

Final Report

2006-11-09

**Organizational and Financial Systems Review  
of the Centre for Democracy and Development  
(CDD)**

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## Acronyms and Abbreviations

ACCORD	The African Centre for the Constructive Resolution of Disputes
AEI	African European Institute
AISA/EISA	Africa Institute of South Africa/Electoral Institute for Southern Africa
APN	African Parliamentary Network
AU	African Union
CDD	Centre for Democracy and Development
CFCR	Citizens' Forum for Constitutional Reform
CIDA	Canadian International Development Authority
EALA	East African Legislative Assembly
EC	European Commission
ECOWAS-P	Economic Commission for West African States Parliament
EPNA	European Parliamentary Network for Africa
FACP	Financial Accounting Controls and Procedures
FWRP	Forum of Women in the Rwandan Parliament
GADA	Gender and Development Action
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HoFA	Head of Finance and Administration (of CDD)
HRM	Human resources management
IAT	International Aids Trust
ICC	International Criminal Court
ICRW	International Centre for Research on Women
IGC	The International Governing Council (of CDD)
IPSA	Intercontinental Premium Savings Account
IPU	Inter-Parliamentary Union
LFA	Logical Framework Analysis
M&E	Monitoring and Evaluation
MDGs	Millennium Development Goals
MP	Member of Parliament
MSC	Most Significant Change
NEEDS	National Economic Empowerment and Development Strategy
NEPAD	New Partnership for African Development
NGOs	Non-Governmental Organizations
NCICC	Nigeria Coalition on the International Criminal Court
OECD/DAC	Organization for Economic Cooperation and Development Countries/Development Assistance Committee
OPS	Occasional Paper Series
PAYE	Pay As You Earn Tax
PAP	Pan African Parliament
PO	Project Officer, Programme Officer
PSC	Personnel Sub-Committee
RIPS	Regional Institute for Policy Studies
RIPSS	Regional Institute for Peace and Security Studies

SAS	Statement of Accounting Standards
Sida	Swedish International Development Cooperation Agency
SMART	Specific, Measurable, Achievable, Relevant, Time-bound
SPICED	Subjective, Participatory, Interpreted, Cross-checked, Empowering, Diverse/Disaggregated
SWOT	Strength, Weakness, Opportunity, Threat
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	The United Nations Children's Fund
UNIFEM	United Nations Development Fund For Women
WB	World Bank
WBI	World Bank Institute

## 1. EXECUTIVE SUMMARY

This Report is commissioned by Sida, aiming at undertaking a thorough Organizational and Financial Systems Review with a focus on internal organization, programmes and working methods, as stipulated in the Agreement between Sida and the Center for Democracy and Development (CDD). The review is primarily intended to establish whether CDD's vision, mission, objectives, strategies, activities, methods, structures, membership dynamics and donor relations are coherent and consistent with current and future challenges. The Review has been undertaken in close collaboration with CDD and with the support of Sida.

The Centre for Democracy and Development (CDD) is a non-profit, non-governmental, research, information and training institution dedicated to policy-oriented scholarship on questions of democratic development and peace-building. It is an international organization which focuses on West Africa but constructively engages like-minded organizations across the continent and globally. CDD has offices in Abuja, Lagos and London.

The Review Team opted for providing a few substantive and implementable recommendations that would assist CDD in improving its performance rather than a long wish-list of statements. These recommendations are specified in section 1.1 and 1.2. CDD management is aware of these challenges. In order to respond to them we recommended the Director to present an action plan. A draft action plan is attached as Annex 7.

### **1.1 Organizational issues: Summary of key findings, conclusions and recommendations**

#### **1. Legal entity and governance structure**

The Centre is registered in England as (1) an educational charity and (2) a company limited by guarantee. In addition the Centre is registered as (3) a company limited by guarantee in Nigeria. Registration as a company creates a legal entity. Registration as a charity does not create any new legal entity. Thus there are two companies and two legal entities. Sida's contract with CDD is with the Nigerian company.

The bye-laws of CDD refer explicitly to the Memorandum and Articles of Association for the charity in England. However, the Review Team was told that the same document was also used for the Nigerian company. Thus, the governance structure is the same in both legal entities. The persons involved are also the same and no distinction is made in the minutes from meetings declaring if it is the English company or the Nigerian company.

The governance structure of CDD comprises:

- The International Governing Council (IGC)/Board of Trustees
- An International Advisory Board
- The Council of Patrons

**Recommendations**

- CDD should consider the legal structure of the Centre
- Legal opinion should be sought to resolve this issue
- The same CDD literature should be used in both countries on the legal structure and statutory obligations. The Bye-laws should be reviewed to address the issues of governance structure, division of responsibilities between IGC and the Trustees, processes and relationship between IGC and the Personnel Sub-committee (PSC) and other sub-committees, permanent membership and other issues the IGC deem relevant.

**2. Programmes**

As a catalyst organization CDD seeks to build the capacity of all stakeholders in the democratic and development process. CDD works towards conflict prevention and management for sustainable regional security, promotion and consolidation of democracy and responsive development.

In the course of its work, CDD has had significant impact on constructive sociopolitical debate in West Africa, enhanced development and democracy in West Africa through its diverse programmes and activities in the sub-region, and gained the confidence of the international community.

CDD has the following programme areas:

- Governance
- Human Rights
- Peace and Security
- Environment
- Gender
- Social & Economic Development

It is a problem that resources are spread out too thinly. Based on the previous experiences CDD should consider focusing on regional programmes for (1) peace and security, (2) performance budgeting and results-based management, (3) strengthening political parties and fair elections; and (4) accountability, transparency and anti-corruption.

**Recommendations**

- CDD should consider the pros and cons of focusing on a few regional programmes instead of a broad set of national and regional programmes.
- Gender should be considered a cross-cutting issue in all programmes.

**3. Monitoring and evaluation**

CDD has been able to verify the results achieved in the programmes at least in terms of output. However, it is important to analyze the relevance of these results in relation to the vision, mission and strategic objectives of CDD. Unfortunately the narrative is lacking clear evidence of outcome and impact of the programmes.

**Recommendations**

- All new programmes and projects should have a monitoring and evaluation component in the programme/project plan & budget
- In the ongoing programmes/projects without a budget for monitoring & evaluation, core support should be used in order to secure necessary information on results.
- The Draft Framework on Monitoring and Evaluation should be finalized and implemented.
- The Monitoring & Evaluation officer should focus on assisting the Programme Officers in monitoring and evaluation as a means of improving the performance of the programmes.

**4. CDD as a regional organization**

With a head office in Abuja, an office in Lagos, an international office in the UK, programme partners in Africa, Asia, the Americas and Europe, CDD has become a bridge between West Africa and the wider world, providing analysis and insight for policy makers, governments, inter-governmental institutions, development agencies, scholars and the media.

CDD has programmes in Nigeria and West Africa. However CDD has only offices in Nigeria. CDD is staffed only by Nigerians. The new Director is bilingual in English and French but the other staff members are not French-speaking.

**Recommendations**

- CDD should develop a strategy to increase its impact on democracy and development in other countries in the sub-region in order to achieve a better balance between activities targeted on Nigeria and the other countries in the region.
- In order to establish regional profile personnel the HQ should have fluency in English or French and at least one major West African language. It implies recruiting also non-Nigerian staff, particularly for Francophone West Africa.

**5. Administration**

The capacity to change, develop and implement procedures and manuals are weak. The ambition to meet CDD standards in communications and reporting is good. However, there are no documented standard.

**Recommendations**

- Policies, procedures and systems should be documented in a systematic way.
- The division on responsibilities between the Director, IGC and sub-committees should be clarified.

**6. Staff issues**

CDD's staff comprises a Director, a Head of Finance & Administration (HOFA) and a Head of Programmes, responsible for the day-to-day management of the organization, supported by programme officers, assistant programme officers and other support staff working at CDD's offices in Abuja and Lagos and a small liaison office in London.



The move of the HQ from Lagos to Abuja during the summer of 2006 was completed successfully. At the same time, four new programme staff was recruited. As many of the Programme Officers are new it is hard to assess the capacity. However it is the view of the Review Team that the qualifications of staff are relevant even if the experience is limited in some instances.

All Programme Officers are employed as permanent staff. However, there should be a balance between permanent staff and personnel on term contracts.

On an overall level, roles and division of duties are clear. The roles of the three offices have changed in the last few years. The London office has been downsized as programme development and associated fundraising activities have been progressively transferred to Nigeria.

### ***Recommendations***

- There should be a balance between permanent staff and Programme Officers that have term contracts.
- All persons involved should take the staff annual appraisal process seriously and integrate actually achieved results according to the monitoring and evaluation of programmes.

## **7. Fundraising**

The fundraising strategy is based on the establishment of a Department of Fundraising and Resource Mobilisation. The idea was that the institutionalisation of fundraising as a programme would ensure long-term sustainability and ease the tension and stress and burn-out currently facing staff members. However, fundraising is inseparable from programme development. The Director should be coordinating fund-raising and managing donor relations.

As a means to secure a sustainable financial founding for CDD it is decided to establish an Institute in Lagos. CDD has bought property for that purpose.

### ***Recommendations***

- The fund-raising strategy should be reviewed.
- CDD should pursue endowment fund-raising to raise more core funds.
- CDD should carry out a risk analysis and consider the risks involved in going into the Meeting business by establishing the Institute in Lagos.

## ***1.2 Financial management: Summary of key findings, conclusions and recommendations***

### **1. Fixed Assets**

The depreciation policy as stated in the manual of financial accounting controls and procedures (FACP) of CDD contradicts the policy stated in the audited financial statements. FACP states that the following annual depreciation rates shall be applied: Motor vehicles (25%), Office equipment (20% - 33%), Furniture and fittings (20%); and Machinery (20%). Whereas the audited financial statements depreciation policy states that fixed assets are depreciated fully in the year of purchase. This is contrary to the UK Statement of Recommended Practice (2005).

The CDD is yet to have a comprehensive Fixed Assets Register that will record the items, physical existence, location and donors of its fixed assets.

### ***Recommendations***

- Change the policy in the audited financial statements to be in line with the FACP and indicate the date in which the manual comes into effect.
- There is need to have a comprehensive Fixed Assets Register that shows the location, classification, donor and cost price of all fixed assets.
- The fixed assets should be tagged with serial numbers for ease of verification.

## **2. Signatories to the Bank Accounts**

The FACP states that all cheques shall be signed by two signatories, one of whom shall be the Head of Finance and Administration (HOFA). Presently, the signatories are the HOFA and the Finance Officer. These two people are involved in the preparation, processing and recording of CDD's transactions. They keep the cheque books and confirm payments with the banks. Usually, either of these two signatories signs alone on the Intercontinental Premium Savings Account (IPSA).

### ***Recommendations***

- There is need to introduce two more signatories from a department other than the finance department. The Director, a Council member, and the Head of Programmes should be introduced as category A-signatories and one of them should sign together with one of the B-signatories in the finance department. This arrangement would ensure that there is a check and balance over CDD's funds. The Finance Officer should only sign in the absence of the HOFA.
- There is need for a policy on limits of approval by signatories.

## **3. Bank Reconciliation Statements**

Bank reconciliation statements prepared is not up to date. This statement serve as a central tool in identifying and correcting frauds and wrong entries in the bank accounts by reconciling the cash book balance to the bank statement balance.

### ***Recommendations***

- There is need to obtain on a monthly basis the bank statements for each bank and the entries therein reconciled against the cash book entries.
- Reconciling items must be investigated and monitored on a monthly basis. This is an essential tool for management to detect cash fraud.

## **4. Cash in Transit Insurance**

There is no cash in transit insurance despite the risk of loss of cash in transit.

**Recommendation**

- There is need to have cash in transit insurance to minimize the risk on loss of cash.

**5. Cash Count**

There is no evidence of surprise monthly cash counts on the petty cashiers to ensure that the CDD's funds are safeguarded.

**Recommendation**

- There is need for surprise cash counts on the petty cashiers. This serves as a moral check.

**6. Payment of CDD's Funds into a Private Account**

Petty cash reimbursement to the Lagos office is paid into the private account of the Administrative Officer who then withdraws it and uses it for CDD programmes.

**Recommendation**

- CDD funds should be separated from private funds for ease of accountability.

**7. Budgetary Process**

No formalized budgetary control system with timely explanation of variances and follow up actions taken in subsequent periods.

**Recommendation**

- There is need to implement the budgetary system as required by the FACP.

**8. Pay As You Earn Tax (PAYE)**

Also the amount deducted from the Director's pay in respect of PAYE has not been remitted to the relevant tax authority.

**Recommendation**

- The Director's PAYE needs to be remitted to the relevant tax authority.

**9. Audited Financial Statements from the London Office**

There is no evidence of review of the audited financial statements from the London office to enable us to know the linkage between the London office's account and the Nigeria account. Also, reimbursable expenses from the London office are not reviewed before reimbursement is made.

**Recommendation**

- There is need to prepare a schedule to link the two accounts and the exchange rate used should be on the schedule for ease of review.

## **10. Computerisation**

There is no implementation committee in place to drive the implementation of the computerization, which is not fully implemented. As there is no formal implementation committee, there is no documentation of the computerization process.

### ***Recommendation***

- There is need to have a committee that will drive the quick implementation of computerization.

## **11. Paid Invoices**

Paid invoices are not stamped “PAID” together with all the supporting documents.

### ***Recommendation***

- Invoices and supporting documents should all be stamped “PAID” after payment to guide against double payment on re-processing of the invoices.

## 2. INTRODUCTION

### 2.1 Background

Established in October 1997 in response to the need for an independent space for critical reflection and development of universally relevant and culturally sensitive responses to the challenges posed by the democracy and development agenda in the West African sub-region, CDD has become a major reference point for informed analysis and practical strategies on West African sociopolitical dynamics.

CDD is a non governmental organization registered in UK in 1997. In 2000, the organization moved to Nigeria and opened an office in Lagos and subsequently opened another office in Abuja, which is now the headquarters of the organization. The CDD is registered under the Nigerian company law as a non-profit organization. The organization retains an office in London<sup>1</sup>.

In 2000, a management consultancy firm reviewed the first two years of the organization's life, 1997-1999. This was followed by a five-year review organized by the International Governing Council and Board of Trustees in 2002. In August 2003, the British Charity Commission also reviewed the work of the British office of CDD. The results of the reviews showed that the organization had achieved all of its strategic objectives within its first five years of existence. The follow-up to the reviews was the development of the organization's 2003-2008 Strategic Plan.

The founding Director of the CDD, Dr Kayode Fayemi resigned at the end of January 2006 and the IGC appointed Dr Jibrin Ibrahim Director, effective first February 2006. As part of its tradition of regular internal and external reviews, the IGC has asked the incoming Director to initiate the process of a mid-term review of the 2003-2008 Strategic Plan, carrying out a health check of the organization and streamlining its strategies for a more effective implementation of organizational goals.

### 2.2 Purpose and scope of work

The purpose of the Consultancy Services is to make a thorough Organizational and Financial Systems Review as stipulated in the current Agreement between Sida and CDD. The purpose is twofold:

- To carry out a thorough organizational review of the CDD with a focus on internal organization, programmes and working methods. The objective of this is to establish whether CDD's vision, mission, strategies, activities, methods of work, funding profile and donor relations are coherent and consistent with current and future challenges including the proliferation of NGOs in the Nigerian and West African environment. The review which will take the form of a health check will be designed to contribute positively to the process of internal organizational reform.
- To carry out a financial systems review of the CDD with a focus on accounting – recording and reporting procedures, internal control system, procedures concerning direct and indirect project costs, accounting software, the reporting of transactions history,

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<sup>1</sup> For more information please see the organization's website <http://www.cdd.org.uk>

payment approvals and spending limits, grant management including reporting of transactions history, pipeline analysis, procurement system, payroll, staff handbook and policy.

The scope of work shall be addressed through questions on the following:

- The formulation and implementation of the vision, mission and strategic objectives of the CDD.
- Organizational structure, including an analysis of the governance structures, the role of the London and Lagos offices and division of duties within CDD.
- Planning and implementation of activities, including alternative strategies, cost effectiveness and verification of results and impact.
- The relevance of activity profile in relation to the vision, mission and strategic objectives of the organization.
- The capacity question – managerial ability and the qualification and experience of staff.
- Financial systems including recording and reporting procedures, procurement procedures, accounting software, internal control systems, policy for direct and indirect costs, payroll and staff policy.
- Funding profile of the organization, donor relations and reporting system for grants.

The Terms of Reference are given in full at Annex 1.

### **2.3 The Review Team**

Sida has commissioned the Swedish management consultancy company Professional Management AB to carry out the Review. The Review Team consists of five senior consultants – **Dr Tony Bennett, Mr Bernard S. M. Carrena, Dr Mohamed Salih, Ms Lina Lenefors and Mr Arne Svensson (team leader).**

**Mr Bernard S. M. Carrena** is an Accounting graduate and also has MBA in finance from Lagos State University. He has extensive experience in auditing, accounting, financial and operating reviews for over thirteen years. He is a Fellow of both the Institute of Chartered Accountants of Nigeria and Chartered Institute of Taxation Nigeria. He has specialized in financial reviews of not-for-profit organizations.

**Dr Mohamed Salih** is Professor at the University of Leiden, and the Institute of Social Studies in the Netherlands. Professor Salih has conducted field research and consultancy in Africa, Middle East and Caribbean. In addition he has undertaken policy and advisory research and numerous assignments for national governments, NGOs, bilateral, regional and multilateral institutions. These include institutional assessments, strategic planning and evaluation of sector programmes. Professor Salih has recently published the book *“African Parliaments: Between Governments and Governance”*. In his earlier book *African Democracies and African Politics* (Pluto 2001), Professor Salih examines democracy and authoritarian development in a pan-African context, the role of democracy promotion projects and the democratic potential of political education.

**Mr Arne Svensson** has more than 30 years of substantive experience in the reform process of central, regional and local government, including decentralization, democracy and governance, legislative and parliamentary development, citizens’ participation, governmental relations, state and local governments, civil society, devolution, organizational development, management and public administration. He has personally served as external consultant for more than 400 public

and private organizations, including the United Nations, the European Commission and governments around the world. Mr Svensson has published more than 15 books on management issues.

**Ms Lina Lenefors** is Bachelor of Science in Business Administration and Economics. For the past eight years she has been working for Professional Management mainly on reviews, evaluations and assessments. She has been the project leader for the design and implementation of a M&E system at Sida's Civil Society Center and is presently carrying out the evaluations of the activities at the Center. In addition she is the deputy project leader for carrying out the M&E of Sida's International Training Programmes 2005-2007.

**Dr Tony Bennett**, a chartered accountant with a doctorate in economics, has specialised in public financial management in developing countries, and latterly in fiduciary risk assessment. Over 30 years of experience gained in developing countries and as a senior staff member of the UN in New York and consultant to the World Bank in Washington in financial management and capacity building for accountability, transparency and cost-effectiveness.

**Ms Barbro Svensson** has assisted the team (logistics, travel arrangements). Ms Svensson is one of the two owners of Professional Management AB. For the past 20 years she has been working on our international projects.

## **2.4 Methodology**

The Review Team has applied a three prong approach in order to collect data for meeting the Review objectives: i) define methods and sources of data/information; ii) data/information analysis in respect of the Review objectives; and iii) develop validation method (or matrix to be more specific) in respect to the following.

The ToR has provided a comprehensive set of questions. We have developed a generic validation method that merits a systematic collection and validation of the findings. The validation method satisfies the requirement of the diagnostic review and its further elaboration into a consultative evaluation. The Validation Method is attached as Annex 2. This methodology has two main objectives: 1) to establish the validity of the findings and ensure the reliability of the information on which the findings are based and 2) to evaluate the impact of one or more values, strategies and activities on improving the overall performance of the institution under review.

The organizational and financial review was carried out during the period of September - November 2006. The ToR require: i) desk reviews of previous evaluations and studies made by CDD itself and by its donors; ii) review of the organization; iii) visits to the CDD to gather material and interview management, staff, and some International Governing Council members, and later on to validate preliminary findings; and iv) regular contact through email and telephone with relevant Sida staff.

The Review team has requested the following essential data/information sets from CDD and donors<sup>2</sup>:

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<sup>2</sup> A list of reviewed documents is attached as Annex 4.

1. Data/information on history and evolution in order to elucidate CDD's changing environment and goals and potential future development;
2. Data information on the CDD Statute, organizational and management structure;
3. Data/information on CDD method and networking strategy;
4. Data/information on main activities and implementation procedures, networks, partners and coordination capacities;
5. Data/information on "development strategy or strategic planning", including mission, vision, goals, objectives and strategic thinking;
6. Data/information on organization and management structure in order to assess its organizational culture and capacity to execute its mission and goals;
7. Data/information on financial systems including recording and reporting procedures, procurement procedures, accounting software, internal control systems, policy for direct and indirect costs, payroll and staff policy.
8. Data/information on monitoring and auditing procedures, financial reports and audits;
9. Data/information on donor relations, programmes, levels of donor support, and donor reporting methodologies;
10. Programme development and implementation methods;
11. Internal monitoring and evaluation reports;
12. External evaluation reports;
13. Members' composition, gender sensitivity, networks and consultation methods; and
14. Any data/information deemed necessary for the execution of this Review mission.

The second method of data/information gathering is through interviews at CDD Headquarters in Abuja and the Lagos and London offices with management, staff and International Governing Council members and Sida staff. A list of persons interviewed is attached (Annex 3). We have met with some of the key persons several times. These interviews offered an invaluable insight on the contributions made towards the fulfillment of the CDD mission. CDD has been very open not only on pros and cons in its work so far but also in ongoing discussions on future changes.

After having collected and digested the materials, reports and evaluations pertaining to vision, mission, strategies, activities, method, structures, financial management systems and how suited they are to project CDD organizational values, a second level of analysis has dealt with the organizational structure, including an analysis of the governance structures, the role of the London and Lagos offices and division of duties within CDD. In this part of the review we have analyzed the financial systems including recording and reporting procedures, procurement procedures, accounting software, internal control systems, policy for direct and indirect costs, payroll and staff policy.

Mr Carrena and Mr Svensson made an assessment visit to CDD in Lagos and Abuja in September 2006. Dr Bennett made an assessment visit to the office in London in the beginning of October 2006. Mr Carrena and Mr Svensson made a validation visit to Abuja in October 2006 in order to further validate the findings and also to strengthen the diagnostic and summative bases of the Report and its findings.

Having explained, reviewed, analyzed and evaluated the salient features concerned with the review objectives, the Review team has drafted recommendations as to how CDD could further develop its internal organization, financial systems, programmes and working methods.



## **2.5 This Report and how to read it**

The findings were presented in a Draft Report that was submitted to Sida and CDD 2006-10-21. Based on the Draft Report CDD has drafted an Action Plan, that is given in full at Annex 7. The Final Report is presented to Sida directly after the receipt of comments from Sida and CDD.

This Report is divided into eight sections as follows:

- The “Summary of key findings, conclusions and recommendations” in section ONE is derived from the set of “Conclusions and recommendations” placed at the end of each section.
- Section TWO is introductory.
- Section THREE is concerned with the formulation and implementation of the mission, vision and strategic objectives of the CDD.
- Section FOUR elaborates on organizational issues, including an analysis of the governance structures, the role of the London and Lagos offices and division of duties within CDD.
- Section FIVE describes, explains and reviews planning and implementation of activities, and verification of results. Moreover, it describes and analyses the relevance of activity profile in relation to the vision, mission and strategic objectives of CDD.
- Section SIX is concerned with the capacity question – managerial ability and the qualification and experience of staff.
- Section SEVEN elaborates on the financial systems including recording and reporting procedures, procurement procedures, accounting software, internal control systems, policy for direct and indirect costs, payroll and staff policy.
- Section EIGHT describes and analyses the funding profile of the organization, donor relations and reporting system for grants.

## 3. MISSION, VISION AND STRATEGIC OBJECTIVES

### 3.1 Mission

The mission of the CDD is *“to be a prime catalyst and facilitator for strategic analysis and capacity building for sustainable democracy and development.”*<sup>3</sup>

### 3.2 Vision

For CDD, *“the greatest challenge is to locate the democratization agenda within a development framework that reflects the organic link between politics and economy and between fundamental freedoms and socioeconomic opportunities”*. This is the vision at CDD.

### 3.3 Goal

The goal is *“to serve as the leading catalyst in the transformation of the West African sub-continent into an integrated, economically vibrant and democratically governed community of nations that guaranteed holistic security to its population and is capable of permanent peaceful conflict management”*<sup>4</sup>.

### 3.4 Core Objectives

CDD seeks to:

- Theorize and systematize the relationship between democracy and development by analyzing the West African experience;
- Research the theoretical and practical aspects of security, democratization and development in West Africa, drawing on lessons from transitions elsewhere;
- Help establish and sustain institutional structures that will serve the constitutional management of economic, social, religious, gender and civil-military relations;
- Create training modules in democracy building, human rights, governance, civil society leadership etc.;
- Devise strategies for peace building and de-escalation of conflicts at local, national and regional levels;
- Provide the international community with regular, well annotated briefing materials on the state of democracy and development in West Africa;
- Provide a bridge between academia, policy and activism<sup>5</sup>.

### 3.5 Values and principles

CDD envision the organization as an institution characterized by its commitment to the following Core Values and Principles:

- Accountability to our stakeholders through their ownership of and involvement in the work of the organization;

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<sup>3</sup> ToR

<sup>4</sup> CDD Website

<sup>5</sup> CDD Website

- Promoting transparency, openness, freedom of expression and social responsibility;
- Empowerment, equality of opportunity and feminist principles in the conceptualization and implementation of our programmes;
- Professionalism that adds value to the challenges of redefining human security and peace-building in West Africa by building a knowledge base of lessons that can be shared across class, race and gender divides;
- Humility in the course of our work and respect for diversity of views through the promotion of universal ideals within culturally sensitive contexts.

### **3.6 Strategic Plan 2003-2008**

The Strategic plan 2003-2008 is intended to move the organization from a development stage to consolidation by strengthening the organization's programmes and projects based on past performance and emerging needs and challenges. When CDD completed its first five years, the Governing Council and management embarked on a strategic review exercise aimed at crafting the ideas and issues that will inform the next five years.

A team of consultants undertook a review of the management and programmes and conducted an external survey of beneficiaries and sundry stakeholders to learn in confidence what CDD's key supporters thought about its plans and goals. The draft plan was then tabled for discussion at the Governing Council meeting in November 2002. In light of comments received at that meeting, a quantitative and qualitative review of the first five years was conducted.

The first part of the Strategic Plan 2003-2008 builds on the results and lessons learnt from CDD's first Strategic Plan 1997-2002. In the second part, CDD used logical framework analysis as a tool of critically planning, implementing and monitoring and evaluating the plan in the course of the period it covers.

The Director, International Governing Council and staff of CDD collectively developed the strategic plan 2003-2008. The process involved intense discussions and consultations starting with a programme review exercise in September 2001, and a strategic retreat in Accra in November 2001 which agreed on an independent management review by a team of external consultants.

Based on lessons learned from the implementation of the last Strategic Plan, 1997-2003, the strategic objectives for the current plan were streamlined to focus on three priority areas, down from eleven objectives of the last Plan. The first area of emphasis is the strengthening of governance structures, administration, management and financial accountability. This entails three priorities:

- Strengthening institutional capacity as an effective organization, with a well-designed and developed corporate governance structure capable of advancing CDD's cause and ensuring accountability.
- To expand capacity development and resource mobilisation for the implementation of programme and institutional objectives. A Fundraising/ Resource Mobilisation Plan has been developed for the purpose with fully worked out institutional and cost implications.
- To strengthen programme delivery by improving the quality of programme content and its delivery. This sets out the strategic direction of programmes and operations of CDD in the five years 2003-2008.

### **3.7 Conclusions**

The mission, vision and strategic objectives are serving CDD well. Thus, the Review Team has no recommendations in this section.

## 4. ORGANIZATIONAL STRUCTURE

In this section we will describe and review the organizational structure, including an analysis of the governance structures, the role of the London and Lagos offices and division of duties within CDD.

### 4.1 Strategic goals on organizational issues

The Strategic Goals (five years) according to the Strategy 2003-2008 are to

- Ensure effective and efficient implementation of programs by having clear roles, duties, responsibilities relating to program
- Develop and maintain systems for planning, monitoring, evaluating and recognition at the level of the Governing council and staff.
- Develop high calibre work force.

### 4.2 Legal entity and governance structure

The Centre is registered in England as (1) an educational charity<sup>6</sup> and (2) a company limited by guarantee<sup>7</sup>. In addition the Centre is registered as (3) a company limited by guarantee in Nigeria<sup>8</sup>. The registration with Corporate Affairs Commission makes it a legal entity that can sue or be sued. This is in line with the Companies and Allied Matter Act 1999 section 679 (1) Part C of Incorporated Trustees.

The Charity's governing document is the Memorandum and Articles of Association made 2 February 1997 as amended by a special resolution dated 8 December 1997.

Registration as a company creates a legal entity. Registration as a charity does not create any new legal entity. Thus there are two companies and two legal entities. Sida's contract with CDD is with the Nigerian company.

The bye-laws of CDD refer explicitly to the Memorandum and Articles of Association for the charity in England<sup>9</sup>. However, the Review Team was told that the same document was also used for the Nigerian company. Thus, the governance structure is the same in both legal entities. The persons involved are also the same and no distinction is made in the minutes from meetings declaring if it is the English company or the Nigerian company.

The governance structure of CDD comprises:

- The International Governing Council (IGC)/Board of Trustees.
- An International Advisory Board made up of renowned international specialists in Politics of Developing Countries and Public Policy advises the Council and the Staff.
- The Council of Patrons that also provides advice and direction to the Centre.

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<sup>6</sup> The Charity has a Registration number 1066897

<sup>7</sup> The company in the U.K. has a Registration Number 3351881

<sup>8</sup> The company in Nigeria has a Registration Number 414767

<sup>9</sup> Centre for Democracy & Development. Bye-Laws, not dated.

The members of the Board and the Councils are elected by the IGC. Those who have served two terms are out of the IGC. However, there is a need for a continuity mechanism in the organization. The CDD has had a discussion on exceptions from this rule. The pros and cons of having permanent membership have been discussed. Members who take political appointments that can have a conflict of interest with IGC should resign.

IGC is drawn from a broad spectrum of West African scholars and civil society workers within the region and outside, with demonstrable attributes in the areas of intellectual and practical contribution to democratic development. The IGC is the policy making organ of CDD, ensuring accountability and transparency in the organization's activities.

The UK Charity Commission reviewed the governance structure as part of its Review Visit in August 2003 (see draft report, April 2004). The report made eight recommendations, as listed below, and undertook to follow up progress in their implementation in about 12 months:

- Check that all activities are capable of advancing education, in accordance with the Memorandum of Association
- Update the byelaws so that they do not conflict with the Memorandum and Articles of Association
- Enhance current procedures to ensure that work between the two organizations is carried out 'at arm's length'
- Submit overdue accounts as soon as possible to Companies House and the Charity Commission
- In CDD literature, clarify that the International Governing Council (IGC) and the Board of Trustees are one and the same
- Develop job descriptions for trustees to clarify their separate roles as trustees of the UK and Nigerian charities, and hold separate meetings
- Review the procedures for checking the eligibility of trustees
- Carry out all transactions between the two charities at arm's length, and make it clear in fund-raising literature that there are two separate organizations.

The Charity Commission notes that *"it is not immediately apparent from the charity's literature whether the International Governance Council and Board of Trustees is, in fact, the same body. The Commission's Key Recommendation is that the charity should consider clarifying this"*. According to the IGC it is the same body<sup>10</sup>. However, only four members of the IGC are acting as Trustees<sup>11</sup>.

The 'separation' required by the Commission has not been made and it is not clear if other recommendations have been complied with. However, the former London office Coordinator wrote to the Commission on 10 October 2005 and as a result the Commission was satisfied (letter of 17 October 2005).

On the other hand, the new Director, and reportedly the IGC, is quite clear that CDD is a single organization with a single governance structure, a single mission, strategic plan and portfolio of programmes, and a single set of accounts. It is a single organization even if it is registered in two countries and has therefore two legal personae. The Review Team confirmed with the UK auditor that he prepares annual consolidated accounts for CDD, based on annual financial statements sent

<sup>10</sup> Noted in the minutes from the IGS meeting 7 August 2004 as response to the Commissions report

<sup>11</sup> Minutes of IGC meeting 18-19 Nov 2005, where it is stated that *"The Board of Trustees shall remain (four names)"*

from Nigeria and incorporating transactions made by the London office. According to the Director, the Head of Finance and Administration at the Abuja Head Office also prepares consolidated financial statements, based on the Head Office trial balance, returns from the Lagos office and monthly statements of income and expenditure from the London office.

The active sub-committees are the Executive, Personnel Sub-Committee (PSC), Finance & Fundraising and Operations.

The number of participants is quite low at the IGC meetings. For example at the meeting on the 7<sup>th</sup> of August 2006 only four of the members were present in addition to the Director and HOFA. At the other meetings we checked the number was eight.

### **4.3 Roles and division of duties**

CDD's staff comprises a Director, a Head of Finance & Administration and a Head of Programmes responsible for the day-to-day management of the organization, supported by programme officers, assistant programme officers and other support staff working at CDD's offices in Abuja and Lagos and a small liaison office in London. The Abuja office serves as the head office, while the Lagos office is for liaison with the large civil society community in Lagos. There are no plans of opening offices in other countries in the region.

On an overall level, roles and division of duties are said to be clear. However, we have noticed that there are some examples of issues where problems have emanated from different interpretations on the division of responsibilities. The division of responsibility between the IGC and its PSC and the processes between the two bodies has been discussed. For example there seems to be a need for set procedures before staff go for any sabbatical or exchange. In addition, the relationship between the IGC and the Director should be clarified in the light of CDD's ambitions to be a more professional organization.

The roles of the three offices have changed in the last few years. The London office has been downsized as programme development and associated fundraising activities have been progressively transferred to Nigeria. According to the Director, the London office will be maintained as a centre for international advocacy and for liaison with European sources of funding, DFID in particular. Its present staff is two: a position of Coordinator, which fell vacant while this review was in progress and which is to be refilled, and a Resource and Publications Assistant. The office currently costs about £50,000 a year, around 10% of total CDD expenditure.

### **4.4 The Regional Institute**

The third priority area on strengthening programme development is focused on the Regional Institute as the core of the Strategic Plan in the five year period. A detailed strategic document and operational plan has also been developed for this priority area for deliberation and approval at the Council meeting. The objectives and logical frameworks are presented in the Strategic Plan sequentially, whilst the detailed plans are attached to it<sup>12</sup>. In addition to the priority areas outlined in the previous Strategic Plan, a detailed work plan has been developed for a Regional Institute for Peace, Human Rights and Security Studies, which CDD regards as the flagship of its operations in

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<sup>12</sup> Appendices I, II, & III to the Strategic Plan 2003-2008

the period. The IGC has decided to establish a holding company for the Institute (the Ilishan Project). However, the IGC has decided to sell the property and reinvest in Abuja.

#### **4.5 Conclusions and recommendations**

With a head office in Abuja, an office in Lagos, an international office in the UK, programme partners in Africa, Asia, the Americas and Europe, CDD has become a bridge between West Africa and the wider world, providing analysis and insight for policy makers, governments, inter-governmental institutions, development agencies, scholars and the media.

In fact the organization known as CDD is two legal entities, (1) a company in England and (2) a private Company in Nigeria. However, for people outside CDD it is seen as one organization.

The Director is of the view that any division of the organization between two entities, each operating at arm's length, would be quite impracticable and/or prohibitively expensive. The Director's view appears more realistic, and likely to make the organization more effective and to reduce fiduciary risk. However, there may be incompatible statutory requirements between UK and Nigeria. If so, the choice becomes one of breaking the laws of one country or the other (!) or of dissolving one entity.

On a reading of the (UK) Memorandum and Articles of Association, the Review Team cannot see any incompatibility. For instance, the head office does not have to be in the UK, nor its annual general meetings. Articles 53-55 require trustees to submit accounts in accordance with the UK Companies Act, and annual reports and returns in accordance with the Charities Act. The Nigerian company is obligated to submit its reports to the Corporate Affairs Commission. If these requirements conflict in any way, separate returns can be made and there is no problem except the extra expense. However, article 42 says that it shall not be necessary to give notice [of a meeting] to a trustee who is absent from the UK. This implies that all meetings are in the UK, and may need to be changed by special resolution.

The organization chart is to be re-drawn with Abuja as the head office, Lagos as another office, and London as the 'International Office'.

The Review Team has assessed the achievements so far in relation to the strategic goals (five years) according to the strategy 2003-2008 as presented in section 4.1. The assessment is summarized in Table 1 for each Indicator of performance:

**Table 1. Strategic Objective 1: Strengthen CDD's governance structures, administration, management and financial accountability**

<b>Indicators of Performance (Qualitative and Quantitative) according to the Strategy 2003-2008</b>	<b>The Review Team's Assessment</b>
<ul style="list-style-type: none"> <li>• Team work</li> </ul>	<ul style="list-style-type: none"> <li>• In one sense CDD is working together as a team. However, on the programme level the team work could be more emphasised</li> </ul>



<ul style="list-style-type: none"> <li>• Timely and high quality communication and reports meeting CDD standards</li> </ul>	<ul style="list-style-type: none"> <li>• Some programmes are running behind schedule</li> <li>• There is no documented standard</li> </ul>
<ul style="list-style-type: none"> <li>• Clear job descriptions AND</li> <li>• Very clearly articulated and understood job descriptions with clear person specification</li> </ul>	<ul style="list-style-type: none"> <li>• All staff have clear job descriptions</li> <li>• Performance appraisals are carried out annually. However, the quality of the documentation should be improved</li> </ul>
<ul style="list-style-type: none"> <li>• Adherence to defined roles for council, staff and trustees</li> </ul>	<ul style="list-style-type: none"> <li>• Confusion of the roles and division of responsibilities between the English company and the Nigerian company. Registration as a charity does not constitute a third entity. In UK law it is a charitable company.</li> <li>• It is not clear to what extent the bye-laws apply to both legal entities</li> <li>• The International Advisory Board and the Committee of Patrons are not active as governing bodies</li> <li>• The Bye-laws are not updated to meet the future needs of CDD</li> <li>• CDD should consider the legal structure of the Centre</li> <li>• IGC and the Board of Trustees are said to be the same aren't. There is only one policy making body (called board or IGC) with 12 members and 4 of them are Trustees.</li> <li>• Debate on processes and relationship between IGC and PSC and other sub-committees</li> </ul>
<ul style="list-style-type: none"> <li>• Adherence to policies, procedures and systems</li> </ul>	<ul style="list-style-type: none"> <li>• Permanent membership for founders under debate</li> <li>• Non-interference at IGC on administration matters not fully achieved</li> </ul>
<ul style="list-style-type: none"> <li>• Meeting set targets</li> </ul>	<ul style="list-style-type: none"> <li>• Staff handbook comprehensive, well known by staff and used in practice, but not in the London office</li> <li>• A Monitoring &amp; Evaluation Framework is drafted</li> <li>• Other policies, procedures and systems are not documented in a systematic way</li> <li>• Capacity to change, develop and implement procedures and manuals is weak</li> </ul>
<ul style="list-style-type: none"> <li>• Well rationalised Recruitment</li> </ul>	<ul style="list-style-type: none"> <li>• Not measured by CDD</li> </ul>
<ul style="list-style-type: none"> <li>• Quality of staff meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Successful recruitments to HQ 2006</li> <li>• Not always properly constituted panels interviewing staff before confirmation 2005</li> <li>• The retreats are important and productive</li> <li>• Staff meetings are usually held more on a monthly basis than every week as stipulated</li> <li>• The staff meetings are meeting most of the expectations</li> </ul>

### ***Recommendations***

- CDD should consider the legal structure of the Centre.
- Legal opinion should be sought to resolve this issue.
- The same CDD literature should be used in both countries on the legal structure and statutory obligations.
- The Bye-laws should be reviewed to address the issues of governance structure, division of responsibilities between IGC and the Trustees, processes and relationship between IGC and the Personnel Sub-committee (PSC) and other sub-committees, permanent membership and other issues the IGC deem relevant.
- Policies, procedures and systems should be documented in a systematic way.
- The division of responsibilities between the Director, IGC and sub-committees should be clarified.
- There should be a balance between permanent staff and Programme Officers that have term contracts.
- All persons involved should take the staff annual appraisal process seriously and integrate actually achieved results according to the monitoring and evaluation of programmes.

## **5. PLANNING AND IMPLEMENTATION OF ACTIVITIES**

Section 5 describes, explains and reviews planning and implementation of activities and verification of results. Moreover, it describes and analyses the relevance of activity profile in relation to the vision, mission and strategic objectives of CDD.

### **5.1 Programmes**

As a catalyst organization CDD seeks to build the capacity of all stakeholders in the democratic and development process. CDD works towards conflict prevention and management for sustainable regional security, promotion and consolidation of democracy and responsive development.

CDD has the following programme areas:

- Governance
- Human Rights
- Peace and Security
- Environment
- Gender
- Social & Economic Development

In all of these programme areas, CDD engages the community in West Africa through capacity-building projects, research and public policy work on security sector transformation initiatives; training for leaders of community based organizations and civil society institutions, local legislators, security agencies, women and youth. This training encompasses managerial and organizational skills, human rights awareness and public policy formulation. CDD also coordinates graduate training programmes for scholars and activists from Africa.

### **5.2 Activities**

The programmes are organised around three main delivery mechanisms which run through all programme areas:

- Research & Documentation
- Training & Empowerment
- Policy Analysis & Development

The major activities of CDD currently are the advancement of education in democracy, the monitoring of good governance policies, peace and security in the region and related subjects and in particular their impact and effect on societies in West Africa.

### **5.3 Intended verification of results**

The strategic plan 2003-2008 is results-based. It begins by identifying the results CDD hope to achieve in the next five years. CDD use the logical framework approach to show specifically how

the intended results will be attained and the logical connectivity between activities and results. Three levels of results concern the strategic plan

- **Outputs.** These include the immediate, tangible and logical consequences of CDD activities in given short (one-year) periods during the next five years.
- **Outcomes.** These constitute the short/medium and long-term effects of a combination of activities carried out by CDD. These include the cumulative effects of a combination of outputs. At this level, one is interested in change at the level of policy, attitudes and social awareness.
- **Impact.** These are the long-term results and refer to tangible changes arising from CDD's institutional and programme activities.

The IGC and staff are supposed to review the strategic plan each year and assess the impact and quality of results as a whole and its individual parts.

## **5.4 Results analyses**

In the course of its work it is the view of the interviewees that CDD has had significant impact on constructive sociopolitical debate in West Africa, enhanced development and democracy in West Africa through its diverse programmes and activities in the sub-region, and gained the confidence of the international community.

An update of the operations and programmes of CDD from October 2003 when the new Strategic Plan commenced to December 2005 is presented in the document "2003-2005 Annual reports". In this report CDD has been able to verify the results achieved in the programmes at least in terms of output. However, it is important to analyze the relevance of these results in relation to the vision, mission and strategic objectives of CDD<sup>13</sup>. Unfortunately the narrative is lacking clear evidence of outcome and impact of the programmes. The Review Team has not been provided with any other information verifying the impact of CDDs' programmes.

## **5.5 Conclusions and recommendations**

The twin vision of working on both democracy and development is attractive. However, these two fields of activity are quite broad and to some extent overlapping. We are not aware of any organization that really meets all requirements within this field comprehensively. Surely CDD is working on the links between democracy and development, which could be counted as one area.

CDD is today working on a broad set of national and regional programmes. More often than not projects and programmes are focused on only one country and not the region as a whole. However, sometimes it is more efficient to focus on fewer programmes and projects for the whole region. The International Governing Council should discuss the pros and cons of spreading the resources too thinly and decide upon the future priorities of CDD in the next strategy. Based on the previous experiences, CDD should consider focusing on (1) peace and security, (2)

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<sup>13</sup> According to the ToR only the activity profile should be measured in relation to the vision, mission and strategic objectives of CDD. However, the Review Team has found it more relevant to take into account also the results of these activities.

performance budgeting and results-based management, (3) strengthening political parties and fair elections; and (4) accountability, transparency and anti-corruption.

The Review Team has assessed the achievements so far in relation to the strategic purpose according to the strategy 2003-2008. The assessment is summarized in Table 3 for each Indicator of Performance:

**Table 3. Strategic Objective 3: Strengthen Programme Delivery by ensuring Quality of Content and Delivery of Programmes**

<b>The Strategic purpose<sup>14</sup> according to the Strategy 2003-2008</b>	<b>Indicators of Performance (Qualitative and Quantitative) according to the Strategy 2003-2008</b>	<b>The Review Team's Assessment</b>
<p><b>Communication</b></p> <ul style="list-style-type: none"> <li>• To create public appreciation of CDD's mission and objectives</li> <li>• To enhance mutual understanding between CDD and its publics</li> <li>• To develop and maintain a desired organizational image</li> <li>• To enhance the flow of communication both internally and externally through various avenues of communication</li> </ul>	<ul style="list-style-type: none"> <li>• Number of Publications</li> </ul>	<ul style="list-style-type: none"> <li>• List of publications is available</li> </ul>
	<ul style="list-style-type: none"> <li>• Consistent visibility of CDD in the print and electronic media</li> <li>• Number of press clippings/tracking media coverage</li> <li>• Number of people and organizations seeking information</li> <li>• Availability of resource materials</li> </ul>	<ul style="list-style-type: none"> <li>• These four indicators are not measured by CDD</li> </ul>
	<ul style="list-style-type: none"> <li>• Number of training and quality of delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Number is known</li> <li>• Quality of delivery is normally followed up by a Participants Evaluation Form</li> </ul>
<p><b>Networking</b></p> <ul style="list-style-type: none"> <li>• To pay particular attention to collaboration with civil society organizations to strengthen our shared interests and best practices</li> <li>• To interface with government agencies in order to promote the effecting of specific policy interests directly linked to CDD strategic priorities</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals and organizations support issues that CDD is engaged in</li> </ul>	<ul style="list-style-type: none"> <li>• CDD is networking with a large number of organizations</li> </ul>
	<ul style="list-style-type: none"> <li>• Ability to tackle issues</li> <li>• Effective partnerships resulting in change and transformation</li> </ul>	<ul style="list-style-type: none"> <li>• The outcome or impact is not monitored and evaluated</li> </ul>
	<ul style="list-style-type: none"> <li>• More people invite CDD to their meetings to contribute knowledge expertise and skills</li> </ul>	<ul style="list-style-type: none"> <li>• There is no record in place that measures this indicator systematically</li> </ul>

<sup>14</sup> Strategic Objectives 1 and 2 have Strategic Goals for the 5 year period.

### **Recommendations**

- CDD should consider the pros and cons of focusing on a few regional programmes instead of a broad set of national and regional programmes.
- Gender should be considered a cross-cutting issue in all programmes.
- CDD should develop a strategy to increase its impact on democracy and development in other countries in the sub-region in order to achieve a better balance between activities targeted on Nigeria and the other countries in the region.
- All new programmes and projects should have a monitoring and evaluation component in the programme/project plan & budget
- In the ongoing programmes/projects without a budget for monitoring & evaluation, core support should be used in order to secure necessary information on results.
- The Draft Framework on Monitoring and Evaluation should be finalized and implemented.
- The Monitoring & Evaluation officer should focus on assisting the Programme Officers in monitoring and evaluation as a means of improving the performance of the programmes.

## 6. CAPACITY

Section 6 is concerned with the capacity question – managerial ability and the qualifications and experience of staff.

### 6.1 Capacity Development

As a learning institution, with long-term goals, CDD is keen to establish long-lasting sustainability that is based on its experiences and development. The Sida grant has provided CDD with the means to attract one of the best hands in the sector in West Africa to replace the founding Director, who retired after nine years in the post. Dr Ibrahim, a prominent political scientist, scholar and activist and erstwhile Country Director of *Global Rights* became CDD's Executive Director in February 2006.

The new Director is supposed to move CDD into the next stage of organizational development where CDD is established as a professional organization that is no longer dependent on its founder. The challenge is leading the transition, improving staff quality, strengthening programmes and improving sustainability and the resource base.

In order to strengthen the regional approach, CDD recruited a bilingual Director. However, among other staff, there is a lack of language skills. The move of the HQ from Lagos to Abuja during the summer of 2006 has led to an increased staff turn-over. As many of the Programme Officers are new it is hard to assess the capacity. However it is the view of the Review Team that the qualifications of staff are relevant even if the experience is limited in some instances.

All Programme Officers are employed as permanent staff. Organizations dependent on funding for project and programmes normally have to be very flexible in order to have professional staff meeting the changing needs. Therefore there should be a balance between permanent staff and personnel on term contracts.

Without the core funding from Sida, this leadership change would have been difficult. Sida has made a significant contribution in assisting to build an enduring institution given the significance and high record of failure in transition from pioneer Director to second-generation leaders in the sector.

### 6.2 Conclusions and recommendations

The Review Team has assessed the achievements so far in relation to the strategic goals for 2003-2008 and the Indicators of Performance. The assessment is summarized in Table 3:

**Table 3. Strategic Objective 2: Capacity Development and Resource Mobilization<sup>15</sup>**

<b>The Strategic Goals (Five years) according to the Strategy 2003-2008</b>	<b>Indicators of Performance (Qualitative and Quantitative) according to the Strategy 2003-2008</b>	<b>The Review Team's Assessment</b>
To enhance the effectiveness of CDD's structures and organizational practises in order to make them more responsive to stakeholder interests	<ul style="list-style-type: none"> <li>• Timely and high quality communication and reports meeting CDD standards</li> <li>• Clear job descriptions</li> <li>• Adherence to defined roles for council, staff and trustees</li> <li>• Adherence to policy and procedure manuals</li> <li>• Meeting set targets</li> </ul>	<ul style="list-style-type: none"> <li>• The first five indicators are the same as for Objective 1 (Please refer to table 1 in section 4.4)</li> </ul>
	<ul style="list-style-type: none"> <li>• Well defined programs</li> </ul>	<ul style="list-style-type: none"> <li>• The programmes have not been followed up</li> </ul>
To enhance capacity to respond to programme areas by recruiting qualified personnel for the organization	<ul style="list-style-type: none"> <li>• Enhanced capacity in response to program areas by recruiting qualified personnel</li> </ul>	<ul style="list-style-type: none"> <li>• Successful recruitments to HQ 2006</li> <li>• Vacant positions as Head of Programmes and Senior Programme Officer was difficult to fill earlier</li> </ul>
	<ul style="list-style-type: none"> <li>• Adequate and on time financial resources for the program areas</li> </ul>	<ul style="list-style-type: none"> <li>• Financial resources have been available</li> </ul>

**Recommendation**

- In order to establish regional profile personnel the HQ should have fluency in English or French and at least one major West African language. It implies recruiting also non-Nigerian staff, particularly for Francophone West Africa.

<sup>15</sup> The strategic goals pertaining to Resource Mobilization are elaborated on in Section 8.



## 7. FINANCIAL MANAGEMENT

### 7.1 Introduction

Section 7 elaborates on the financial systems including recording and reporting procedures, procurement procedures, accounting software, internal control systems, policy for direct and indirect costs, payroll and staff policy.

The figures in the U.K. company's audited financial statements cannot be reconciled with those of the Nigeria company's audited financial statements, though both are said to cover the whole organization. According to the UK auditor, the Nigerian statements exclude non-Nigerian activities and the associated grants.

### 7.2 Financial Management Systems

There is presently not a financial budgeting process implemented. The FACP stipulates the following processes:

- Management shall prepare annual budgets which highlight planned activities for the financial year or budget period.
- Each period's budget shall take both ongoing and planned projects into consideration in quantifying the plan period's budgeted revenue and expenditure.
- The assumptions underlying each activity in the budget shall be articulated in a section, which shall be an integrated part of the budget document.
- Prior to the commencement of the next financial year (i.e. at least three months before end of the current year) the HOFA shall collect and collate the following from the Director (representing Council's plans), Program Officers/Project Managers (planned and ongoing projects) all of which shall cover the budget period:
  - (a) Income and expenditure
  - (b) Fixed assets/capital expenditure
  - (c) Personnel/manpower plans
- Levels, remuneration and staff training plans

The forecasts for the general administration and back office functions of the trust shall be supplied by HOFA.

#### Controls

Commitments to third parties must be duly approved in writing by the Director.

All disbursements are sufficiently backed with supporting documents.

An expense head is maintained for each specific project.

Disbursements shall be project-specific to the greatest extent possible. Any overhead, which is directly related to a specific project, should be indicated as such on both supporting documents and posting vouchers.

Balance sheet 2002-2005 and Financial statements for the years 2002-2005 are attached as Annex 5.

### **7.3 Recording and reporting procedures**

CDD adheres to its organizational structure with respect to its recording and reporting procedures. It operates two offices in Nigeria. The Finance Officer and the Finance Support/Finance Assistant at the head office in Abuja reports to the Head of Finance & Administration. The Admin/Acct Officer in Lagos reports to the Finance Officer in Abuja Office.

#### **7.3.1 Books and reports**

Books kept are as follows:

- Bank book that is the cashbook
- Interest/petty cash book

Reports issued:

- Project report as per donor's financial guidelines
- Weekly cash flow for prioritizing payments
- Monthly financial position and expenses summary
- Management financial report for the external auditors
- Consolidated financial reports for projects that span over one year

#### **7.3.2 Petty cash**

The Lagos office operates a petty cash system which is operated on an imprest basis and a limit of ₦20,000 (Twenty Thousand Naira only). The Abuja office operates both the petty cash and the cash book systems. The petty cash operates on imprest basis and with a limit of ₦50,000 (Fifty Thousand Naira only). The maximum paid through cash for both locations is ₦5,000 (Five Thousand Naira only). The admin and accounts officer serves as the petty cashier in the Lagos office while another serves as the petty cashier in the Abuja office.

Our review of the petty cash book revealed that proper recording is maintained in both the Lagos office and Abuja office.

Petty cash reimbursement to the Lagos office of the Organization is paid into the private account of the Administration Officer who then withdraws it and uses it for the Organization's programmes.

There is no cash in transit insurance despite the risk of loss of cash in transit.

There is no evidence of surprise monthly cash counts on the petty cashiers to ensure that the Organization's funds are safeguarded appropriately.

#### **7.3.3 Bank accounts**

The financial accounting controls and procedures states that all cheques shall be signed by two signatories, one of whom shall be the Head of Finance and Administration.

Presently, the signatories are the Director, Head of Finance and Administration and the Finance Officer. The Director and the Head of Finance normally sign cheques but in the absence of the Director, the Accountant signs. These two people are involved in the preparation, processing and recording of CDD transactions. They keep the cheque books and confirm payments with the banks. Usually, either of these two signatories signs alone on the Intercontinental Premium Savings Account (IPSA).

As at 31 March 2005, the company operates the following bank accounts in Nigeria:

- Ecobank Plc (Pounds, dollars and naira)
- Standard Chartered Bank Limited (Dollar and naira)
- Intercontinental Bank Plc (Dollar and naira)
- Capital Bank (Dollar and naira) closed in 2006
- Citibank (Dollar and naira)

In 2006, the Capital Bank accounts were closed and two new bank accounts in Ecobank Plc and GTB were opened.

- Ecobank Plc (Euro)
- GT Bank PLC (Dollar account)

In London, the main sterling account is kept with Barclays Bank. There are also accounts held for other currencies. Cheques on the main UK bank account have to be signed by two board members domiciled in the UK.<sup>16</sup> Previously there were two or more board members in London, so cheques could be signed fairly quickly. Now there is only one, so there is a real logistical problem.

Bank reconciliation statements which serve as a central tool in monitoring wrong entries into the bank accounts by reconciling the cash book balance to the bank statement balance are not up to date as at the time of the Review in Nigeria and in the UK.

Only the cash position is prepared for all banks. This is just a summary of the cash position of all the banks. It is not reconciled with the bank statement, just like a summary of the cash book.

## **7.4 Procurement procedures**

The Head of Finance and Administration receives quotations, proforma invoices or other relevant documents submitted by programme officers/project managers and other officers.

Procedures stated in the financial accounting controls and procedures are adhered to with respect to obtaining three quotations from the suppliers and the best is chosen with respect to printing materials. It is the quality not the lowest price quotation that determines which supplier to give the contract to.

The Company does not issue Local Purchasing Orders (LPOs) to its suppliers but we observed that supplies are always delivered before payment is made.

The Administrative Officer files invoices in an unpaid invoices file, which is regularly reviewed for periodic payments.

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<sup>16</sup> Even the Director, being domiciled in Nigeria, was unable to have himself named as a signatory.

The Administrative Officer prepares a weekly list of unpaid invoices and outstanding balances. The list passed to the Head of Finance and Administration for review and approval for payment, as determined.

We observed that invoices paid are not stamped “PAID” to guard against double payment on re-presentation of the invoices.

In the London office, there is little procurement other than stationery and office requisites. These are ordered from a sole source (a well-known low-cost supplier). No competitive quotations are normally obtained. The only control is that purchases have to be within the budget. The office occasionally has to book meeting rooms, get equipment serviced, etc. The biannual journal ‘Democracy and Development’ is published now on CDD core funds. In the absence of any set procurement procedures, there is fiduciary risk, though the amounts are small.

## 7.5 Accounting

### 7.5.1 Accounting regulations

Since the Nigerian company is registered as a trust it is subject to the regulations of the Companies and Allied Matters Act, 1990. The UK company is subject to the UK Companies Act 1985. These statutes are similar in content. The following section relates to the Nigerian company.

If it is an incorporated trustee registered under the Companies and Allies Matters Act, 1990, it can sue and be sued. Section 674 (a) states that upon being so registered by the commission, the trustees shall become a corporate body and the name of the proposed corporate body which must contain the words “*Incorporated Trustees of...*”<sup>17</sup>.

In accordance with the provisions of sections 334 and 335 of the Companies and Allied Matters Act, 1990, the Company's Directors are responsible for the preparation of the financial statements so as to give a true and fair view of the state of affairs of the Company as at the end of the financial period and of its profit and cash flows for the period and which comply with the provisions of the Act. These responsibilities include ensuring that:

- i) adequate internal control procedures are instituted to safeguard assets and prevent and detect fraud and other irregularities;
- ii) proper accounting records are maintained;
- iii) applicable accounting standards are followed;
- iv) suitable accounting policies are used and consistently applied; and
- v) the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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<sup>17</sup> On the other hand if CDD is a company Limited by guarantee Section 26 (1) of the Companies and Allied Matters Act, 1990, states as follows; “*where a company is to be formed for promoting commerce, art, science, religion, sports, charity education or other similar objects, and the income act properly of the company are to be applied solely towards the promotion of its objects and as parties thereof is to be paid or transferred directly or indirectly to the members of the company except as permitted by this Act, the company shall not be registered as a company limited by shares, but may be registered as a company limited by guarantee*”. “(4) A company limited by guarantee shall not be incorporated with the object of carrying on business or the purpose of making profits for distribution members.” “(6) The total liability of the members of a company limited by guarantee to contribute to the assets of the company in the event of its being wound up shall not at any time be less than ~~£~~ 10,000”.

### 7.5.2 Accounting policies

Significant accounting policies used in the Nigerian audited financial statements on the recording of CDD transactions are stated as follows:

- **Fund accounting**
  - **Unrestricted funds**
    - These are funds that are available for use at the discretion of the Director in furtherance of the corporate objectives. These are donations and other incoming resources received or generated for the objects of the charity.
  - **Restricted funds**
    - These funds are subject to specific conditions imposed by the donors.

- **Incoming resources**

Donations are accounted for on an accrual basis.

Grants for specific purposes are recognized as income when received and are shown as restricted income. The exception to this rule is grants received which have preconditions attached, where the preconditions have been met by the balance sheet date.

- **Value added taxes**

Pending the results of the application for exemption from payment of value added tax, the tax is not recoverable so it is included in the relevant costs in the statement of financial activities.

- **Fixed assets**

Fixed assets are depreciated fully in the year of purchase. Assets purchased for specific projects are written off as project expense on conclusion or in the year of purchase.

- **Foreign currency transactions**

Cash withdrawals from the domiciliary (Domiciliary accounts are all foreign denominated bank accounts apart from the Naira which is the local currency) accounts are recorded at the exchange rate on the date of conversion which is not necessarily the official exchange rate.

Bank balances in the various domiciliary accounts are translated at ₦125 to \$1 and ₦ 235 to £ 1 on the balance sheet date. (Per GAAP would be at the actual exchange rates at the date of the balance sheet. GAAP are applied in the UK accounts). Any gain or loss arising from the exchange rate stated above is included as an exchange gain or loss in the unrestricted income resources.

- **Management and administrative expenses**

Administration expenses include all expenditure not directly related to charitable activity or fundraising ventures. In the UK accounts, 90% of management and administration expense is apportioned to particular activities on the basis of an estimate of staff time attributable to each

activity: only 10% of management and administration is shown as such in the Income and Expenditure Statement.

- **Annual returns**

Section 370 stipulates that every Company shall, once at least in every year make and deliver to the UK Charity Commission an annual return.

### 7.5.3 Statement of accounting standards (SAS)

Presently, the Nigeria Accounting Standards Board issues the statements of accounting standards which all companies must comply with.

There is no SAS in place now regulating the non-governmental and non-profit making organizations.

The UK financial statements have to comply with Part VII of the Companies Act 1985, UK Accounting Standards, and the Statement of Recommended Accounting Practice (SORP) issued by the Charity Commission for all registered charities. The statements for the year to March 2005 are said to comply with the 2002 SORP, but do not say so, as required by the Charity Commission. The statements for the year to March 2006 should comply with the latest SORP, issued in 2005.

### 7.5.4 Annual reports

The annual report is one of the key tools available to the management to help them communicate information. The annual report plays a vital role in providing information enabling stakeholders such as donors, beneficiaries and the general public to gain a greater insight into the Organization's activities and achievements.

At the time of our visit, the Organization is yet to have audited financial statements for the year ended 31 March 2006. We reviewed the following audited financial statements:

#### **Nigeria Office**

- 2002 - Signed by the Director, a council member and the external auditor
- 2003 - Signed by the Director, a council member and the external auditor
- 2004 - Signed by the Director, a council member and the external auditor
- 2005 - Signed by the Director, a council member and the external auditor

#### **U.K. Office**

- 2002 - Signed by the chairman of Trustees, Secretary to the Board and the External Auditors
- 2003 - Bound copy yet to be signed by all

There is need for the chairman of the trustees or designated trustee to sign together with the secretary and the external auditors. The Review Team has not been provided with the Act that allows the secretary alone to sign the accounts. The secretary is mandatory to sign the Report of the trustees not the accounts.

- 2004 - Bound copy signed by the Secretary to the Board and the External Auditors
- 2005 - Bound copy signed by the Secretary to the Board and the External Auditors

The external auditors for the Nigeria office are Kunle Fagbure & Co. (Chartered Accountants) at KM 15, Ikorodu Road, Ojota, Lagos, Nigeria, while the U.K. office is audited by Kojo & Co. Limited, Registered Auditors, Chartered Certified Accountants at 118-120 London Road, Mitcham, Surrey CR4 3LB, U.K.

### 7.5.5 Management letters

Review of the management letters for year ended 31 March 2004:

- Payment voucher does not indicate the source of funds used for the payment. The FACD states that the cheque payment voucher should contain the following:
  - Date
  - Payee
  - Description of transaction
  - Account debited (project-specific or general)
  - Amount
  - Bank and cheque number

Review of the management letters for year ended 31 March 2005:

- No information was provided on fixed assets which have been directly charged off to a project, even though the assets in question could still be useful to the organization.
- Fixed assets were not tagged to show who funded them. This should be done for easy crosschecking in future and reconciliation with the fixed asset register.
- No comprehensive fixed assets register; therefore, physical verification of assets with the assets register is not possible.
- Some transactions in foreign currencies were omitted from the balances in the trial balance audited.

### 7.5.6 Opinion of the auditors

The organization has had annual audits of its accounts since inception.

All the audited financial statements have an unqualified opinion, i.e. they are properly prepared and give a true and fair view.

The 2005 U.K. financial statements were signed by the auditors 2 October 2006. They should have been submitted to the Charity Commission by 31 January 2006. The latest accounts on the Charity Commission website are for the year ended 31 March 2002.

We were unable to reconcile the Nigerian audited financial statements with the U.K. audited financial statements. The UK auditor informed the Review Team that the Nigerian statements include only Nigerian activities, so they would omit expenditure on non-Nigerian projects and the relevant grants. It would explain why the 2005 UK accounts show £669,770 income, while the

Nigerian accounts show ₦ 118,873,366 (about £495,000). The HOFA informed the Review Team that there are some grants received directly by the UK office which did not pass through the Nigerian offices. He could not say which one specifically. The Review Team also noted that the grants or income are stated per donors in the Nigerian accounts whereas the UK accounts show income per project. The HOFA can not explain the rationale behind this.

### 7.5.7 Accounting software

The Nigerian Company purchased new software called Quickbook this year. This package has not been fully implemented to produce its financial statements. The office still runs the manual system in parallel to generate the reports by Excel or Words which are not passworded to prevent unauthorized access.

CDD should avail itself of the facilities inherent in the software by making use of the reporting formats which could be tailored to meet specific donor needs.

There is no implementation committee in place to drive the implementation of computerization. In the absence of a formal implementation committee, there is no documentation of computerization progress.

There is no formal IT unit: a member of the finance unit handles the system administration. However, when the need arises, the office obtains the services of an external consultant.

There is need to conduct training before and after the installation of the software. Also, there is need for a maintenance agreement on the software.

In the London office, no accounting software is now used. The office maintains an MS Excel spreadsheet on expenditures as they arise. This is useful, but has no audit trail (changes can be made by anyone with access to the file at any time without being identified).

## 7.6 Internal control systems

The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation of all other components of internal control, providing discipline and structure. We observed a positive control consciousness and environment that would aid proper functioning of internal controls and accounting issues in CDD.

The controls in Nigeria appear to be effective and give a reasonable assurance on the reports generated but see the exceptions noted in the key findings.

In the London office, where there have been until recently only two staff, and at present only one, there is no system of internal control. While we have no reason to doubt the probity of the officers involved, CDD is relying on trust rather than checks and balances, at least until the end of the year when the external auditor prepares the accounts. There is no cash book, nor reconciliation with bank statements during the year. Invoices are entered into a spreadsheet as they are received, but there is no regular reconciliation of these accrued expenditures with payments. The Resources and Publications Officer is doubling as Finance and Administration Officer, since the latter post was transferred to Nigeria. There is no manual of financial procedures. We were told that the external auditor is responsible for ensuring that CDD procedures are followed, but the auditor himself says that his contract covers only drawing up and auditing the annual accounts.



We observed also that the same audit firm had been used since at least 2000. It is recommended that CDD rotate auditors every few years.

## **7.7 Policy for direct and indirect costs**

CDD has the following policy for direct and indirect costs:

- Direct costs are costs attributable directly to projects. All other costs are indirect.
- Some donors fund indirect costs, while others do not. For example, the funding from Sida pays the Lagos rent.
- The policy on indirect costs is normally stated in the financial guidelines of each donor.

## **7.8 Payroll and staff policy.**

### **7.8.1 Payroll**

The payroll of the Company is prepared on an Excel spreadsheet. Presently, there are 25 staff members on the payroll other than the Director.

The 25 staff members are categorized into the following:

- Permanent staff	20
- Inter	3
- Security (Abuja)	2
	<hr style="width: 100%;"/>
	25
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The Lagos security staff salaries are not paid through the payroll. They are based on contract with a security outfit called Inter Falcon. The permanent staff is paid in naira, while the Director's contract stipulates dollar payment of salary.

Necessary procedures are adhered to in bringing new staff onto the payroll. Variations in the payroll are approved by the International Governing Council, i.e. by board meetings, and communicated to the Head of Finance and Administration, who forwards them to the Finance Officer to implement.

The London office needs no separate payroll for its two staff. They are paid monthly by cheque like all other expenditures.

### **7.8.2 PAYE (Pay as you earn)**

The amounts deducted from the Director's pay in respect of PAYE are not remitted to the relevant tax authority. It is on unrecorded liabilities.

Lagos staff PAYE is remitted to the Lagos State Board of Internal Revenue while the PAYE of staff in Abuja is remitted to the Federal Inland Revenue Board.

Deductions in respect of pensions are deducted from the payroll. The staff contributes 7<sup>1</sup>/<sub>2</sub> % while the company pays an additional 7<sup>1</sup>/<sub>2</sub> % on behalf of each staff member.

The payroll is prepared by the finance officer and reviewed by the Head of finance and administration.

There is no extra payment on overtime spent on programmes except to the drivers.

The cooperative deductions are managed separately outside the Company and are registered with the Lagos State Ministry of Establishment. There is need to confirm the legality of the registration now that majority of the staff have moved to Abuja.

The staff assured us that they are quite happy with the conditions. However, the leave allowance of one month's salary was not approved by PSC.

In the London office, PAYE tax is deducted and remitted promptly to the Inland Revenue.

## **7.9 Fixed Assets**

- a) The depreciation policy as stated in the financial accounting controls and procedures of the Organization contradicts the policy stated in the audited financial statements.

Financial accounting controls and procedures depreciation policy states that the following annual depreciation rates shall be applied:

Motor vehicles	25%
Office equipment	20% - 33%
Furniture and fittings	20%
Machinery	20%

Whereas the audited financial statements depreciation policy states that fixed assets are depreciated fully in the year of purchase

- b) The Organization is yet to have a comprehensive Fixed Assets Register that will record the listing, physical existence, location and the donor of the fixed assets of the Organization.

## **7.10 Conclusions and recommendations**

The review Team has detailed the conclusions in section 7.1-7.9. In addition, we would like to point out that there is need to adhere strictly with the provisions of the financial accounting controls and procedures to minimize the risk of fraud and mitigate against risks arising from the key findings enumerated.

Based on the analysis in section 7.1-7.9 the review Team has the following recommendations.

### **Recommendations**

- Change the policy in the audited financial statements to be in line with the FACP and indicate the date in which the manual comes into effect.
- There is need to have a comprehensive Fixed Assets Register that shows the location, classification, donor and cost price of all fixed assets.
- The fixed assets should be tagged with serial numbers for ease of verification.
- There is need to introduce two more signatories from a department other than the finance department. The Director, a Council member, and the Head of Programmes should be introduced as category A-signatories and one of them should sign together with one of the B-signatories in the finance department. This arrangement would ensure that there is a check and balance over CDD's funds. The Finance Officer should only sign in the absence of the HOFA.
- There is need for a policy on limits of approval by signatories.
- There is need to obtain on a monthly basis the bank statements for each bank and the entries therein reconciled against the cash book entries.
- Reconciling items must be investigated and monitored on a monthly basis. This is an essential tool for management to detect cash fraud.
- There is need to have cash in transit insurance to minimize the risk on loss of cash.
- There is need for surprise cash counts on the petty cashiers. This serves as a moral check.
- CDD funds should be separated from private funds for ease of accountability.
- There is need to implement the budgetary system as required by the FACP.
- Individual tax relief cards need to be obtained and used in the computation of PAYE tax of the staff.
- The Director's PAYE needs to be remitted to the relevant tax authority.
- There is need to prepare a schedule to link the two accounts and the exchange rate used should be on the schedule for ease of review.
- There is need to have a committee that will drive the quick implementation of computerization.
- Invoices and supporting documents should all be stamped "PAID" after payment to guide against double payment on re-processing of the invoices.

## 8. DONOR RELATIONS AND REPORTING

This section describes and analyses the funding profile of CDD, donor relations and reporting system for grants.

### 8.1 Funding profile and donor relations

The CDD receives core support from Sida. In addition, CDD has received financial support in its work from the following organizations:

- Comic Relief/Charity Projects UK
- Commission of the European Union, BELGIUM
- International Centre for Rights & Democratic Development CANADA
- International Development Research Centre, CANADA
- John D. & Catherine T. Macarthur Foundation, USA
- National Lotteries Charity Board, UK
- The Body Shop International, UK
- The Ford Foundation, USA
- The Westminster Foundation for Democracy, UK
- Department for International Development, UK

An analysis of restricted funds received from 2006 to March 31, 2006 is attached as table 6 and 7 in Annex 6. The tables contain five-year summary of inflows into Nigeria office only. Note that Sida has two separate lines in the tables. The first denotes closed projects while second line item is for the current agreement.

### 8.2 Fundraising strategy

The strategic plan 2003-2008 seeks to strengthen the financial position of the Centre, expand its work in key programme areas, and allows it flexibility to pursue new opportunities as they arise.

For the second priority area in the Strategic Plan, a fundraising strategy has been drawn up, detailing how CDD intends to fund the strategic plan<sup>18</sup>.

This fundraising strategy is developed at an important period in CDD's institutional growth. According to the strategy the period of 2000-2003 witnessed "*phenomenal growth in programmes and outreach*". This demanded high levels of financial resources to match the expectations of partners and beneficiaries. In order to cope with the fundraising demands and diversify sources and efforts, CDD has resolved to institutionalise fundraising and resource mobilisation as a core programme of the organization. CDD proposed to establish a Department of Fundraising and Resource Mobilisation, which should be charged with implementing the fund raising strategy. The idea was that the institutionalisation of fundraising as a programme would ensure long-term sustainability and ease the tension and stress and burn-out currently facing staff members. The new Director, on the other hand, is strongly of the opinion that fundraising is inseparable from

<sup>18</sup> Fund raising strategy 2003-2008, April 2003

programme development and that he, as Director, should be coordinating fund-raising and managing donor relations. In his opinion, a new department is superfluous.

The plan was developed in a participatory process involving staff and Council members. The strategy should be subject to regular review to ensure that all programmes and activities are included in the plan.

According to the audited accounts for the year ended on the 31<sup>st</sup> of March 2005, the total incoming resources increased by 30 % from N 91,181,888 in 2004 to N 118,907,726 in 2005. The net assets at the end of 2004/05 were N 103,060,586 compared to 61,834,347 in 2004. It is fair to say that CDD has been extremely successful in attracting resources.

The legal structure is relevant also to this section. There are three grant markets for CDD, national, regional and international. Some grants are open only to Nigerian-registered NGOs, while others are open to international NGOs. Some grants are designated for Nigeria others are only available for regional programmes. The present legal structure allows CDD to tap the three markets independently.

### **8.3 Reporting system for grants**

As stated above the financial reports are not meeting the requirement<sup>19</sup>.

The narrative reporting is activity oriented. For example the last report is concentrated on the following three activities:<sup>20</sup>

- Activity One: Strengthening regional conflict prevention architecture through the enhancement of ECOWAS Conflict Mechanism and NEPAD Action Plan.
- Activity Two: Building the capacity of civil society actors in monitoring potential and real conflicts and engaging ECOWAS and its early warning mechanisms/ Research, Networking and Training on Security Sector Reform in Post-Conflict and Transition States of West Africa.
- Activity Three: Promoting Transparency and Accountability to enhance poverty reduction and conflict prevention in Nigeria.

The first year of activity two included two parts or sub-activities:

1. Finalising the infrastructure for the delivery of the training programmes for civil society actors and running the pilot course on Security Sector Governance for practitioners in collaboration with African Security Dialogue & Research in December 2005. Thirty participants drawn from eleven countries in the sub-region participated in this pilot programme, which CDD intend to run twice a year as a residential course for three weeks.
2. Core support from Sida enabled CDD to commence the renovation of CDD's dedicated Regional Institute for Peace and Security Studies (RIPSS) facilities for the building of capacity of civil society actors in the field. The first set of courses to be run out of the institute will take place in 2006.

<sup>19</sup> Reports and accounts for the year ended 31<sup>st</sup> March 2005

<sup>20</sup> Annual Progress Report submitted to the Swedish International Cooperation Development Agency (Sida) on core support to CDD's West Africa and Nigeria Programmes: Reporting Period December 2004 – November 2005.

When it comes to activity three it is noted that CDD have produced in the course of the past year research on “*Alternative Poverty Eradication Strategy for Nigeria*” and also developed and published a *Handbook for Budgeting and Gender Budget Manual* for civil society monitors.

## 8.4 Conclusions and recommendations

The five year Strategic Goals according to the Strategy 2003-2008 is to attain organizational sustainability through launch of a five year endowment that seeks to diversify options and sources of funds. The Review Team has assessed the achievements so far in relation to the Indicators of Performance according to the strategy 2003-2008. The assessment is summarized in Table 4 for each Indicator of Performance:

**Table 4. Strategic Objective 2: Capacity Development and Resource Mobilisation<sup>21</sup>**

<b>Indicators of Performance (Qualitative and Quantitative) according to the Strategy 2003-2008</b>	<b>The Review Team’s assessment</b>
<ul style="list-style-type: none"> <li>• The ratio of money raised from the endowment contributed to CDD long terms sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• The fundraising strategy has not been implemented</li> <li>• The Fundraising Department has not been established</li> <li>• The total incoming resources increased by 30 % from 2004 to 2005</li> </ul>
<ul style="list-style-type: none"> <li>• The training centre becomes a sustainable, income generating agency for CDD</li> </ul>	<ul style="list-style-type: none"> <li>• A New Capital Development Committee has been set up</li> <li>• Initial funds from EU can be used to put RIPS in a functional order</li> </ul>
<ul style="list-style-type: none"> <li>• CDD diversifies its income base through sale of publications and specialised technical skills</li> </ul>	<ul style="list-style-type: none"> <li>• The publications are for sale</li> <li>• Limited income so far from sale of publications</li> <li>• No sale yet on specialized technical skills</li> </ul>

The fundraising strategy is based on the establishment of a Department of Fundraising and Resource Mobilisation. The idea was that the institutionalisation of fundraising as a programme would ensure long-term sustainability and ease the tension and stress and burn-out currently facing staff members. However, fundraising is inseparable from programme development. The Director should be coordinating fund-raising and managing donor relations.

As a means to secure a sustainable financial founding for CDD it is decided to establish an Institute in Lagos. CDD has bought property for that purpose.

The decision was based on the assumption that the head office should also be located there. Since the head office moved to Abuja during the summer of 2006 it doesn’t make sense to have an Institute outside Lagos. The meeting business is extremely risky even for actors that are professionals in this field. Therefore the IGC should carry out a risk analyses on establishing an Institute based in the new prerequisites.

<sup>21</sup> The strategic goals pertaining to capacity development are elaborated on in Section 6

***Recommendations***

- The fund-raising strategy should be reviewed.
- CDD should pursue endowment fund-raising to raise more core funds.
- CDD should carry out a risk analysis and consider the risks involved in going into the Meeting business by establishing the Institute in Lagos.