



FINANCIAL REPORTING COUNCIL OF NIGERIA

RULES 1 - 14

(2016 - 2025)

www.frcnigeria.gov.ng



HIS EXCELLENCY

BOLA AHMED TINUBU CGFR

**PRESIDENT COMMANDER - IN - CHIEF OF THE ARMED FORCES
FEDERAL REPUBLIC OF NIGERIA**



DR. JUMOKE ODUWOLE MFR

**HONOURABLE MINISTER,
FEDERAL MINISTRY OF INDUSTRY, TRADE AND INVESTMENT
FEDERAL REPUBLIC OF NIGERIA**



DR. RABIU OLOWO

**EXECUTIVE SECRETARY/CEO
FINANCIAL REPORTING COUNCIL
(FRC) OF NIGERIA**



FINANCIAL REPORTING COUNCIL OF NIGERIA

Federal Ministry of Industry, Trade and Investment

In accordance with Section 8(2), 30 and 53(2) of the Financial Reporting Council Act No. 6 2011 (FRC Act), the Council hereby issue the following

RULE 1

Financial Reporting Council's certification requirement for Chief Executive Officers and Chief Financial Officers. (Released February 2016)

To give the effect to the provision Section 7 (2g) of FRC Act regarding certification of financial statements by Chief Executive Officer (CEO) and Chief Financial Officer (CFO), Person holding the position of the CEO and CFO of an entity are required to satisfy annual report, financial statements, accounts, financial report, returns and other documents of a financial nature indicating their Financial Reporting Council (FRC) registration numbers. Accordingly, the CFO providing certification shall be a professional member of an accounting body established by Act of National Assembly in Nigeria.

The indication of individual FRC registration number vouches the integrity of the annual report, financial statement, account, financial report, return and other document of a financial nature.

RULE 2

Financial Reporting Council's certification requirement for Professionals engaged in financial reporting process: (Released February 2016)

External Auditors, Officers of Reporting Entities and Other Professionals providing assurance to reporting entities.

Section 7, 8, 30, 41, 42, and 44 of the Financial Reporting Council Act No. 6 2011, recognizes the importance of assurance opinion expressed by diverse professionals engaged in the financial reporting process relating to financial statements, accounts, financial reports, return and other document of a financial nature.

A professional, for the purpose of FRC registration, refers to any person whose education and training allow for his judgement to be relied upon a possess certification issued by a recognized professional body or association and is currently working or wishing to work in Nigeria.

To give effect to the above named Sections, especially Section 30 of the said Act, Council also recognizes that professional accountants and / or auditors by their training are expected to rely on expert opinion issued by a professional(s), who is a member of a recognized professional body, whose professional judgement has financial reporting implications.

In view of this, Council hereby directs:

- a) Any professional providing assurance or certifying any part of an annual report, financial statements, accounts, financial report, returns and other document of a financial nature, shall certify by indicting his or her name and FRC registration number;
- b) A reporting entity shall disclose the details of any professional providing any form of assurance service on the accounts, financial statements and other document of a financial nature as part of note to the financial statements. The details to be disclosed shall include the name of the professional and firm or entity and the FRC registration number of the professional and firm as well as summary of the service(s) rendered;
- c) Any person attesting, as Chairman of Audit Committee, to annual report, financial statements, accounts, financial report, returns and other documents of a financial nature, shall be a professional member of an accounting body established by Act of National Assembly in Nigeria.

RULE 3

Provision of “Audit” and “Non-Audit” Services (Released February 2016)

In compliance with the provision of the Companies and Allied Matters Act Cap C20, LFN, 2004, the amount paid by an entity to its external auditor(s), as remuneration, is disclosed as a separate line item in the notes to the financial statement of the entity.

Potential threats to the audit firm's independence and objectivity frequently arise when an audit firm and/or its related entity (an entity in which at least a partner of a key management staff of the audit firm is also a partner or director) also provide non-audit service to their audit clients.

New development in business, the evolution of financial markets, rapid changes in information technology, and the consequences for management and control, make it difficult to draw up an all-inclusive list of situations where provision of non-audit services to an audit client could create threats to independence and objectivity of the external auditor(s).

Where an audit firm and/ or its related entity offer non-audit service(s) to an audit client, the audit client (that is the entity) shall disclose the details of such non-audit service has been provided in the year, that fact shall also be disclosed.

The audit firm shall, for the purpose of audit quality control examination by our Council, document that these services were carried out with the consent of the audit engagement partner who shall have ensured that the non-audit service(s) are not prohibited and pose no threat to the audit firm's independence and objectivity.

RULE 4

Transactions requiring registration from statutory bodies such as: The National Office for Technology Acquisition and Promotion (Released February 2016)

Following the High Court judgement against the applicability of Rule 4, the Rule is no longer in force and is hereby taken down.

RULE 5

Submission of financial statement for which External Auditors express opinions other than unqualified opinion. (Released February 2016)

The Council hereby draws the attention of external auditors to section 8 (1) (n) of the FRC Act No. 6 of 2011 which state the Council shall “receive copies of all qualified reports together with the detailed explanation for such qualification and such reports are resolved by the Council”.

Accordingly, Council hereby clarifies that reports required in accordance with the above named section are all reports (emphasis of matter, qualified, adverse, disclaimer, etc) other than unqualified report issued by External Auditors on an annual report, financial statements, accounts, financial report, returns and other documents of financial nature.

RULE 6

Non-submission of Financial Statements within the stipulated time as required by the Act. (Released February 2016)

The Council hereby draws the attention of preparers to Section 8(1) (d) and Section 58(3) of the FRC Act No. 6 of 2011.

The said sections state as hereunder:

- a) Section 8 (1d): “The council shall receive copies of annual reports and financial statements of Public Interest Entities from preparers within 60 days of the approval of the board”.
- b) Section 58 (3): “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”.

Accordingly, relevant entities who fail to comply with the above-named sections shall be liable to civil, administrative and criminal sanction with the latitude of the Financial Reporting Council of Nigeria Act 2011.

RULE 7

Other National Disclosure (Released February 2016)

In addition to the requirement of International Financial Standards (IFRS) which is the current financial reporting framework in Nigeria, Council hereby direct that statements of Value Added and Five –Year Financial Summary shall be included as supplementary information to the financial statement as “Other National Disclosures”.

RULE 8

Functional and Presentation Currencies (Released February 2016)

- a) In line with the provisions of International Financial Reporting Standards (IFRS), entities are faced with two matters in terms of the currency in which their financial statement are presented.
- b) First is the determination of their functional Currency which is the Currency of the primary economic environment in which an entity operates. Determination of functional currency is based on prescribed principles contained in IAS 21 paragraph 9 to 14 and it is not a matter of an accounting choice.
- c) Second is the presentation currency. Presentation currency is the currency in which the financial statements are presented. Determination of presentation currency is a matter of an accounting choice as an entity may present its financial statement in any currency other than its functional currency.
- d) Given that there are situations where companies operating in Nigeria, as do in other countries, are exposed to economic conditions whereby, for instance, sales prices of their goods and services are determined by forces of demand and supply of a foreign country, financing costs are foreign denominated, labour, materials and other costs of providing goods and services are foreign denominated etc., it is factual that such companies will have functional currencies other than the Nigeria Naira. Examples include operators in the oil and gas sector as well as some multinational companies in Nigeria.
- e) One of the objectives of IAS 21 is to provide guidance on how to translate financial statements (prepared using a functional currency, e.g. the Dollar) into a presentation currency (for statutory financial reporting

purpose). IAS 21 therefore aptly envisage situations where jurisdictions may require presentation of financial statements in currencies other than the entity's functional currency.

- f) In accordance with section 8(p) of the Financial Reporting Council of Nigeria Act, 2011, our Council is empowered to “specify in the accounting and financial reporting standards, the minimum requirements for recognition, measurement, group annual financial statements or other financial reports which every public interest entity shall comply with in the preparation of financial statement and reports.”
- g) The Council hereby specifies that the presentation currency for all general-purpose financial statements in Nigeria is the Nigeria Naira. This Includes, but not limited to, statement filed for all statutory purpose and those presented to directors, shareholders, creditors and all other stakeholders.
- h) Instance where an entity is of the opinion that stakeholders shall be better informed if it also includes an annexure containing its statement of profit or loss and other comprehensive income, Statement of financial position and the Statement of cash flows prepared in its functional currency, such an entity is allowed to include such annexures to its financial statement as supplementary information just as it is currently a requirement of the Council for the Statement of Value Added and Five-year Financial Summary to be included as “Other National Disclosures”.
- i) If an entity takes the option to disclose the supplementary information in “8” above, it shall also disclose, as part of that supplementary information, the exchange rates applied in translating its assets, liabilities, income and expenses for the period.
- j) this is the current position on the subject matter and all reporting entities and external auditors are to take note and ensure strict adherence.

Consequently, certifications that do not comply with the council's pronouncement as stated above shall be deemed as non-compliance with the council's rule and capable of rendering the financial statements misleading. Appropriate penalties as provided for in the FRC Act, 2011 and the FRC Guidelines/Regulations for Inspection and Monitoring of Reporting Entities 2014 shall apply.

Additionally, a professional, registered with the FRC, that vouches for the integrity of an annual report, financial statements, accounts, financial reports, return and other document of a financial nature by indicating his/her FRC number, shall take necessary steps to ensure that the integrity of the said documents are protected; otherwise the individual(s) that attested to the said statement with his/her FRC registration number shall be liable to civil, administrative and criminal sanction within the latitude of the Financial Reporting Council of Nigeria Act 2011.

RULE 9

Key Audit Matters (KAM) in line with ISA 701 (Released November 15th 2016)

(Communicating key Audit Matters in the Independent Auditor's Report) in Nigeria.

In accordance with Section 8(2), 30 and 53(2) of the Financial Reporting Council (FRC) of Nigeria, Act No. 6, 2011,(FRC Act,2001) the Council hereby issues Rule 9.

1. Rule 9 relates to the application of ISA 701 by independent Auditors in Nigeria.
2. Scope of ISA 701:
 - a) This International Standard on Auditing deals with the auditor's responsibility to communicate key audit matters in the auditor's report. It is intended to address both the auditor's judgement as to what to communicate in the auditor's report and the form and content of such communication.
 - b) The purpose of communicating key audit matters is to enhance the communicative value of the auditor's report by providing greater transparency (and insight) about the audit that was performed. Communicating key audit matters provides additional information to "intended users" of the financial statements to assist them in understanding those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current period. Communicating key audit matters may also assist "intend users" in understanding the entity and areas of significant management judgement in the audited financial statements.
 - c) The communication of key audit matters in the auditor's report may also provide "intended users" a basis to further engage with management and those charged with governance about certain matters relating to the entity, the audited financial statements, or the audit that was performed.
 - d) Communicating key audit matters in the auditor's report is in the context of the auditor having formed an opinion on the financial statement as a whole.

Communicating key audit matters in the auditor's report is not:

- (i) A substitute for disclosure in the financial statement that the applicable financial reporting framework requires management to make, or that are otherwise necessary to achieve fair presentation;
- (ii) A substitute for the auditor expressing a modified opinion when required by the circumstances of a specific audit engagement in accordance with ISA 705 (Modification to the Opinion in the Independent Auditor's Report – Revised);

- (iii) A substitute for reporting in accordance with ISA 570 (Going Concern-Revised) when a material uncertainty exists relating to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern; or
- (iv) A Separate opinion on individual matters.
- (e). This ISA applies to audits of complete sets of general purpose financial statement of listed entities and circumstance when the auditor otherwise decides to communicate key audit matters in the auditor's report. This ISA also applies when the auditor is required by law or regulation to communicate key audit matters in the auditor's report. However, ISA 705: (Revised) prohibits the auditor from communicating key audit matters when the auditor disclaims an opinion on the financial statements, unless such reporting is required by law or regulation.

3. COMPLIANCE

Independent Auditor's shall comply with the provision of ISA 701 for audits of financial statement for period ending on or after December 15, 2016.

4. APPLICATION: This rule shall be applied by auditors of all

- (I). Listed entities (as defined by ISA)
 - (II). Public companies (as defined by Companies and allied Matters Act CAP C20, LFN 2004)
 - (III). Banks (excluding micro finance bank)
 - (IV). Insurance companies (excluding Health Management Organisation)
 - (v). Mutual Funds
 - (vi). Pension Funds
 - (vii). Private companies that are holding companies of any of the above entities.
5. Auditor's of listed companies are to apply this rule for audit of financial statements for periods ending on or after December 15, 2016; while auditors of all other entities listed in paragraph 4 above shall apply this Rule for audit of financial statement for period ending on or after June 30, 2017.
6. Insurance where the auditor modifies his opinion in accordance with ISA 705 (Revised), the auditor shall comply with the provision of Sections 8(1) (n) and Section 45 of the FRC Act, 2011.
7. In accordance with paragraph 14 of ISA 701, the auditor shall describe each key audit matter in the auditor's report unless:
- (a) Law or regulation precludes public disclosure about the matter; or
 - (b) In extremely rare circumstances, the auditor determines that the matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. This shall not apply if the entity has publicly disclosed information about the matter.

In these instance, the FRC shall be notified in writing by the auditor(s) providing details of such matter(s) before the audit is conclude.

RULE 10

Statutory Audit Committee and other Board Committee(s) responsible for Audit (Released June 2022)

Every public interest entity shall notify the Council of changes in audit Committee (S) membership during the year stating reasons for such changes.

RULE 11

Restriction of Auditor's logo, Brand, and other form of Identities in their Client's Annual Financial Reports (Released November 2022)

In accordance with Section 26(e) , 30, 46, and 53(2) of the Financial Reporting Council hereby direct that inputting auditor's name, logo, brand, or any form of identity on any page of the annual reports and financial statements other than the opinion report pages should henceforth be discontinued, failing which appropriate sanction shall apply.

RULE 12

AUDIT TRANSPARENCY REPORT (Released April 2023)

To give effect to the provisions of sections 8(2), 30, 53(2) of Financial Reporting Council Act No. 6 of 2011 and Regulation 31 of Audit Regulations 2020, the Council hereby issues **Rule 12: AUDIT TRANSPARENCY REPORT.**

Commencing from January 2023, transparency reporting shall be compulsory for Audit Firms that audit and/ or provide other assurance service for Public Interest Entities (PIES).

The first audit transparency report (hereinafter referred to as “**Transparency Report**”) is required for the audit firms that audit and/ or provide other assurance services for Public Interest Entities (PIES) for the 2022 fiscal year-end of the firms.

AUDIT TRANSPARENCY REPORTS.

This Rule summarises the requirement for transparency reports. It explains:

- what is a transparency report and why are these reports important
- when the report must be published
- what information must or may be included in a transparency report
- whether information can be included from review by FRC and other bodies
- what happens if a report contains misleading information
- what relief is available from the transparency report requirement

What is a transparency report?

This is a report published and lodged with the Council by audit firm that audit and/ or provide other assurance that focuses on the firm's audit practices, policies, and program put in place to support audit quality.

Transparency Reports generally contain information relating to legal structure and ownership governance structure, internal quality control system, quality assurance, education and independence practices, firm revenue information, partner remuneration and list of PIE and non-PIE audit clients. It should be noted that if a partnership (i.e. each partnership must prepare and lodge a separate transparency report).

Why are transparency reports important?

Auditors are “gatekeepers” and have a critical role in ensuring that Nigerian and Foreign Investors can be confident and well informed based on the information content of the transparency reports. High-quality audits support the quality of financial reports, promote confidence, informed investors and ensure fair and efficient markets. Transparency reports help to inform the market about audit firms and audit quality. Transparency about indicators of audit quality may encourage audit firm to increase their focus on audit quality and may also provide information to assist those responsible for selecting an adult firm.

When must the report be published?

Transparency reports must be published annually on the auditor's website for the 12 months commencing on 1st January, within four months after the end of the reporting year. The first transparency report is required for the 2022 fiscal year-end of the firms. The report must be lodged with FRC before being published on the auditor's website.

What information must be included?

Transparency Reports generally should contain information relating to legal structure and ownership, governance structure, internal quality assurance, education and independence practices, firm revenue information, partner remuneration and list of PIEs of the audit firm.

A transparency report must contain the information prescribed by this Rule. This information is summarized in Table 1 below.

A transparency report may omit information otherwise required if the inclusion of the information is likely to result in unreasonable prejudice to the auditor. If

material information is omitted, the report must mention what is omitted. Given the nature of the information required, the Council expect that information would rarely be omitted on the basis of this exemption.

Table 1 : Information that must be included in a transparency report

Prescribed information for all auditors that are required to publish transparency report

The report must include:

If the auditor belongs to a network, a description of:

- the network
- the legal arrangement of the network
- the structural arrangement of the network

- a description of the auditor’s internal quality control system
- a statement that set out the auditor ’s independence practices in the relevant reporting year
- the name of each that is authorized to review the auditor (e.g. FRC or a professional accounting body) and the date of the most recent review of the auditor conducted by the body.
- a description of the statutory auditor’s or the audit firm’s policy concerning the rotation of key audit partners and staff in accordance with Audit Regulation 2020.
- information about the turn over of the statutory auditor or the audit firm relates to the relevant reporting year, divided into the following categories:
 - revenue from the statutory audit of annual and consolidated financial statement of public-interest entities and entities belonging to a group of undertaking whose parent undertaking is a public-interest entity;
 - revenue from the statutory audit of annual and consolidated financial statement of other entities;
 - revenues from permitted non-audit services to entities that are audited by the statutory or the audit firm; and
 - revenue from non-audit services to other entities. A breakdown of revenue from the non-audit services should be provided.

Additional information for audit firm that are required to publish transparency reports

For audit firm the report must also include:

- a description of the firm’s:
 - legal structure
 - ownership
 - governance structure

- a statement by the firm’s administrative body or management body on the effectiveness of the functioning of the internal quality control system in the relevant reporting year
- the date on which the firm most recently conducted an internal review of its independence compliance
- a statement about the firm’s policy on the minimum amount and nature of continuing or other professional education that professional members of an audit team must undertake during the relevant reporting year

What other information may be voluntarily included?

Auditors may voluntarily include the additional information about audit quality in a transparency report. Such information must not be presented in a misleading manner.

Table 2 : Additional information that may be included in a Transparency Report

<p>Network policy monitoring</p>	<p>If the auditor belongs to a network, the report may include information about the degree to which the network sets policy and monitors compliance and structural arrangements in the network, including the degree of authority the network has over the audit firm.</p>
<p>Actions to improve and maintain audit quality</p>	<p>The report may include information about how the auditor (for example):</p> <ul style="list-style-type: none"> • promotes, evaluates and monitors professional scepticism and compliance with auditing standards • promotes a culture of audit quality (e.g. messages from leadership focusing on audit quality, education initiatives, key focuses in quality reviews, and encouragement of consultation on complex audit issues)

Internal Indicators of audit quality

- ensures that partners/directors, staff and experts with appropriate experience and expertise are assigned to audit engagements having regard to, for example, workload, technical competence, and audit, industry and other relevant experience
- approaches supervision and review, including the extent of partner/director involvement in working with audit teams in the planning and execution of audits, and the extent of real-time or post- completion quality reviews of engagements
- holds partners/directors and leadership accountable for audit quality, including how performance is measured on audit quality, how such performance is assessed, and the extent to which this affects remuneration.

The report may include indicators of audit quality used by the firm. However, if quantitative input measures of audit quality are referred to in a transparency report, the reasons why those measures are considered appropriate, the impact of measuring each particular aspect of audit quality, any limitations of those measures, and the results of applying such measures should be provided. Limitations might include matters such as:

- the measures do not directly measure the quality of the audits performed
- a measure typically provides information relating to only one aspect of the inputs to achieving quality audits and there are many factors affecting audit quality
- different quantitative results for a particular measure may be appropriate in different circumstances (e.g. different partner-to-staff ratios may be appropriate depending on the factors such as the nature, size and complexity of audit engagements).

Notes: Measures should be presented on a comparable basis from year to year. If the auditor chooses to discontinue, amend or replace any measure previously included in a transparency report, the previous measure should generally also be included with the reasons for the change.

Findings from the FRC inspections

The report may include the firm's actions to address overall themes about the quality of audits by firms generally, as identified in the most recent public audit firm inspection report issued by FRC.

For example, Audit inspection programs concerned the sufficiency and appropriateness of audit evidence, the application of professional scepticism, and the extent of reliance that can be placed on experts and other auditors.

Findings from external reviews

The report may include areas for improvement derived from reviews by other relevant external bodies on audit quality—for example:

- Significant recommendations to improve education, quality control, auditor independence, compliance with auditing standards, professional scepticism sufficiency and appropriateness of audit evidence, the use of and reliance on experts and other auditors, and other matters
- remedial actions undertaken by the auditor in response to review.

Generally, a report should not refer to the external review or the source of the areas for improvement. The permission or consent of any external body should be obtained before specifically referring in the transparency report to a review by an external body. Any limitations in the scope of the external body's review should be stated in the report.

The Council will continue to monitor developments in relation to reporting information about individual firm audit quality.

What about information from reviews by FRC and other bodies?

Under section 60 of the FRC Act, transparency reports are only required to give the name of each body that is authorized to review the auditor (e.g. FRC or a professional accounting body) and the date of the most recent reviews conducted by the body, but not the findings from such reviews.

To reduce the risk that a transparency report is misleading, it should include a statement that the reader should not make any assumption about the scope of, or findings from, any FRC reviews. A similar statement may be necessary for reviews by other external bodies.

Confidentiality provisions in part 7.3 of Operational Guidelines for Inspection and Monitoring of Auditors, Other Assurance Providers and Audit Committee 2020 limit the Council's ability to release the results of inspections of individual audit firms.

Firms may distribute the inspection report within their national or international networks. However, it is not intended to be distributed to any other party or quoted or summarized by the firm in transparency reports or other publications. If the firm wishes to share any findings in the inspection report with other parties (e.g. in a transparency report), it should notify the Council in writing at least two business days before doing so.

Firms may refer to areas for improvement derived from the Council's private report on the firm without identifying the source of those matters. In limited cases, the Council may consent to a transparency report referring to specific areas for improvement identified in the Council's most recent inspection of an audit firm. When seeking consent, a firm should provide the proposed text for inclusion in the transparency report to FRC's Executive Secretary / Chief Executive Officer.

What happens if a report contains misleading information?

A person is guilty of an offense if, in a document required by the FRC Act or lodged with the Council, they make or authorize the making of a statement that to the person's knowledge is false or misleading in a material respect, or the person omits or authorizes the omission of any matter or thing without which the document is to their knowledge misleading in a material respect. Part 8 of Operational Guidelines for Inspection and Monitoring of Auditors and Other Assurance Providers and Audit Committee prescribe the appropriate sanction for submitting misleading information to the Council.

To reduce the risk that a transparency report is misleading, Council hereby directs that the report should present information that:

- is clear, useful and presented in sufficient detail to be likely user of the report
- is based on fact
- is unbiased, not oriented towards marketing or selling services, is concise/specific to the firm and avoids the use of boilerplate language
- is timely, accurate and complete
- if any quantitative input indicators relating to audit quality are provided, sufficiently explain the limitation of those indicators
- if any findings from audit quality reviews are included, provide a true depiction of those findings (i.e. results should not be presented to give a more favorable picture than is reported by the reviewers, whether through selective reporting of results or other means)
- if any remedial actions are outlined in response to findings about improving audit quality, make it sufficiently clear that the actions may not be directly comparable with other firms because of differences in circumstances (e.g. some findings may be specific to a firm).

The council intend to review selected transparency reports. The Council may seek further information and explanation where, for example, aspects of a report appear to be inconsistent with the knowledge and experience obtained from the Council's inspections of audit firms and other activities.

Importance notice

Please note that this information sheet is a summary giving you the basic information you need. It is not a substitute for professional advice.

For further information.

Contact FRC on Tel: (234) 9088999802

RULE 13

Submission of Financial Statement By Non-resident Companies (Released 24th March 2024)

Pursuant to section 58(3) of the FRC Act 2011 as amended, and consequent upon section 13(2) and 16. 1a, of the Finance Act 2020, regarding circumstances where any entity other than a Nigerian registered company derives profit from or is taxable in Nigeria under section 13(2) of finance act 2020, and such entity files any financial statement and report with any government department or authority , the entity shall also file a copy of the financial statements and report with the Council within 30 days.

The financial statement of the Nigerian operations must be prepared in accordance with the principles expressed in the International Financial Reporting Standards (IFRS) Conceptual Framework and must be attested by an independent qualified or certified accountant in Nigeria. The attestation required must be a limited assurance report in form of content required for an assurance engagement.

The Financial Statement must be sent to the Council by the independent qualified or certified accountant that attested it within 30 days of sending such financial statement to any other government department or authority.

RULE 14

Non-Compliance with Laws and Regulations (Released 22nd January 2025)

Background

As part of our commitment to ensuring the integrity of financial reporting and safeguarding public interest, the Financial Reporting Council (FRC) is introducing the rule 14 to clarify and strengthen the responsibilities of external auditors when responding to non-compliance or suspected non-compliance with law and regulations.

A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. When responding to non-compliance or suspected non-compliance, the objectives of the professional accountant are:

- (a) To comply with the principles of integrity and ethical professional behavior.
- (b) To alert management or, where appropriate, those charged with governance of the client, to seek to:
 - (i) Enable them to rectify, remediate or mitigate the consequences of the identified or suspected non-compliance; or
 - (ii) prevent or deter the company from non-compliance when it has not yet occurred; and
 - (iii) to take such further action as appropriate in the public interest.

The current international Auditing and Assurance Standards (ISA) 250 and International Code of Ethics for professional Accountants (IESBA) require the External Auditor to identify the non-compliance with laws and regulation that have a direct and material effect on the financial statements. These standards have few requirements related to the auditors' identification of non-compliance (which has an indirect effect on the financial statements).

Some sections of this standards guide the account in assessing the implication of the matter and the possible courses of action when responding to non-compliance or suspected non-compliance with:

- (a) Laws and regulations generally recognized to have a direct effect on the determination of material amount and disclosures in the client's financial statements; and
- (b) Other laws and regulations that do not have a direct effect on the determination of the amount and disclosures in the client's financial statements, but which compliance with, might be fundamental to the operating aspect of the client's business, its ability to continue its business, or to avoid material penalties.

Key observations:

Our experience has indicated that laws and regulations considered to have indirect effects on the financial statements, such as anti-money laundering regulation and environmental regulations, among others, can lead to substantial fines and penalties if violated. Moreover, our outreach has also indicated that the distinction in dividing illegal acts into categories of those with direct effects and those with indirect effects on the financial statements as been a source of confusion in investors and auditors. The auditing standards have historically use the distinction to limit the auditors' responsibilities – such that the auditor need only perform certain audit procedures depending on the category.

The Rule

The Council believes that removing this distinction will improve the auditor's identification of a company's noncompliance with laws and regulation which could have a material effect on he financial statements, potentially resulting in the auditors conducting better risk assessments, and in turn, designing and implementing better response to the identified risk of material misstatement due to noncompliance with laws and regulations, and, in doing so, better protect investors.

One of such instance in signing financial statements with invalid FRC registration number or where a reporting entity is having outstanding compliance issue as a result of an ongoing inspection and monitoring program. This render such financial statements invalid and shall not be accepted by any regulatory agency of government in Nigeria.

Consequences upon the above, the Council hereby makes it mandatory for auditors to ensure that 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, with direct or indirect effects on the financial

statements and operations of entities are complied with by their clients.
Specific Requirement for External Auditors

1. **Verification of Compliance:** External auditors shall ensure that their clients comply with all relevant sections of the FRC Act 2011 (as amended), Regulation, Codes, Rule Guidelines and guidance currently in force and as may be issued from time to time – whether these have direct or indirect effect on financial statements and operations.
2. **Confirmation Before Signing Audit Opinions:** Auditors shall confirm that the reporting entity and all signatories to the financial statements have fulfilled their statutory obligation to the 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.

By requiring External Auditors to identify, communicate and ensure compliance with relevant FRC's Laws, Rules and Regulations, entities would be encouraged to take more timely remedial actions and thereby reduce investment risk caused by legal and regulatory penalties.

Implication for Non-Compliance

Any auditor that fails to confirm compliance before signing audit opinions contravenes this rule and shall be sanctioned in line with the council's Operational Guidelines for Inspection and Monitoring of Auditors, Other Assurance Provider and Audit Committee Members 2020.

Effective Date:

This Rule becomes effective on 1st January, 2025.

Signed
Management
22nd January 2025



FINANCIAL REPORTING COUNCIL OF NIGERIA

WE PROMOTE TRADE AND INVESTMENT IN NIGERIA

BY ENSURING HIGH STANDARDS OF FINANCIAL REPORTING
AND CORPORATE GOVERNANCE IN ORDER TO PROTECT:
INVESTORS & OTHER STAKEHOLDERS' INTEREST

Develop | Publish | Monitor | Enforce Compliance with

Accounting, Auditing, Actuarial, Valuation, and Corporate
Governance Standards to be observed by Public Interest
Entities (PIES) In Nigeria

LAGOS OFFICE

4th and 5th Floors, Alexander House,
Plot 8, Otunba Jobi Fele Way (By Japaul House)
Central Business District, Alausa, Ikeja, Lagos

ABUJA OFFICE

NIPC Building, 3rd Floor, Block B
Plot 1181, Aguiyi Ironsi Street
Maitama District, Abuja
Tel: 234 7074603193

Tel: +234 7074603191, +234 7074603192
enquiries@frcnigeria.gov.ng
www.frcnigeria.gov.ng



... the Conscience of Regulatory Assurance



FINANCIAL REPORTING COUNCIL OF NIGERIA

The first batch of **8,000 copies** of the
Financial Reporting Council of Nigeria Rules 1-14
for the period 2016–2025,
published in December 2025.

www.frcnigeria.gov.ng

... the Conscience of Regulatory Assurance

www.frcnigeria.gov.ng

LAGOS OFFICE

4th and 5th Floors, Alexander House,
Plot 8, Otunba Jobi Fele Way (By Japaul House)
Central Business District, Alausa, Ikeja, Lagos

Call our Numbers:

+234 908 899 9800

+234 908 899 9789

+234 908 899 9802

+234 908 899 9819

For enquiries, send mail to
enquiries @frcnigeria.gov.ng and info@frcnigeria.gov.ng

ABUJA OFFICE

NIPC Building, 3rd Floor, Block B
Plot 1181, Aguiyi Ironsi Street
Maitama District, Abuja

