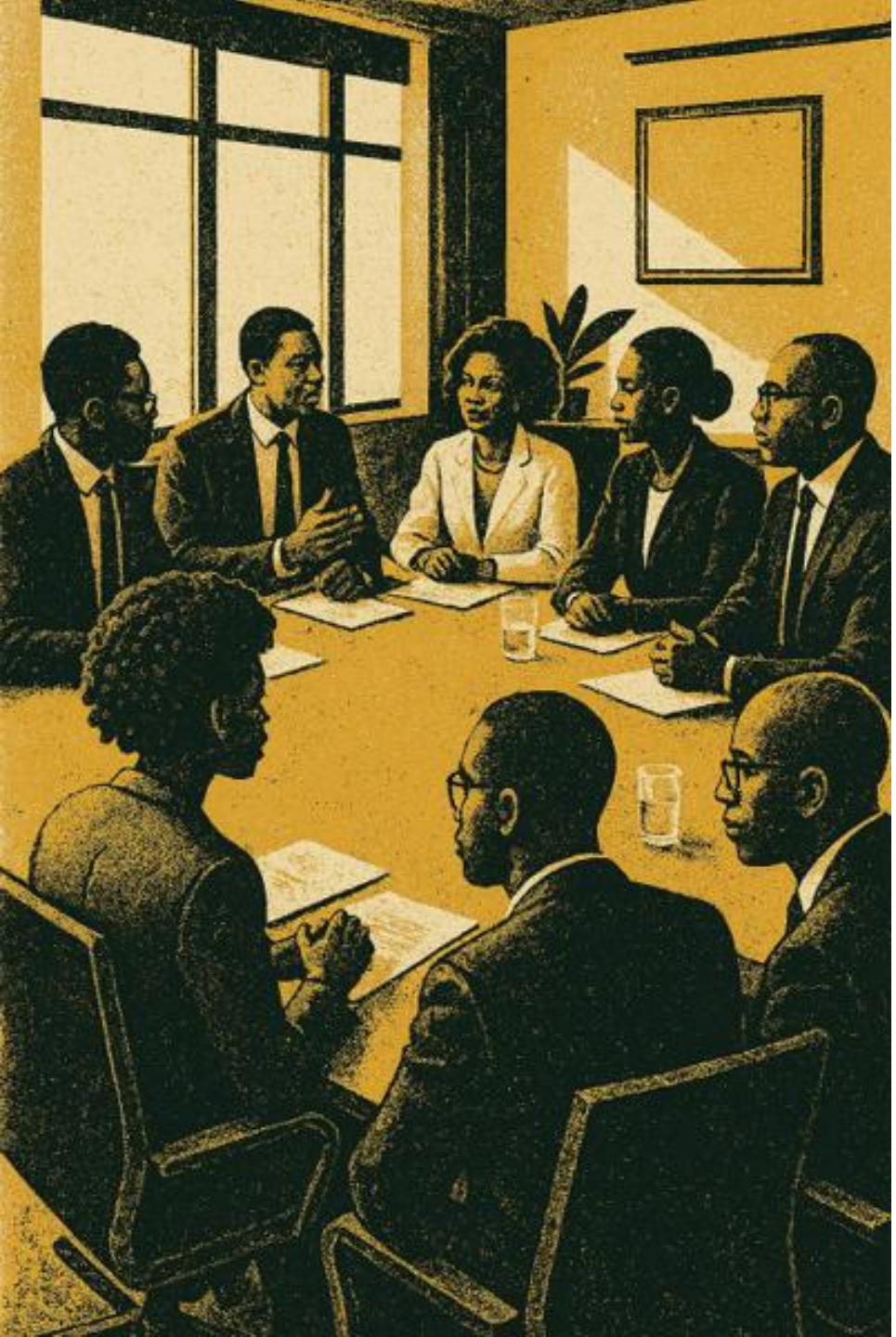
Corporate Governance and Ethics: FRCN and IFAC

Nigeria’s code and global ethics for accountants



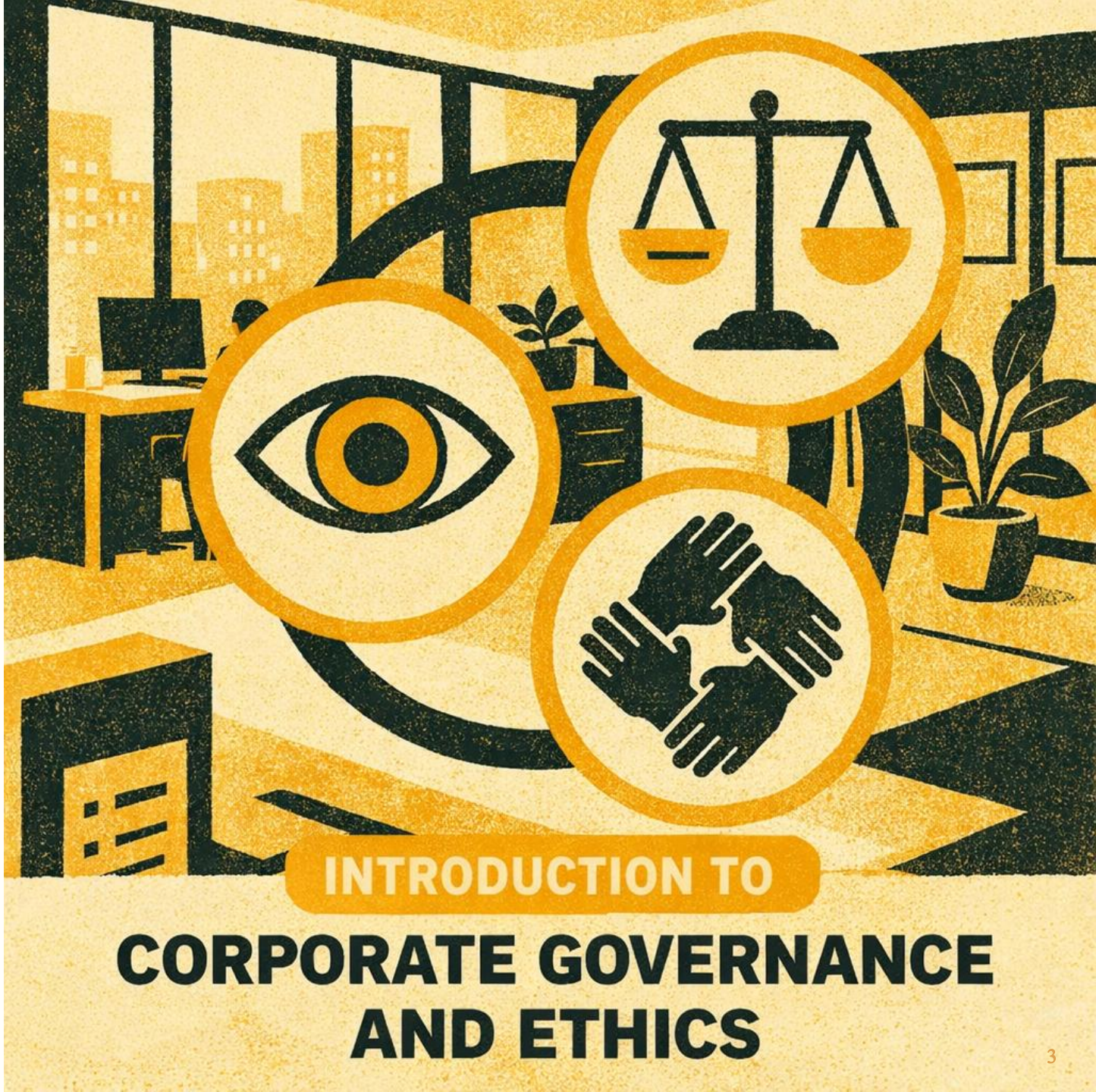


Agenda

- Overview of Corporate Governance in Nigeria
- Corporate Governance Code by the Financial Reporting Council of Nigeria (FRCN)
- Key Components of the FRCN Corporate Governance Code
- Implementation and Compliance with the FRCN Code
- IFAC Code of Ethics for Professional Accountants
- Impact of Ethical Codes on Professional Accountants and Corporate Governance
- Conclusion

Introduction to Corporate Governance and Ethics

Corporate governance and professional ethics are foundational to trust, transparency and accountability in business and the accounting profession. While **corporate governance codes** guide how organisations are directed and controlled, ethical codes guide how professionals behave while performing their duties. In Nigeria, the **Financial Reporting Council of Nigeria (FRCN)** issues the **Nigerian Code of Corporate Governance (NCCG)**, while globally, professional accountants follow the **IFAC Code of Ethics for Professional Accountants**.



Historical Context of Governance Frameworks in Nigeria

01

Pre-2000 Limited Regulations

Fragmented oversight and minimal formal corporate governance requirements.

02

Early 2000s Reforms

Corporate scandals spurred stronger codes, enforcement, and oversight.

03

2011 FRC Establishment

Financial Reporting Council created to unify standards and oversight.

04

International Alignment

Progressive convergence with global standards for transparency and integrity.

05

2019 NCCG Intoduction

The Nigerian Code of Corporate Governance was created to institutionalise best practices in corporate governance across various sectors.

Role of the Financial Reporting Council of Nigeria (FRCN)



Regulation

FRCN oversees and regulates accounting, auditing, and actuarial practices to ensure compliance with national and international standards.



Standard Setting

Develops and enforces accounting standards and corporate governance codes tailored to Nigeria's environment and aligned with global best practices.



Enforcement

Monitors and enforces adherence to standards, promoting transparency, integrity, and investor protection in financial reporting.

Corporate Governance Code by the Financial Reporting Council of Nigeria (FRCN)

Meaning and Purpose of the Nigerian Code of Corporate Governance (NCCG)

The Nigerian Code of Corporate Governance, issued by the Financial Reporting Council of Nigeria on the 15th January 2019, provides principles and best practices that guide the **leadership, control, and accountability** of organisations in Nigeria. Its main purpose is to promote **ethical business conduct**, protect stakeholder interests, and enhance confidence in the Nigerian business environment.



Objectives of the NCCG

The code aims to:

- Promote effective boards and management
- Encourage ethical leadership and integrity
- Ensure transparency and accountability
- Protect the rights of shareholders and other stakeholders
- Improve financial reporting quality and corporate sustainability

Scope and Applicability

The NCCG applies to:

- Public companies
- Private companies
- Not-for-profit organisations
- Regulated entities (with sector-specific codes where applicable)

The code operates on an "**Apply and Explain"** basis, meaning organisations must apply the principles and explain how they have done so.

Key Principles of the NCCG

a. **Board of Directors:** The board is responsible for providing **strategic direction**, overseeing management, and ensuring accountability. It should be properly structured, with an appropriate mix of executive, non-executive, and independent directors.
b. **Ethical Business Conduct:** Companies are expected to establish a **code of business conduct and ethics**, promote integrity, and prevent corruption, bribery, and unethical practices.

Key Principles of the NCCG

c. **Roles of Key Officers:** Clear separation of roles between the **Chairman and Chief Executive Officer (CEO)** is required to avoid concentration of power.
d. **Risk Management and Internal Control:** Organisations must establish effective **risk management frameworks** and internal control systems to safeguard assets and ensure reliable financial reporting.
e. **Transparency and Disclosure:** Timely, accurate, and comprehensive disclosures are required to enhance stakeholder confidence.

Importance of the NCCG

- Enhances investor confidence
- Reduces corporate failures and scandals
- Promotes sustainable business practices
- Strengthens accountability and governance culture in Nigeria

Key Components of the FRCN Corporate Governance Code

Board Leadership and Structure



Structure

Balanced board with independent directors, clear separation of chairperson and CEO roles, and defined committees (audit, risk).



Roles

Chairperson leads governance, CEO manages operations, committees oversee specialized areas.



Advantages

Reduces conflicts of interest, improves oversight, and strengthens strategic decision-making.



Weaknesses

Potential for role ambiguity, slower decision processes, and challenges in maintaining independence.

Transparency, Disclosure, and Accountability

92%

of Nigerian listed companies improved disclosure frequency after regulatory updates.

Timely, accurate financial and non-financial disclosures and stronger audits are boosting investor trust and valuations in Nigeria’s evolving capital markets.

Risk Management and Internal Controls

Risk management frameworks under the FRCN code require proactive identification, assessment, and mitigation of business risks. Internal control systems must be robust and regularly reviewed to prevent fraud and ensure compliance.

In Nigeria, where operational and regulatory risks are significant, formal risk management is linked to better organisational resilience, reducing the incidence of financial misstatements and corporate failures.

Detailed Text format suits the complex nature of risk management processes and the layered control mechanisms outlined within the code.

Implementation and Compliance with the FRCN Code

Steps for Effective Adoption

01

Board Training

Educate directors on FRCN principles and duties.

02

Policy Integration

Embed code requirements into corporate policies.

03

Stakeholder Engagement

Collaborate with shareholders, staff, and regulators.

04

Monitoring & Technology

Use governance software to track and report compliance.

Challenges and Obstacles to Compliance



Internal Challenges

Limited expertise among boards and resistance to change hinder effective compliance within organizations.



External Challenges

Economic volatility and corruption risks create unpredictable environments, complicating compliance efforts.



Low Impact

Lack of awareness and inadequate enforcement resources have a moderate effect but are easier to address with targeted interventions.



High Impact

Systemic issues like corruption and regulatory gaps pose significant threats to meaningful compliance, especially for SMEs.

Case Studies and Real-World Examples

Stronger Oversight, Better Outcomes

Banks that tightened board oversight saw higher investor confidence and fewer fraud incidents.

Disclosure Gaps Trigger Sanctions

Firms with poor reporting faced regulatory penalties and reputational setbacks.

Practical Takeaways

Transparency and risk management drive financial performance and protect reputation.



IFAC Code of Ethics for Professional Accountants

IFAC: Global Ethics and Standards

Fundamental Principles of the IFAC Code

Five pillars guiding ethical practice



The IFAC Code sets five foundational principles that uphold honesty, impartiality, competence, confidentiality, and lawful conduct—safeguarding the public interest and strengthening stakeholder confidence.

Integrity

Accountants act with honesty and uphold strong moral values in all professional activities.

Objectivity

Professionals remain unbiased and avoid conflicts of interest to ensure fair judgment.

Professional Competence & Due Care

Continuous skill development and diligent service delivery are maintained.

Confidentiality

Sensitive information is protected and not disclosed without proper authority.

Professional Behavior

Compliance with laws and regulations while promoting the

Applicability and Enforcement in Practice

How IFAC's Code is applied in Nigeria

Global recognition, local enforcement

IFAC's Code sets international ethical expectations, but compliance relies on national professional bodies and regulators. Adoption is widespread, yet enforcement mechanisms and rigor vary by jurisdiction.

Nigeria: roles and practices

ICAN and other professional bodies embed IFAC standards in rules and guidance. They deliver training, conduct quality reviews and audits, and run disciplinary processes to promote adherence.

Enforcement challenges

Constraints include limited resources, uneven implementation, and differing practitioner commitment. These factors create variability in monitoring depth, response speed, and overall compliance outcomes.

Impact of Ethical Codes on Professional Accountants and Corporate Governance

Promoting Integrity in Financial Reporting

-37%

Decline in financial misstatement rates where robust ethical codes are enforced. Ethical adherence boosts reporting accuracy, investor trust, and market stability—critical in emerging markets like Nigeria.

"Ethical conduct is the cornerstone of public trust in the accounting profession. Without integrity, our financial systems falter."

— Paul Volcker, former Federal Reserve Chairman

Synergies Between Ethical Codes and Governance Frameworks



Transparency

Ethical codes mandate honest reporting, reinforcing governance standards for openness in disclosures.



Accountability

Professional ethics require answerability for actions, aligning with governance demands for oversight and responsibility.



Conflict Reduction

Ethics minimize conflicts of interest, supporting governance mechanisms for impartial decision-making.



Sustainable Performance

The synergy ensures long-term value creation, as both frameworks prioritize responsible and ethical management.

Conclusion: Strengthening Governance and Ethics for Sustainable Trust

In summary, effective corporate governance in Nigeria, guided by the Financial Reporting Council's Code, combined with the ethical standards set by IFAC, is essential to fostering transparency, accountability, and integrity. Together, these frameworks enhance professional conduct and build trust in financial reporting, contributing to the overall stability and growth of organisations. Embracing these principles ensures long-term success and stakeholder confidence.