

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA (ICAN)

NON-COMPLIANCE WITH LAWS AND REGULATIONS (NOCLAR)

BY

BEN UKAEGBU

Deputy Registrar, Technical Services

INTRODUCTION

- Result of over six years of extensive consultation, based on a multi-stakeholder approach and stringent due process.
- First time, professional accountants have been permitted to set aside the duty of confidentiality under the Code in order to disclose NOCLAR to appropriate public authorities in certain circumstances.

DEFINITION

NOCLAR is defined as any act of omission or commission, intentional or unintentional, committed by a client or employer, including by management or by others working for or under the direction of the client or employer, which is contrary to prevailing laws or regulations.

The laws and regulations covered, violations of which are acts of NOCLAR, are those that directly affect the clients or the employing organisation's Financial statements or its business in a material or fundamental way.

WHAT IS IT?

- International Ethics standard for Auditors and other Professional Accountants.
- Sets out framework to guide PAs on what actions to take in the public interest when they become aware of a potential illegal act committed by a client or employer.
- Includes clear pathway to disclosure of NOCLAR to appropriate public authorities in certain circumstances.
- Effective July 15, 2017. Early adoption is permitted.

THE CODE

The IESBA Code of Ethics plays a unique role in supporting the accountancy profession in acting in the public interest.

WHY WAS THE STANDARD DEVELOPED?

Responds to the following key public interest concerns:

- The duty of confidentiality in the Code acting as a barrier to the disclosure by PAs of potential NOCLAR to public authorities in the appropriate circumstances.
- Auditors simply resigning from client relationships without NOCLAR issues being appropriately addressed.
- A lack of guidance to help PAs in working out how best to respond to potential NOCLAR, a situation that may often be difficult and stressful.

WHY IS IT IMPORTANT?

- Stimulate greater accountability among organisations
- Help protect stakeholders and the general public from substantial harm resulting from violation of laws and regulations,
- Strengthen the reputation of the profession.
- Positions the profession for a greater role in the global fight against NOCLAR, such as financial fraud, money laundering and corruption.

WHAT OUTCOMES IS THE STANDARD SEEKING TO ACHIEVE?

- **ENHANCED ETHICAL CONDUCT**

- Clarifies that turning a blind eye to potential NOCLAR is not an appropriate response from PAs
- Renewed emphasis on the roles of management and those charged with governance in addressing the matter,
- Increases awareness and understanding among PAs of their legal and regulatory responsibilities when they face NOCLAR,
- Help to stimulate increased reporting of NOCLAR to public authorities pursuant to reporting requirements in law or regulation.

WHAT OUTCOMES IS THE STANDARD SEEKING TO ACHIEVE Cont...?

- **PROTECTION FOR STAKEHOLDERS AND GENERAL PUBLIC**

Stimulates PAs to take a proactive role in responding to NOCLAR, which can lead to;

- an earlier response by management or those charged with governance, thereby mitigating adverse consequences for stakeholders and the general public
- deterring potential NOCLAR, thereby helping to lower rates of NOCLAR for the greater benefit of business and society
- timelier intervention from public authorities on reports of potential NOCLAR from PAs

WHAT OUTCOMES IS THE STANDARD SEEKING TO ACHIEVE Cont...?

- **ENHANCED ROLE AND VALUE OF THE ACCOUNTANCY PROFESSION**
 - enables the profession to play a greater role in the fight against significant NOCLAR, such as financial fraud, money laundering and corruption
 - enhances the profession's reputation as a guardrail for trustworthy organisations and a healthy global financial system.

EXAMPLES OF NOCLAR

Examples of the range of laws and regulations covered include those that address:-

| Money Laundering | Public Health and Safety | Securities Markets | Bribery |
|--------------------|--------------------------|-----------------------------|---------------------|
| Financial Products | Financial Services | Banking | Proceeds of Crime |
| Data Protection | Fraud | Corruption | Terrorist Financing |
| Securities Trading | Environmental Protection | Tax and Pension Liabilities | |

WHO WILL BE AFFECTED BY THE STANDARD?

The standard applies to all PAs:

- Auditors and other PAs in public practice
- PAs in business who are in senior-level roles – directors, officers, or senior employees in their employing organisations
- Other PAs in business
- Those with whom PAs may raise NOCLAR matters will also be directly affected – including those in management positions or boards of directors, and regulators or other public authorities.

CONCLUSION

- **CALL TO ACTION!**

- The IESBA alone cannot make a difference. All links in the financial reporting supply chain, especially management and those charged with governance, have an important role to play in preventing and bringing to light potential acts of NOCLAR.
- Governments, legislators and regulators are uniquely placed to introduce or strengthen legislation or regulation governing the reporting of NOCLAR, appropriately tailored to their national circumstances, including establishing appropriate protections for whistle-blowers.

CONCLUSION Cont...

- **CALL TO ACTION!**

- National standard setters and professional accountancy organisations should review their national ethics standards or codes of ethics and consider actions to adopt or promulgate provisions that are at least as robust as the IESBA's NOCLAR standard.
- Legislators, regulators, accounting firms, professional accountancy organisations, academic institutions and other stakeholders should work toward helping PAs become more aware of and better understand their legal, regulatory and ethical responsibilities regarding responding to NOCLAR

CONCLUSION Cont..

- **CALL TO ACTION!**

- Regional and international organisations with an interest or a role in ensuring that NOCLAR is addressed effectively can stimulate dialogue, coordination and progress on the topic.
- The IESBA encourages other professions
 - to reflect on this new standard of ethical conduct for the accountancy profession
 - consider working toward a similarly global standard of ethics for their members in the public interest

ICAN'S REACTION

- The governing Council of the Institute has adopted NOCLAR as issued by IESBA and on 15th July 2017, the President of the Institute, Mallam Isma'ila Muhammadu Zakari, held a Press Conference to announce the ICAN adoption of the Code.

In every speech, both in Nigeria and outside, the President has committed members of the Institute to the Code.

*Thank
you*

