

FINANCIAL

REPORT

COMPLIANCE GUIDE: FINANCIAL REPORTING COUNCIL ACT REQUIREMENTS FOR PUBLIC INTEREST ENTITIES (PIES)

Introduction

The Financial Reporting Council (FRC) Act of 2011, as amended in 2023, establishes a robust framework for financial reporting and corporate governance for Public Interest Entities (PIEs). The Act mandates PIEs to implement and maintain an internal control system over financial reporting (ICFR), ensuring reliability, transparency, and adherence to Generally Accepted Accounting Principles (GAAP).

Effective January 21, 2025, the Financial Reporting Council of Nigeria (FRC) has introduced the National Repository Portal (NRP) to enhance compliance and streamline the financial

reporting process for PIEs. This guide provides a detailed overview of the compliance requirements imposed on PIEs under the amended Act.

Expanded Definition of Public Interest Entities (PIEs)

Prior to the 2023 Amendment Act, the FRC attempted to extend its regulatory oversight to private companies, which was challenged in court. In *FHC/L/CS/1430/2012 Eko Hotels Limited v. FRCN* (unreported), the Federal High Court ruled that the FRC could not extend its powers to regulate private companies that were outside its statutory purview. In that case, the FRCN argued that Eko Hotels Limited (EHL) must comply with the Act because it is regulated by the Nigerian Tourism Development Corporation (NTDC). However, EHL argued that it is not a PIE because the NTDC Act does not impose mandatory filing obligation on hotel operators. The Federal High Court agreed with EHL's position.

The Amendment Act has now broadened the scope of PIE to include the following categories of private companies, which is not an exhaustive list:

1. Non-listed regulated entities which includes, entities that are regulated by the following regulators:
 - a. Central Bank of Nigeria;
 - b. National Insurance Commission;
 - c. National Pension Commission;
 - d. Nigerian Upstream Regulatory Commission;
 - e. Nigerian Midstream & Downstream Petroleum Authority;
 - f. National Health Insurance Authority;
 - g. Nigerian Communications Commission;
 - h. National Broadcasting Commission;
 - i. National Universities Commission;
 - j. National Board of Technical Education;
 - k. National Commission for Colleges of Education;
 - l. Nigerian Electricity Regulatory Commission;
 - m. Securities and Exchange Commission;
 - n. Nigerian Civil Aviation Authority;
 - o. National Agency for Food and Drug Administration and Control;
 - p. National Automotive Design and Development Council;
 - q. Nigeria Shippers Council;
 - r. Nigeria Port Authority;
 - s. Infrastructure Concession Regulatory Commission;
 - t. Estate Surveyors and Valuers Registration Board of Nigeria; and
 - u. Nigerian Tourism Development Corporation.
2. Private companies that are holding companies of public or regulated entities.
3. Concession and privatized entities where the government retains an interest.
4. Government contractors handling public works worth NGN 1 billion or more.
5. Licensees of government, such as banking and petroleum exploration companies.
6. Entities with an annual turnover of NGN 30 billion or above.



Key Compliance Requirements for PIEs

1. **Registration with the Financial Reporting Council (FRC)**
 - All PIEs must be registered with the FRC to ensure compliance with financial reporting standards.
 - Chief Financial Officers (CFOs) and Chief Executive Officers (CEOs) of PIEs must also be registered, with their FRC numbers disclosed in financial documents.
 - Professionals offering services to PIEs are required to renew their registration with the FRC annually. Failure to comply attracts a penalty of NGN 5 million and/or imprisonment for up to six months.
2. **Financial Statement Submission**
 - PIEs must file their financial statements and reports with the FRC within **60 days** of board approval.
 - Any financial statements submitted to other government departments or regulatory authorities must also be filed with the FRC within **30 days**.
 - Non-compliance with these filing requirements may result in a penalty of NGN 10 million or imprisonment for up to two years.
3. **Internal Control Over Financial Reporting (ICFR)**
 - PIEs must include an attestation report from external auditors on the effectiveness of their ICFR as part of their annual report.
 - Reporting must be aligned with the FRC's guidance on internal controls over financial reporting.
 - The board of directors must evaluate the effectiveness of ICFR periodically to ensure compliance.
4. **Notification of Auditor Changes**

- PIEs must notify the Audit Quality Review Team of the FRC regarding any statutory change in auditors, as per the Audit Regulations of 2020.
5. **Corporate Governance and Board Evaluation**
- PIEs are required to conduct annual performance evaluations for the board, its committees, the chairman, and individual directors.
 - An independent external consultant must facilitate these evaluations at least once every three years.
6. **Adherence to FRC Standards and Regulations**
- PIEs must comply with the following regulatory frameworks:
 - FRC Rules
 - Audit Regulations, 2020
 - Nigerian Code of Corporate Governance (2018)
 - Financial Reporting Council of Nigeria (Amendment) Act, 2023
 - Regulations for Inspection and Monitoring of Reporting Entities
 - A failure to comply with these regulations may attract significant penalties, including fines of NGN 50 million and a mandated restatement of financial statements.

Exemptions from Compliance

While most entities are required to comply with the FRC regulations, certain categories are exempted, including:

- Small Companies as defined under the Companies and Allied Matters Act (CAMA) 2020.
- Unit Microfinance Banks regulated by the Central Bank of Nigeria (CBN).
- Insurance Brokers.
- Non-tertiary educational and healthcare institutions.
- Any other category as may be determined by the FRC from time to time.

Impact on Nigerian Businesses

The amended Act's reclassification of most Nigerian businesses as Public Interest Entities (PIEs) has far-reaching implications:

- **Increased cost of compliance:** The increased annual charges significantly raised the cost of regulatory compliance. Private companies now classified as PIEs must pay fees based on their annual turnover, which may not be affordable for many businesses. This added financial burden could also discourage expansion and potentially force smaller companies to shut down.
- **Regulatory Complexity:** A new classification and associated fees have been added to the already complex regulatory environment in Nigeria. Companies must now navigate additional compliance requirements, audits, and financial reporting standards, which will increase the administrative burdens.

Schedule of Payments for Registration and Annual Subscription with FRCN

REGISTRATION OF INDIVIDUAL PROFESSIONALS

PROFESSIONAL CATEGORIES	REGISTRATION FEE	ANNUAL SUBSCRIPTION
CFO (Chief Financial Officer)	N50,000	N50,000
Governance	N50,000	N50,000
Directors	N50,000	N50,000
Assurance	N50,000	N50,000
CFO, Governance	N100,000	N100,000
CFO, Directors	N100,000	N100,000
CFO, Assurance	N100,000	N100,000
Governance, Directors	N100,000	N100,000
Governance, Assurance	N100,000	N100,000
Directors, Assurance	N100,000	N100,000
CFO, Governance, Directors	N150,000	N150,000
CFO, Directors, Assurance	N150,000	N150,000
Directors, Governance, Assurance	N150,000	N150,000
CFO, Governance, Assurance	N150,000	N150,000
Directors, CFO, Governance, Assurance	N200,000	N200,000

REGISTRATION OF PROFESSIONAL FIRMS

REGISTRATION FEES

a. Audit Firms

S/N	Category of Audit Firm	Number Partners	Registration Fee
A.	Big Firms	10 & above	N2million
B.	Medium Firms	4-9	N500,000
C.	Small Firms	1-3	N10,000

b. Other Assurance Service Firms

A flat rate of N50,000

ANNUAL DUES

Annual dues are effective from year 2023 based on 2022 revenue (preceding year basis) as follows:

a. Audit Firms

REVENUE FROM AUDIT & OTHER ASSURANCE SERVICES OF THE PRECEDING YEAR	ANNUAL DUES
N 5billion and above	0.360%
Above N3billion but less than N5billion	0.355%
Above N2billion but less than N3billion	0.350%
Above N1billion but less than N2billion	0.345%
Above N5million but less than N1billion	0.340%
Equal or less than N5million	N10,000

b. Other Assurance Service Firms

N100,000 per annum

REGISTRATION OF COMPANIES/ENTERPRISES

This category is for private limited companies (Ltd), public limited companies (Plc) and businesses, excluding businesses that provide assurance services.

REGISTRATION FEES & ANNUAL DUES

Registration fee is an amount equal to the company's/enterprise's last 5 years annual dues calculated as follows:

a. LISTED COMPANIES

MARKET CAPITALIZATION OF THE PRECEDING YEAR	ANNUAL DUES
N1billion and below	0.10% of mkt cap or N500,000 whichever is higher
Above N1billion, but not more than N5billion	0.04% of mkt cap or N2million whichever is higher
Above N5billion, but not more than N100billion	0.004% of mkt cap or N3.5million whichever is higher
Above N100billion, but not more than N250billion	0.004% of mkt cap or N10million whichever is lower
Above N250billion, but not more than N500billion	0.003% of mkt cap or N15million whichever is lower
Above N500billion, but not more than N1trillion	0.0025% of mkt cap or N20million whichever is lower 0.002% of mkt cap or N25million whichever is lower
Above N1trillion	0.002% of mkt cap or N25million whichever is lower

b. OTHER COMPANIES/ENTERPRISES

TURNOVER OF THE PRECEDING YEAR	ANNUAL DUES
N25million and below	0.02% of annual turnover
Above N25million but not more than N50million	0.025% of annual turnover
Above N50million but not more than N500million	0.03% of annual turnover
Above N500million but not more than N1billion	0.04% of annual turnover
Above N1billion but not more than N10billion	0.045% of annual turnover
Above N10billion	0.05% of annual turnover

Conclusion

The amended Financial Reporting Council Act imposes strict requirements on PIEs, ensuring enhanced transparency, accountability, and regulatory oversight. Compliance with these provisions is essential to maintain good corporate governance and avoid significant penalties. The introduction of the National Repository Portal (NRP) is expected to facilitate seamless compliance and improve financial reporting efficiency in Nigeria's corporate landscape.

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