

UPDATE ON FINANCIAL REPORTING COUNCIL'S MANDATE

by

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Introduction

MY MESSAGE FOR FINANCIAL PROFESSIONALS

“As an accountant in today’s world, you need to develop anticipatory skills because you cannot afford to be consistently reactionary. This way, you can handle issues with increased confidence and flexibility. Otherwise, you become defensive, competitive and resentful”

*GOVERNANCE AND SUSTAINABLE DEVELOPMENT.
Nigeria: a desirable investment destination*

JUST LOOK AT THIS!.



FRC is a product of economic transformation.
Economic transformation is a time of re-negotiation.



During periods of economic transformation:

- ✓ *Economic Institutions are strengthened and new ones created.*
- ✓ *Economic Institutions are institutions set up to persuade the legal foundations of an economy.*
- ✓ *They dictate what individuals *must or must not* do (duty), what they *may* do without interference from other individuals (privilege), what they *can* do with the aid of the collective power (right) and what they *cannot* expect the collective power to do in their behalf (restrictions).*
- ✓ *These institutions are imposed but are expected to produce induced institutions as outcomes.*

- ✓ These institutions are under the control of those entities charged with the task of common good (*Executive, Legislature and Judiciary*).
- ✓ The entities, themselves, issue set of rules with the object of paramentarising individual and behavior in particular realms of economic activity.
- *The FRC Act, 2011 is a transformation instrument while the Financial Reporting Council (FRC) is an economic institution.*
- Expected outcomes are change at work and correlated evolved behavioral patterns.

- The Financial Reporting Council of Nigeria (FRC) is a unified independent regulatory body for Accounting, Auditing, Actuarial, Valuation and Corporate Governance practices in public and private sectors of the Nigerian economy.
- The body is also to address current institutional weaknesses in regulation, compliance and enforcement of Standards and the development of robust arrangements for monitoring and enforcing compliance with financial reporting standards in Nigeria.
- *The implementation of the FRC Act is expected to lead to increased management credibility, more long-term investments, lower cost of capital, improved access to new capital and higher share values.*
- For investors and lenders, better disclosure provides more relevant information for making sound investment decisions and risk assessment respectively. This is especially so because merchants do not have a country.



UPDATE

NATIONAL POLICIES

- **Accountability.**
- **Registration of Professionals/Entities, Inspection of Accounting firms and Assurance providers and attestation of Financial Statements and Corporate Governance reports.**

The Council is currently registering professionals and issuing FRC Registration certificates to individual professionals.

- **Inspection of Organisations, Accounting firms and Assurance providers.**
- **Unified Code of Corporate governance.**


Accountability

National:

- ✓ Phase 2 of the adoption of IFRS in Nigeria
- ✓ IFRS Academy (BOT, Take -off)
- ✓ Accounting by Not-for-Profit organisations
- ✓ National Code of Corporate Governance

International:

- Review of the Conceptual Framework
- Rate regulated activities
- IFRS for micro entities?....*similar to SMEGA 3?*



Organisations (including Not for Profit Organisations) are being registered by FRC because of Sections 7, 11, 33 and 44 of the FRC Act, 2011.

Who suggested this investment or donation?



ISSUANCE OF REGULATIONS AND DIRECTIVES

The following Sections of the FRC Act make reference to issuance of regulations and/or directives:

- **S. 7 (2)** The Council shall have powers to do all things necessary for or in connection with the performance of its functions:
 - (f) Require management assessment of internal controls, including Information Systems controls with independent attestation;**
 - (g) Require code of ethics for financial officers and certification of financial statements by CEOs and CFOs;**
 - (h) Require entities to provide real time disclosures on material changes in financial conditions or operations; and**
 - (i) *Pronounce forfeiture, by CEOs and CFOs, of certain bonuses received from the company and profits realized from the sale of company shares owned by them, where the company is required to prepare an accounting statement.***

S. 8 (1) The Council shall:

(e) Advice the Federal Government on matters relating to accounting and financial reporting standards.

(i) Monitor and promote education, research and training in the fields of accounting, auditing, financial reporting and corporate governance;

(q) Develop or adopt and keep up-to-date auditing standards issued by relevant professional bodies and ensure consistency between the standards issued and the auditing standards and pronouncements of the International Auditing and Assurance Standards Board.

S. 8 (n): Receive qualified reports together with detailed explanations for such qualifications within 30 days from the date of such qualification. Such reports shall not be announced to the public until all accounting issues relating to the reports are resolved by the Council.

(2) The Council may issue rules and guidelines for the purpose of implementing auditing and accounting standards. **(repeated verbatim in S. 53.)**

Section 11

The objects of the Council shall be to:

- (a) protect investors and other stakeholders interest ;
- (b) give guidance on issues relating to financial reporting and corporate governance to bodies listed in sections 2 (2) (b), (c) and (d) of the FRC Act, 2011;
- (c) *ensure good corporate governance practices in the public and private sectors of the Nigerian economy ;*
- (d) *ensure accuracy and reliability of financial reports and corporate disclosures, pursuant to the various laws and regulations currently in existences ; and*
- (e) harmonize activities of relevant professional and regulatory bodies as relating to Corporate Governance and Financial Reporting.

- *S. 30 (1) The Council shall make and issue such rules or ethical codes of practice to establish its procedures and policies for the purpose of monitoring registered auditors and other professionals rendering services to PIEs (Data Protection is under way).*

- **Section 44(3)**

Where the directors disclose the extent of compliance with Code of Corporate Governance in the annual report, require an auditor to report separately whether the disclosure is consistent with the requirements of the Code.

Auditors: Internal and External

- S. 46. A professional accountant in the exercise of his audit function shall carry out his function in full independently and shall not –
 - (a) Act in any manner contrary to the **Code of Conduct and Ethics that may be made by the Council** or under any enactment in force.
 - **(b) engage in any activity which is likely to impair his independence as a professional.**
- S. 61 (3) The Council shall require evidence of a second partner review and audit approach that registered professional accountants adopted on quality control.

- *S. 57 Where any Public Interest Entity is required to prepare any financial statement or report under any enactment, it shall ensure that the financial statement or report is **in compliance** with the accounting and financial reporting standards developed by the Council .*
- The Council, or any officer authorized by it, in writing may **seek further information or clarification** from
- (d) any other person or institution with relevant information and such director, employee, professional accountant, institution and other person shall **comply**.

Collaboration and goal congruence

- **Section 32**

The Council may enter into a Memorandum of Understanding with such professional or regulatory body as it considers appropriate in order to exchange or share information for the purpose of discharging its functions under this Act (FRC can get information on entities and also give out information).

- **Section 58**

Where a public interest entity files any financial statements and report with any government department or authority, the entity shall also file a copy of the financial statements and reports with the Council within 30 days, in such manner as may be set out in the rules of the Council.

CONCLUSION

WHAT DO I DO NOW?

- ✓ Resist the tendency to criticise new ideas.
- ✓ Re-invent your BRAND in order to gain new BANDWIDTH.
- ✓ contribute beyond the ORDINARY in order to become EXTRAORDINARY.
- ✓ Embrace SHARED OWNERSHIP and practice CONNECTIVE LEADERSHIP.

THANK YOU

