
**Intergovernmental Working Group of Experts on
International
Standards of Accounting and Reporting
(ISAR)**

32nd SESSION

4 - 6 November 2015

Room XVIII, Palais des Nations, Geneva

Friday, 6 November 2015

Morning Session

**Guidance on good practices in the area of compliance
monitoring and enforcement**

Presented by

Jim Obazee

Chief Executive Officer

Financial Reporting Council, Nigeria

*This material has been reproduced in the language and form as it was provided.
The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.*

*Guidance on Good Practices in the area of Compliance
and Enforcement in achieving high quality reporting*

by

OBAZEE JIM OSAYANDE



FRC: The conscience of regulatory assurance



Implementing effective compliance monitoring and enforcement mechanism

- ✓ Economic institution *that can persuade the legal foundation* of an economy:
 - *Legislation: FRC Act, Sarbanes Oxley Act, etc*
- ✓ Sound statutory systems of financial and corporate governance:
 - Self-enforcement by companies during the preparation of financial statements.
 - approval of financial statements (by audit committees, boards of directors and Annual General Meetings of Shareholders).
 - Statutory audit of financial statements.
 - Analysis provided by the public and press.
 - Market forces that punish companies for poor disclosure.
 - Institutional oversight system/Inspection guidelines.
 - Courts; through sanctions and/or complaints.
 - Reward: Integrated reporting.

The role of monitoring of compliance and enforcement

- a) protect investors and other stakeholders interest;
- b) ensure good corporate governance practices in the public and private sectors;
- (d) *ensure accuracy and reliability of financial reports and corporate disclosures, pursuant to the various laws and regulations currently in existence; etc*

Cross Border Cooperation

- There must be Legislative provision.

FRC Act in Nigeria allows the Council to cooperate with, or become a member or an affiliate of any international body, the objects or functions of which are similar to, or connected with those of the Council.

- Other arrangements:

- ✓ IFIAR

- ✓ PCAOB's International Auditor Regulatory Institute

Challenges:

- **Regulation will not be effective if:**
- there are no proper “rules of conduct of business regulation” to encourage information disclosure, honesty and integrity, fair business practices; competency; and accountability.
- there is weak enforcement which fails to impose sanctions for non-compliance or penalise defaulters;
- the system permits regulatory forbearance because of political pressures;
- the legal framework does not support enforcement of contracts;
- accounting, auditing, valuation, actuarial and other professional standards are not uniform, or are weak and unreliable.
- The ability of the prominent few to flout the law demoralizes those charged with enforcement and creates a culture in which legal observance is optional.

Good Practices in addressing challenges to effective national MCE&E

- Synergies between prudential oversight and other sectors
- establish systems, schemes or engage in any relevant activity, either alone or in conjunction with any other organization or agency, whether local or international, for the discharge of monitoring functions.
- **Regulators are expected to, generally, collaborate and be there to administer the law as it applies to entities within the boundaries of their enabling laws.** They can:
 - encourage the development of extra-legal or alternative avenues for dispute resolution;
 - establish market-based but independent dispute resolution systems; and
 - treat the maintenance of in-house regulators complaints systems as a non-negotiable component of collaboration.

The aim in these cases is that disputes never get to court because they are fairly settled long before there is need.

Maintaining Consistency in high quality control

- Annual quality reviews conducted for professional Accountants that audit more than 20 public interest entities.
- Harmonisation of regulatory standards to ensure that the principle of “same business, same risk, same rules” is applied in the development and implementation of regulation to minimise risk transference among related affiliates based solely on regulatory arbitrage;
- consideration of consolidated supervision so that tracking risks and exposures is manageable; and
- Develop methodology and approaches to effectively regulate and supervise “mega” conglomerates and cross border flows.
- Regular education of key stakeholders.

Conclusion

- A fish is as clean as the ocean it swims.

