

Key Changes to Financial Reporting Council of Nigeria (FRCN) Act

The recent amendments to the Financial Reporting Council of Nigeria (FRCN) Act which came into effect on May 3, 2023, marks a significant stride towards fortifying transparency, accountability, and Corporate Governance, with a specific focus on Public Interest Entities (PIEs). Below are some of the notable changes to the Act.

1. Definition of PIEs:

The definition now covers a broader range of entities which includes:

- a. Governments and government organizations;
- b. Listed entities on any recognized Nigerian exchange;
- c. Regulated non-listed entities;
- d. Public limited companies;
- e. Private companies that are holding companies of public or regulated entities;
- f. Concession entities;
- g. Privatized entities with government interest;
- h. Entities involved in large-scale public works with annual contract sum of N1billion and above and settled from public funds;
- i. Government licensees; and
- j. Entities with an annual turnover of N30 billion and above.

2. Annual Dues:

By virtue of the amendment, payment structures for registered professionals, firms, and PIEs have been revised. Professionals are now required to pay N10,000 while entities will be required to pay between 0.0025% to 0.10% based on their market capitalization and annual turnover.

3. Annual Dues Payment Dates:

Specific payment deadlines have been introduced. 60 days from January 1 for professionals and 120 days from the financial year end for PIEs and other qualified entities.

4. Penalties for Non-payment:

The amended Act has prescribed penalties for non-payment, including cumulative monthly penalties and prosecution as well as sanctions for defaulting agents, officers, or personnel engaged in financial reporting processes.

5. Registration of Professionals:

Per the 2011 Act, a person holding any appointment or offer professional services to PIEs for remuneration must register with the FRCN. The amended Act provides that the registration is renewable annually.

6. Penalties for Unregistered Persons:

Enhanced penalties of up to N5 million or 6 months prison term for unregistered individuals providing services to PIEs.

7. Adoption of Accounts and Reports:

Expanded scope for the FRCN to adopt accounts, financial reports, and annual returns under additional Acts.

8. FRCN Inspection Powers:

Removal of the requirement for consent from PIEs under investigation for inspection of relevant documents. Increased enforcement powers, including cooperation with law enforcement agents and the use of reasonable force.

9. Obstruction Offenses:

Revised penalties for obstructing FRCN inspectors, with fines or penalties up to N5 million, as prescribed by regulation, or imprisonment for a term not exceeding 6 months, or both.

10. Sanctions for Non-compliance:

Stricter penalties for non-compliance with prescribed standards, decisions, or laws, including fines up to N10 million or imprisonment for up to 2 years.

11. Pre-trial Notice:

Introduction of a 30-Day Pre-trial Notice requirement before bringing legal action against the FRCN, specifying cause of action, claim particulars, plaintiff details, and relief sought.

Submitting Annual Financial Statements:

To comply with the amended FRCN Act, entities are required to follow these steps for submitting annual financial statements to the Financial Reporting Council (FRC):

- i. The Financial Statements must be certified by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO);

- ii. The certifying CEO/CFO must certify the financial statements indicating their Financial Reporting Council (FRC) registration numbers;
- iii. Accordingly, the CFO providing certification must be a professional member of an accounting body established by Act of National Assembly in Nigeria;
- iv. The public interest entity shall disclose the details of any professional providing any form of assurance service on the financial statements; details shall include the name of the professional, name of the professional firm or entity and the FRC registration number of the professional and firm as well as a summary of the service(s) rendered;
- v. The Council shall receive copies of the financial statements of Public Interest Entities from preparers within 60 days of the approval of the Board;
- vi. Where a public interest entity files any financial statements and report with any government department or authority like the Corporate Affairs Commission (CAC), the entity shall also file a copy of the financial statements and reports with the Council within 30 days of such filing.

Action Steps:

We advise that affected entities consider the following action steps:

- i. Review and ensure compliance with the amended FRCN Act, 2023.
- ii. Adhere to new payment deadlines for Annual Dues.
- iii. Implement enhanced internal controls to prevent non-compliance.
- iv. Legal departments should be aware of the Pre-trial Notice requirement for any legal action against the FRCN.

For further discussion and assistance with filing any of your organization's compliance to any Regulatory body, as well as providing you with Board Evaluation and Nominee services, please contact us at contact@firstfiduciary.ng

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