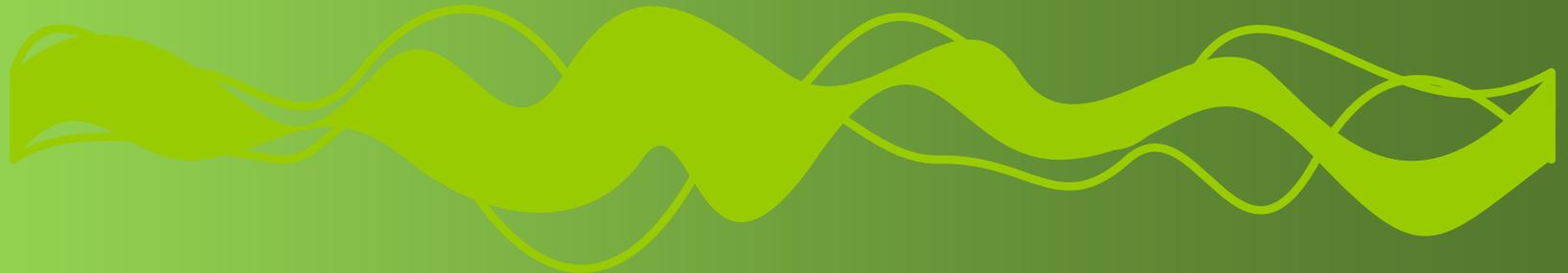




**PAPER PRESENTATION AT THE 2024 ANNUAL
CONFERENCE OF THE ASSOCIATION OF NATIONAL
ACCOUNTANTS OF NIGERIA (ANAN) ON
STRENGTHENING REGULATORY FRAMEWORKS
AND COMPLIANCE**

**DR. (MRS.) OLUWATOYIN S. MADEIN, FCCA, FCA, FCNA
Accountant-General of the Federation**



Introduction:

- Regulatory frameworks are the bedrock of any functional financial system. They provide the rules and guidelines that govern the accounting practices, financial reporting of organizations, behaviour of institutions, and ensure that it provide stakeholders with accurate and meaningful information.
- In Nigeria, the need to strengthen these frameworks is particularly urgent due to the dynamic nature of the financial landscape, characterized by technological advancements, increasing complexity of financial instruments, and the global interconnectedness of systems.

This paper aims to provide a comprehensive analysis of the current state of regulatory frameworks in Nigeria, identify the challenges and gaps within the system, and propose actionable strategies to enhance compliance. The focus of this paper is on the financial system in Nigeria and the goal is to ensure that Nigeria's regulatory environment is robust, adaptive, and capable of fostering economic growth while safeguarding the public interest.

Financial or Legal Authorities for the Management of Public Fund in Nigeria

- The Constitution of the FRN, 1999 (as amended).
- Finance (Control and Management) Act Cap 144 Laws of the Federation, 1990.
- Allocation of Revenue Act, 1981.
- The Public Service Rules, 2022.
- Financial Regulations, 2009.
- Public Procurement Act, 2007.
- Fiscal Responsibility Act, 2007
- The Anti-corruption Laws (ICPC, EFCC, Code of Conduct, etc.).
- Treasury Circulars.
- Finance Circulars.
- Budget Call Circulars.
- Head of Service/Establishment Circulars.
- Secretary to the Government of Federation Circulars.
- Appropriation Acts.
- Warrants/Authority to Incur Expenditure.
- Accounting Codes, Standards and Internal Audit Guides in MDAs.
- Codes of Professional Ethics.

Regulatory Frameworks and Compliance:

- **Adoption of International Financial Reporting Standards (IFRS):** Nigeria adopted the International Financial Reporting Standards (IFRS) on January 1, 2012, based on a decision of the Federal Executive Council on July 28, 2010, in order to align its financial reporting with global standards, and enhance transparency and comparability of financial statements, thereby making it easy for investors to assess the financial health of Nigerian companies.



Regulatory Frameworks and Compliance: Cont'd

- **Adoption of International Public Sector Accounting Standards (IPSAS):** The Federal Executive Council also authorized the adoption of IPSAS in July 2010, and it became fully adopted in January 2016, and each of the 36 States were required to decide their own implementation date.
- The adoption of IPSAS is aimed at enhancing transparency, accountability, and comparability in public sector financial reporting. However, despite the adoption, there have been challenges in full implementation, such as political will, statutory adjustments, inadequate funding, and poor IT infrastructure.



Regulatory Frameworks and Compliance Cont'd:

- **Companies and Allied Matters Act (CAMA) 2020:** This act introduced significant reforms to improve corporate governance, transparency, and accountability, including provisions for electronic registration of companies, simplified compliance requirements, and enhanced protection for minority shareholders.
- **Financial Reporting Council of Nigeria (FRCN):** The FRCN oversees the enforcement of accounting standards and ensures compliance with financial reporting regulations. It also provides guidelines for corporate governance and financial disclosures.
- **National Financial Reporting Standards (NFRS):** These standards are issued by the Financial Reporting Council of Nigeria (FRCN) and are tailored to the Nigerian context and complement the IFRS. They provide a framework for financial reporting that addresses local economic and regulatory conditions.

The Importance of Regulatory Frameworks in Nigeria's Financial System:

- **Ensuring Integrity and Stability:** clear and enforced standards help maintain the stability of economy by preventing financial fraud and errors.
- **Global Comparability:** Frameworks like IFRS enable financial statements to be comparable across borders, facilitating international trade and investment.
- **Protecting Stakeholders:** Regulations are designed to protect all stakeholders, including investors, consumers, and the broader public, from unethical practices and financial misconduct.



The Importance of Regulatory Frameworks in Nigeria's Financial System: Cont'd

- **Promoting Economic Growth:** A well-regulated financial environment attracts both domestic and foreign investments, which are essential for economic growth and development.
- **Fostering Trust and Confidence:** Regulatory frameworks build trust and confidence in the financial system, which is crucial for the functioning of markets. Without trust, investors are less likely to engage, and the economy suffers.



The Current State of Regulatory Frameworks in Nigeria:

Nigeria's financial regulatory environment is complex, with multiple agencies overseeing different aspects of the financial system. These include:

- **Financial Reporting Council of Nigeria (FRCN):** Oversees the preparation and publication of financial statements, ensuring they are in accordance with international standards.
- **Central Bank of Nigeria (CBN):** Regulates the banking sector, ensuring the stability of the financial system.
- **Securities and Exchange Commission (SEC):** Regulates the capital markets, protecting investors and ensuring market integrity.
- **The Fiscal Responsibility Commission (FRC):** Came into effect in 2007 to provide for prudent management of the nation's resources, secure greater transparency and accountability in the financial system.
- **Corporate Affairs Commission (CAC):** Regulates the registration and work of companies in Nigeria

The Current State of Regulatory Frameworks in Nigeria: Cont'd

- **Federal Ministry of Finance:** Manages the finances of the government through collection and distribution of funds, develop tax policies and establish tariffs.
- **Budget Office of the Federation (BOF):** Provides budget functions such as preparation, implementation, reporting and monitoring of budgets including implementation of fiscal policies.
- **Bureau of Public Procurement (BPP):** Responsible for monitoring and overseeing public procurement, harmonizing the existing policies and practices by regulating, setting standards and developing legal framework for public procurement in Nigeria.
- **Debt Management Office (DMO):** Established in the year 2000 to centrally coordinate and manage domestic and foreign debts for the Federal and Sub-national governments.
- **Bureau of Public Enterprises (BPE):** Responsible for implementing policies on privatization and commercialization of public enterprises.
- **Federal Inland Revenue Service (FIRS):** Responsible for assessing, collecting and accounting taxes and other revenues accruing to the Federation and Federal Government.

Challenges in Ensuring Compliance:

- Compliance with regulatory frameworks is essential for the effectiveness of any financial system. However, several challenges hinder compliance in Nigeria:
- **Complexity and Ambiguity of Regulations:** Many regulations are complex and difficult to understand, leading to unintentional non-compliance by financial institutions.
- **Lack of Awareness:** Many financial professionals are not adequately informed about the regulations they are supposed to comply with, leading to widespread ignorance and non-compliance.



Challenges in Ensuring Compliance: Cont'd

- **Fragmentation and Overlap:** The existence of multiple regulatory bodies often leads to overlaps and inconsistencies in regulations, creating confusion and inefficiency in compliance.
- **Inconsistent Enforcement:** Even when regulations are clear, enforcement is often inconsistent, undermining the effectiveness of the regulatory framework.
- **Outdated Regulations:** As the financial environment evolves, many of Nigeria's regulations have not kept pace, making them less effective in addressing contemporary challenges, such as digital finance and cybersecurity risks.



The Impact of Weak Regulatory Frameworks:

When regulatory frameworks are weak or inadequately enforced, the consequences can be severe:

- **Erosion of Trust:** Investors lose confidence in the market, leading to reduced investment and economic slowdown.
- **Increased Financial Misconduct:** Weak regulations create opportunities for fraud, insider trading, and other forms of financial misconduct.
- **Systemic Risks:** The stability of the financial system can be compromised, leading to potential crises that affect the broader economy.



Key Components of a Robust Regulatory Framework:

To build a robust regulatory framework that ensures compliance and supports economic growth, the following components are essential:

- **Clarity and Precision:** Regulations must be clearly written and precisely defined to avoid ambiguity and misinterpretation.
- **Consistency and Harmonization:** Regulatory standards should be consistent across different sectors and harmonized with international best practices.
- **Adaptability and Flexibility:** Regulations must be adaptable to changing economic conditions and technological advancements, ensuring they remain relevant.
- **Strong Enforcement Mechanisms:** Effective enforcement mechanisms, including penalties for non-compliance, are essential to ensure that regulations are followed.
- **Stakeholder Engagement and Collaboration:** Regular engagement with stakeholders, including financial institutions, professional bodies, and the public, is crucial for developing effective regulations.
- **Integration of Technology:** Leveraging technology for monitoring, reporting, and enforcement can significantly enhance the effectiveness of regulatory frameworks.

Strategies for Strengthening Regulatory Frameworks and Compliance:

To strengthen regulatory frameworks and enhance compliance in Nigeria, the following strategies are recommended:

- **Regular Review and Update of Regulations:** Conduct periodic reviews of existing regulations to ensure they are up-to-date and aligned with global best practices.
- **Capacity Building and Education:** Invest in the continuous education and training of financial professionals to ensure they are well-versed in regulatory requirements.
- **Enhanced Coordination Among Regulatory Bodies:** Improve coordination and communication between different regulatory agencies to reduce overlaps and inconsistencies.
- **Adoption of Technology for Compliance Monitoring:** Implement advanced technological tools, such as artificial intelligence and blockchain, to monitor compliance in real-time.
- **Public Awareness Campaigns:** Launch public awareness campaigns to educate stakeholders about the importance of compliance and the consequences of non-compliance.
- **Incentivizing Compliance:** Consider introducing incentives, such as tax breaks or recognition awards for institutions that consistently comply with regulations.

The Role of Accountants in Strengthening Compliance:

Accountants play a pivotal role in ensuring compliance with regulatory frameworks. Their responsibilities include

- **Accurate Financial Reporting:** Ensuring that financial statements are accurate, complete, and in accordance with regulatory standards.
- **Complete Understanding of Regulations:** Stay up to date with new regulations can be an effective way to ensure compliance
- **Advisory Role:** Providing guidance to businesses on how to comply with regulations and avoid potential pitfalls.
- **Ethical Standards:** Upholding the highest ethical standards in financial reporting and advising clients to do the same.
- **Advocacy:** Advocating for stronger regulatory frameworks and contributing to the development of policies that enhance compliance.

Conclusion and Recommendations:

The strengthening of regulatory frameworks and compliance is essential for the stability and growth of Nigeria's financial system. As the global economy evolves, these frameworks must adapt to new challenges and continue to promote transparency and accountability when operating in multiple jurisdictions. By addressing the challenges outlined in this paper and implementing the recommended strategies here below, Nigeria can build a regulatory environment that is robust. These are:

- **Enhance Enforcement Mechanisms:** Strengthen enforcement by ensuring penalties for non-compliance are consistently applied and sufficient to deter violations.
- **Promote Public Awareness:** Implement public awareness campaigns to educate stakeholders about the importance of compliance and the benefits of strong regulatory frameworks.
- **Incentivize Compliance:** Introduce incentives for institutions that demonstrate consistent compliance, such as tax breaks, certifications, or public recognition.

Conclusion and Recommendations: Cont'd

- **Regular Review and Updates:** Conduct periodic reviews of regulatory frameworks to ensure they are up-to-date with global standards and evolving market conditions.
- **Strengthen Coordination Among Regulators:** Improve collaboration between different regulatory bodies to harmonize standards and reduce overlaps.
- **Invest in Capacity Building:** Enhance the training and continuous education of financial professionals on regulatory requirements and compliance best practices.
- **Engage Stakeholders in Policy Development:** Involve financial institutions, professional bodies, and civil society in the development of regulations to ensure they are practical, effective, and widely accepted.
- **Adopt International Best Practices:** Align Nigeria's regulatory frameworks with international standards to attract foreign investment and enhance global competitiveness.

Conclusion and Recommendations: Cont'd

- **Leverage Technology:** Utilize advanced technologies such as AI, blockchain, and real-time monitoring tools to improve compliance tracking and enforcement.
- **Foster a Culture of Ethical Practice:** Encourage a culture of ethics and transparency within the accounting profession, emphasizing the long-term benefits of adherence to regulations.

These recommendations are aimed at creating a robust, adaptive, and effective regulatory environment that supports sustainable economic growth and maintains public trust in Nigeria's financial system. A robust regulatory framework is essential for the integrity of financial reporting, protecting the interests of stakeholders, and ensuring the smooth functioning of the system.

Thank you!

