

ASSOCIATION OF NATIONAL ACCOUNTANTS OF NIGERIA

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Prof. Abuchi Ogbuju FCNA, CFE

Chairman, Practicing & Quality Control Committee, ANAN

Professor of Forensics & Fraud Management, Nnamdi Azikiwe University, UNIZIK Business School, AWKA

AND

Adeshola Amoo, FCA, CFE

Director, Directorate of Auditing Practices Standards

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Quality Assurance (QA) & Compliance

Dual focus word system

Introduction to QA & Compliance

- ▶ **Quality Assurance (QA):** Ensures standards and processes are followed.
- ▶ **Compliance:** Adherence to laws, regulations, and internal policies.
- ▶ **Why do they matter:** Ensures safety, client (customer) satisfaction, and legal conformity.
- ▶ **QA** ensures things are done right from the start, while **compliance** keeps us aligned with legal and regulatory requirements.

Key Principles of Quality Assurance (QA)

- **Process-Oriented:** Focuses on designing robust processes and procedures.
- **Preventive Focus:** Catches issues before they become problems.

QA is proactive and systematic—its goal is to avoid problems, not just detect them.....it is very deliberate in all steps you design to a target focus

Key Principles of Compliance

- **Legal & Regulatory Adherence:** ANAN Rules, FRCN, Auditor Generals, SEC, ITF, NSITF, BPP, PENCOM, General Data Protection Regulation (GDPR), etc.
- **Internal Policies:** The Philosophies and Standards unique to each organization.
- **Auditing & Reporting:** Tracks and improves compliance efforts.

Compliance is about accountability—both to regulators and your own policies.

ANAN Rules, **FRCN**, Auditor General's, CAC, SEC, ITF, NSITF, BPP, PENCOM, General Data Protection Regulation (GDPR), etc.

ANAN Rules

Subscriptions

Renewals of licenses

The use of stamps and seals

MPPF

MCPD

National Conference

Etc.

Auditor Generals,

Registration with the
Offices

Renewals at the Office of
firms registered as may be
required

And other extant circulars
issued regularly

*Constitution of FRN, 1999
as amended 85(3)(a)(1)*

CAC

Registration

Annual filing of returns

Payments for the filings so
that firms may be retained in
the database at the
Corporate Affairs
Commission.

CAMA 2020 as amended..

As provided accordingly

ANAN Rules, **FRCN**, Auditor General's, CAC, SEC, ITF, NSITF, BPP, PENCOM, General Data Protection Regulation (GDPR), etc.

SEC

Determine the type of registration

- . *Individual auditor*
- . *audit firm*
- . *Sponsored individual*

Application & Registration fees

Annual renewal for registration
SEC Act 2007 (as amended)

ITF

Registration at the ITF Office.

Annual Filings at the Industrial Training Fund Offices in your State of situation.

ITF (Amendment) Act 2011

NSITF

Registration at the Nigerian Social Insurance Trust Fund, NSITF. Firms with 5 or more staff are to register 1% of the payroll of employers payable monthly

Annual Renewals at the NSITF

NSITF Act 1993 (as amended)

ANAN Rules, **FRCN**, Auditor General's, CAC, SEC, ITF, NSITF, BPP, PENCOM, General Data Protection Regulation (GDPR), etc.

PENCOM

Registration at the Pension Commission when you have staff of 15 and/or 3 persons, or even a single self-employed individual, can also be registered

10:8 ratio for employer & employee respectively

Pension Reform Act of 2004 (Re-enacted in 2014)

BPP

National Council on Public Procurement.

Most of the above to be fulfilled before registration with BPP in line with Section 6(d) of its Act

Public Procurement Act 2007 (as amended)

GDPR

Personal Data Protection, especially on documents reviewed and constantly viewed by Auditors.

Nigeria Data Protection Act 2023

QA vs. Compliance

At first glance, **Quality Assurance** and **Compliance** might seem like they serve the same purpose—but in reality, they play distinct yet complementary roles in an organization

Quality Assurance (QA)

It is all about building and improving internal processes to ensure that the services or products that are delivered meet the desired standards. It is **proactive**, meaning it focuses on preventing problems before they happen. QA is rooted in quality management principles—like continuous improvement, process control, and defect prevention.

Compliance

on the other hand, is about adhering to **external regulations** and **internal policies**. It's often driven by legal, ethical, or regulatory requirements. Compliance asks the question, *"Are we following the rules and regulations that apply to us?"*

QA vs. Compliance Cont.

To simplify:

QA ensures that **processes are designed well** to deliver consistent quality.

Compliance ensures that **those processes and outputs meet legal and regulatory expectations.**

- Think of QA as focusing on doing things the **right way**, while compliance ensures we're doing the **legal or required way**.

Role of Audits / Compliance Units



Internal Audits: In-house reviews are often conducted by Compliance Units.

External Audits: Done by regulatory bodies.

Audits are critical checkpoints to assess and improve both QA and compliance.

Challenges

Speed vs. Quality

Regulatory
Changes
Especially when
frequent

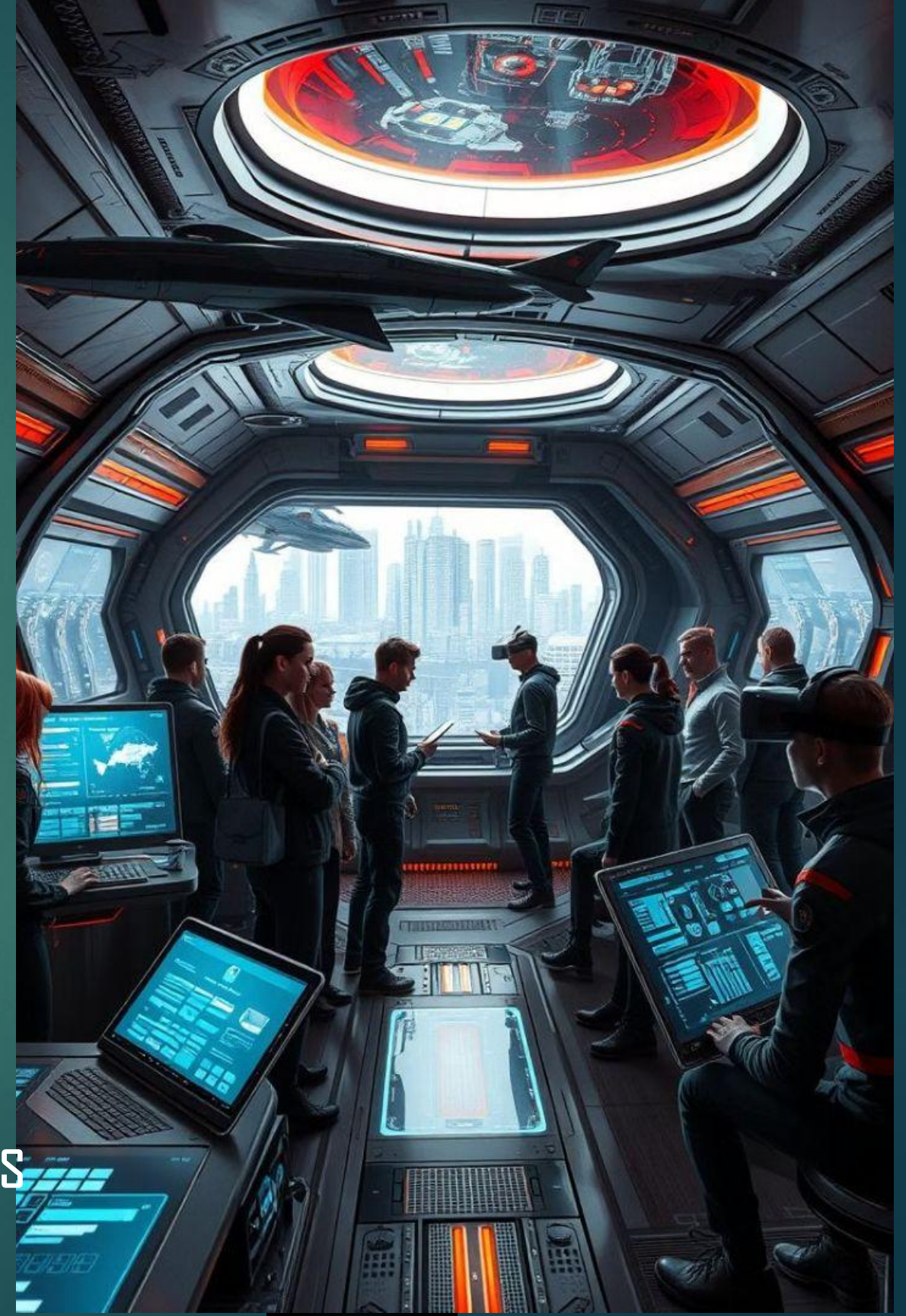
Resource Constraints
Firms may not have the
full capacity to follow
through

Balancing business growth with robust QA and compliance is always tricky—but essential.

Importance of Training

- 1 **Continuous Training:**
Stay updated on best practices and laws.
- 2 **Cross-Functional Collaboration:**
QA, compliance, and operations must communicate.

Training ensures that teams know what is expected and how to execute quality assignments and comply with rules and regulations.



Impact of Non-Compliance or Poor Quality

Legal:

Fines,
sanctions,
shutdowns.

Reputation:

Lost trust,
bad press/image.

Operations:

Rework,
delays,
inefficiencies.

Mistakes can cost money, credibility, and time. Prevention is more cost-effective.

An illustration of three astronauts in a futuristic control room. They are wearing blue and red spacesuits and are gathered around a large, glowing digital display table. The table shows various charts, graphs, and data. In the background, a large orange planet is visible through a circular window. The room has a curved ceiling with orange lighting.

Conclusion of 1st Step

1

QA ensures process excellence.

2

Compliance ensures regulatory integrity.

3

Both are vital for long-term success.

Organizations that invest in QA and compliance are more resilient and trusted.

Cont'd by Adeshola Amoo

FRCN Rules/Compliance & More

- ▶ Introduction
- ▶ FRC Act 2023 (as amended) – Relevant to PIEs & Auditors
- ▶ FRC Rules (1 to 14)
- ▶ Audit Regulations 2020
- ▶ Operational Guidelines for Inspection and Monitoring of Auditors, Other Assurance Providers and Audit Committee Members 2020.
- ▶ Practice Review of Audit Firms
- ▶ Instrument of Delegation 2020
- ▶ National Code of Corporate Governance
- ▶ FRC Guidance on Management Assessment on Internal Control Over Financial Reporting (ICFR)
- ▶ FRC Guidance on Assurance Engagement Report on Internal Control over Financial Reporting (ICFR)
- ▶ Guidance on the adoption and integration of IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures)

Quality Assurance (QA) & Compliance

Introduction

- As frustrating as these regulatory requirements and compliance monitoring may be, they are both essential for the safety of customers and the overall quality of the products produced or services rendered.
- Therefore, a better way to understand the importance of quality processes and compliance regulations is to imagine a scenario where they are absent.
- Without quality systems and quality control measures in place at businesses, customers would have no guarantees of the quality of the products they receive.

FRC Act 2023 - Relevant to PIEs & Auditors

- ✓ **S.8(1)(d)** submission of **Annual Report & AFS** of annual of public interest entities **within 60 days** of the **approval of the Board** of public interest entities;
- ✓ **S.8(1)(n)** **qualified reports** together with detailed explanations for such qualifications **from auditors** of the financial statements within a period of **30 days** from the date of such qualification
- ✓ **S.58(3)** – PIEs submit AFS & Report to any govt authority, it shall file same with **30days** to FRC

Registration of firms:

Sec 33(1a) – New requirement for professional firms to register with FRC.

S. 33 - Categorization of Annual dues for PIEs based on market capitalization for listed entities and Annual turnover for non-listed entities

S.7(2) & S.8(1)(g)

Monitor compliance, enforce & approve enforcement the adoption of code of corporate governance

S.8(1)(s) National Repository

maintain a national repository for electronic submission of General Purpose Financial Statements by public interest entities

S. 33(3), 63(2), 64(1)

Sanctions, fines and penalties for non-compliance with annual dues.

Key Highlights of FRC Act 2023 - Relevant to PIEs & Auditors

S. 33

New requirements for payment of annual dues by registered professionals and PIEs.

S.43 & 48
Power to suspend erring professionals and also to make regulations

S41(2) A person shall not hold any appointment or offer any service for remuneration as a professional for public interest entities, unless he is registered under this Act.

Sec 33(2)- Payment of Annual due

- ✓ a) Individual professionals and professional firms, not later than **60 days** from 1st January of every year;
- ✓ (b) public interest entities, not later than **120 days** of the financial year; and
- ✓ (c) other entities, not later than **120 days** of the financial year

Registration renewal:

Sec 42 (1) amends registration duration. All registration are to be **renewed annually**.,

S.60(a)

Consent from PIEs during practice review is deleted

Key Highlights of FRC Act 2023 - Relevant to PIEs & Auditors

Conflict Sec 59(1&2)

Sec. 59(2) Where there is any conflict between the financial reports or annual returns and other documents required or prepared in fulfillment of the relevant Sections of the Acts listed in sub-section (1) of this Section and other Acts which deal with financial reporting, the standards and guidelines adopted for that purpose by the Council shall to the extent of that inconsistency, prevail.

Sec.64(1) Failure to comply with Reporting Framework (ISA, IFRS, etc)

Any person who fails to comply with the prescribed statement of accounting and financial reporting standards developed or adopted by the Council. (N10m penalty)

✓ 64(2) **Restatement** of FS within 60days

S. 77: New Definitions for Public Interest Entities (PIEs),

Sec 77: Offence: includes a default in payment of annual dues, submission of returns, irregularities committed by entity or individual against the provisions of this Act

New Definition of Public Interest Entities (PIEs)

Section 77- New Definition - expanded the Scope of entities under the purview of "Public Interest Entities" PIEs

Old Definition:

"governments, government organizations, quoted and unquoted companies and all other organizations which are required by law to file returns with regulatory authorities and this excludes private companies that routinely file returns only with the Corporate Affairs Commission and the Federal Inland Revenue Service".



- ✓ **Governments and government organizations;**
- ✓ **listed entities on any recognised exchange in Nigeria;**
- ✓ **non- listed entities that are regulated**
- ✓ **public limited companies**
- ✓ **private companies that are holding companies of public or regulated entities**
- ✓ **concession entities;**
- ✓ **privatized entities in which government retains an interest**
- ✓ **entities engaged by any tier of government in public works with annual contract sum of N1 billion and above, and settled from public funds**
- ✓ **licenses of government; and**
- ✓ **all other entities with an annual turnover of N30 billion and above.**

Classification of PIEs by Regulators

According to a public notice issued by the FRC on 20 December 2023, non-listed entities regulated by various sectoral regulators are expected to comply. These regulators include, but are not limited to:

- ✓ Central Bank of Nigeria
- ✓ National Insurance Commission
- ✓ National Pension Commission
- ✓ Nigerian Upstream Regulatory Commission
- ✓ Nigerian Midstream & Downstream Petroleum Authority
- ✓ National Health Insurance Authority
- ✓ Nigerian Communications Commission
- ✓ National Broadcasting Commission
- ✓ National Universities Commission
- ✓ National Board of Technical Education
- ✓ Nigerian Commission for Colleges of Education
- ✓ Nigerian Electricity Regulatory Commission
- ✓ Securities and Exchange Commission
- ✓ Nigerian Civil Aviation Authority
- ✓ National Agency for Food and Drug Administration and Control
- ✓ National Automotive Design and Development Council
- ✓ Nigeria Shippers Council
- ✓ Nigeria Port Authority
- ✓ Infrastructure Concession Regulatory Commission
- ✓ Estate Surveyors and Valuers Registration Board of Nigeria
- ✓ Nigerian Tourism Development Corporation

FRC Rules (1 to 14) Relevant to PIEs & Auditors

➡ Council's rules 1 to 14

- **Rule 1:** Financial Reporting Council's **certification** requirement for Chief Executive Officers and Chief Financial Officers – (PIEs)
- **Rule 2:** Disclosure of **professionals providing assurance services** to the entity – (PIEs)
- **Rule 3:** Provision of “Audit” and “Non-Audit” Services (CAMA) – (PIEs)
- **Rule 4:** Transactions requiring registration from statutory bodies such as the National Office for Technology Acquisition and Promotion. (NOTAP)
WITHDRAWN
- **Rule 5:** **Submission of financial statements** for which External Auditors express opinions other than unqualified opinion (S.8(1)(n)) – (PIEs)
- **Rule 6:** Non-submission of financial statements within the **stipulated time** as required by the Act. – (PIEs)

FRC Rules (1 to 14) Relevant to PIEs & Auditors

- **Rule 7:** Other National Disclosures – (PIEs)
- **Rule 8:** Functional and Presentation Currencies - (PIEs)
- **Rule 9:** Key Audit Matters (KAM) on ISA 701 - (PIEs)
- **Rule 10:** Statutory Audit Committee and other Board Committee(s) responsible for Audit – (PIEs)
- **Rule 11:** Restriction of Auditor's Logo, Brand, and other forms of Identities in their Clients' Annual Financial Reports.- (Auditors)
- **Rule 12:** Audit Transparency Report – (Auditors)
- **Rule 13:** Submission Of Financial Statements By Non-resident Companies -(Auditors)
- **Rule 14:** Non Compliance with Laws and Regulations – (Auditors)

Roles of Auditors in Rule 14

- **Verification of Compliance:** External auditors shall ensure that their clients comply with all relevant sections of the FRC Act 2011 (as amended), Regulations, Codes, Rules Guidelines and Guidance currently in force and as may be issued from time to time — **whether these have direct or indirect effects on financial statements and operations.**
- **Confirmation Before Signing Audit Opinions:** Auditors shall confirm that the reporting entity and all signatories to the financial statements have fulfilled their statutory obligations to the FRC, as required by FRC Rules 1 & 2 and Sections 33, 41(2), 42(1), and 44(1) of the FRC Act 2011 (as amended).
- This confirmation shall be obtained by sending an email to the FRC via: rule14@frcnigeria.gov.ng

Practice Review of Audit Firms – S.60

Inspections are performed in terms of Section 60 of the FRC act 2011 (as amended) and Audit Regulations 2020

- One of the objects of the Act is to protect the public by regulating audits performed by auditors and Other Assurance Providers

Our Inspection Process

- Start with opening meeting
- Select audit engagements for review
- Review work papers and interview Engagement Team when necessary
- Schedule an exit meeting
- Send Preliminary report to the firm for response on the Inspectors' observations
- Receive and review the response from the firm
- Invite the firm for a meeting to further review the response with the Technical Committee
- Send the Council's final decision to the firm

Audit Regulations 2020

- ▶ Approved by the Minister for Industry, Trade and investment on 25 January 2021
- ▶ Became effective from January 2021
- ▶ Applicable to the following:
 - ▶ Auditors
 - ▶ Audit Committee Members
 - ▶ Other Assurance Service Providers

Audit Regulations 2020

Part I – Objectives and application

The objectives of these Regulations are to-

1 provide a regulatory framework for auditors in Nigeria and to give effect to the provisions of the Act;

4 guide Relevant Professional Bodies (RPBs) in undertaking their responsibilities under these Regulations; and

2 ensure that all activities of Auditors, Audit Committee members and other Assurance Service Providers are regulated with a view to sustaining best ethical practices capable of promoting quality audit services;

5 prescribe penalties for non-compliance with these Regulations.

3 regulate and ensure that all Auditors, Audit Committees and Other Assurance Service Providers carry out their duties in a manner to earn the trust of users of financial statements and promote the image of the profession and the country;

Mandatory Audit Firm Rotation for Auditors of PIEs

- To safeguard the integrity of the external audit process and guarantee the independence of the External Auditors, entities shall rotate both the Audit Firms and Engagement Partners.
 - ✓ Audit firms shall be retained for no longer than **ten years** continuously
 - ✓ Audit firms shall disengage after continuous service to a company for **ten (10) years** while a joint Audit arrangement shall be for a **maximum period of 15 years**.
 - ✓ Engagement Partners rotation – 5years maximum
 - ✓ A **seven (7) year cooling-off** period shall elapse before an Audit firm or any member in its network can be re-appointed as the statutory Auditor.
- **Transitional Arrangements for Mandatory audit firm rotation for PIEs**
 - ✓ (a) If an Auditor, at the time this Regulation becomes effective (or comes into force), has been engaged for exactly ten (10) years maximum period stipulated, the Auditor may continue for a period not more than two years and where Auditor has been engaged for between 11 and 15 years, the Auditor may continue for a period not more than one year.
 - ✓ (b) For all other situations, the engagement may continue until the end of the first maximum duration i.e ten (10) years.
 - ✓ (c) For joint audit arrangement, the maximum period is fifteen (15) years

Operational Guidelines & Instrument of Delegation.



- ▶ Operational Guidelines for Inspection and Monitoring of Auditors, Other Assurance Providers and Audit Committee Members 2020.
- ▶ Instrument of Delegation.

Other Publications of the Council

- National Code of Corporate Governance (NCCG 2018)
- FRC Guidance on Management Report on Internal Control over Financial Reporting (for PIEs other than Listed Entities)- ICFR
- FRC Guidance Assurance Engagement Report on Internal Control over Financial Reporting – ICFR
- Guidance on the adoption and integration of IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures) – **It will be part of Rule 14 when it becomes mandatory**

Possible Sanctions for Non-Compliance

1

Restrictions
and /or
Conditions

2

Regulatory
Penalty – i.e.
– Financial

3

Suspension of
Registration

4

Withdrawal of
Registration

Conclusion

- ✓ For quality assurance at your firm to be successful, a 'culture' of quality at the business must be created first.
- ✓ There should be close cooperation between quality leaders and the management team in creating a culture of quality assurance.

