities for improvement.

The Importance of Audit

The importance of audit in an organization is to provide an independent and objective assessment of the organization's financial practice and performance.

Audits help to ensure compliance with laws and Regulations, identify areas of financial risk or inefficiency and provide recommendations for improvement.

The Benefits of Audit

1. Accountability:

Audit helps to hold individuals and units within the organization accountable for their financial decisions and actions.

This can help to prevent fraud, mismanagement, and other forms of financial misconduct.

The Benefits of Audit Cont'd

2. Transparency:

Audit provides an independent assessment of the organization's financial records and practices, promoting transparency and trust among stakeholders such as the government, donors and the public.

The Benefits of Audit Cont'd

3. Risk Management:

Audit helps to identify areas of financial risk within an organization and provides recommendations for mitigating identified risks and blocking loopholes.

This can help to protect the organization's financial assets and reputation.

FIDA Nigeria's Perspective

FIDA Nigeria by her Constitution & BUBL 2020 (AA), has put in place some provisions as checks and balances to reduce mistakes, prevent improper behavior, and decrease the risk of centralization of power at every level of administration.

These provisions by stipulating clearly defined roles and assigned duties, act as checks and balances to ensure that no one person or officer has absolute control over decisions, thereby facilitating cooperation in completing tasks.

In effect, checks and balances help to prevent excessive use of power by any officer and also promote orderliness and efficiency in the discharge of duties in our Association.

Checks, Balances & Fin. Accountability In FIDA Nigeria

Frameworks: -

FN Constitution & BUBL 2020 (AA) & Fin. & Acc. Policy 2023.

Focus Areas:

- ❖ **Mode of Operation;**
- ❖ **Internal Control Mechanism/Approval Processes;**
- ❖ **Financial Accountability & Audit;**
- ❖ **Discipline.**

Checks, Balances & Fin. Accountability In FIDA Nigeria Cont'd

1. Mode of Operation: Constitution & BUBL 2020 (AA)

- ❖ **Duties of Branches – S.9 & S.10/SS.3, 5, 6, 8, 9, 12 FNC/
S.9 BUBL 2020 (AA);**
- ✓ **Branches to operate within the objectives of the association & its code of conduct;**
- ✓ **Shall hold Monthly/Annual/Triennial general meetings;**
- ✓ **Forward Members' List/Record & Program of Activities;**
- ✓ **Dissolution of exco as consequence of being dormant for 2yrs & failure to elect new exco 30 days after the end of a tenure;**
- ✓ **Ensure annual audit of account & provision of auditor's report if demanded by the National Executive Committee.**

Conflict: S.10 (3)FNC – 30 days/S.9 (3) BUBL – 15 days.

Checks, Balances & Fin. Accountability In FIDA Nigeria Cont'd

1. Mode of Operation: FNC & BUBL 2020 (AA)

- ❖ Duties of Officers - S.12 FNC 2020 (AA);
- ❖ Removal of Officers – S. 15 FNC 2020 (AA);
- ❖ Eligibility to hold office – S. 16 FNC 2020 (AA);
- ✓ Only members in good standing.
- ❖ Eligibility for specific positions;

Checks, Balances & Fin. Accountability In FIDA Nigeria Cont'd

- ❖ Responsibilities of members/branches – Para 4-7 1st Schdl:
- ✓ Prompt payment & remittance of dues before 30th April;
- ✓ Determines financial standing;
- ✓ Failure to pay as stipulated could attract fines;
- ✓ Defaulters cannot vote or be voted for;

S.18 BUBL -

- ✓ Meetings shall be conducted professionally with members *dressed in our regulation attire.*
- ✓ Members shall observe the *highest form of meeting decorum.*

Checks, Balances & Fin. Accountability In FIDA Nigeria Cont'd

2. Internal Control Mechanism/Approval Process:

- ❖ All monies shall be kept in the bank – S.28 (6) FNC 2020 (AA)
- ❖ S.28 (7) – principal signatories – CVP, NS & NT plus mandate of CVP & either NS or NT.

Internal Control @ Branch Level:

- ❖ S.11 (5) & (6) BUBL – BT in collaboration with BFS
- ❖ All monies shall be kept in the bank – S.25 (6)
- ❖ S.25 (7) – principal signatories – CP, BS & BT plus mandate of CP & either BS or BT.

Checks, Balances & Fin. Accountability In FIDA Nig. Cont'd

2a. Internal Control Mechanism:

- **All monies - dues/levies/donations (internal & external);**
- **By implication, all funds sourced & received in the name of FIDA belong to FIDA;**
- **Due process must be followed in sourcing & receiving;**
- **Proper records/report of all fund-raising exercises given;**
- **Sourcing - direct/indirect involvement of CVP/CP/Team Lead with further notification of the NEC/BEC;**
- **Receipt - by the Signatories as funds go directly to FIDA's account;**
- **No individual should source & receive funds on behalf of FIDA – all about integrity/transparency/accountability.**

Checks, Balances & Fin. Accountability In FIDA Nigeria Cont'd

2a. Internal Control Mechanism Cont'd:

- **Fund-raising requests must be officially made by FIDA & signed by the authorized officer(s);**
- **All donations must be paid into FIDA's account prior to disbursement in accordance with laid down procedure, i.e. going through the approval process;**
- **Therefore, on no account should donations be withheld or unilaterally applied by the member or officer who might have followed up the donation or financial support.**

Checks, Balances & Fin. Accountability In FIDA Nigeria Cont'd

2b. Approval Process:

- ✓ A structured sequence of steps designed to review, evaluate, approve and authorize financial expenditure or other activity;
- ✓ A systematic approach that ensures decisions are made in a transparent and accountable manner, contributing to a streamlined workflow and enhanced efficiency.
- ❑ *Requisition – Reviewer – Approver – Authorizer/Payer.*

Here, different players are involved & cooperation/collaboration/team spirit/transparency are required.

Checks, Balances & Fin. Accountability In FIDA Nigeria Cont'd

2b. Approval Process Cont'd:

- ✓ It is important that we maintain a strict adherence to approval process for the withdrawal of money before expenditure;
- ✓ Every financial transaction should have the relevant approval of the appropriate officer or the NEC/BEC as the case may be;
- ✓ Transparency, accountability, responsibility and integrity are our watch words, so members and officers are all enjoined to work for the overall interest of FIDA in all matters, especially in financial transactions - no kickbacks or inflation of quotes or secret collection of money from indigent clients etc.

SAMPLE APPROVAL PROCESS FLOW



- ❖ **Requisition by relevant member or unit or Committee;**
- ❖ **Review by Team Lead/Higher Officer;**
- ❖ **Approval by CVP/NEC or CP/BEC, as the case may be;**
- ❖ **Payment Authorization by CVP/CP/Sec/Treasurer (signatories)**

It is imperative to establish a uniform Procedure across FIDA Nigeria Branches to promote transparency & accountability.

Checks, Balances & Fin. Accountability In FIDA Nigeria Cont'd

3. Financial Accountability & Audit: FNC & BUBL 2020 (AA)

- ❖ Annual audit of account-S.10, SS.12 FNC & S.26 BUBL;
- ❖ Principal Officers NT/NFS - S.12 (5) (a), (e) & S.28 (1)
- ❖ Appointment of auditors by NEC - S.29 (a)
- ❖ For Branch - BEC to appoint & principal officers CP/BT/BFS - S.26 (1) BUBL 2020 (AA)

Checks, Balances & Fin. Accountability In FIDA Nigeria Cont'd

4. Discipline:

The Constitution stipulates as follows:

- ❖ Branches to operate within the objectives & code of conduct – S. 9 (5) FNC 2020;
- ❖ Discipline of members/officers – s. 29 BUBL 2020 (AA);
- ❖ Responsibilities of members/branches – Para 4 -7 1st Sch. FNC 2020

S.18 BUBL -

- ✓ Meetings shall be conducted professionally with members dressed in our regulation attire.
- ✓ Members shall observe the highest form of meeting decorum - No fighting.

Imperatives of Efficiency In Organizations

Establish A System of Checks & Balances:

- ❖ Must have clearly defined roles and responsibilities;
 - As provided in FIDA's frameworks – FNC/BUBL 2020 (AA)

Such a system is crucial to enable every team member to understand their roles and KPIs.

This clarity ensures that each member knows what they are accountable for and can be held responsible for their specific tasks.

By outlining each team member's duties, it is easy to avoid confusion and prevent gaps or overlaps in accountability – eg Fin. Sec & Treasurer.

Imperatives of Efficiency In Organizations - Cont'd

❖ **There should be Regular Performance Reviews: (RPR)**

- **An effective tool for assessing individual and team accountability;**
- **A channel for feedback, goal-setting and identifying areas of improvement;**
- **A process that should highlight strengths & weaknesses, providing an opportunity for further training or development in specific areas;**
- **Regular performance evaluation ensures that everyone is meeting their responsibility and contributing to the overall success of the organization.**

This must be done in an atmosphere of harmony, not acrimony.

Imperatives of Efficiency In Organizations Cont'd

❖ Foster a Culture of Open Communication:

- **Open & transparent communication is vital for an efficient system of checks and balances;**

When team members feel comfortable sharing their ideas, concerns and challenges, it creates an environment of trust and accountability.

By encouraging open communication, you can ensure that everyone is aware of their colleagues' responsibilities and can hold each other accountable.

This channel of open communication helps to identify potential bottlenecks or areas where additional support may be required.

Imperatives of Efficiency In Organizations Cont'd

❖ Cross Training & Collaboration:

- A strategy whereby team members are encouraged to learn each other's roles and responsibilities.

This in effect creates room for a stronger accountable team because when individuals are familiar with the tasks and expectations of their colleagues, they can provide support and stand in the gap during absences or emergencies.

This strategy ensures responsibilities are not solely dependent on one person and promotes accountability across the organization.

Imperatives of Efficiency In Organizations Cont'd

❖ Leveraging on Technology:

- **Use of technology can greatly help in running an efficient system of checks and balances;**
- **Technology tools can help track progress, deadlines and individual responsibilities;**
- **Using these tools ensures that tasks are assigned, completed on time and easily visible to all team members;**
- **This transparency enables everyone to hold each other accountable and minimizes the risks of tasks falling through the cracks.**

Conclusion

Maintaining a system of checks, balances, financial accountability and audit is crucial for fostering accountability and promoting transparency within FIDA.

By executing clearly defined roles and responsibilities, implementing regular performance reviews, observing and strictly adhering to internal control mechanisms and approval processes, encouraging open communication, promoting cross-training and collaboration, and leveraging on the use of technology, the leaders can create an environment where everyone is accountable for their actions and contributions.

Conclusion

Incorporating these strategies will not only improve individual and team performance but also contribute to the overall success and efficient management of our internal affairs and this will invariably help to enhance the image and reputation of our esteemed Association before our clients and other stakeholders – the government, our partners and donors as well.

Thank you for listening.

Q & A Session:

References

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