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**Key foundations for high-quality reporting: Good practices
of monitoring and enforcement, and compliance**

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COMPLIANCE AND ENFORCEMENT MECHANISM
for corporate reporting regulations

by

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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.

Good Practices in providing Funding for Enforcement Institutions

- The funding practice must be such that can protect the independence of the institutions.

✓ In my Jurisdiction:

- (a) every registered professional pays a certain amount annually;
- (b) every publicly quoted company, an amount based on its market capitalization, annually
- (c) every public interest entity other than those covered by paragraph (b), an amount based on its annual turnover.
- (d) budgetary allocations and subventions from the Federal Government;
- (e) fines and penalties imposed by the Council;
- (f) fees charged for services rendered by the Council;
- (g) rents, fees and other IGR from services provided by the Council; etc

✓ USA

The issuer Accounting Support Fees

✓ UK

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.

Synergies between prudential oversight and other sectors

- The FRC Act provides that the Council can establish such 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 its 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.

Trend in compliance and enforcement actions

- **Conducting regulatory collaboration in a transparent manner offers certainty through the use of techniques such as the regulatory ladder, using conduct as a key performance indicator, and publicly imposing sanctions when institutions fall short of prescribed standards and norms. (BOI, CBN, Cadbury, Mobil, Prestige Assurance, etc)**
- 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.
- Autonomy is also an issue; with some regulators lacking the autonomy to enforce the law. Regulatory agencies, operating as departments of Ministries that have several other strategic mandates, are neglected, under-funded and vulnerable to political directives.

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

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.

Conclusion

- It hurts everyone who depends on the integrity of the regulator when the regulator compromises.

