

# PRESS BRIEFING

*on*

RESPONDING TO NON-COMPLIANCE TO LAWS AND REGULATION  
(NOCLAR)

*Delivered by*

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*at the*

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*on*

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## Protocols

### Introduction

1. I am delighted to welcome you all to this briefing specially arranged by the Governing Council of the Institute of Chartered Accountants of Nigeria.
2. This Institute was established by an Act of Parliament to regulate accountancy profession in Nigeria and is a founding member of the International Federation of Accountants, (IFAC). IFAC is the global organisation for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of more than 175 members and associates in more than 130 countries and jurisdictions, representing almost 3 million accountants in public practice, education, government service, industry, and commerce.
3. The International Ethics Standards Board for Accountants (IESBA) is an independent standard-setting board that develops and issues, in the public interest, high-quality ethical standards and other pronouncements for professional accountants worldwide. Through its activities, the IESBA develops the *Code of Ethics for Professional Accountants*, which establishes ethical requirements for professional accountants. The structures and processes that support the operations of the IESBA are facilitated by IFAC.

4. The dynamic nature of business environment in recent times has brought to the fore the need for professional accountants and regulatory bodies to exhibit high level of professionalism and due diligence in providing services to the public in the changing business environment. The era of poor financial reporting is over as corporate owners and other stakeholders now insist on having more reliable and credible financial reports from professional accountants and auditors.
5. As a representative of IFAC in Nigeria, it is our responsibility, from time to time, to bring to the awareness of our esteemed members, the Press, Government and other stakeholders of any developments in the profession which would have impact on societal values and of immense benefit to all.

### **The Release**

6. The International Ethics Standards Board for Accountants (IESBA), that is, the Ethics Board with effect from today, **15<sup>th</sup> of July 2017** authorised a new standard for implementation after over six (6) years of extensive consultation, based on a multi-stakeholder approach and stringent due process.
7. The standard, which is a new section in the *Code of Ethics for Professional Accountants*, sets out a first-of-its-kind framework to guide professional accountants in what actions to take in the public interest when they become aware of a potential illegal act, known as Non-Compliance with Laws And Regulations, or NOCLAR, committed by a client or employer.

8. The standard applies to all categories of professional accountants, including auditors, other professional accountants in public practice, and professional accountants in organizations, including those in businesses, government, education, and the Not-for-Profit Sector. The code plays a unique role in supporting the accountancy profession in acting in the public interest as, It addresses breaches of laws and regulations that deal with matters such as fraud, corruption and bribery, money laundering, tax payments, financial products and services, environmental protection, and public health and safety.

### **Benefits and Importance**

9. This standard not only raises the ethical bar for the global accountancy profession, but also:
  - i. provides an opportunity for it to demonstrate its unflinching commitment to act in the public interest;
  - ii. reinforces the public interest role that professional accountants play in stimulating more trustworthy and accountable organizations, and in helping to protect stakeholders and the general public from substantial harm that may stem from breaches of laws and regulations;
  - iii. among other matters, provides a clear pathway for auditors and other professional accountants to disclose potential non-compliance situations to appropriate public authorities in certain situations without being constrained by the ethical duty of confidentiality;

- iv. places renewed emphasis on the role of senior-level accountants in business in promoting a culture of compliance with laws and regulations and prevention of non-compliance within their organizations;
  - v. Stimulates greater accountability among organisations;
  - vi. Helps protect stakeholders and the general public from substantial harm resulting from violation of laws and regulations;
  - vii. Positions the profession for a greater role in the global fight against NOCLAR, such as financial fraud, money laundering and corruption.
10. The Board carefully calibrated the standard based on the rich and diverse input from a wide range of stakeholders to ensure that it is proportionate and, importantly, globally operable, The standard fills a gap in jurisdictions where legislation or regulation does not address professional accountants' responsibilities in these situations, and by providing helpful guidance it may well complement legislation or regulation in jurisdictions that do address it.
11. In addition the standard was developed to address the following public interest concerns.
- i. The duty of confidentiality in the Code acting as a barrier to the disclosure by Professional Accountants of potential NOCLAR to public authorities in the appropriate circumstances.
  - ii. Auditors simply resigning from client relationships without NOCLAR issues being appropriately addressed.

- iii. A lack of guidance to help professional accountants in working out how best to respond to potential NOCLAR, a situation that may often be difficult and stressful.

## 13 **OUTCOME STANDARDS SEEK TO ACHIEVE**

### **Enhanced Ethical Conduct**

The Standard:

- i. clarifies that turning a blind eye to potential NOCLAR is not an appropriate response from professional accountants;
- i. Renewed emphasis on the roles of management and those charged with governance in addressing the matter;
- ii. Increases awareness and understanding among professional accountants of their legal and regulatory responsibilities when they face non-compliance with laws and regulations;
- iii. Help to stimulate increased reporting of NOCLAR to public authorities pursuant to reporting requirements in law or regulation

### **Protection for Stakeholders and General Public**

- iv. Stimulates professional accountants to take a proactive role in responding to NOCLAR, which can lead to:
  - an earlier response by management or those charged with governance, thereby mitigating adverse consequences for stakeholders and the general public;

- deterring potential NOCLAR, thereby helping to lower rates of NOCLAR for the greater benefit of business and Society;
- timely intervention from public authorities on reports of potential NOCLAR from professional accountants.

## **CALL FOR ACTION**

- 14.** This has been a long journey, and now is the time for national standard setters, professional accountancy organizations, and accounting firms to adopt and implement the standard. The IESBA alone cannot make a difference. All links in the financial reporting supply chain, especially management and those charged with governance, have an important role to play in preventing and bringing to light potential acts of NOCLAR.
- 15.** Let me use this medium to call on Governments, legislators and regulators who are uniquely placed to introduce or strengthen legislation or regulation governing the reporting of NOCLAR, appropriately tailored to their national circumstances, including establishing appropriate protections for whistle-blowers.
- 16.** In other words, legislators, regulators, accounting firms, professional accountancy organisations, academic institutions and other stakeholders should work toward helping professional accountants become more aware of and better understand their legal, regulatory and ethical responsibilities regarding responding to NOCLAR.

17. Distinguished ladies and gentlemen, I sincerely thank you for honouring our invitation to this important event, which calls for urgent action.

**Mallam Isma'ila Muhammadu Zakari, mni, FBR, FCA**  
**President, ICAN**  
**July 15, 2017**