

ICAN



# *The Nigerian* **ACCOUNTANT**

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## **SECURING OUR SHARED FUTURE: A COLLECTIVE RESPONSIBILITY**



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## From The Editor

The Institute at its 48<sup>th</sup> Annual Accountants' Conference gathered professionals from various walks of life to discuss how secure the future which is believed to be a collective responsibility. This became imperative due to changes in the fundamentals of business and concept of development with considerations for the present and future generations simultaneously occupying the front seats in social, economic, political and cultural discourses.

The theme of the conference, **"Securing our Shared Future: A Collective Responsibility"** and other workshop and plenary presentations were pointers to ICAN's determination to think and plan ahead for the future of accountancy and the Nigerian economy.

Declaring the conference open, President Muhammadu Buhari who was represented at the Conference by the Minister of Budget and National Planning, Senator Udo Udoma, was on the same page with ICAN, as he appealed to participants, especially the Accountants to continue to support the anti-corruption stance of his administration through their special skills.

Buhari also observed that by working closely with the statutory agencies responsible for fighting corruption, ICAN will no doubt assist government to secure the future of the nation.

The President of the International Federation of Accountants (IFAC), Ms. Rachel Grimes in her lead paper entitled **"Securing Our Shared Future: Avoiding the Tragedy of the Commons"**, described Nigeria as a nation richly endowed with human and natural resources which have not been optimally tapped to achieve sustainable development.

She blamed unhealthy politics of governance, poor leadership and tussle for resource distribution as having bad effect on the nation's pace of social and economic development. She also pointed out that the common wealth of the country has been pillaged by a few thereby creating a sense of economic insecurity for an average Nigerian.

There were other presentations such as *"Professional Accountants: Building a Greater Nigeria Through Innovation, Technology and Entrepreneurship"*; *"Tax and Tax Justice: Expanding the Frontier of Public Finance"*; *"SMPs & SMEs: Revving the Economy to Action"*; *"Securing Our Shared Future: Cyber Security Challenge"*; *"Accounting Firms of the Future: Challenges and Opportunities"*; *"Contemporary Issues in Digital Economy"* and *"Corporate Governance, Regulation and Public Trust"* at the conference.

The proceedings of the conference are presented here for your reading pleasure.

Our health page focuses on Diabetes. This is to remind us to give the necessary attention to our health.

Your comments on the various articles, news and other items published in this edition are welcome. Please send them to: [corporateaffairs@ican.org.ng](mailto:corporateaffairs@ican.org.ng) or [editor@ican.org.ng](mailto:editor@ican.org.ng)

# IDE Syndrome: The Untold Story of Business Failures in Nigeria

By F.O. IYOKA



**I** am worried and anyone who says he is not worried about business failure in Nigeria is probably lying. Have you ever imagined the number of 'troubled companies' in the 'portmanteau' of the Asset Management Corporation of Nigeria (AMCON)? Many of the organisations in trouble are family businesses with low survival rate beyond the first generation of founders. There seems to be some degree of entanglement in the belief that lack of funds is always responsible for the failure of businesses, especially those in the first generation of the founders. Anyone credulous enough to believe such stories

needs to be disabused.

The reasons businesses fail are legion. In many cases, lack of funds is a consequence of some 'invisible' mechanisms in the organisation. Organisations that are enmeshed in those traditional beliefs will continue to struggle to prosper so long as they refuse or are unwilling to engage the reverse gear. I have seen many family businesses blossom at infancy, wobble and stagger at midlife and fail thereafter. The causes of failure of most of the businesses are not directly capital related but something else. There is a syndrome that is particularly salient and unique to

family businesses which predispose them to experience failure. This, I describe as the IDE Syndrome – where IDE is *Integration, Differentiation and Elimination by substitution*. It is a disorder of the power of ownership, influence and authority. Once a company experiences this syndrome, success becomes difficult to bed in; and what should have been a signal achievement becomes a myth.

The atmosphere in many family businesses in their early days is one of *integration* where the founders and first generation of employees (both family and non-family members) exhibit a high level of esprit de corps. It is a period of a shared spirit of comradeship, enthusiasm, devotion and loyalty. The relationship at this stage is less formal, cordial and decisions are collectively taken and a sense of ‘stakeholdership’ envelops everyone and the businesses blossom like plants by the river side. This is the glory period of the businesses when employees are excessively emotional and excited and thus get carried away at the expense of their future. It is the period during which the founder of the

sow any seed’ – the phase of incompetence. At this point, one by one, the non-family member employees begin to reminisce and soliloquize: *do I rightly belong to this organisation anymore!* As they agonise, the family member employees take root and the social, political and other fundamentals in the businesses begin to change. New rules and policies come into force especially those that deal with age, promotion and staff retention. The realisation by the non-family member employees that they had wine and dined with founder-despot starts to dawn on them. This has major implications – ego depletion with potential for unethical behaviour, lack of trust which undermines the business climate, motivation, job satisfaction, and performance. Differentiation is a dilemma which has become pronounced following the economic instability in the country with its attendant job insecurity. This has turned many employees to ‘yes men’ who are eager to please their bosses even in circumstances that should dictate otherwise. It is critical at this point to moderate one’s sense of entitlement. This is a time that employees who

are boxed into the corner should ‘wake up’ and shake off the shock. No tree ever yields its fruit without being shaken. Disappointments are part of the recipe for success. Whether you run your own business or work for someone else, you must expect storms at some point

As the alienation advances and the business environment becomes unfriendly, it is already too late for the non-family member employees who have depreciated themselves long enough in appreciating the fortunes of the business to escape unhurt. There is no businessman who will on the basis of sentiments retain an employee who has been fully spent and depreciated. And what next – elimination by substitution.

The family member employees are used to replace the non-family member employees. While this is going on, the lengthening shadow of the founders makes them oblivious of the implicit and explicit costs of the actions – a wider sense of ownership without a commensurate sense of responsibility, commitment, and ethics. These are not easily apparent but in a short while, signs of distress begin to manifest – revenue begins to dip, expenses rise geometrically, and misapplication of resources take the front seat and eventually the business sinks into the abyss. In all of this, capital is not the cause but the exit of high-return employees. As high performers leave and low performers steer the business in the wrong direction, the performance cannot but drag. It is neither a win-win nor a zero-sum game. It is ‘all losers go home’ game. Thus, it is important to always remember that in most family businesses, there is a high degree of structural insensitivity and to sidestep them is a form of ‘madness’ for any employee. It is wisdom to know when to take a glorious exit and foolishness to wait to be tolerated. And to you the founders, take heed; don’t shoot yourselves in the foot. The cost could be enormous. ●

★ Prof. F.O. Iyoha, FCA is a Research Fellow at ICAN.

***“In most family businesses, there is a high degree of structural insensitivity and to sidestep them is a form of ‘madness’ for any employee. It is wisdom to know when to take a glorious exit and foolishness to wait to be tolerated. And to you the founders, take heed; don’t shoot yourselves in the foot. The cost could be enormous”***

business is a ‘people person’ than a commercial operator.

The founders, being fascinated by the growth of the businesses, begin to have false sense of security over the affairs of the organisation and the spirit of *differentiation* sets in. There is nothing ordinarily wrong with staff differentiation. It is a strategy adopted by good organisations in creating more robust value; provided it is not done on the basis of sentiments. But in most cases, this period in the life of businesses is marked by lack of fair play due to nepotism. It is a period during which the founder ceases to be a ‘people person’ to become more operational person and less employees engagement oriented. It is a period where two classes of employees emerge and a distinction is made between family-member employees and non-family member employees. The non-family member employees are those who toiled to help build the businesses while the family member employees are the biological off-springs, friends, and relations of the founders who are brought in to understudy and replace the non-family member employees. The family-member employees need not have the prerequisite for the job as the differentiation is done without regard to the usual business goal of hiring based on merit. They are brought in to ‘reap where they did not directly

# Assessing and Improving Professional Accountants' Ethical Capability

By CRISTINA NEESHAM and EVA TSAHURIDU

Professional accountants are regularly confronted with ethical choices and moral dilemmas in the course of their professional activities. A recent study sheds light on the persistent ethical conflicts, tensions, and pressures that accountants face when doing their work.

The report provides an overview of the ethical challenges faced by accountants and proposes a set of recommendations for ethics training program design that can enhance accountants' capabilities in dealing with ethical issues and identifies a list of ethical capability needs across different contexts.

Ethical capability is the ability to bridge the gap between actual and desirable professional behaviours and is the most relevant indicator and predictor of ethical behaviour in the workplace. Supported by a national competitive grant from CPA Australia's Global Research Perspectives Program, a team of academic researchers surveyed and interviewed Australian accounting professionals about:

1. The main ethical issues they (or their colleagues) encounter in their professional roles;
2. How they (or their colleagues) respond to these ethical issues;
3. How their ethical capability to respond could be improved; and
4. What resources they need to improve capability.

The study surveyed or interviewed 238 accounting professionals in practice or in business, most of whom are members of CPA Australia and Chartered Accountants Australia & New Zealand.

## Key Findings

The main ethical issues confronting accounting professionals are listed in **Table 1**. The actual or potential causes or sources of ethical issues are listed in **Table 2**, with pressure from clients more prominent than pressure from the employing organisation's management or leadership.

Furthermore, when discussing conflicts of interests, respondents expressed concern with systemic problems,

inherent in the structure of the organisation's internal accounting policies or performance incentives.

The most common responses to ethical challenges or pressures to act unethically are listed in **Table 3**. When considering how ethical issues professional accountants face should be dealt with, the research reveals some key elements for individuals, organisations, and professional accountancy organisations.

For individual professional accountants the key responses are:

- Exercise moral courage;
- Seek advice from peers;
- Report issue to management;
- Exercise professional judgment;
- Be aware of issue;
- Document issue in writing; and
- Uphold public interest principle.

In addition, the study summarises the types of support expected by accountants from their professional organisations, employing organisations, regulators, and government in order to better cope with external pressures on ethical and professional decisions.

Although some important expectations were placed on the employer (for example, in terms of upholding accounting standards, building an ethical culture, introducing or improving whistle-blower protection policies and practices, practicing transparency, and applying sanctions), considerably more was expected from professional bodies.

Generally, accountants tend to place a high level of confidence in their professional accountancy organisations, as their role in providing ethics guidance is regarded as considerably more important than the role of government, regulators and, with some qualifications, their own employers.

The key areas of support needed from professional bodies to build or enhance ethical capability were education and training, driving social dialogue, building ethical culture within the profession, strengthening advice services, informing and

Table 1:  
Common Ethical Issues

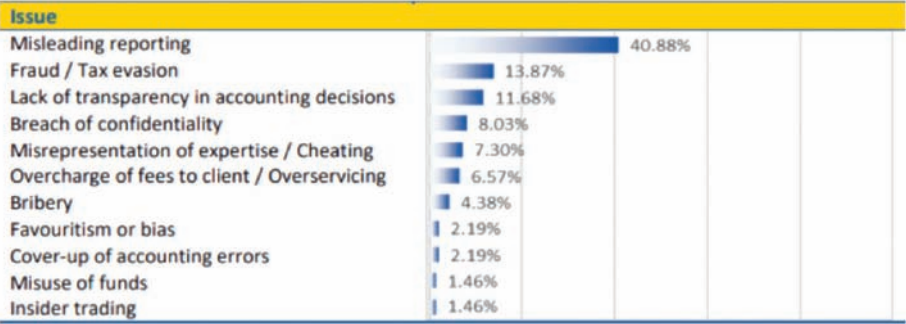
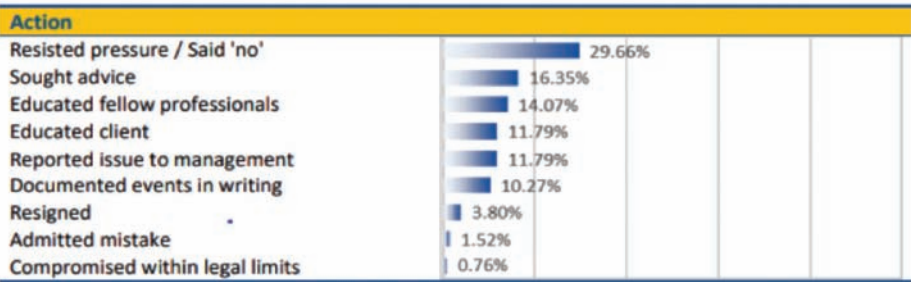


Table 2:  
Common Causes of Ethical Issues



Table 3:  
Common Responses to Ethical Issues



publishing, and resourcing and funding. One of the main concerns of accounting professionals in this research is the fear of losing objectivity in their judgment due to pressures from clients, employers, or other stakeholders. For many this would be equivalent with de-professionalisation or loss of professional identity.

Some categories of organisations and individuals are regarded as more vulnerable to loss of objectivity than others. Smaller firms, for example, were seen as experiencing fear of losing clients more intensely. Reasons invoked were lack of information and resources, less experience in how to design internal controls, and increased isolation from opportunities to obtain advice and guidance.

Among individual practitioners, young accountants at the beginning of their career were also considered a vulnerable group, as they could be more easily influenced into unethical behaviour due to a perceived lack of choice or power.

The ethical capability needs identified in this study can be grouped into three areas:

- **Regulation and enforcement needs:** Improvements in the existing legislation and policies at government

and professional levels — such as strengthening whistle-blower protection and simplifying accounting standards, and maintaining ethics breach investigation services

- **Education and training needs:** Mandatory ethics training; the development of case study banks for experience-based complex ethical situations; the design and delivery of multi-media based ethics training programs; the intensification of associated soft skills training (such as critical thinking, ethical reasoning, communication, and conflict management); and the publication of anonymised real cases of ethical breaches, as well as best ethical practice, with evaluations of ethical issues involved and alternative solutions.
- **Advice and mentoring needs:** Increased availability of professional advice services, maintaining expert ethics hotlines; and coordinating national, state, or local mentoring networks and peer-to-peer resolution groups.

Other policy recommendations include: systemic solutions, openness and transparency in inter-stakeholder communications, peer support, and participation and empowerment.

Overall, research participants clearly indicate that there are many positive attributes of professional accountants and they are generally aware of ethical issues

and solutions but are seeking more support, particularly from their professional organisations, to improve ethical capability and ethical practice.

To enhance the entire ethical regime of accountancy, the profession — including practitioners, employing and professional organisations, regulators, and educators — should work more closely together in order to formulate principles and policies that clearly avoid conflicts of interest situations, emphasise highly internalised (and therefore habitual) ethical behaviours in professional accountants' education and professional development, and design managerial incentives that stimulate such behaviours.

A higher level of coordination is required to achieve this, and professional bodies have a key leading role in making it happen. ●

★ **Dr. Cristina Neesham is Senior Lecturer, Philosophy and Ethics in Management and Organisation, Department of Management and Marketing, Swinburne University of Technology while Associate Professor Eva Tsahuridu is Industry Fellow, School of Accounting, Royal Melbourne Institute of Technology (RMIT) University.**

# Don't Restrict Accounting Firms to Audits Only

By KEVIN DANCEY

Recent news of some high-profile corporate collapses such as the U.K.'s Carillion have, yet again, spurred calls to break up the so-called Big Four accounting firms — Deloitte, EY, KPMG and PwC — to increase competition among them and restrict auditing to 'audit-only firms.' Suggestions that the large global audit networks are too big, too diversified, or too tightly woven into the fabric of financial markets abound.

But these proposals fail to recognise that the growth of these firms into multidisciplinary networks is a direct reflection of the market demand for global reach and specialised expertise required to conduct high-quality audits of today's large, increasingly complex, multinational companies.

The loudest, and perhaps most dangerous call is one that dates back almost a decade — the suggestion that audit firms should only perform audits. Raised by the European Commission in the aftermath of the financial crisis, the audit-only firm idea was rejected at the time as untenable.

The Commission and many others recognised even then, with the damage from the financial crisis still fresh, that splitting auditing from non-auditing businesses would not help enhance audit quality, attract the right talent, or increase competition. It would have the opposite effect, harming the industry as a whole.

Specialists are increasingly central to audits. Rapid technological advances, complex global business models, and the thirst for greater financial disclosure continue to amplify the breadth and complexity of financial statements and their audits. To challenge and probe management, auditors must be able to draw on a range of specialists from big data professionals to experts in taxation, forensics, fraud and valuations.

Moreover, independent audit stakeholder research commissioned in 2016 by the U.K. Financial Reporting Council and Institute of Chartered Accountants of Scotland found that keeping this talent within firms for audit support alone does not provide the depth of experience necessary for successful audits

and is "not a viable business model," because their audit work alone is not extensive enough to retain and develop these experts. The multidisciplinary approach, however, allows these experts to continually hone their skills through non-audit consultancy contracts.

But a multidisciplinary model isn't enough. A high-quality audit also stems from a consistent culture of ethics and integrity throughout the entire firm and across all of its service offerings. Maintaining a full range of expertise in-house is important to ensuring a consistent culture of quality throughout the firm, and such values must be backed up by the right governance, incentives and financial rewards. A firm with one set of values for the audit practice and a different culture or set of values for other business lines is simply not appropriate.

As audits become increasingly complex, sound regulation is an imperative. The public interest goal for audit regulation must always be to ensure that independent, high-quality audits of today's large, complex businesses are delivered to investors and the public. Effective oversight plays a critical role in getting this right.

Such oversight needs to take the form of inspections performed by independent audit regulators, ensure robust auditor independence from any undue influence — whether from clients, interests, relationships or other services — and follow requirements

set by standards boards that are independent of the profession.

The questions being raised in the wake of the corporate collapses are fair, but we should resist the recent call for returning to audit-only firms. The simplicity may sound tempting, but the model itself is out of touch with the reality of large businesses today.

There's nothing simple about them. ●

★ Kevin Dancey is the incoming CEO of the International Federation of Accountants.

Culled from [www.ifac.org](http://www.ifac.org)

***To challenge and probe management, auditors must be able to draw on a range of specialists from big data professionals to experts in taxation, forensics, fraud and valuations***

# Accountancy and Technology: The Journey to Cognitive Intelligence

By KATIE CANELL



**W**ith the rise of artificial intelligence and machine learning, what core steps do firms need to be taken in the move towards cognitive intelligence?

Many companies have woken up to the benefits that artificial intelligence (AI) and machine learning can have on their business. They are now exploring how to implement this new technology in their business but, as many are finding, this is not always a simple process.

The reasons behind the challenge are multi-faceted: organisational structure; historic and complex existing infrastructure and systems; lack of standardisation and integration of data; cultural attitudes towards change; restrictive regulatory environments; and a recognition that there are a new set of risks associated with cognitive technologies which need to be managed. At times, the concept of a fully embedded AI approach can feel a very distant reality and it is easy to overlook the impact

that even small steps can make in this cognitive journey.

At a high level, there are a number of core steps that need to be taken in the move towards cognitive intelligence.

## Step 1: Data Integration

To stay competitive, companies need to be able to quickly and easily access data on the operation and performance of their business. Access to better, more integrated data and the ability to react faster to this information than your competitors gives a company competitive advantage. Data integration and the creation of data warehouses, allowing near real time access to large data sets, are becoming mainstream, creating a strong environment for automation and innovation.

## Step 2: Analytics and Data Visualisation

With an integrated data set easily accessible in a data

warehouse, companies are using analytics to illuminate patterns, insights and opportunities within this data pool. Data visualisation programmes allow management to see the performance of their company in a meaningful and comprehensive visual context. Predictive analytics allow companies to extrapolate trends in their data and identify potential issues before they arise. This allows management to better identify and respond to the financial and operational risks that the company faces.

### Step 3: Robotic Process Automation (RPA)

RPA is the use of software to perform rule-based tasks in a virtual environment, replacing a manual process. Think of it as an Excel Macro running across multiple systems. There is a lot of interest in RPA, particularly by those that employ large numbers of people to process data. RPA is a great way to automate repetitive, time consuming tasks; improving efficiency and allowing staff to focus on more rewarding, higher value activities.

### Step 4: Cognitive Intelligence

The next step in the process is to add AI and machine learning to RPA to allow the software robots to make decisions and further mimic human interactions. Examples of this include natural language processing to read and extract information from documents; machine learning to make decisions based on past experience and huge volumes of data; and natural language generation to automate the writing of reports in human style prose but at the speed of hundreds of pages per second.

### Impact on Accountancy Profession

#### *How is this happening in practice?*

Analytics, RPA and Cognitive intelligence are all seen as ways in which the finance and operational functions can increase their value to the organisations they serve, whilst at the same time reducing associated running costs. From the increasing prevalence of automated controls in an entity, to the automatic creation of month end reports, RPA is allowing finance teams to be more efficient with the resources they have.

Automation is also improving the effectiveness of finance functions. RPA can be set to monitor systems 24 hours a day, seven days a week, allowing for real time responses to inputs. For example, if a customer emails an inbox that a robot is monitoring, asking for a supplier statement, the robot can prepare the required report and send it back to the customer automatically. Or, if a robot is set to monitor loan covenants, the system can calculate the covenants daily and alert management when the entity breaches a set threshold.

Add machine learning and predictive analytics on top of basic RPA, and the power of cognitive technology starts to reveal itself. These programs can ingest large amounts of data and use this to predict when events may occur in the future. In the above loan covenants example, adding machine learning can allow the software robot to predict when covenants might be breached by looking at the past performance of the business, cash inflows and outflows, and other publicly available data. This allows management to be proactive in the management of this risk.

Machine learning is also a great tool in the detection and

prevention of fraud. These programmes can look for unusual patterns in data and the journals being posted to identify and even block transactions that may not be genuine.

### New Risks Associated with RPA and Cognitive Technologies

The use of RPA and cognitive technology brings with it a number of potential risks that need to be addressed.

#### Operational Risks

The concerns around AI bias are well documented. For example, input data provided by developers to train the algorithms used for cognitive technologies may be incomplete, not sufficiently diverse or include innate bias. When you combine these inherent flaws with the high execution speed of bots and AI solutions, there is potential for the bias or error to manifest itself on a large scale, in a very short space of time.

#### Regulatory Risks

Non-compliance with existing regulations is a real risk if the software used to collect confidential or restricted information aren't implemented with strict protection controls. The balance between regulation and innovation is a fine line. Regulating too early or too heavily risks hindering growth, and a change in law or regulation can materially impact early adopters. However regulating too late or too lightly could result in abuse which can be difficult to curtail.

#### Technology Risks

Some AI solutions appear to be a "black box" with limited transparency; the layers of decision making which underpin the workings of the technology and influence the final outcome can be difficult to unpick and evidence. Regular assurance of the algorithms within the "black box" is critical to ensure continued compliance and security of the controls underpinning the AI based decision. This ability to document and re-perform the decision making trail becomes even more critical when you overlay potential for malicious cyber-attacks to influence outcomes.

### How is the Audit Profession Responding?

RPA and cognitive technology is impacting the audit profession in the way we understand our clients' businesses and in the tools that we use to perform our audits.

### An Increased Focus on Internal Control

Understanding our client's business is key to providing a tailored risk focused audit approach. This includes having a strong understanding of the internal control environment and testing of the relevant controls to the audit. RPA and cognitive technologies increase the number of relevant controls in the preparation of the financial statements and audit techniques need to adapt to test those controls and the exceptions that are generated.

We use specialists to help us test these relevant controls focusing on the detail of the code for RPA and cognitive programs to verify they are performing their intended tasks as well as the relevance, completeness and accuracy of the data these bots

consume to test this is appropriate. We also look at access and change management controls to make sure we understand the rational for any changes to the bots over time and to address the cyber risk that exists if – for example – algorithms are hacked or corrupted.

#### Deploying Our Own RPA and Cognitive Technology

We are also deploying our own RPA and cognitive technology to enhance the quality of the audit and to enable us to quickly get to the root of issues and accounting judgements. The deployment of RPA and cognitive technology in the delivery of an audit needs to operate within the parameters of auditing standards and we need to ensure that we have robust controls in place to address the risks outlined above.

Within this context, as repetitive or low judgement areas of audits are automated with the advancement of technology, this opens up opportunities to focus the human effort on those areas that bring most value. For example:

- RPA allows us to more easily extract data from our client systems and reconcile that data to other sources enabling 100% testing of populations.
- The introduction of natural language processing allows us to quickly consume thousands of client documents and contracts to identify key terms that may indicate an item of audit interest. This also allows us to automate the extraction of data from documents such as invoices and tie these back to the general ledger.
- Machine learning helps us to identify patterns in data sets and make predictions. This enhances the way we can test client models for provisions, warranties, impairment or going concern. Additionally, these bots can identify outliers to those models helping us to better identify erroneous transactions in a data set.
- At a more macro level, machine learning helps us to identify risks a certain entity may face by looking at market trends and data, news media and other external factors to predict the impact this may have on our client.

#### A Cognitive Future

Whilst many of the above applications of RPA and AI are already in play, this is just the beginning. Over time more companies – including accounting and auditing firms – will deploy RPA and AI to help them run their businesses more efficiently and effectively. As the embedding of RPA and AI becomes more widespread, this is likely to drive the future development of accounting standards and regulation, as well as the scope of the assurance that the auditor provides. What does this mean for the interaction between human and intelligent machine? In the short to medium term, the best and most successful businesses are likely to focus on effective integration of human intelligence with artificial intelligence. These companies will draw on the respective strengths of both human and machine to achieve an Augmented Intelligence; and in doing so use AI in its fullest sense to achieve their strategic goals. ●

★ Katie Canell is Deloitte Director and Audit Innovation Team Lead.

Culled from [www.accountancyage.com](http://www.accountancyage.com)

# FIRM REGISTRATION: PROCEDURES FOR PAYMENT

## (a) PAYMENT VIA PAYDIRECT

1. Pay the requisite fee of **N10,000** per partner at any commercial bank via **PAYDIRECT** for Firms Registration.
2. If more than one partner, pay for all the partners at once using the Membership number of the most senior partner.
3. Go to the weblink (<http://icanportal.org/members/paymasters/PayDirectIndex>) at the top of the receipt obtained at the bank.
4. Open weblink and insert your Deposit Number and Receipt number to generate PIN and new Serial number.
5. Go to <http://icanportal.org/members/FirmsRegs>
6. Insert PIN, serial number, CAC number and Membership number of the most senior partner of the firm to access the registration portal.
7. Complete the required fields and submit.

## (b) PAYMENT VIA WEB

1. Visit <http://icanportal.org/members/paymasters/Create>
2. Click proceed to register.
3. Click new web payment.
4. Transaction Reference is generated.
5. Insert Membership number, GSM and e-mail (If more than one partner, pay for all the partners at once using the Membership number of the most senior partner).
6. Click Add to select item to pay **N10,000** per partner and insert amount.
7. Proceed to pay with your ATM Card.
8. Proceed to complete your registration and submit.

## (c) PAYMENT VIA QUICK TELLER

1. Pay at [quickteller.com/ican](http://quickteller.com/ican)
2. Go to the weblink ([icanonline-ngr.com/quickteller](http://icanonline-ngr.com/quickteller)).
3. Enter the Payment Reference to generate PIN and new Serial number.
4. Go to <http://icanportal.org/members/FirmsRegs>
5. Insert PIN, serial number, CAC number and Membership number of the most senior partner of the firm to access and complete the online registration form.

# Does Technology Lead to Success in Accountancy?

By JESSE REYNOLDS



**T**echnology has taken hold in the accountancy sector, rapidly transforming the way in which accountants process data, inform business strategy and interact with clients. But while advances in technology have led to widespread efficiency improvements and time savings, technology developments have also given practices and individuals cause for concern.

The potential impact of cloud software on an accountant's service offering is just one of the issues with which accountants are grappling. Other considerations include the long-term relevance of the accountancy role; how to stay ahead of the competition; and how to best leverage the current automation available and artificial intelligence opportunities on the horizon.

## **Differences in How Accounts are Prepared With Modern Cloud-based Software**

Cloud-based software can make things easier and make information much more accessible for us when dealing with clients. But there is a misconception that these products mean you don't need an accountant.

## **Importance of Digging Deeper into the Detail of Company Rather Than Looking at Raw Data Produced by These Pieces of Software**

The service we provide to our clients is far greater than simply number crunching. A great number of our clients are owner-

managed businesses who are looking for help in succession planning, assistance with strategy and making commercial decisions, or tax planning. It is really key to understand what makes them tick in order to do this.

### **Extent of Understanding Business Mechanics to Make Intelligent Recommendations**

It is important to understand the fundamentals of someone's business in order to give the best advice. For example, we often deal with clients who are going through acquisitions, mergers or even dissolution, and you need far more than a profit and loss account and balance sheet in order to guide them through this process let alone to arrive at a reasonable valuation for a business.

If you can't understand what drives income streams and profitability and possible future changes to these, it is difficult to give meaningful advice.

The people aspect is also really key for our clients. The fact that we understand our clients and their issues, we speak regularly with them and that they respect and trust us gives them the confidence that we are giving the best advice. Ultimately, that is the kind of reassurance that software can't provide.

### **Benefits Therein to Cloud Software**

Those types of software can take away some of the more routine and repetitive aspects of data analysis. Sometimes the client can even do some of the work, and it generally helps to make the job more interesting for junior staff. This gives them more opportunity to get involved in more challenging aspects of accountancy work.

Another benefit is that it can be very helpful to access all the information easily. Particularly if you are speaking with a senior person at a client for example, it can make it easier to quickly refer to the specifics of what is going on in their business in order to offer advice.

And ultimately, advisory services are the most challenging and rewarding part for us, and for the practice more profitable.

### **How Much of Your Business is Compliance Based Versus Advisory?**

A lot of the work is still compliance based. Ultimately, throughout a practice like ours it is when you get to a senior level and beyond that you are more involved in the advisory side and dealing with the tax planning and other advisory issues.

Also, there are some clients who frankly prefer a purely compliance based service. Some self-employed clients with simple affairs don't see the need to engage us for anything else. Technology can be really useful for these kinds of clients.

### **Impact of Technology and Initiatives Such as Making Tax Digital on Bottom Line Hiring**

Moving forward, it probably won't affect the numbers of people involved in the accountancy field and who a firm of needs to hire. What it might impact are the skill sets people will use day to day, as the technology will be able to do a lot of the heavy lifting.

### **Impact of Technology on People with Necessary Skills and Experience to Offer advisory and consultative services**

It might mean that in the future there are fewer people who have dealt with the more mechanical aspect of accounts production, but that won't necessarily be a problem as that will be the way the profession moves. There will still be a need for individuals who are commercial, who are good at explaining things to those who aren't accountants, and who can give insightful business advice. An important attribute is also personality; you are after all a trusted advisor.

### **What to Focus on in People and Personality While Hiring, as Opposed to the Technical**

For a firm of average size, it is important that everyone not only fits into the team but has the ability to deal with the clients. Ultimately, that is what an accountancy practice is about; keeping your clients happy and helping them deal with their issues. And that takes the right kind of person.

### **Difference in the Service of Medium-size Firms and Smaller Ones**

Something we often see when taking on new clients who have dealt previously with a smaller practice is that issues are not dealt with as quickly as they could have been. These firms sometimes have more limited resources.

A firm of medium size has the benefit of more breadth and depth in terms of specialist skills; you know you have expert colleagues who can help. You don't need to be doing everything yourself, because you have the relevant resources that you can tap into.

It also means that staff get to work in different areas and spend time with these senior internal people, so they get really good exposure to a variety of situations.

### **Difference between Mid-sized Practice and Larger Firms**

There are quite short reporting lines so you can deal with partners early in your career, and if someone is good enough, there will always be the opportunity for them to step up.

Whilst they can be excellent technically, we have found that sometimes large practices can be very transactional in approach; whereas our clients really value the time we take to develop a strong relationship.

### **Changes Technology will bring to the Accounting Practice**

As mentioned, it will make things potentially easier and quicker for small companies and self-employed people to use technology to speed up the compliance aspects of their accounts.

However, the consultancy aspect and advisory work in practice has always been there, and it will still be absolutely fundamental to the offering we have as a firm in the future. It is something our clients expect and value very highly. ●

★ **Jason Reynolds is a Director in AJ Chambers, the UK's leading public practice employment consultancy.**

*Culled from [www.accountancyage.com](http://www.accountancyage.com)*

## Buhari Seeks ICAN's Partnership on Development

**P**resident Muhammadu Buhari has appealed to members of the Institute to continue to partner with his administration for the development of the nation. He also disclosed his administration's intention to sustain the fight against corruption in order to yield more dividends of democracy.

President Buhari made the appeal in his office in Abuja when the President of the Institute, Alhaji Razak Jaiyeola paid him a



**President Muhammadu Buhari welcoming ICAN President and his team to Aso Rock**

courtesy visit. Buhari used the opportunity to reel out some steps his administration had taken to tackle corruption and ensure transparency.

"In the past three years, this administration has worked hard to enhance transparency and efficiency of public sector financing through the Treasury Single Account. We have also introduced policies that are improving the business environment. We have implemented projects that enable young entrepreneurs. We will also continue to review obsolete laws that are hindering growth in many sectors," he said.

In the same vein, President Buhari also tasked the Institute to assist in tackling environmental challenges in the country among other problems, adding that all Nigerians have a role to play in securing the future of the country. According to him, "In the present circumstances, all hands must be on deck to ensure that Nigerians work towards an inclusive, diversified and sustainable future."

President Buhari noted that climate change and environmental challenges are major threats to the peace and prosperity of the nation and its citizens. He said, "In the Niger-Delta region,

man-made environmental problems have adversely impacted the livelihoods of the inhabitants. Farmers and fishermen in particular have seen their means of livelihood destroyed. Our assessments have shown it will take decades to reverse this damage. But we have made a start. With or without international cooperation, we are starting to clean up our degraded areas, beginning with Ogoni.

In the North Central region, we are also seeing a significant increase in farmer herdsmen clashes. This trend, which is recurring in many West and Central African nations, is as a result of desertification. We are also seeing unpredictable rain patterns

resulting in significant floods across our coastal communities. These floods have destroyed hundreds of homes and farmlands," he said.

He urged the Chartered accountants to use their positions to champion the course of sustaining the environment. "As Chartered Accountants, your knowledge of environmental and sustainability business practices is critical. You have a responsibility to ensure your clients, in both the public and private sector, prioritise environmental sustainability in their operations," he advised.

The ICAN President, Alhaji Rasak Jaiyeola had earlier disclosed to Buhari certain steps taken by the Institute to fight corruption and contribute to the transparency initiative of the government.

According to him, an Accountability Index was designed to enhance the quality of public financial management and ease of access of the various financial reports as required by Nigerian public finance legislations. The initiative was aimed at addressing the declining transparency in public finance management.

He also disclosed that the Non-Compliance with Laws and Regulations (NOCLAR) guidelines issued by the International Ethics Standard Board for Accountants (IESBA) has been adopted by the Institute. He explained further that ICAN members do not only have the obligation to do the right thing but are also mandated to report non-compliance with laws and regulations to appropriate authorities.

"The Institute pioneered the whistle blowing policy and set aside a fund to support any of her members that is victimised on account of this initiative. We are delighted that your administration has since made whistle blowing a national policy," he expatiated.

He also disclosed that the Institute reviewed the recently published draft 2018 Corporate Governance code and had sent her observations and recommendations to the Financial Reporting Council.

## ICAN President Counsels Members on Entrepreneurship, IT

**T**he President of the Institute, Alhaji Razak Jaiyeola, FCA has appealed to ICAN members to embrace entrepreneurship and information technology as part of the new trend in accountancy and the business world.

The ICAN President made the call in Abeokuta on Tuesday, September 4, 2018 during his interaction with members of Abeokuta and District society at the headquarters of Ogun State Internal Revenue Service.

According to him, "Gone are the days when you see accountants just keeping records of money already spent by other people. Things are beyond that now. You need to embrace entrepreneurship and diversify. You also need to embrace information technology. It will assist your business and enhance your work".

He explained further that part of his major focus this presidential year was entrepreneurship and information technology, adding that it would gladden his heart to see all ICAN members become versatile and fully IT-compliant at the end of his tenure.

Responding, the Chairman of the District Society, Deacon Benjamin Bolarinwa, FCA expressed gratitude to the President, describing his words of admonition as an eye opener. He promised that all his members would seriously take the advice and tow the line.

## ICAN Accountability Index Will Fast Track Implementation of Accrual-based IPSAS

—IFAC President

**T**he International Federation of Accountants (IFAC) has commended the Institute's Accountability Index, describing it as the first national index of its kind that would fast track the implementation of accrual-based International Public Sector Accounting Standards.

IFAC President, Ms. Rachel Grimes gave the accolades in Abuja at the 48<sup>th</sup> Annual Accountants' Conference of the Institute, during which the first report of the Index was formally presented to the public.

According to her, "governments around the world are entrusted by citizens to manage public resources in an effective and efficient way. They collect revenues largely through taxation

and, in return, are expected to deliver a wide range of quality public services".

"This social contract between governments and citizens requires both parties to be accountable and to hold each other accountable. Timely, quality, decision-useful, and publicly-available financial information is critical to governments fulfilling this stewardship role, and to citizens holding governments accountable," she stated.

She explained further that the journey to robust public finance



ICAN President, Razak Jaiyeola and his entourage with Staff of Ogun State Internal Revenue Service

management, including quality financial reporting, is long and require commitment at all levels. She described the journey as worth making if governments are to fulfill their obligation to deliver a wide range of quality public services and be accountable.

She disclosed that the ICAN Accountability Index, which draws on the IFAC-CIPFA International Public Sector Financial Accountability Index, would serve as a tool to educate citizens to demand accountability, by those charged with governance.

"The Index would provide a holistic, objective, and evidence-based framework for assessing fiscal responsibility, Public Finance Management and governance practices of the public sector entities. So, IFAC is proud to be part of this initiative. IFAC encourages you to share this first national index through the Pan African Federation of Accountants with other professional accountancy organisations in Africa," she added.

Earlier, the President of the Institute, Alhaji Razak Jaiyeola in his remarks had explained that the ICAN Accountability Index was launched in 2017 at the 47<sup>th</sup> Annual Accountants' Conference. He said the Index was designed to address the steady decline of transparency and accountability in the management of public resources in Nigeria.

"The governing Council of the Institute approved the project and inaugurated a steering committee to commence work with the mandate to make available its report at the 48<sup>th</sup> Annual Accountants' Conference.

## FROM OTHER BODIES

### New Global Survey Reveals Digital Transformation, Talent Management as Key to Growth for Small Accounting Firms

Accountants working in small- and medium-sized practices (SMPs) are embracing technology to better serve clients and attract and retain top talent, according to 2018 IFAC Global SMP Survey results released recently. IFAC (International Federation of Accountants) received more than 6,000 responses from SMPs, representing 150 countries, about their performance in 2018 and market place factors most likely to affect them in the future.

The survey found over a quarter of SMPs (28%) plan to allocate more than 10% of practice revenue over the next year to technology investment, reflecting its critical importance in practice management and operations. The most frequent responses to technological advances have been the development of in-house expertise in IT and the adoption and use of cloud options to better serve clients.

"As the first-choice strategic adviser to their clients, firms are recognising the importance of adopting technology to provide insights and expertise and strengthen their role as trusted business partners," said IFAC CEO Fayez Choudhury. "It is well-known that the majority of SMPs' revenue is generated by traditional compliance services, but there has been an increase and diversification in the provision of advisory and consulting services that are real-time, forward-looking and based on specialised industry or sector knowledge, which is a trend we expect to continue in the future."

#### **Tech-enabled Service Offerings**

As transactional activities become increasingly automated, firms are also leveraging technology to provide business insights from data analytics as a new service offering. A significant majority (86%) provide business advisory and consulting services, with a majority (51%) predicting a moderate or substantial fee revenue growth over the next 12 months in this service line.

#### **Talent in the Digital Economy**

Talent remains a top challenge for SMPs. The majority (54%) have difficulty attracting next generation talent, with 66% stating the number one reason is the lack of candidates with the right mix of skills. This highlights the importance of continuing education and the development of new competencies for the digital global economy. Additionally, firms are implementing talent management initiatives to both attract and retain staff. The most popular initiative is the introduction of flexible working hours or work days.

### IFAC Names New President, Dr. In-Ki Joo of the Republic of Korea

The International Federation of Accountants (IFAC), the voice of the global accountancy profession, announced the election of **Dr. In-Ki Joo** of the Republic of Korea as its President. Dr. Joo will serve a two-year term through November 2020, serving previously as IFAC Deputy President since November 2016.

A leading academic voice in accountancy, Dr. Joo is a Professor, Emeritus, of Accounting at the Yonsei University School of Business. He previously served as the Dean of the University College and the Dean of Academic Affairs at Yonsei University.

Dr. Joo's commitment to serving and representing the profession is evident in his varied and deep leadership roles,



Dr. In-Ki Joo

including on the Board of LG Electronics and for the Korean Institute of Certified Public Accountants. Throughout his career, Dr. Joo has additionally served in top leadership positions at the Confederation of Asian and Pacific Accountants, the Korean Accounting Association, the Korean Academic Society of Business Administration, and the Korean Academy of Business Ethics.

"I believe strongly in the potential of the profession to support the growth and stability of organisations, financial markets, and global economic progress," said Dr. Joo. "I am honoured and energised to lead IFAC during this time of great change and opportunity for our profession. In particular, I look forward to focusing on a future ready profession which harnesses the

strength of its education platforms and commitment to ethics."

IFAC also announced the election of **Alan Johnson** as Deputy President. Mr. Johnson's more than three decades in the public and private sector of the profession includes a recent appointment as Non-executive Director and Chair of the Audit and Risk Committee at the Department for International Development (DFID) in the UK.

Previously, Mr. Johnson was CFO of Unilever's global foods business, responsible for leading the finance functions in over 80 countries. He has also led Unilever's global internal audit function and has worked in seven countries across Europe, Africa, and Latin America.

Mr. Johnson is a former Director of Jerónimo Martins SGPS, S.A., an \$18 billion food retailer with operations in Portugal, Poland, and Colombia.

#### **New Board Members Elected**

The IFAC Council elected five new members to the IFAC Board, spanning four continents:

- **Magrét Pétursdóttir** of Iceland, nominated by Nordic Federation of Public Accountants (NRF).
- **Christine Ramon** of South Africa, nominated by South

African Institute of Chartered Accountants (SAICA).

- **Jiahua Tang** of China, nominated by Chinese Institute of Certified Public Accountants (CICPA).
- **Ayse Ariak Tunaboğlu** of Turkey, nominated by Expert Accountants Association of Turkey (EAAT)/ Union of Chambers of Certified Public Accountants of Turkey (TURMOB).
- **Lisa Padmore** of Barbados, nominated by Institute of Chartered Accountants of Barbados (ICAB).

## IFAC Admits New Member Organisation

IFAC is pleased to admit the Association of Accountants in the Republic of Latvia (AARL) as a new member organisation, sponsored by the Latvian Association of Certified Auditors.

Established in 1994 with the objective to certify and improve the professional skills of accountants, the AARL has shown great progress since admission as an IFAC Associate in 2013, particularly in the area of international standards adoption.

## Updated Practical Support and Guidance for Small Business Audits

*IFAC Guide to Using ISAs in the Audits of SMEs, Fourth Edition*

Small- and medium-sized practices (SMPs) may require practical support when implementing the International Standards on Auditing (ISAs) in audits of small- and medium-sized entities (SMEs). IFAC (International Federations of Accountants) has updated the Guide to Using ISAs in the Audits of SMEs, Fourth Edition (the Guide) to help firms efficiently and proportionally apply ISAs on SME audits.

This fourth edition is updated to reflect recent changes to the ISAs including International Auditing and Assurance Standards Board (IAASB) projects on:

- Auditor Reporting;
- Disclosures;
- The Auditor's Responsibilities Relating to Other Information; and
- Using the Work of Internal Auditors.

The Guide is designed for use by all practitioners. Volume 1 covers the fundamental concepts of a risk-based audit in conformance with the ISAs. Volume 2 contains practical guidance on performing SME audits, including two illustrative case studies — one of an SME audit and one of a micro-entity audit.

Since it was first published in 2007, the Guide has been downloaded over 100,000 times and there are 22 translations completed or in progress. To help facilitate additional translations, IFAC Members can request a Word version of the Guide with tracked changes.

Many firms use the Guide for training purposes and as the basis for firm manuals. In order to help them and our member organisations maximise the Guide's use, IFAC has also updated the Companion Manual which provides practical 'best use'

suggestions for the Guide.

IFAC has a long history of developing implementation support for international standards. In addition to the Guide, the extensive suite of material includes:

- Guide to Quality Control for Small- and Medium-Sized Practices, Third Edition.
- Guide to Review Engagements.
- Guide to Compilation Engagements.
- Agreed-Upon Procedures (AUP) Engagements: A Growth and Value Opportunity.
- Choosing the Right Service: Comparing Audit, Review, Compilation, and Agreed-Upon Procedure Services.

## IAASB Modernises Auditing of Accounting Estimates in Support of Audit Quality

The International Auditing and Assurance Standards Board (IAASB) has released International Standard on Auditing (ISA) 540 (Revised), its revised standard for the audit of accounting estimates and related disclosures.

Banks, insurers and other financial services firms have seen revolutionary change in their accounting practices as they moved to new accounting standards that changed the way they deal with loan provisions and insurance contracts. ISA 540 (Revised) reflects this rapidly evolving business environment and ensures that the standard continues to keep pace with the changing market.

This revised standard is the first to be completed as part of the IAASB's broader program 'Addressing the Fundamental Elements of an Audit' and is an important part of the IAASB's efforts to improve audit quality globally. Some of the significant revisions include:

- An enhanced risk assessment that requires auditors to consider complexity, subjectivity and other inherent risk factors in addition to estimation uncertainty. This will drive auditors to think more deeply about the risks inherent to accounting estimates.
- A closer link between the enhanced risk assessment and the methods, data and assumptions used in making accounting estimates, including the use of complex models.
- Specific material to show how the standard is scalable to all types of accounting estimates.
- Emphasis on the importance of applying appropriate professional skepticism when auditing accounting estimates to foster a more independent and challenging skeptical mindset in auditors.

ISA 540 (Revised) becomes effective for financial statement audits for periods beginning on or after December 15, 2019.

It is critical that all parties in the financial reporting supply chain, particularly regulators, national standard-setters and firms collaborate in the implementation of a standard with such far-reaching effects on the audit of financial statements. The IAASB will provide implementation support to help auditors navigate and apply the revised standard. Please visit the IAASB website for more information. ●

# How Strong Public Financial Management Will Support Sustainable Growth in Nigeria



By GILLIAN FAWCETT

Throughout history, good accounting practices have powered nations, whereas poor accounting and the misuse of public money has led to financial chaos and fueled civil unrest. The global economy is looking brighter and Nigeria has started the year stronger. As African economies continue to strengthen, it is important that arrangements for good governance and strong public financial management (PFM) are in place.

The Chartered Institute of Public Finance and Accountancy (CIPFA) recently gave a presentation on the development of a public financial management system as an essential component

to building sustainable public services in emerging economies like Nigeria. At the Institute of Chartered Accountants of Nigeria (ICAN) UK District's *"Building Tomorrow's Africa Today: Nigeria in Focus"* conference in March 2018, CIPFA detailed both the critical importance of strong PFM to any economy and specific successes and challenges in Nigeria.

CIPFA believes that a whole systems approach is essential to planning PFM reform. This whole system thinking provides a framework that covers all aspects of public financial management, including budget execution, financial reporting, and scrutiny to boost service delivery at the country, regional, and entity level.

Making a step-change in government accounting and auditing is completely within politician's control. Therefore, the well-rounded view that the whole systems approach promotes

will enable public finance managers to understand where they need to focus their efforts to better leverage service delivery, transparency, and accountability.

The Nigerian federal government has for a long time recognised the lack of progress in its economic development due to challenges of transparency, accountability, corruption, and poor service delivery.

In 2004, Nigeria embarked on economic and governance reforms and are now introducing International Public Sector Accounting Standards (IPSAS) and an Accountability Index for the country. The challenges are still there, but Nigeria is fired up to overcome them, particularly on the anti-corruption front. Good governance and following high-quality accounting standards are critical to strong PFM.

Both encourage better decision making, lead to efficient and effective use of resources, and strengthen and improve accountability, leadership, and management. The IFAC/ CIPFA *International Framework: Good Governance in the Public Sector* explains that implementing transparency, reporting, and audit good practices delivers improved services and effective accountability.

**“Poor PFM allows waste, encourages corruption, reduces the ability to collect taxes, and has an adverse impact on services, the rest of the economy and investor perceptions of the country”**

This, in turn, creates a stable business environment that provides better outcomes, improves people’s lives, and increases public confidence. Strong PFM is essential because it boosts the public’s confidence and trust in government. Poor PFM allows waste, encourages corruption, reduces the ability to collect taxes, and has an adverse impact on services, the rest of the economy and investor perceptions of the country.

IPSAS are the only international recognised financial reporting standards for the public sector. They are set by an independent international board of public sector finance experts and help public sector entities address specific, key public sector issues.

Nigeria has been ambitious in setting out implementation plans that seek to introduce IPSAS across all three main levels of government. There has been increased awareness about IPSAS and increased demand for training, but progress is slow.

Strong PFM and IPSAS implementation in Nigeria will help strengthen the economy and increase sustainability. Public finance professionals will be key to ensuring the states achieve these goals. Good governance, high-quality accounting standards, and leadership will be critical in ensuring strong PFM. ●

★ Gillian Fawcett, Head of International Strategy, CIPFA, delivered this paper at the 2018 ICAN UK District’s Conference.



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# The International Code of Ethics for Professional Accountants: Key Areas of Focus for SMEs and SMPs

By DIANE JULES and ROBYN ERSKINE

In early April 2018, the IESBA released a completely rewritten and revamped Code of Ethics for professional accountants (PAs). Renamed “*International Code of Ethics for Professional Accountants (including International Independence Standards)*” (“the Code” or “the revised and restructured Code”), the Code will become effective in June 2019. It packages all substantive advancements in ethics and independence over the last four years into a single document and includes the new provisions relating to **non-compliance with law and regulations** (“NOCLAR”), which are already effective since July 2017, and the revised independence provisions relating to **long association** which comes into effect in December 2018.

## Key Areas of Focus

The fundamental principles within the Code – integrity, objectivity, professional competence and due care, confidentiality and professional behaviour – establish the standard of behaviour expected of a professional accountant (PA) and it reflects the profession’s recognition of its public interest responsibility.

Those fundamental principles as well as the categories of threats to them – self-review, self-interest, advocacy, familiarity and intimidation threats are unchanged. Also unchanged, are the overarching requirements to apply the conceptual framework to comply with the fundamental principles and where applicable, be independent. In addition to the structural revisions made to

the entire Code, the substantive revisions include:

- An enhanced conceptual framework, which includes extensive revisions to “safeguards” throughout the Code that are better aligned to threats;
- Strengthened independence provisions regarding long association of personnel with audit clients;
- Strengthened provisions relating to offering and accepting of inducements, including gifts and hospitality that apply to both PAs in business (“PAIBs”) and PAs in public practice (“PAPPs”);
- Strengthened provisions dedicated to PAIBs, including:
  - A new section relating to pressure to breach the fundamental principles; and
  - Revised provisions relating to the preparation and presentation of information.
- Clarifications about the applicability of PAIB provisions to PAPPs;
- New material to emphasise the importance of understanding facts and circumstances when exercising professional judgment; and
- New material to explain how compliance with the fundamental principles supports the exercise of professional skepticism in an audit or other assurance engagements.

The conceptual framework is a set of principles-based provisions in Section 120, *The Conceptual Framework* of the

## An Enhanced Conceptual Framework



Code that all PAs are required to apply to deal with ethics and independence issues. It applies to all PAs and outlines a three-step approach involving identifying, evaluating and addressing threats to compliance with the fundamental principles and, where applicable, independence.

Extensive revisions have been made to the conceptual framework to strengthen and clarify how all PAs are required to identify, evaluate and address threats to the fundamental principles and where applicable, be independent. SMPs should especially take note of the clarifications relating to how PAs should address threats, including the new requirement for PAs to “stand back” and think about whether the overall conclusion made or actions they have taken are appropriate to resolve the issue.

In response to concerns from the regulatory community that some safeguards were not specific or effective enough, the enhanced conceptual framework now includes a more robust definition of safeguards which is “actions, either individually or in combination, that a PA takes that effectively reduce threats to compliance with the fundamental principles to an acceptable level.”

**It is no longer a valid notion that all threats can be addressed by the application of safeguards.** The enhanced conceptual framework clarifies that in certain circumstances, the PA may not have any other option but to decline, or end the specific professional activity, or service.

The enhanced conceptual framework emphasises that threats are addressed either by eliminating the circumstances creating the threats; applying safeguards where they are available or capable of reducing the identified threats to an acceptable level; or by declining or ending the specific professional activity or service.

In particular, SMPs should note the distinction between safeguards and “conditions, policies and procedures” which are in contrast routine in nature and may assist the PA in identifying and evaluating threats. The conceptual framework clarifies that the conditions, policies and procedures that are established by

profession, legislation, regulation, the firm, or the employing organisation to enhance PAs acting ethically are not safeguards because they are not specifically designed to deal with a particular threat.

Clearer descriptions and definitions of other key terms such as “reasonable and informed third party (RITP)” and “acceptable level” are established, and a new term “appropriate reviewer” was introduced.

The Code explains that a RITP test is a concept which involves consideration by a PA about whether the same conclusions would likely be reached by another party (i.e., RITP). The RITP test is made from the perspective of a RITP, and involves weighing all the relevant facts and circumstances that a PA knows, or could reasonably be expected to know, at the time that the conclusions are made.

A RITP does not need to be a PA, but should possess relevant knowledge and experience to understand and evaluate the appropriateness of the PA’s conclusions in an impartial manner. The revised description of acceptable level in the enhanced conceptual framework is more closely linked with the concept of RITP test and clarifies that it is the level at which a PA using the RITP test would likely conclude that the PA complies with the fundamental principles.

The enhanced conceptual framework more prominently features the requirement for all PAs to remain alert for new information, or changes to facts and circumstances in applying the conceptual framework. It also explains that once a PA becomes aware of new information or changes to facts and circumstances that might impact whether a threat has been eliminated or reduced to an acceptable level, the PA should evaluate and address that threat accordingly.

The enhanced conceptual framework also emphasises that PAs are required to exercise professional judgment and use the concept of the RITP test in all three stages of applying the conceptual framework.

Finally, the enhanced conceptual framework includes new application material to explain that firms and network firms



are to apply the conceptual framework to identify, evaluate and address threats to independence.

Responsive to questions about firms’ responsibilities for independence, the Code refers to the International Auditing and Assurance Standards Board’s (IAASB) ISQC 1[1] standard which require firms to establish policies and procedures for complying with independence.

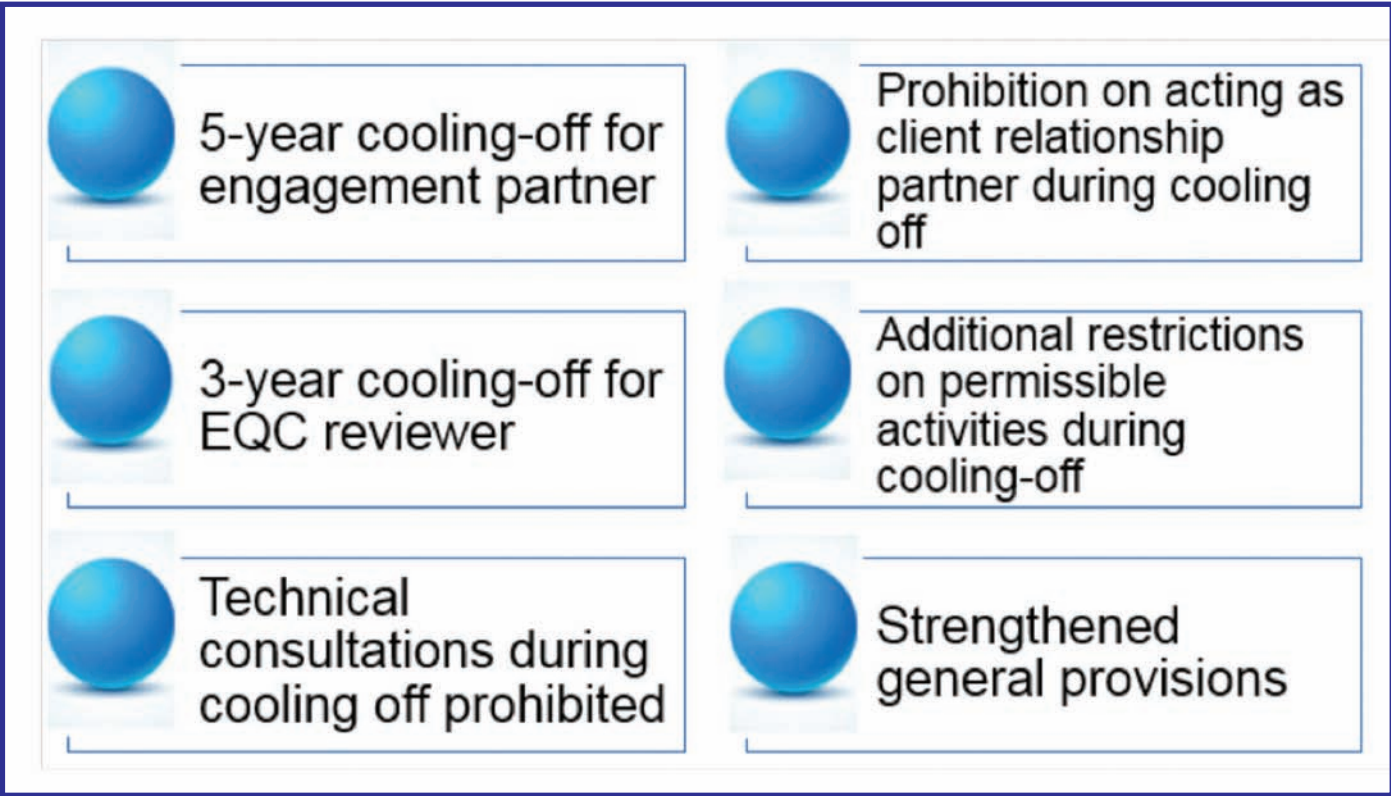
**Application of the Conceptual Framework in Relation to Non-Assurance Services**

SMPs should take note of the revisions to the independence provisions relating to the provision of non-assurance services (NAS) to audit and assurance clients. Substantive revisions have

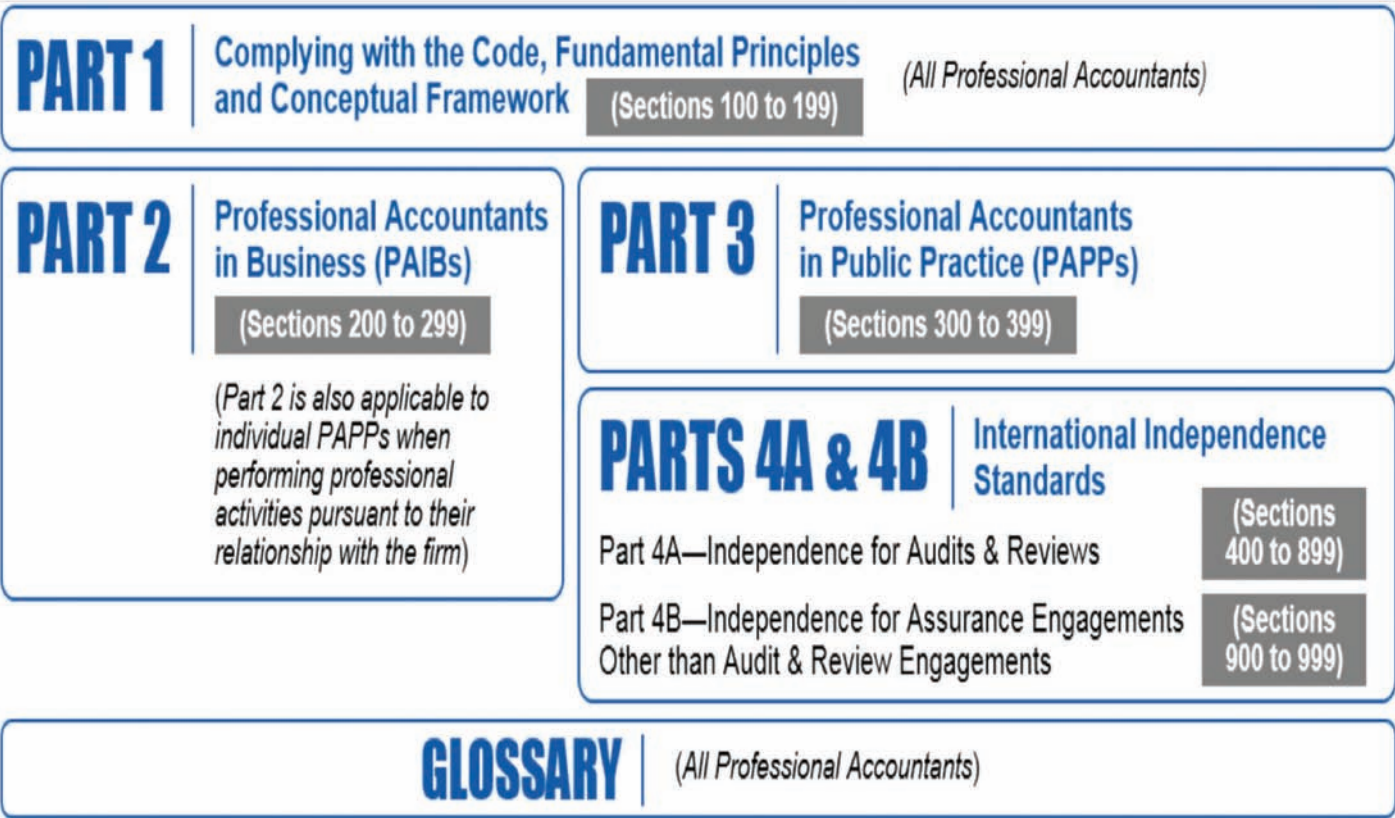
been made to better explain how firms and network firms are to apply the conceptual framework to deal with independence threats created when NAS are provided to audit and assurance clients.

The prohibitions in the Code relating to NAS are now more prominent, including the overarching prohibition relating to assuming management responsibilities which applies when providing all types of NAS to audit clients. Also, it is now clear which NAS provisions apply in all circumstances; versus which ones apply to audits of entities that are public interest entities (PIEs); and to audits of entities that are not PIEs.

In line with the new description of safeguards in the conceptual framework, the examples of actions that might



# The New Structure and Drafting Convention for the Code Establishes a New Architecture that Emphasises the Code’s Scalability



be safeguards in the NAS section of the Code are much clearer and are more closely aligned to the specific category of threats. The Code clarifies that in some situations, safeguards are not available or capable of reducing the threats that are created by providing NAS to audit clients to an acceptable level, and that if such threats cannot be eliminated, the firm or network firm must decline or end the NAS or the audit engagement.

**Provision of Recruiting Services to Audit Clients**

The Code establishes a new description of recruiting services and clarifies the types of recruiting services that firms and network firms are prohibited from providing to their audit clients. One of those prohibitions relates to searching for, or seeking out candidates and undertaking reference checks of prospective candidates for directors or officers of the entity, and senior management in a position to exert significant influence over the affairs of the clients which is now extended to all entities. It no longer applies to only audits of entities that are PIEs, unlike the extant Code. This is because the IESBA has determined that there are no safeguards available to deal with the familiarity and self-interest threats that are created by providing such recruiting

services to audit clients in general.

**Long Association**

In December 2017, the IESBA finalised changes to its independence provisions relating to long association of personnel with an audit or assurance client, which contain a number of substantive improvements, including a strengthened partner rotation regime for audits of public interest entities. The revised long association provisions were initially drafted in accordance with the structure and drafting conventions of the 2016 edition of the IESBA *Code of Ethics for Professional Accountants* (“the extant Code”) and is set out in a January 2017 close-off document. Those revisions come into effect in December 2018. In finalising the revised and restructured Code, restructuring and conforming safeguards-related revisions were made to the long association provisions. However, those revisions did not change the substance of the long association provisions. Also in January 2017, in addition to the related IESBA Staff-prepared Basis for Conclusions document, a Staff-prepared Q&A publication was finalised to assist in the adoption and implementation of the revised long association provisions. This

Q&A publication will be updated to align with the paragraph references in the revised and restructured Code and re-issued by December 2018.

### Inducements

A few months after the April 2018 release of the revised and restructured Code, the IESBA released revised inducement provisions. Those revised provisions clarify the meaning of inducements, and introduce a more robust and comprehensive framework which clearly delineates the boundaries of acceptable inducements and guides the behaviours of PAIBs and PAPPs in all situations involving inducements.

Central to this framework is a new intent test that prohibits the offering or accepting of inducements where there is actual or perceived intent to improperly influence the behaviour of the recipient or of another individual. A related Staff-prepared Basis for Conclusions summarises the rationale for the IESBA's revisions.

The revised inducement provisions complements the NOCLAR provisions[2] which came into effect in July 2017 and offer a full system of ethical defenses that relate both to malfeasance committed by others and to PAs' own involvement in potentially unethical behaviours. They represents the last, but no less important piece of the revised and restructured Code and will have the same effective date – June 2019.

### Strengthened PAIB Provisions

PAIBs, including those in small- and medium-sized entities (SMEs), play a fundamental role in the financial reporting supply chain and facilitate effective governance in organisations; hence, it is in the public interest that the PAIB provisions in the Code are appropriate and robust. Responsive to stakeholders' views about areas in the PAIB sections of the Code that should be improved, the IESBA finalised changes to Part C of the extant Code addressing preparation and presentation of information and pressure to breach the fundamental principles.

Those changes prohibit PAs from:

- Exercising discretion when preparing or presenting information with an intent to mislead or inappropriately influence contractual or regulatory outcomes and include enhanced application material to assist PAs in disassociating themselves from misleading information.
- Allowing pressure from others to result in a breach of fundamental principles or from placing pressure on others that would lead them to breach fundamental principle. New application material is included with practical examples to help illustrate situations in which PAs may experience pressure to breach the fundamental principles.

The PAIB revisions described above were initially prepared in accordance with the structure and drafting conventions in the extant Code and were finalised in March 2016 (see Revisions to Part C close-off document). In finalising the revised and restructured Code, the PAIB provisions were further revised to reflect changes arising from the Structure of the Code and Safeguards projects.

For example, the PAIBs provisions were clarified to better

explain how PAs are to apply the conceptual framework in fulfilling their responsibilities within their respective employer organisations.

### Clarification about Applicability of PAIB Provisions to PAPPs

The IESBA believes that PAPPs – i.e. PAs and firms that provide professional services – might face similar issues and ethical dilemmas as professional PAIBs. Therefore, in finalising the revised and restructured Code, the IESBA established new requirements and application material to clarify that Part 2[3] of the Code may be relevant to PAPPs when they perform professional activities pursuant to their relationship with the firm, whether as contractors, employees or owners of the firm. SMPs should take note of the various examples that are included in Part 3[4] of the Code to illustrate examples of such situations.

### Professional Judgement

In relation to professional judgment, the Code highlights its importance in identifying, evaluating and addressing threats in order to make informed decisions, and to obtain an understanding of specific facts and circumstances, including the nature and scope of the professional activity or service; and the interest and relationship involved. New material has been added to the Code to help PAs better understand what to consider in exercising professional judgment. For example, the Code explains that among other matters, exercising professional judgement involves a consideration of whether:

- There is reason to be concerned that potentially relevant information might be missing from the facts and circumstances known to the PA;
- There is an inconsistency between the known facts and circumstances and the PA's expectations;
- The PA's expertise and experience are sufficient to reach a conclusion;
- There is a need to consult with others with relevant expertise or experience;
- The information provides a reasonable basis on which to reach a conclusion;
- The PA's own preconception or bias might be affecting the accountant's exercise of professional judgment; and
- There might be other reasonable conclusions that could be reached from the available information.

The new material relating to professional judgment is intended to make more explicit procedures that PAs should already be doing under the extant Code and is expected to ensure that PAs exercise professional judgment in a more consistent manner.

### Professional Skepticism

In response to a recommendation from a tripartite Professional Skepticism Working Group (PSWG) comprising representatives of the IAASB, the IESBA and the International Accounting Education Standards Board (IAESB), which was established in 2015, and recognising the public interest in promoting the application of professional skepticism in audits, reviews and other assurance engagements, the IESBA

determined that it would be important to supplement the Code's existing few references to professional skepticism.

The Code now explains how compliance with the fundamental principles supports the exercise of professional skepticism by illustrating this linkage in the context of an audit of financial statements.

In finalising the material relating to professional skepticism, the IESBA signaled the need for further work to respond to broader concerns identified by some of its stakeholders and the PIOB. In this regard, the IESBA has summarised these issues as well as options for a way forward in a May 2018 Consultation Paper, *Professional Skepticism – Meeting Public Expectations* (CP).

Specifically, the CP explores the behavioural characteristics comprised in the concept of professional skepticism; whether all PAs should be required to apply those behavioral characteristics; and whether, and if so how, the Code should be revised to describe those behaviors.

### Restructuring Changes

In addition to the more substantive revisions discussed above, the Code includes several structural revisions that contribute to making it more user friendly. Responsive to stakeholders' requests to clearly distinguish requirements from application material, requirement paragraphs are identified by the letter "R" and application material that explain those requirements are generally positioned next to them in paragraphs that are identified by the letter "A".

The language in the Code is now clearer. Where possible, duplicative material is avoided; complex sentence structures are simplified; and passive voice, legalistic and archaic terms are avoided. The Code includes a Glossary with descriptions and definitions of terms which have a specific meaning.

### Guide to the Code

The Code is accompanied by a Guide to the Code to assist readers to better understand its purpose, how the Code is structured, and how to use it. This Guide is non-authoritative and does not form part of the Code itself. SMEs and SMPs are encouraged to familiarise themselves with the Guide as this will certainly help them navigate the various parts and sections of the Code, including the International Independence Standards.

### Documentation

The Code carries forward the existing guidance relating to documentation. However, as a form of good practice relating to how they support identifying, evaluating and addressing threats, SMPs may decide that it is helpful to document the details of relevant discussions, actions taken, significant judgments made and conclusions reached.

### Adoption and Implementation Support

SMEs and SMPs are encouraged to take action towards implementation now, rather than waiting until June 2019 – the Code's effective date. The Code is included in the 2018 edition of the IESBA Handbook, which is now available for purchase. A one-stop-shop webpage on the IESBA's website houses resources and tools to assist in the promotion, adoption and

effective implementation of the Code.

These resources and tools include:

- A one-pager which summarises the changes to the Code.
- A series of videos explaining key aspects of the Code.
- A deck of PowerPoint Slides to assist those who wish to deliver presentations about the changes to the Code.
- Five staff-prepared Basis for Conclusions to explain the rationale for the revisions in relation to Structure, Safeguards, Applicability, Professional Skepticism and Professional Judgment, and Inducements.
- A Table of Concordance which compares the paragraphs in the extant Code to those in the revised restructured Code.
- Resources relating to the NOCLAR and Long Association, including related Bases for Conclusion and Staff Q&A documents.

Additional resources and tools, including additional Staff Q&As are being developed and will soon be added. SMEs and SMPs are encouraged to visit the Revised and Restructured Code webpage regularly. Stakeholders, including SMEs and SMPs may request permission (log in required) to reproduce or translate the Code and the related resources and tools.

### To Recap

The Code results from the completion of a number of substantive IESBA projects, including the Structure of the Code, Safeguards, and Revision of Part C. It also packages recently completed projects – NOCLAR and Long Association.

Informed by extensive stakeholder engagement over a five year period, the revised and restructured Code is responsive to long-standing concerns about the Code. It also:

- Responds to concerns that the biggest barrier faced by SMPs in complying with the existing Code relates to a lack of a full understanding of its requirements.
- Addresses issues raised by regulators and the PIOB about the robustness of certain provisions in the Code (e.g., safeguards) and its overall enforceability.
- Establishes an integrated set of ethics and independence provisions that are easier to use, navigate and enforce.

The SMP Committee has been actively monitoring the IESBA work on each of the various projects and has engaged with the IESBA often to provide input and suggestions with a focus on matters that impact SME and SMPs constituents.

The SMP Committee notes that the IESBA's **Proposed Strategy and Work Plan for 2019–2023** includes a commitment to promote awareness of the Code and its adoption and effective implementation, including plans to develop an eCode. SMPs are encouraged to remain engaged and provide input to the IESBA's ongoing initiatives and future projects.

The IESBA plans to introduce a period of stability following the launch of the Code and have committed that no further changes will come into effect before June 2020. ●

★ Diane Jules, Deputy Director, IESBA and Robyn Erskine, Partner, Black Bird & IFAC SMP Committee Member.

Culled from [www.ifac.org](http://www.ifac.org)

# Tackling Modern Slavery: What Role Can Accountants Play?

By MUHAMMAD AZIZUL ISLAM



**H**uman rights issues are gaining greater prominence alongside economic concerns for contemporary organisations, due largely to increasing public pressure and stakeholder expectations. A range of stakeholder groups, including shareholders, employees, governments or regulators, non-governmental organisations (NGOs), the media and communities, have a growing interest in organisational human rights issues. As a result of human rights and modern slavery regulations and widespread stakeholder concerns, contemporary organisations face the challenge of developing sustainable solutions to deal with the complexity of integrating financial and human rights performance. New forms of

disclosure regulations are emerging in this area, such as the California Transparency in Supply Chain Act, Dodd-Frank Act's conflict minerals rule in the US, UK Modern Slavery Act, and the Australian Modern Slavery Act (when passed).

As members of the accounting profession respond to this changing landscape, the question is posed: Do accountants have a role to play in tackling modern slavery?

## **Modern Slavery and Related Corporate Disclosure and Audit**

The new wave of modern slavery disclosure regulations require companies to disclose audits and associated monitoring

mechanisms to address any concern over slavery arising from their business operations. Accounting firms engage in the process of disclosure production, and both internal and external auditing. When regulators and corporations decide to introduce modern slavery audits, they often claim that it is for accountability, emancipatory and sustainability reasons, with the ultimate goal of advancing society.

It is possible, however, that such audits are merely symbolic, and corporations are in fact using them to maintain public relations and maximise profit. Modern slavery audits can be conducted by an internal auditor, who is an employee of the company, or by an independent third party, who may be a consultant, an NGO member, or a public accountant. Different international voluntary guidelines exist for these audits — such as Social Audit Network, SA 8000, AA1100, International Labour Organisation workplace standards, UN/Organisation for Economic Co-operation and Development Due Diligence framework.

A modern slavery-related audit is distinct from a financial audit. Since financial audits focus on financial implications (i.e., profit and loss statements), they do not tell the full story of a company. A modern slavery audit goes beyond financial attention and investigates if and how a company is complying with human rights standards. A financial audit has limited (or no) scope to explore modern slavery. People skilled or experienced in human rights issues are, therefore, required to audit a company's performance with regard to modern slavery.

The UN's endorsement of the Due Diligence Principles for business and human rights represents one of the most significant developments in corporate accountability; an audit is a key component of the due diligence process. Hand-in-hand with UN endorsement, the OECD adopted a due diligence framework, recommended by the US Dodd-Frank Act. According to Dodd-Frank, the due diligence procedure requires companies to take action to identify, prevent, mitigate, and account for human trafficking and forced labour. Evidence shows that companies are responding to the due diligence procedure. The due diligence approach in relation to slavery and human trafficking in business suggests that managers understand whether or not their suppliers are violating human rights through slavery.

### Concerns Over Human Rights and Modern Slavery Audits

While regulators and companies are generally positive about their existing human rights or modern slavery control measures, critics argue that the way companies use them does not create accountability to the wider community. In a recent report, PwC noted that the nature of these audits is not held in high regard, with critics often referring to the audit history of factories in the Rana Plaza building in Bangladesh as an example of audit failure (the building collapsed in 2013).

PwC also argues that some suppliers exploit weaknesses in audit plans and procedures. Many critics, including academics and NGOs, have argued that if modern slavery audits are simply one facet of risk management, they may not meet their regulatory purpose given that the regulators' ultimate purpose is tackling modern slavery.

If an audit is carried out with a profit maximisation motive,

this may create a dead-end to corporate accountability. While there are concerns over the misuse of modern slavery audits, extant acts (such as the UK Modern Slavery Act 2015) do not provide effective means by which an audit can be enforced.

The most important component of the UN/OECD due diligence approach is the use of independent third party auditors — vital in creating accountability. However, even independent third party auditors may find it difficult to trace or identify modern slavery within complex business operations, including supply chains, if they are not well trained and not independent enough.

An auditor may encounter substantial levels of vigorous deception and denial from those involved in forced labor or slavery, rendering the use of normal audit mechanisms problematic (see *“Modern Slavery and the Supply Chain: The Limits of Corporate Social Responsibility?”*). While professional accountants in particular are involved in the audit production process, their role — as part of a management-driven internal or external audit — appears challenging enough to actually create positive change in corporate modern slavery.

### Do Accountants Have a Role to Play?

While modern slavery-related disclosure and audit is the cornerstone of corporate accountability and transparency in the era of modern slavery, along with regulators themselves accountants face challenges coping with the regulations that surround the phenomenon. Accountants and auditors need to know that while existing legislation suggests carrying out independent third party audits, challenges may arise when aiming to tackle modern slavery. For examples:

- An audit could be conducted by an inefficient and incompetent independent person.
- Firm managers may not give adequate and sincere attention to the audit and its results.
- Audits may be conducted occasionally or on an irregular basis, or they may only be conducted when a company faces a crisis (a number of companies only began using independent audits after the Rana Plaza disaster). Companies' audit notions, therefore, do not follow the “going concern” assumption.
- If audit results reveal non-compliance, there is no follow-up.
- As modern slavery audits are mostly worker-centered, worker voices need to be heard. However, auditors may neglect workers' voices and audit results may not be communicated back to them. Auditors' rule-based (or “tick box”) approach may undermine workers' voices and limit interaction, collective action, interconnectivity, and dialogue. Auditors' unilateral risk mitigation process does not actually reduce the risk of non-compliance and associated broader stakeholder concerns. Slavery, forced labour and physical or verbal abuse may not be fully discovered until auditors talk to factory workers and the local community or create a dialogic environment where workers are free to talk.
- The cost of audits (or audit fee) are much higher for suppliers if lead firms shift such costs to the suppliers. This is especially true for emerging economies.
- It is difficult for auditors to locate or identify slavery

in high-risk supply regions. As slavery is not conducted on a formal basis and is not a visible aspect of formal employment relationships, detection can be difficult.

There is debate over who might be an appropriate independent third party to conduct modern slavery audits. In practice, NGOs, private consulting firms, and accounting firms may fill the position. I would argue, however, that none of these bodies are currently sufficiently trained to run an efficient and truly independent audit.

While NGOs or private consulting firms may be arguably more independent than accountants, and have more experience in dealing with human rights issues, they may lack specific professional skills. Most importantly they may not be organised and disciplined in the right areas to run an audit in a systematic way.

On the other hand, while accountants are disciplined professionals who are experts in financial issues and financial auditing, they lack expertise in human rights issues, and without adequate training may not be competent enough to conduct modern slavery audits.

However, accountants may be able to run effective and systematic modern slavery audits if they are given intensive training on morality, ethics, and human rights (including human trafficking and slavery). Unfortunately, right now I do not see any other disciplined professionals or skilled groups who could provide the required level of assistance.

Therefore, regulators are faced with the challenge of identifying the appropriate people, groups, or professionals who are well qualified as auditors and who can play a part in the process of tackling and alleviating human suffering.

Some researchers have discussed community or civil society-driven audits, in which independent NGOs lead the audit to verify a company's operations. However, the business community may not accept such community-driven audits. There is scope for regulators to train relevant third party auditors (NGO members, private consultants, or accountants) on modern slavery.

There is also scope for collaborative auditing, where NGOs and accountants work together to tackle modern slavery. In responding to the changing regulatory environment, accountants in particular will need to engage in collaborative auditing with NGOs.

In fact, the regulatory concern for modern slavery, along with the associated measurement and reporting complexities, has allowed accounting professionals to open their minds to the possibility that accounting has the capacity to affect real change. An important implication is that all professional accountants will be expected to look beyond the numbers, which will, in turn, enhance collaborations with members of other professions, including doctors, lawyers, human rights activists, and sociologists, to name a few.

Organisational modern slavery may not be eliminated if audits ignore the voices of the potential victims of slavery. A well-educated auditor may be able to capture workers' voices, including the level of violence, abuse, and slavery, in his/her audit report and communicate the audit outcomes to management, employees, and the broader community — as well as the victims of slavery.

A question for further discussion: To what extent do we need to educate our tertiary level students to be socially responsible accountants and auditors? ●

★ **Professor Muhammad Azizul Islam is Director of Postgraduate Research Programme (Accounting & Finance) Business School, University of Aberdeen.**

# Attracting and Retaining the Accountants of the Future

By JENNIFER WARAWA

With job growth expected in the professional services industry, accounting practices are under pressure to compete in the war for talent, working hard to attract new, top-notch professionals — and also to keep their current employees, a charge that's proven difficult. Indicative of the new wave of opportunity in the industry, professional services such as accounting ranked among the highest in terms of staff turnover in 2017, according to an examination of LinkedIn data drawn from the site's half-a-billion international users.

As fear of a talent shortage looms, employing the right people with the right mix of skills, and providing a culture that allows them to thrive, will be the key to the success of any accounting firm. Here are three key steps that accounting firms can take to attract and retain the industry's top talent:

## Acknowledge industry changes with both current employees and candidates

Openly acknowledging and embracing changes in the accounting profession can help firms to attract and retain the next generation of top accountants. Now, accounting professionals serve as both a financial resource and a trusted strategic advisor — it's officially time to say goodbye to the stereotype of accountants as desk-bound number crunchers. With this in mind, it's important to position your firm as one that understands and supports the accountant's changing role.

In communication with both current employees and job candidates, it's essential to be transparent about how the accounting profession is evolving. Your employees may be apprehensive about the redefinition of their role, so opening the door for candid conversations can help clear the air of any misconceptions and will establish a relationship built on trust.

With candidates, make sure they have a firm

understanding of the skills needed to thrive as a modern accountant by dedicating significant time discussing elements of their job function that are newer to the industry.

What's more, by discussing how tech innovation has transformed the industry with candidates, accounting firms will demonstrate that they have adopted a technology-first mindset, attracting digital savvy employees and putting the firm on par with their blue-chip competitors. In a world of digital dependency, this will go a long way towards attracting and retaining digital-first colleagues.

### Define success and equip your staff with tools to get there

Today, accountants need a wide range of skills to succeed, with more emphasis on proficiency in personal communication and technology than ever before. As new skills gain prominence in accounting, like presentation, project management and relationship building, accounting professionals are coming to terms with what it takes for an accountant of the future to be successful, carefully evaluating how they fit into the bigger picture of this newly redefined industry.

One of the most effective ways to attract and retain top talent is to provide a clear career development and training path — such as the route to Partnership. A challenge many accountancy firms come across is that middle-level employees often get disillusioned as they progress.

With becoming a Partner being seen as the ultimate goal, providing colleagues a clear and achievable route to this milestone — and carrying out regular reviews to monitor their progress along the way — could be the golden ticket to retaining valuable team members.

Once you clearly define an accountant's success, see to it that your employees have access to the tools needed to get there. For example, with technology adoption taking place at a faster rate than ever before, the accountants of the future will be much more comfortable with technology than their predecessors.

Invest in retraining to help employees feel confident about doing business with new technologies like artificial intelligence and bots. Alternatively, for those more comfortable with technology and delivering financial insight as opposed to building client relationships, consider developing a mentor program, pairing individuals with those who seek guidance.

In the hiring process, be particularly mindful of the varied skill-set needed to succeed, and consider looking outside of the standard talent pool — beyond the traditional accountancy qualifications — to build a firm with the right mix of expertise.

Ultimately, if organisations don't set their employees up for success, and outline exactly how they can progress, they risk losing them to firms that do.

### Ensure your workforce feels valued and motivated

The key to success for any accountancy firm will be employing the right people, with the right mix of skills, and providing a culture that allows them to thrive. Focus on bringing digital knowledge and expertise into the practice, along with strategic and critical thinking, and create the right company culture to deliver an engaging employee experience.

To promote positive company culture, communicate openly with employees to get a sense of what would motivate them in the workplace. Almost half (47 percent) of respondents to a Sage workforce survey said they had never been asked by their employer how they can improve their work experience. Meanwhile, 66 percent of respondents to the same survey believe being valued and recognised is the most important aspect of employment. What's more, positive workforce experiences are important to 92 percent of employees, which highlights how imperative it is that firms take this into account if they want to hire the best and brightest — and keep them.

By providing clear development opportunities, focusing on the needs of employees and looking to recruit a new range of skills, firms can put themselves in the best position to attract, retain and develop the right talent, now and in the years to come.

### About Sage

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★ **Jennifer Warawa is Executive Vice President of Partners, Accountants and Alliances at Sage.**

**“By providing clear development opportunities, focusing on the needs of employees and looking to recruit a new range of skills, firms can put themselves in the best position to attract, retain and develop the right talent”**

# A Call to Action: Walk the Talk on Integrated Reporting

By STATHIS GOULD

**I**FAC recently issued a policy position on integrated reporting highlighting the need for a single report providing a fuller picture of an organisation's ability to create value over time, and greater interconnectedness between different reports.

IFAC member organisations can utilise this policy in their own context to help communicate integrated reporting key messages with regulators and others, as well as encourage alignment of integrated reporting to current requirements for annual reporting.

But policy and advocacy is unlikely to be effective unless professional accountancy organisations (PAOs) are walking the talk by moving toward integrated reporting themselves. The good news is that some PAOs are adopting integrated reporting to demonstrate leadership, and to better run their organisations and engagement with members and other stakeholders.

Integrated reporting provides the ideal framework to answer the question: How does your professional association or institute create value? Value for your members and students as well as value for others, including society more broadly?

At the last IFAC PAO Integrated Reporting Network webinar in March, five PAOs shared their integrated reporting journey: Association of Chartered Certified Accountants, Chartered Institute of Management Accountants, CPA Australia, Institute of Chartered Accountants of Namibia, and the South Africa Institute of Chartered Accountants.

Each organisation started at a different point, with some diving straight into integrated reporting and others developing integrated reports after a longer journey of first developing separate corporate responsibility or sustainability reports. However, all use integrated reporting to improve their organisations, and to provide a fuller picture of how they create value for their members and other stakeholders.

Learning from their experiences provides a basis for other PAOs to consider how to approach integrated reporting in their own organisations.

#### ***Association of Chartered Certified Accountants***

A key goal for the ACCA was developing greater insight into the quality of the strategic thinking of ACCA's leadership,

including:

- An improved explanation of ACCA's strategy and organisational direction;
- A clear representation of ACCA's value creation model;
- Highlighting the outcomes the organisation seeks to achieve for members and the capabilities it relies on to deliver;
- Disclosing the KPIs used to manage the business, and their rationale; and
- Describing the risks to value creation, how they are managed, and how they relate to strategic outcomes.

After a number of years of integrated reporting experience, ACCA has further developed its current report to:

- Enhance disclosures on the external environment and outlook by including more information on mega trends affecting education and the profession and how the ACCA strategy responds;
- Provide more insight on the stakeholder engagement process;
- Highlight how ACCA's governance creates value, and reflects its core values and culture;
- Clearer flagging of the assurance statement with strengthened wording;
- Be more concise by focusing on global data and excluding other sustainability-related data unless it is material to ACCA's strategy and stakeholders; and
- Focus on developing an online experience to complement the hard copy report.

#### ***Chartered Institute of Management Accountants***

For CIMA, integrated reporting provides the basis to better understand opportunities and challenges and resource requirements all in the context of its business model. Its journey helped the business by significantly improving management and external reporting by:

- Focusing on the big picture strategy;
- Aligning the P&L with the business model;
- Increasing transparent communications on value creation and the business model; and

- Reporting consistently year on year.

In terms of developing the business, integrated reporting led to better ways of working through:

- Better understanding of the right targets and indicators;
- Consistent targets across all key planning and performance management processes; and
- Professional development of the staff involved and creating better links between teams and with management.

CIMA's was supported in its integrated reporting process by Black Sun, a stakeholder communications company that also works closely with the International Integrated Reporting Council.

#### **CPA Australia**

Over the last 10 years, CPA Australia has moved from standalone reporting to combining their annual and sustainability reports, and now to integrated reporting. The shift toward integrated reporting is based on monthly integrated reporting within the organisation. Their earlier sustainability reporting experience meant that they had relatively mature systems and processes. The addition of assurance also helps provide additional confidence in non-financial data.

Key features of their implementation approach include:

- A focus on achieving greater alignment between strategy, risk management, and internal and external reporting functions;
- Identifying material matters for disclosure that relate to strategy, risk, and the business model;
- Input from their member-based Center of Excellence on Environmental, Social, and Governance; and
- Using a cross-functional implementation core team to drive the initiative with broader input across the business. The core team involves:
  - ▶ Planning and risk management;
  - ▶ Finance;
  - ▶ Communications; and
  - ▶ Brand.

#### **Institute of Chartered Accountants of Namibia**

Integrated reporting is not just relevant to larger PAOs. The benefits of integrated reporting for ICAN are compelling despite its small size — 560 members in a country of 2.3 million. Concerned its traditional annual report style was stale, ICAN uses its integrated report to boost its reputation in the marketplace, and to become a thought leader. In the words of ICAN CEO, Koos Du Toit, it is necessary to “walk the talk.”

A smaller organisation has to be particularly pragmatic given resource constraints, and work with a wider group and peers where possible. ICAN started its process with understanding and applying the International Framework and spending time understanding the capitals in relation to their business model, and the outputs and outcomes they seek to deliver. It supplemented the Framework with guidance from accountancy firms and other sources, which took time. Importantly, ICAN worked with the South African Institute of Chartered Accountants to learn from its experience implementing integrated reporting.

#### **South African Institute of Chartered Accountants**

SAICA has issued an integrated report for the last six years, reflecting South Africa as the integrated reporting pioneers. Through its integrated reporting journey, SAICA endeavoured to identify, and effectively utilise, the necessary ingredients that ensure an efficient integrated reporting process.

As with many organisations, the key ingredients are resources, e.g., time, budget, and staff. For SAICA, resource utilisation has evolved as the organisation became more comfortable telling its value creation story. For example, design and layout of the integrated report moved in-house. SAICA's publishing unit's development of a deeper level of understanding of an integrated report's requirements has resulted in: Conceptual designs that reflect the organisation; Lower costs; and Reduced man-hours related to conceptualisation and alterations.

However, SAICA also recognises two key ingredients that continue to underpin the integrated reporting process: passion and commitment. The presence of these elements at every level of the organisation and at every step of the integrated reporting process have demonstrable benefits to the integrated reporting process and the integrated report.

#### **Top Tips**

Critically, all these PAOs started their journeys with explicit support from their governing board, CEO, and executive team. This is a pre-requisite for integrated reporting success.

Their additional key tips for other PAOs include:

- Do not let the perfect be the enemy of the good. Work with what you've got, and don't wait until you've built a perfect system.
- Define what data is needed and then work on completeness and reliability of the data over time.
- Consider current engagement channels and how to best receive feedback from stakeholders.
- Keep the integrated report concise and create a logical flow and connectivity between the external environment, strategy, governance, the capitals, and business model and how these enable the organisation to create value over time.
- Create enough time to identify material matters for the organisation and the report, educate stakeholders and contributors, and transfer strategy, business model, capitals, and risks into design.

#### **Learn from Leaders**

Regardless of where your organisation is on the integrated reporting journey, the annual reports of each of these organisations offer learnings, ideas, and examples. Contact me if you would like to connect with these PAOs more directly:

- ACCA Integrated Report microsite.
- CIMA Annual Integrated Report.
- CPA Australia Annual Integrated Report.
- ICAN Annual Integrated Report.
- SAICA Annual Integrated Report. ●

★ **Stathis Gould, Head of Professional Accountants in Business and Integrated Reporting, IFAC.**

Culled from [www.ifac.org](http://www.ifac.org)

# DIRECTORY OF DISTRICT SOCIETIES/ CHAPTERS CHAIRMEN & SECRETARIES

AS AT JULY 09, 2018

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# Tax and Tax Justice: Expanding the Frontiers of Public Finance

By OLUMIDE K. OBAYEMI

**T**ax Justice" demands that taxpayers who bear the brunt of paying taxes on their hard-earned income must continue to perceive, enjoy and realise the dividends accruing from such taxes as the taxpayers are being compelled to pay over to the government every month or year. Leading to these questions:

- In which equitable and justifiable manner has Nigeria exercised its taxing powers and taxing jurisdiction?;
- What are the driving policies behind the spending of revenue accruing from internal and domestic sources?;
- What has the Nigerian government achieved with internal revenue accruing to the federal, states, & local governments via the taxes, royalties, licenses, and fees accruing from the exploration of natural resources and taxes imposed on corporate entities within Nigerian jurisdiction?; and
- Whether the current domestic revenue generation and spending policies in Nigeria promote Tax Justice?

## Opening Shot

The above questions are important because over the years, Nigerian economic policy and its resource dependency have promoted:

- Outward looking accountability;
- While undermining internal accountability of rulers to citizens;
- Entrenching unequal power relations; and
- Lack of effective representation of citizens in policy making spaces.

There is little or no Tax Justice in policy making in Nigeria.

## 2. INTRODUCTION

In Nigeria, tax revenue has an impact on economic development, while tax evasion and avoidance has negative consequences, with Nigerian citizens being encouraged to pay tax.

Generally, taxes paid by the citizenry are meant to support the government towards providing social services and development projects, hence when that contract becomes unfulfilled, the government would find it very difficult to secure the citizens' support.

### *What are the effects of the absence of Tax Justice?*

The absence of a justifiable environment whereby taxpayers should be witnessing a translation of increasing tax revenue leading to the improvement of their lives will occasion a discouragement and perceived injustice, especially in a country riddled with corruption such as Nigeria, as corruption prevents the translation of increased revenue from leading to massive improvement in infrastructure, job creation, improved standard of living, fairness, creation of a prosperous environment, and/or protection of the underprivileged citizens.

### *This leads to:*

- Rising inequality and the underfunding of Quality Public Service (QPS), such as health and social services, as the essentials of a good taxation system depend on a progressive taxation system when higher income groups



- pay more tax than lower income groups; and
- Absence of an effective government tax authority, that is competent to collect taxes since this depends on well-paid tax inspectors, a lack of corruption and transparency of personal and corporate financial information. In Nigeria, the cuts in government services often affect the ability of national tax authorities to collect taxes.

**Issue:** In Nigeria and other African countries, the connections between collecting more taxes and the allocation of revenues in a manner that makes public services better are not straightforward, and it remains difficult for citizens to see improvements in their lives.

It is now crystal clear that tax justice must be sought in

Nigeria by all stakeholders working for the improvement of the lives and life chances of the citizenry. To achieve tax justice, the Nigerian government must:

- Put an end to tax holidays for big business and abolish unfair tax incentives;
- Make sure foreign companies pay better wages;
- Curtail Corruption, leakages, and illicit capital outflows from Nigeria; and
- Improve public services such as education, healthcare, housing and water.

### 3. Relationship Between Taxation, Tax Justice and Public Services/Public Finance

Generally, "Taxation" is an essential part of a good government

and it has four main goals:

- To raise revenues for public spending, which can be used to meet the basic needs of population – food, healthcare, shelter, provide quality public services, for example, health, education, economic development stimulus, maintain institutions and governance structures;
- Redistribution of income between high and low income groups;
- Representation – an effective taxation system enables citizens to feel that they contribute and own public policies. An ineffective taxation system can lead to social exclusion and increasing levels of inequalities; and
- Changing behaviour of individuals and companies – through taxes that shape or inhibit behaviours, e.g. taxes on alcohol & tobacco, taxes on environmental pollution.

Taxation is a fiscal, legal, institutional and global issue which dates back to distant history. In most economies of the world, including Nigeria, tax is the major source of income for the government at all levels, and it is metaphorically referred to as the “blood of any economy.”

Tax, despite being a source of income for the government, also plays a key role in strategic planning, institution building and developmental process and assessment, with the relative predictability of tax enhancing government’s fiscal and developmental forecast while contributing to greater certainty.

Consequently, governments largely depend on income from tax, while striving to increase tax as needed for greater revenue generation as the need arises. However, domestically, African governments lack political and policy capabilities to organise and lead a socio-economic transformation for sustainable and equitable development.

Thus, despite the statutory nature of tax and its importance to national economy, various entities and individuals are not disposed to paying tax and have always employed various schemes to avoid payment of tax and consequently shorten governmental earnings.

**There is therefore a need for Tax Justice in the implementation and enforcement of tax**

The connection between Taxation and Tax Justice is based on the fact that while public funding and finance may be sustained both by domestic resources and external finance, good governance and public policy initiatives suggest that domestic resources sans foreign loans is the more optimal choice as a veritable domestic source is tax. However, despite efforts to finance public projects with domestic tax revenue, Nigeria’s current “Tax to GDP Ratio” is about 6% and it is severely and comparatively low when compared with similarly situated countries.

**Table 1:  
Tax Revenue as % of Gross Domestic Product (GDP) 2008 – 2012**

	2008	2009	2010	2011	2012	2013
<b>Africa</b>						
Burkina Faso					15.6	
Ghana	13.9	12.6	13.4	14.9		
*Nigeria		0.3				1.6
Mali					13.0	
Senegal						19.2
Australia		24.3	22.2	20.7	21.3	
Sweden		21.7	21.7	21.3	21.9	26.1
UK	28.8	25.8	26.7	27.4	25.5	
US	10.4	8.5	9.2	10.1	9.8	

*Source: World Bank*

Regarding the subject of “Tax Justice,” the aim of Public Finance are as follows:

- Generate revenue for the government;
- Fund developmental projects;
- Redistribute wealth;
- Meet the citizens’ needs;
- Encourage inclusive growth;
- Engender sustainable development; and
- Ensure a shared future.

In essence, an efficient Public Finance system must make an optimal use of domestic revenue accruing from Taxation, to achieve Tax Justice.

**4. Sources and Means of Disbursing Government Revenue:**

**4.1. Taxation**

Taxation is a compulsory levy imposed on individuals, corporate bodies, goods and services. There are several different types of taxes:

- **Personal taxes** – paid on income earned, or earned interest;
- **Property taxes** – paid on property owned – annually or on buying/selling;
- **Service taxes (VAT)** – paid on goods and services e.g. consumer durable goods;
- **Commercial/business taxes** – companies pay taxes on profits;
- **Import/export taxes** – paid on goods being imported and/or exported.

**4.2. Borrowing**

Nigeria has a much higher government debt to GDP ratio than other West African countries.

Debt is a temporary source of revenue to the government. Government can borrow and/or also obtain loans from individuals or financial institutions both within and outside the country which require future repayment of both the principal and interests as a reward to the lender for parting with the capital.

Table 2:  
Government Debt to GDP Ratio

	2009	2010	2011	2012	2013	2014	2015
*Nigeria	11.5	15.1	9.4	10.2	10.4	10.6	11.5

Trading Economics  
<http://www.tradingeconomics.com/nigeria/government-debt-to-gdp>.

4.3. Royalties and Rents  
Government also collects rents for the use of public lands as a reward and compensation as the land owner. Government also collects royalties from the companies that are granted the right to exploit Nigerian lands for mineral resources.

4.4. Fees, Fines, and Other Charges  
These include licence fees, school fees, certificate of occupancy fees, court fines, etc.  
These also generate income to the government as well.

4.5. Grants and Aids  
This represents financial assistance that flows from richer nations and corporate institutions to poorer countries without any conditions as to repayment back to the donor countries. This has contributed to the growth of the world economy since it is a means of maintaining international liquidity worldwide. As well as taxation revenues, countries are also dependent on aid, to varying degrees, although Nigeria is less dependent on Aids than many West African countries.

Table 3:  
Net Aid Received as % of Gross Domestic Product (GDP) 2010 – 2014

	2010	2011	2012	2013	2014
Africa					
Burkina Faso	11.3	9.4	10.6	8.7	9.1
Ghana	5.3	4.7	4.5	2.8	3.0
Mali	10.6	10.1	8.3	10.9	8.8
Niger	13.1	10.1	13.0	10.6	11.3
Nigeria	0.5	0.5	0.4	0.5	0.4
Senegal	7.3	7.3	7.7	6.8	7.1

5. Roles of the Nigerian Government in the Use of Public Finance to the Benefit of the Citizenry  
The market, by itself, cannot allocate resources efficiently, hence there is the need for the government to intervene.

5.1. Provision and Maintenance of Infrastructure  
Some public goods (goods jointly consumed) are usually

provided by the government because many people benefit from those public goods and share consumption to reach all the populace.

Table 4:  
Expenditure on Health as % GDP

	2010	2011	2012	2013	2014
Burkina Faso	7.1	5.1	5.3	5.9	4.9
Ghana	5.3	4.8	4.8	4.6	3.5
Mali	6.3	6.5	6.4	6.5	6.8
Niger	6.3	6.6	6.1	5.0	5.8
Nigeria	3.4	3.6	3.3	3.7	3.6
Senegal	4.6	4.4	4.3	4.5	4.6

World Bank: <http://data.worldbank.org/indicator/SH.XPD.TOTL.ZS>.

Table 5:  
Expenditure on Education as % GDP

	2010	2011	2012	2013	2014
Africa					
Burkina Faso	3.9	4.4	4.0	4.5	N/A
Ghana	5.3	5.5	8.1	7.9	5.9
Mali	3.7	4.2	4.3	4.9	6.7
Niger	3.7	4.2	4.3	4.9	6.7
Nigeria	N/A	N/A	N/A	N/A	N/A
Senegal	5.6	N/A	N/A	N/A	

Table 6:  
Agriculture as Value Added % of GDP

	2010	2011	2012	2013	2014	2015
Africa						
Burkina Faso	33.8	35.0	34.7	34.1	32.9	N/A
Ghana	26.0	23.6	23.1	22.3	21.0	N/A
Mali	36.2	37.6	41.3	39.8	40.3	40.9
Niger	23.8	22.2	22.0	20.9	20.2	20.8
Nigeria	18.7	20.9	18.8	17.9	19.1	18.8
Senegal	17.6	15.6	16.7	15.6	15.8	16.2

Source: World Bank

Table 7:  
Nigeria Outflow of Illicit Funds and Trade Mis-Invoicing (US\$)

2008	2009	2010	2011	2012	2013	Cumulative Average
24,192	26,377	19,376	18,321	4,998	26,735	178,040

Table 8:  
Nigeria Illicit Hot Money Outflows

2008	2009	2010	2011	2012	2013	Cumulative Average
20,783	26,377	15,144	5,265	4,998	26,735	148,197

Source: ILL 2015 Appendix Table 4 p.14.

5.2. Maintenance of Macroeconomic Policies

To facilitate the effective working of the economy, government usually designs and implements monetary and fiscal policies, for establishing stability in prices, employment, and economic growth, e.g. for inflation, government can reduce total spending in the economy by reducing its own expenditure or it may increase taxes on household and business to reduce the amount of money that the private sector spends.

5.3. Income Distribution and/or Re-Distribution

Government attempts to bridge the gap between the rich and the poor in form of taxation and establishment of non-profit organisations that will provide employment and welfare support services.

5.4. Maintenance of Law and Order

The federal government provides legal protection to individuals in the form of right to ownership of property and investment, freedom of expression, movement, and association. Government enforces these laws through the establishment of courts and the law enforcement agencies that are charged with the responsibility of enforcing the laws.

6.1. Multi-National Corporations' Tax Evasion/ Avoidance Devices

Multi-National Corporations (MNCs) usually structure their subsidiaries to avoid the incidence of taxes in the host countries while shifting profits to countries with lower tax regimes, denying Nigeria its legitimate revenues and hindering the developmental needs of Nigerians.

Although Nigeria and 95 other countries have signed on the BEPS initiative of the Group 20 and OECD countries designed to solve these international fiscal problems, the practices have not significantly abated:

- According to the African Union/Economic Commission for Africa High Level Panel on Illicit Financial Flows from Africa report, the continent lost about One trillion dollars (US\$1 trillion) between 1980 and 2008, while other estimates are even higher.
- The multiplier effects of these losses are much larger.

They mean loss of jobs, income, decent education, health facilities and other basic infrastructure critical to structurally transform the Nigerian economy and its socio-economic conditions.

- The vast petroleum oil deposits and the earnings therefrom have mostly not translated revenues and/or development.
- Funds earned from oil exploration are generally looted and siphoned by the public servants and the elites, offshore to Tax Havens.
- The campaign for tax justice insists that foreign investors who come to Nigeria must pay appropriate taxes to the Nigerian government.
- Nigeria must adopt a developmental role within its borders. This needs adequate financial resources to provide essential services to its citizens and to promote inclusive and sustainable development.
- Yet, the prevailing situation is rather different, as Nigeria's ability to raise adequate revenue is hampered internally by self-seeking elites at the helm of power and tax dodging practices of multinational corporations.
- Government must work to tackle these practices and, more broadly, harmful fiscal policies that hamper the ability of African states to raise adequate domestic resources to finance development.

6.2. Corruption and Tax Evasion by Other Business Entities and Individuals

As Nigeria braces up to the MNCs' challenge, the situation is further compounded by the under-declaration and outright evasion of tax liabilities by other business entities, high net-worth individuals, politicians, politically exposed persons as well as the non-or-low compliance by informal sector players. Nigeria is one of the top 10 countries in the world which has the greatest outflows of illicit funds. In 2013, Nigeria was ranked 10th in the world.

6.3. Concentration of Taxing Powers at The Centre Contrary to The Principles of Federalism

There is a high concentration of taxing powers at the centre of

the country which is contrary to the principle of federalism; the Federal Inland Revenue Service (FIRS) collects more than others.

Table 9:  
Taxation Income by Source in Nigeria

Federal Inland Revenue Service	\$30 billion
Nigeria Customs Service	\$5.2 billion
States and Local Councils	\$4 billion
Total	\$39.2 billion

6.4. Outdated and Ineffective International Tax Rules Combined With a Race to the Bottom Tax Competition Between African Countries

Outdated and ineffective international tax rules combined with a race to the bottom tax competition between countries remain the biggest challenge to enhance DRM, and the widely tolerated existence of tax havens that offer financial secrecy and low or zero tax rates exacerbates the situation, with companies exploiting, with ease, loopholes in the global tax system to shift profits to jurisdictions with low or zero tax

6.5. Indiscriminate and Manipulative Use of Tax Incentives/Holiday

In Nigeria, majority of those paying taxes are the public servants or the average workers. Specifically, the past four years have witnessed a lot of tax incentives, which have denied the government substantial amounts which runs into several billions and trillions of naira in terms of revenue, where the government would just unilaterally grant tax holiday to foreign investors under the guise/pretence that the government was trying to woo the foreign investors. There has also been series of manipulative tendencies on the part of the investors who would come into Nigeria at different times with different names in order to evade tax.

7. Areas Requiring Review

To combat Tax Injustice, tax reforms should address both contentious and contemporary issues:

- Concentration of taxing powers at the center contrary to the principles of federalism;
- States are hijacking taxes that are supposed to be collected by the local governments;
- Imposition of multiple taxes on income — Companies Income Tax; Tetfund; NITDA, etc, as well as imposition of multiple taxes on Consumption — VAT, Consumption Tax, etc;
- Concentration of tax administration on Personal Income Tax's PAYE Scheme while high networth are able to escape while paying little or nothing;
- With endemic corruption, income from illegal and unlawful sources escape taxation;
- The introduction of the Tax Amnesty (Voluntary Assets and Income Declaration Scheme — VAIDS) allows those defaulters who should go to jail to be granted pardon;

- Non-prosecution of tax evaders;
- Indiscriminate and unilateral grants of Tax Incentives/ Tax Holidays;
- Non-regular review of tax legislation;
- Lack of strict adherence to tax policy direction and procedural guidelines by the various tax authorities;
- Efforts must be made to tackle the myriads of problems besetting tax administration amid global outlook of low oil price that would otherwise limit the nation's revenue base and at the same time creating some level of inequity within the system;
- Rather than compelling a larger percentage to be more tax compliant, the Nigerian government should deal with the issue of trust deficit. Trust deficit arises when citizens believe that government will not act in their best interests, and then it becomes harder for the government to secure public support for reforms being introduced;
- Whether there is enough technological impartation into the Nigerian tax system. Government at all levels must accelerate technology adoption in tax administration towards boosting compliance and improving efficiency, as leveraging technology for full electronic customer service would not only enhance efficiency but also reposition the Tax Sector for the crucial journey of transforming the entire nation's tax system; and
- All existing and future taxes must align with equity, fairness, and simplicity with low compliance costs.

8. Solutions

- Nigeria must optimise revenue generation from taxation.
- Generally, the higher the debt, the higher the cost of borrowing, so there are some benefits to be gained from reducing debt.
- If taxes were raised or even collected more effectively, there would be more money available to invest in infrastructure and industrial development which would generate products which could be sold in the domestic market or exported, with this resulting in less money spent on imports.
- Resultant industrial development and public services will also stimulate employment which would contribute to greater demand for domestically produced goods.
- Resultant increased jobs would also generate higher tax revenues, which could be spent on public services, for example, health and education, which both contribute to higher levels of economic growth.
- A recent 2012 OECD study has found that progressive personal taxes play a significant role in reducing inequalities, with social security contributions, consumption taxes and property taxes having a more regressive effect, while policies and institutions contribute to reducing inequalities.
- The 2012 OECD Study concluded that education, antidiscrimination and labour market policies can make the biggest impact on inequalities and also help to boost economic growth.
- Looking at the issue of Tax Justice from the perspective of business, businesses will thrive more where taxpayers

are not overburdened with payment of more taxes than reasonably expected.

- Where “heavy taxes” are paid by the taxpayers, it has its effect on businesses, because profits are likely to reduce and this may also lead to the collapse in different and several businesses with a resultant effect and reductions of tax payable by all.
- The Nigerian tax authorities should be lenient on taxpayers and should not always play the role of the hangman. In Ward & Cullity, the Abuse of Rights and Business Purpose Test was stated thus:

“if taxes are minimised or postponed, more capital will be available to run the business and more profit would result... it would be naïve to suggest that businessmen can, or should conduct and manage their business affairs without regard to the incidence of taxation or that they are not, or should not be attracted to transactions or investments or forms of doing business that provide reduced burdens of tax.”

#### Efforts must be made to strengthen Tax Justice Movement within the Nigerian territory

- Strengthen National Awareness — by raising coordination mechanisms between Nigeria and its closest partners;
- Enactment of the most equitable tax policies and laws;
- Encourage the different governments to make the most of exploitation of mineral resources for the promotion of the development and for reduction of the gap between the rich and the poor; and
- Tax justice to be included as part of the national tax policy.

The driving policy that must emanate from domestic revenue mobilisation in Nigeria must not undermine internal accountability of rulers to citizens, and must not entrench unequal power relations and lack of effective representation of citizens in policy making spaces.

#### 9. Canadian Experience

**The July 18th, 2017 Canadian Fair Tax Plan (Liberal Government small Business Tax Proposals Aka “Tax Proposals for Private Corporations”)** On July 18, Finance Canada launched a consultation on how “tax-planning strategies involving corporations are being used to gain unfair tax advantages.” Under the Proposals, the Department of Finance Canada proposed major changes to how corporations are taxed.

The proposed rules are to have a significant impact on many Canadian businesses:

- Potentially raising taxes;
  - Increasing the administrative burden on SMEs; and
  - Heightening the impact on family-run businesses.
- The Proposals contains proposed policies to close what the Government is labelling “loopholes.”

There are four key changes that will affect business:

**1. Sprinkling income using private corporations:** The government wants to tighten rules to prevent a business owner from unfairly transferring income to family members who are

subject to lower personal tax rates. In certain circumstances, owners would have to demonstrate that wages and dividend payments are “reasonable.”

**2. Multiplying the Capital Gains Exemption:** When an individual sells a small business, the first \$850,000 of capital gain is exempt from taxes. The government wants to prevent tax planning structures that enable multiple family members to use their exemptions.

**3. Reducing the tax deferral advantage on portfolio investment inside a corporation:** Currently, an owner can accumulate portfolio earnings inside a corporation and pay corporate income tax rates (which are generally much lower than personal rates). The owner defers paying personal income or dividend taxes until the money is taken out of the business. The government is considering alternatives that would reduce this tax advantage.

**4. Converting a private corporation’s regular income into capital gains:** Income is normally paid out of a private corporation in the form of salary or dividends that are taxed at the owner’s personal income tax rate. In contrast when a business is sold, it is taxed as a capital gain, where only one-half of capital gains are included in income, resulting in a significantly lower tax rate on income that is converted from dividends to capital gains. The government wants to tighten the rules to prevent certain tax planning structures, but it is open to more favourable treatment for genuine family business transfers.

During the week of October 16th, 2 weeks after the October 2nd end date of the official Public Consultation Period for the July 18th Proposals, the government announced plans to drop 2 of the 4 main proposals that were first part of the July 18th plan, namely their surplus stripping proposal (changing dividends to capital gains) and the proposals that would have limited the ability to use family members to multiply the small business capital gains exemption.

Little or no detail has been provided to the public on the 2 proposals that the Government says will go ahead with. No implementation dates have been updated regarding the lack of transparency by the Government with respect to these rules makes planning for small businesses very difficult at the current time. Uncertainty does not breed economic success.

The Canadian Senate has assembled a Finance Committee and has tasked them to undertake a thorough review of the proposals.

The Canadian Tax Justice is spearheading providing well thought out feedback to the Canadian Senators on this subject towards the Senate stopping any related legislation that might be bad for the Canadian economy, healthcare system and the Country.

It has provided the email list of all Canadian Senators and a separate email list of the Senators serving on the Finance Committee, with templates to be used to provide feedback to the Senators regarding these Tax Proposals as they are currently drafted. ●

★ **Mr. Olumide K. Obayemi, a Senior Lecturer in the Faculty of Law, University of Lagos, presented this paper at the 48th Annual Accountants’ Conference of ICAN in Abuja.**

## 48<sup>th</sup> Annual Conference:

# FG Urges ICAN to Intensify Action Against Corruption

**P**resident Muhammadu Buhari has appealed to members of the Institute to continue their support for the anti-corruption stance of his administration by bringing to bear their special skills in ensuring that books and records are properly kept.

President Buhari who was represented at the Institute's 48<sup>th</sup> Annual Conference in Abuja by the Minister of Budget and National Planning, Senator Udo Udoma made the admonition while declaring the conference open.

Buhari also observed that by working closely with the statutory agencies responsible for fighting corruption, ICAN will no doubt assist government in its effort at fighting the national malaise.

"As you all know, our focus as an administration has been on three pillars – fighting corruption, fixing our broken economy and restoring security. Let me first say that with regard to fighting corruption, you have a special contribution to make as accountants. Your members serving as accountants and auditors can bring to bear your special skills in ensuring that books and records are properly kept," he stated.

Speaking further, President Buhari explained that as a blueprint for fixing the economy, his administration developed the Economic Recovery and Growth Plan (ERGP), adding that right infrastructure are being put in place to diversify the economic base from oil dependence.

The conference, held between October 1 and October 5, 2018 at the International Conference Centre and Abuja Sheraton Hotels and Towers, Abuja had "*Securing Our Share Future: A Collective Responsibility*" as its theme.

The lead paper, "*Securing Our Shared Future: Avoiding the Tragedy of the Commons*" presented by the President of



Senator Udo Udoma, Minister of Budget and National Planning declaring the conference open

International Federation of Accountants (IFAC), Ms. Rachel Grimes described Nigeria as a nation richly endowed with human and natural resources which have not been optimally leveraged to achieve sustainable development as dreamed by its founding fathers.

Grimes mentioned unhealthy politics of governance, poor leadership and tussle for resource distribution as having stunted, rather than accelerated, the nation's pace of social and economic development. According to her, the common wealth of the country has been pillaged by a few thereby creating a sense of economic insecurity for the average Nigerian.

"Even in the pursuit of profit, the welfare of the people are sacrificed. The exploration and mining of the nation's wasting natural resources cause great negative externalities which manifest in environmental degradation, impaired ecosystem, air, water and noise pollution making it difficult for the environment to play its triple functions of food provider, waste assimilator and



ICAN President with some dignitaries at the Conference



ICAN Registrar, John Evbodaghe (left); Atta Prinslo of IFAC; IFAC President, Rachel Grimes; ICAN President, Razak Jaiyeola and Michael Armstrong of ICAEW

life sustainer for present and future generations”.

“Regrettably, everyone is angling to exploit, no one is willing to regenerate thereby, wittingly, courting the tragedy of the commons. If the resources dry up, where is our collective security? As a people, our collective existence and the welfare of future generations are challenged,” she stated.

She appealed to professional accountants, in the interest of public mandate, to eminently position themselves to champion the rebirth of a new Nigeria.

The second paper entitled **“Professional Accountants: Building a Greater Nigeria through Innovation, Technology and Entrepreneurship** was presented by the Chairman, Zenith Bank Plc, Mr. Jim Ovia. He lamented that at 58, Nigeria is still facing myriads of developmental challenges such as poorly

diversified economy, decayed infrastructural facilities, poor access to quality healthcare, lack of potable water, an education system shallow in innovation and entrepreneurship content, huge youth unemployment and diminishing middle class.

He also posited that the above challenges have remained clogs in the wheel of national progress for too long; hence, the nation has remained a poor sprinter in the economic development race, adding that it was time for the nation to leverage the experiences of other economies like Singapore, Malaysia and Brazil to redefine its developmental strategies.

“It is time for the nation, as a responsible player in the global economy, to take practical steps that will guarantee its sustainable development. Globally, the key drivers of gainful employment and by extension, inclusive development, in the modern day economy are Innovative and creative ideas; Technological revolution and disruptions;

and Entrepreneurial initiatives and ventures. Accordingly, Nigeria must deliberately encourage and support these ideals by creating the enabling environment for businesses to flourish,” he stated.

“Through policies, commitments and partnership with the accountancy profession, the government can succeed in building a business centric environment that will attract both local and foreign investments and accelerate the process of inclusive growth. Given the acknowledged expertise of its adherents in resource management, strategic planning, implementation of economic blueprints, systems development, implementation and controls, the accountancy profession is strategically positioned today, like never before, to champion the campaign for innovation and entrepreneurship driven by disruptive technologies. Building a greater Nigeria is at the heart of securing our shared future. The time to act is now,” he concluded.

Speaking on **“Tax and Tax Justice: Expanding the Frontier of Public Finance”**, the Chairman, Federal Inland Revenue Services, Mr. Babatunde Fowler disclosed that globally, governments rely on taxes to generate revenue, fund developmental projects and also redistribute wealth.

He however frowned at Nigeria’s current 6% tax to GDP ratio, maintaining that the country performs poorly in tax revenue generation when compared with Ghana’s 20.8%, Cameroon’s 18% and The Gambia’s 18%. The reasons, according to him are not farfetched.

He said Multinational Corporations (MNCs) structure their outfits to avoid the incidence of tax in their host countries whilst shifting profits to countries with lower tax regimes. These unwholesome practices of Base Erosion and Profit Shifting (BEPS), have denied many nations, including Nigeria, not only of their legitimate revenues but hindered their abilities to meet the developmental needs of their citizens.

“Although Nigeria and 95 other jurisdictions have signed onto the BEPS initiative of the G20 and Organisation for Economic Cooperation Development (OECD) countries designed to solve

these international fiscal problems, the practices have not significantly abated. This is not only unfair, unjustifiable but also, must be expeditiously redressed. Multinationals ought and should pay appropriate taxes to jurisdictions where they earn their profits. There lies their continued existence and sustainability”.

“As the nation braces up to the MNC challenge, the situation is further compounded by the under declaration, outright evasion of tax by other business entities, high net-worth individuals, politically exposed persons as well as the non- or low compliance of the informal sector players. These have collectively impacted the governments’ ability to fund public services out of domestic resources, thereby exposing the country to conditionality of external finance,” he opined.

The FIRS boss continued that as strategic efforts are on to address these challenges through public policy initiatives, the government must also assiduously tackle the menace of corruption such that increased tax revenues will translate to massive improvement in infrastructure, job creation and improved standard of living of the populace.

“Meeting the citizens’ expectation of better access to the basic things of life should be the thrust and essence of governance. Since fairness is at the heart of the canons of taxation, the masses rightly deserve reciprocal returns for the taxes they pay. Here lies tax justice which implies the existence of a tax system that promotes social wellbeing within and between societies, a system that creates environment in which all people, businesses and institutions can prosper; a system which ensures that those who fail to prosper are protected from misfortune until such time as they can prosper again. This is the true meaning of inclusive growth and sustainable development that guarantee our shared future,” he added.

During the first workshop session on **“SMPs & SMEs: Revving the Economy to Action”** the Director, Enhancing the Financial Innovation & Access, Mrs. Bunmi Lawson made it known to



ICAN Past President, Elizabeth Adegite (left); IFAC President, Rachel Grimes; ICAN President, Razak Jaiyeola; ICAN Past President, Sir Ike Nwokolo

participants that there were over 74,000 Small and Medium-sized Enterprises operating in Nigeria, each employing between 10 and 200 persons in the different sectors of the economy.

The disclosure, according to her, lent credence to the fact that SMEs are responsible for new products processes and provide most of the employment opportunities as well as facilitate capital formation. The implication of these facts is that if an enabling business environment is created for SMEs to operate and blossom, the Nigerian economy will leap frog like the economies of the Asian Tigers.

“Through entrepreneurship, innovation and the creation of niche markets, SMEs can significantly contribute to grassroots employment, economic empowerment and accelerated GDP growth. Indeed, If SMEs are empowered and enabled, the Nigerian economy will rev into action. Faced with the challenges of skilled manpower, weak infrastructure, multiple taxation, unstable exchange rates, poor access to finance, obsolete technology and policy inconsistencies, the mortality rate of SMEs is very high”.

She said there’s need for institutional and accounting profession’s support to ensure that they survive the tidal waves of business competition and globalisation, adding that they needed to be gingered to access global markets with competitive quality products.

“The establishment of Small and Medium Enterprises Development Agency (SMEDAN), National Enterprises Development Programme, creation of Free Trade Zones, enactment of the Local Content Act, CBN Agricultural Fund, Bank of Industries and Textile Recovery fund, among others, portend deliberate attempts by the government to create the enabling environment for SMEs to continue to survive, flourish and positively



Head of Service of the Federation, Mrs. Winifred Oyo-Ita with ICAN President, Alhaji Razak Jaiyeola



ICAN President, Alhaji Razak Jaiyeola (left) welcoming Ambassador Ibrahim Gambari to the conference while the Chairman of Conference Committee, Deacon Solomon Adeleke watches with admiration



Mr. Jim Ovia, Chairman, Zenith Bank Plc



ICAN President, Alhaji Razak Jaiyeola (left); Vice President, Mazi Nnamdi Okwuadigbo; 1<sup>st</sup> DVP, Mrs. Onome Joy Adewuyi; and 2<sup>nd</sup> DVP, Mrs. Comfort Eytayo

impact the process of development,” she said.

In the Workshop II session on **“Securing Our Shared Future: Cyber Security Challenge”** the Executive Director, Information Technology & Operations, Access Bank Plc Mr. Ade Bajomo told participants that cyber security was one of the most complex and rapidly evolving issues companies must contend with as they strive to create value.

He explained that with the advent of mobile technology, cloud computing, and social media, reports on major breaches of proprietary information and damage to organisational IT infrastructure have also become increasingly common.

He said that the IT risk landscape was transforming at a rapid pace making cyber security a high priority on the agenda of boards and audit committees, adding that IT criminals are monetising cyberspace, exploiting vulnerabilities in computer systems to compromise and remotely control computers; recording key strokes, monitoring screen displays and manipulating the computer user into divulging sensitive data.

“This challenge is compounded by the fact that Cyberspace is borderless and therefore allows any attacker to route their assaults through multiple countries and jurisdictions, complicating investigation and law enforcement.

Like never before, businesses are at risk. There are enemies outside and within the business entities. They run the risk of losing intellectual property and substantial amounts of sensitive company information to malicious employees, who could also potentially remove it from company premises or introduce malicious software to corrupt company databases or sabotage network operations”.

He advised that review of IT governance policies, processes and procedures must be intensified and on-going to counter the effectiveness of new threats. He called on professional accountants to increasingly hone their skills to combat these challenges, since most indicators signal that cyber-attacks would become more complex, more severe, and more difficult to prevent, detect, and address.

While discussing **“Accounting Firms of the Future: Challenges and Opportunities”** the Senior Partner, PricewaterhouseCoopers (PwC), Mr. Uyi Akpata and other discussants posited that the composition and complexion of accounting firms are changing rapidly, adding that a typical accounting firm has grown into a gathering of professionals with diverse academic, professional and business backgrounds who provide a wide gamut of services.

According to them, literally, it seems other disciplines have “usurped” or taken over accountants’ core function of keeping the books, saying that there had been a prediction that the accounting firm will metamorphose into a business consulting firm or even worse.

They also agreed that the need for accounting firms might diminish so much that there would be no incentive to have an accounting firm as a stand-alone entity as the new wave of rules and regulations’ sweeping the world for SMEs allowed them to file their annual returns, file taxes and maybe

certification of annual financial statements without the need of a professional chartered accountant.

To them, the disruptive impact of accounting packages (software) that allow an SME to prepare its books of accounts by non-accounting graduates eliminates the bread and butter business of the accounting firm – preparing the books of accounts of business entities. They wondered further whether the advent of Artificial Intelligence (AI) would make the need for a human accountant history.

However, they proffer that solution might lie in the reinvention of the accounting firm – its functions and utility, the change in education and professional training of the chartered accountant, a partnership with regulatory authorities to ensure a role for the accounting firm.

Workshop IV discussed **“Contemporary Issues in Digital Economy”**. The Managing Director/Chief Executive, First Bank of Nigeria, Dr. Adesola Kazeem Adeduntan and other discussants agreed that professional Accountants have always leveraged emerging technologies to complete their tasks more accurately, quickly or simply: from the incised clay tablets of the Sumerian scribes, through the adding machines of the 19th century, to the calculators and computers of the 20th century.

They also argued that all of these technological developments were simple propositions by comparison with the myriad of technologies that are now rapidly reshaping the worlds of business and accountancy. They stated that heading into the 21st century, technology trends in cloud computing, big data, mobile and social collaboration are converging to change the ways in which we consume information technology resources, share knowledge and experiences as well as access products & services.

“At the same time, these trends are also underpinning and influencing developments in cyber security, digital service delivery, robotics, augmented and virtual reality, and artificial intelligence. A ‘new normal’ is emerging. Accountants in practice



Cutting of the conference cake at the gala nite

and in the finance function are part of that connected world. This is changing the ways in which they communicate and collaborate with those in the businesses they work with and for, and shaping new working patterns,” they agreed.

During the Workshop V entitled **“Corporate Governance, Regulation and Public Trust”**, the IFAC President, Ms. Rachel Grimes and other discussants posited that the traditional focus of corporate governance was how companies are directed and controlled such that they are able to create value for their diverse stakeholders.

They also agreed that though board size, diversity and quality have been established in the literature as important determinants of corporate performance, permanently addressing the twin-challenge of information asymmetry and agency, was also pertinent.

“This challenge is further accentuated in many jurisdictions not only by the series of corporate scandals, loss of resources by capital providers and sanctioning of providers of assurance



ICAN President, Alhaji Razak Jaiyeola and his wife at the gala nite



Mr. Emoghene Peter Evoki wins a brand new Hyundai car

services but also, by the decreasing premium placed on public interest issues by corporate entities. Today, businesses continue to prosper at the expense of society. This cannot and should not be allowed to continue”.

“Here lies the propriety of regulation aimed at defining the board charter, protecting minority and other stakeholders, force business entities to take responsibility for their externalities and bring human face to enterprise. These regulatory measures will hopefully enhance trust in persons in fiduciary responsibilities, their stewardship reports as well as promote public interest ideals,” they stated.

In his welcome address, the ICAN President, Alhaji Razak Jaiyeola, declared that the unhealthy politics of governance, poor leadership and tussle for resource distribution at all levels have stunted, rather than accelerated the nation’s pace of social and economic development.

“We have not, as a people leveraged the opportunity of our endowment to advance the cause of the nation and its people. Individual will, rather than common good, has tended to be the driving force in politics in the last 58 years. No nation prospers under such scenario,” he said.

He lamented that revelations from law enforcement agencies had revealed that the common wealth of the country have been pillaged by a conscienceless few, thereby creating a sense of economic insecurity for the average Nigerian and the mass of the people.

“Even in the pursuit of profit, the welfare of the people is sacrificed by corporate entities. Due to untamed, poorly controlled and unethical mining practices, the exploitation of crude oil in Nigeria has led to the infamous Dutch disease”.

“Indeed, the exploration and mining of the nation’s wasting natural resources caused great negative externalities which manifest in environmental degradation, impaired ecosystem, air, water and noise pollution making it difficult for the environment to play its triple functions of food provider, waste assimilator and



ICAN President with the three University students that came first, second and third in the essay competition

life sustainer for the present and future generations”, he stated.

Declaring the conference closed, the Head of Service of the Federation, Mrs. Winifred Oyo-Ita, FCA expressed appreciation to those who took time out to attend the conference. She also commended the Institute for putting the conference in place, adding that those in position of authority would examine the suggestions given by participants, with the aim of making use of them.

The conference was attended by a total number of 4,745 delegates including resource persons and invited guests, from countries like Benin Republic, Cameroon, Canada, Gambia, Ghana, Niger Republic, Sierra Leone, Togo, United Kingdom, United States of America and Nigeria, the host country.

Apart from paper presentations, workshops and plenary sessions, there was a gala nite on Thursday during which juju maestro, King Sunny Ade, entertained the participants. There was also an open raffle draw in which a member of the Institute, Mr. Emoghene Peter Evoki (ACA) won a brand new Hyundai car. Other prizes like LCD television, gas cookers, laptops, fridges, were also won during the Gala.

Aside this, the Institute also organised a National Essay Competition for undergraduates of tertiary institutions in the country. The topic was: “*e-Business and Cyber Security Challenge: The Role of the Accounting Profession*”. Awards and recognitions were given to the first three winners who attended the conference. The best three winners are: Aminu Mubarak (1<sup>st</sup> – Bayero University Kano), Uteng Kingsley Ubong (2<sup>nd</sup> – University of Uyo) and Olawale Razak Ademola (3<sup>rd</sup> – University of Ilorin). There were also sporting activities, excursions and exhibitions. Other programmes of the conference include District Societies’ parade. ●



ICAN President, Razak Jaiyeola being presented with the cup won by his team, 'Jaiyeola Babes' during the novelty match at the conference

# Securing Our Shared Future: A Collective Responsibility

By RACHEL GRIMES

**A**s IFAC President, it's been a privilege to see the difference accountants make around the world. As a practicing accountant, my Westpac team and I occupy a unique position at the intersection of technology-led transformation taking place in business and society. With this in mind, the global and the local, I am excited to explore the theme for today's plenary session, *"Securing Our Shared Future: A Collective Responsibility"*.

The theme underscores two very important points:

- Accountants have great skills to positively influence the future; and
- We can't secure the future alone. We must seek out and work with others who share our commitment to the public interest and a stronger global economy and society.

In my time with you today, I want to share IFAC's global perspective and show how it supports both pan-African and ICAN programs. And to demonstrate that — with our combined efforts — the accountancy profession has bold thinking and solutions to answer some of the most challenging issues of our time.

## First, a little about IFAC's global strategy

Around the world, there is a widely identified trust crisis. Broadly, citizens in many countries have lost faith in governing institutions.

That's why **Build Trust. Inspire Confidence.** is the title of IFAC's strategic plan for 2019-20. That's what IFAC, our member organisations and their members do every day.

The vision for IFAC is that the global accountancy profession is essential for strong, sustainable organisations, financial markets and economies.

We aim to achieve this through three key strategic objectives:

- Contribute to and promote the development, adoption and implementation of high quality international

- standards;
- Preparing a future-ready profession; and
- Speaking out as the voice for the global profession.

**Why global standards?** Because it serves the public interest when high quality audit and assurance, ethics, education and public sector accounting standards are adopted globally.

**Why focus on a future ready-profession?** Because disruptive technology-driven change is underway. To building trust and inspire confidence, current and future accountants must have the right mix of skills and competencies and demonstrate the highest standards of ethical conduct.

**And why focus on speaking out?** Because professional accountants are passionate defenders of the public interest. In a low-trust environment, the public must know that the accountancy profession is on their side — and here in Nigeria,



ICAN is an example of what that means in practice...

I hope you have all read the Lead Paper for this session.

Here's a quote from it: *"The Nigerian nation is richly endowed with human and natural resources which have not been optimally leveraged to achieve sustainable development."*

Yes – the Lead paper correctly identifies **sustainability** as a vital issue. It's the issue of our generation, and for all who follow us. Accountants have a positive contribution to make.

At the global level, IFAC is supporting the UN Sustainable Development Goals. We specifically identified 8 goals as being particularly suited to the profession's skills and work – including *Quality Education, Gender Equality, Peace, Justice & Strong Institutions* and *Decent Work*.

The Lead Paper identifies Nigeria's **human** and **environmental** wealth. Along with the four other forms of capital, IFAC shares your belief that they must be accounted for. That's why IFAC supports the work of the International Integrated Reporting Council.

Integrated Reporting is a bold, innovative response to a fragmented, complex and largely compliance-driven global financial reporting system. In our G20 call to action, we will explicitly call for the adoption of the International Integrated Reporting Framework.

Doing so will help move corporate decision-making towards the measures and thinking needed to achieve the UN SDGs.

At the regional level, I was privileged to attend last years' African Congress of Accountants in Uganda. Integrated Thinking was high on the list of priorities and remains a key strategic objective of the Pan African Federation of Accountants or PAFA.

While there, I also attended the Pan African Federation of Accountants General Assembly. PAFA's strategic plan: ***Building a Bridge to a Brighter Africa*** remains both ambitious and supportive of the continent's accountants. And PAFA's Africa Integrated Reporting Committee provides strategic direction to support the growth of integrated thinking and reporting across the continent.

And nationally, ICAN's role in preparing accountants to support the SDGs has been outstanding — and consistent. ICAN is no stranger to the long-term solutions that are needed to solve the SDG challenge. IFAC stands with ICAN in its advocacy for good governance, accountability, and sustainability.

I also commend ICAN for its practical training programs. For example, there's a two-day course on ***Corporate Reporting and Sustainable Development Goals*** coming up. It starts on October 31 and ends on November 1, 2018, giving you enough time to get home, pack your bags and make your flight to World Congress of Accountants in Sydney!

Seriously, I know hundreds of Nigerian accountants are coming to my home town for this spectacular event. We can't wait for your arrival. For those of you who do, Sustainability is a key World Congress theme: it matters to the entire global family. And for those of you who can't, the WCOA website will keep you posted on all the events, and those that are being live-streamed.

Another quote from the Lead Paper: ***"The common wealth of the country has been pillaged by a few, thereby creating a sense of economic insecurity for the average Nigerian."***

Fraud and corruption is a global issue. And technology is

making it faster and harder to track. At the global level, across several fronts, IFAC supports your fight.

At the OECD and B20 — the business advisory arm of the G20 nations — we have been advising global leaders that accountants are ready and willing to use their skills to fight fraud and corruption.

But we also champion a view that this is a fight we can't win alone. We are better fighting with others who share our passion for transparency, accountability, and good governance.

Last year, IFAC launched a study that confirms the profession's major, positive role in reducing corruption.

Conducted independently by the ***Centre for Economics and Business Research***, the study reveals that a higher percentage of accountants in the workforce strongly correlates to better outcomes in Transparency International's global Corruption Perceptions Index.

Crucially, the study showed that our role was enhanced when we work within effective national governance architectures — in partnership with good government and a strong public sector.

The study confirmed that accountants' professional ethics, education, and oversight are key to success.

But meaningful progress in this age-old fight will require three things:

- Continued strong cross-sector collaboration;
- Reinvigorated international interest in public financial management; and
- Greater adoption of high-quality international standards on financial reporting, auditing, and ethics.

To reinforce the message of cross-sector collaboration, this year IFAC cemented its professional friendship and engagement with the International Bar Association. We declared our shared commitment to fighting corruption in all its forms. And we also committed to working with each other to explore other practical measures to assist the fight and defend the public interest.

Of course at the national level, ICAN's partnership with the Nigerian Bar Association is an excellent move. Working together with lawyers to fight corruption and promote integrity in public institutions and business is an active way to defend the public interest.

It's clear that intentional measures, political will, and diligence by a variety of actors is also required if we are to achieve sound Public Financial Management (PFM).

IFAC strongly supports the adoption and implementation of accrual-based International Public Sector Accounting Standards. It's key to transforming global public sector transparency and accountability.

Delving down to the regional level, I want to highlight PAFA's commitment to the fight for better PFM and against corruption.

Last year, Vickson Ncube, PAFA's CEO, wrote an outstanding article for IFAC's Global Knowledge Gateway called ***When Corruption Becomes a Way of Life, and What To Do About It***, he wrote:

*African society is drowning in a "have all, possess all" mentality that has become an endless orgy of spend and gain. Position and power have become keys to accessing resources meant for the general good and converting them for private good. We will be forgiven for concluding that the scrambles we see*

*for power on our continent are no longer driven by a desire to serve but by waiting turns to loot.*

*We need to simplify the message about corruption so that every citizen regardless of their level of education can understand it and its negative impact on their own lives. Corruption must be elevated to the level of criminality that it is — a crime against humanity.*

And that, ladies and gentlemen, is an African accountant speaking truth to power, in the public interest.

At the global level, another IFAC initiative to support the world-wide profession is its partnership with the Chartered Institute of Public Finance and Accountancy. Together, we are developing the International Public Sector Financial Accountability Index.

The index will provide a comprehensive global picture of financial reporting and budgeting frameworks used by governments. We believe the Index will also help assess the current and future state of public finances — and spark further conversation on PFM efforts.

Here in Nigeria, ICAN is once again showing the way in the creation of its own Accountability Index. Federal, state and local governments are going to be held to account for the quality of their financial reporting practices. ICAN will release rankings that will show which organisations are performing best ... and also those that are not performing well.

Past President Zakari, I could find no better way to do justice to this initiative than to quote your own words at the launch of the program.

*"We are not presenting the Accountability Index to government. We didn't do it for the government. We did it for Nigeria. We are doing it for the public."*

Ladies and gentlemen, that's a great example of both speaking out in the public interest and acting intentionally to defend it with bold, innovative thinking.

And here's another example of ICAN's dynamic thinking. Having already gotten signed the lawyers up to help fight fraud and corruption, ICAN extended its support to the policy academy, to train young police men and women on financial crimes investigation.

I congratulate ICAN for its foresight. The forensic accounting research center is inspired thinking. All of us at IFAC cannot wait for your learnings and discoveries as the program takes root. I think many other countries will also be watching carefully and cheering on the program's success.

Forensic accounting is an important discipline globally. And its importance is growing as financial crime — expedited by rapidly evolving technology — becomes more global ... more systemically dangerous.

In my day job, artificial intelligence has revealed remarkable opportunities to increase my team's satisfaction ... robots are now doing lower level tasks and freeing up qualified accountants to focus on more strategic, client-centric work.

But technology also brings great risk. We now have to think the unthinkable. Personal information theft can lead to significant value destruction. But worse is the impact of reputation loss: lower revenues because once loyal clients didn't return. At another level, there's the catastrophic effect of ransomware attacks. The crooks now have their own call centers to take a

payment to unlock your company's servers.

There's no doubt that technology is going to enable our profession to scale new heights. At IFAC, we will be leveraging the outstanding work of our member organisations to help prepare the global profession for what's coming. ICAN's Consulting and Information Technology Faculty is a great example of what's possible.

And finally, I turn once again to the Lead Paper: *As a people, our collective existence and the welfare of future generations are challenged. Professional Accountants, by our public interest mandate, are eminently positioned to champion the rebirth of a new Nigeria.*

The Panama Papers released in 2016 illustrated the disastrous management of many state owned enterprises in Africa. Opaque financial management systems, limited oversight, and restricted auditing procedures were only just part of the problem. The problem is cultural. And it's an issue in every country.

The good news is that the global accountancy profession offers bold, innovative thinking and solutions. We are actively seeking and working with partners who share our values, admire our ethics and value our skills — and from whom we can also learn.

The fight for a stronger, more transparent and sustainable global economy can be found in IFAC's Strategy: *Build Trust, Inspire Confidence*; in the solutions provided by our G20 call to action; in our representations to the OECD, B20 and other multi-lateral institutions; and at World Congress of Accountants every four years.

The fight for a stronger, more transparent and sustainable Africa can be found in PAFA's strategy: *Building a Bridge to a Brighter Africa*; in the experiences shared at African Congress of Accountants every two years; and in the words of its CEO: *In order to promote integrity and defeat corruption, all of society needs to work together.*

And the fight for a stronger, more transparent and sustainable Nigeria can be found in its actions and deeds. Beyond its Accountability Index, its police academy partnership and its support for education and training, this is an Institute that:

- Launched a whistleblowers fund in 2015 to protect and compensate members who reported financial irregularities;
- Encouraged the government to enact last years' Whistle-Blower Protection Act;
- Adopted NOCLAR last year ... the international ethics boards' standard that mandates professional accountants report suspected non-compliance with laws and standards;
- Backs stronger corporate governance standards; and
- Speaks out regularly on the need for better budget management.

But perhaps best of all, ICAN does it all for a better Nigeria — in the public interest. That should make all of you proud to be an ICAN member and proud to be part of a profession that offers big thinking and bold solutions to answer the challenges of a generation. ●

★ Ms Grimes is the President of the International Federation of Accountants (IFAC) and delivered this paper at the 48<sup>th</sup> Annual Accountants' Conference of ICAN.

# THE 48<sup>TH</sup> ANNUAL ACCOUNTANTS' CONFERENCE

## COMMUNIQUE

1. The 48<sup>th</sup> Annual Accountants' Conference of the Institute held at the International Conference Centre and the Sheraton Abuja Hotel from October 1-5, 2018.

2. The theme of this year's conference was, "**Securing Our Shared Future: A Collective Responsibility.**" Like previous editions, the 48<sup>th</sup> Annual Accountants' Conference lived up to its bidding as the biggest gathering of professional accountants in the African continent. The Conference was attended by a total of 4,745 delegates including invited guests and resource persons. This impressive and commendable attendance makes this a new conference record, second only to the IFAC World Congress of Accountants - the Olympics of the Accounting Profession.

### 3. Conclusions and Recommendations

At the end of the deliberations, the conference reached conclusions and made the following recommendations:

i. The Participants observed the negative impact of productive economic activities on the environment and the failure of corporate entities to absorb the total cost of their operations. They were persuaded that, if the practice was not checked, it would lead to the tragedy of the commons, stunted economic growth and pains for all. The participants therefore recommend the strict implementation of all environmental protection laws in order to secure the eco-system and sustain the capacity of the environment to continue to play its inherent roles of food provider, life support and waste assimilator.

ii. While expressing their dissatisfaction with a situation in which corporate entities will continue to prosper at the expense of society, participants recommend that as conscience of society, members of the Institute should bring their knowledge of environmental and sustainability accounting to bear on business practices and the quest for profit in the interest of present and future generations.

iii. In order to secure our shared future, the participants recommend that all members should be in the vanguard of championing the rebirth of a new Nigeria where ethical acquisition of wealth and the ideals of transparency, accountability and service for the common good are cherished and embraced by leaders at all levels of governance.

iv. The participants recommend that the Institute can add to public value by promoting compliance to highest ethical practices; persuading those with governance responsibility to conduct business in open, transparent and accountable manner; developing professional, technical and ethical standards that support social and economic development; advocating for financial regulations that will guarantee value for money; and repositioning itself to drive best practices in corporate governance in the country.

v. The participants agreed that what was required for

evil to triumph was for good men and women to do nothing. As professionals who belong to a body built on a virtuous foundation, the participants recommend that members should strive to serve in public office and those who serve should be held accountable. They urged the Institute to assist the government to build enduring institutions and IPSAS-based financial reporting framework that will drive public financial management.

vi. They further recommend that strategic efforts should be made to bridge the human resource gap, which may widen with the emergence of the knowledge-driven 4th Industrial revolution. In their view, the Institute must begin to produce digital accountants that will continue to function effortlessly in the years ahead. They also recommend that organisations should invest more in technology in order to reinforce their security architecture.

vii. While acknowledging the challenges which technology deficit pose to the activities of SMEs as engine of economic growth and development, participants noted the role that digitization of the informal sector can play in the whole process. They therefore recommend that technology can be leveraged through communities to identify and select budding entrepreneurs for support; automate and discard manual processes. To reinforce these initiatives, the Institute was urged to partner with key private sector players to digitise the informal sectors while a Roadmap should be developed and adopted for use.

viii. The participants observed that some of the main challenges confronting SMEs include poor infrastructure, policy inconsistency, access to finance, access to markets and business support, high level of unskilled labour, under-performing value chain, difficult regulatory environment and multiple taxation. The participants therefore recommend that the Institute should support SMEs by reviewing its training curriculum to include entrepreneurship and SME development, creating a department for SME advisory services and generally guiding SMEs to overcome the challenges of the environment.

ix. Given the ongoing effort by the government to diversify the economy, the participants acknowledged the prime place of Agribusiness. According to them, Agribusiness SMEs remain one of Nigeria's greatest hopes for economic growth and development due to its potential for high growth rate in real terms spanning across various segments of agricultural value chains and accounting for about 97% of the Agricultural GDP. They therefore recommend that the government should empower agribusiness SMEs to take advantage of the agricultural value chain.

x. They further recommend that the government should urgently intervene in areas such as building essential infrastructure, improved incentives and increased allocations for SMEs development. The participants were persuaded that if SMEs are supported as envisaged, they have the capacity to address unemployment, grow the economy, contribute to GDP, build blocks for large businesses, introduce innovation and stabilise the

society.

**xi.** While identifying the drivers of a greater Nigeria to include security of life and property, sound macro-economic environment, good infrastructure base, strong financial system, contract enforcement mechanism and fight against corruption, participants urged the accountancy profession to drive the next generation by leveraging innovative opportunities like machine learning, specialisation and digital marketing. They further recommend that deliberate efforts should be made to attract the youth into the accountancy profession because of their huge potential and IT-related competences.

**xii.** Although the FIRS reported impressive statistics in terms of revenue collection which it attributed to its ongoing reforms, participants noted that there exists a wide gap between society's welfare expectation and the revenues generated by the agency. In their view, the thrust of public finance is discipline in the use of public resources. Given that there exists a social contract between the citizenry and the government, it is imperative to hold the government to account. Participants therefore recommend aggressive tax advocacy role for the Institute. In their view, without tax advocacy, there will be taxation without justice.

**xiii.** They further recommend that tax administrators should collaborate and engage more with the taxpayers to bridge the information gap in order to promote voluntary compliance. They also recommend that the issue of multiplicity of taxes should be addressed expeditiously in the long term interest of businesses.

**xiv.** Although the participants agreed that the tax payers, tax administrators and tax consultants should collaborate to achieve the goal of driving development through tax revenue, the participants noted that there cannot be tax justice when those with governance responsibilities do not pay and remit their taxes as and when due to the FIRS. Participants therefore recommend that the FIRS should sanction MDAs that fail to remit their taxes as a deterrent to others.

**xv.** While commending the trend towards the adoption of technology by FIRS, participants urged the revenue agency to appraise the outcome and impact of its various initiatives in order to properly situate its actual performance. Participants urged the FIRS to address the complaints about the downtime often experienced by users of the various IT platforms and the slow process of seeking justice for incorrect tax assessment. They further recommend that FIRS should leverage Block chain and Bitcoin technology to enhance tax collection as a lot of businesses were being done through these IT instruments.

**xvi.** The participants noted with dismay the un-dynamic nature of tax laws in the country in these days of rapid changes in technology and business models. Allusion was made to the archaic Stamp Duty Act of 1939 and other related laws which were enacted when electronic transactions were unknown. The participants therefore urged the government to amend this and other laws as part of its strategies of improving the Ease of Doing Business Ranking of the country. They also enjoined the FIRS to revisit the huge withholding tax credits which tax payers are finding difficult to access to settle their tax liabilities.

**xvii.** Participants acknowledged the pervasive impact that unfolding disruptive technology will have on the profession, businesses and employment of members of the Institute. While urging all members to see technology as business enabler and as the key to their future relevance, they recommend that the Institute should review and embed in its syllabus, a body of knowledge on

Artificial Intelligence, Robotics, Machine learning, Blockchain and related technology such that its products will be market-ready. They also recommend investment in capacity building for existing members.

**xviii.** In addition to encouraging members to develop IT and soft skills, participants recommend that members and entities should: retool, rethink, retrain, embrace and indigenize technology, be more adaptable, invest in technology and become accounting information technology experts. They should continuously strive to hone their skills so that they can reposition themselves for greater value creation and enhanced service offerings.

**xix.** While noting the severity of the impact of cybercrimes on information resources and wealth of individuals, institutions and nations, the participants recommend the aggressive enlightenment campaign to educate members on the dangers associated not only with the use of free WIFI and free anti-virus packages but also with the careless handling of passwords and other security details.

**xx.** They urged individuals and entities to continually review and identify their risk areas and deploy appropriate security measures. To reinforce these measures, they recommend the use of local languages for setting passwords, change passwords every 90 days, regularly update security software and programme; check application permissions to restrict App access to system data; embark on continuous user education and awareness as well as use different passwords for different applications.

**xxi.** Participants noted that the emerging disruptive technology will likely redefine the nature of accounting firms that will exist in the future. They therefore recommend that accounting firms of the future should build capacity and guard against poaching of their staff with technological skills, by competitors, through efficient talent management. They urged accounting firms of the future to get to the level where the clients see the accountant as a partner in the business.

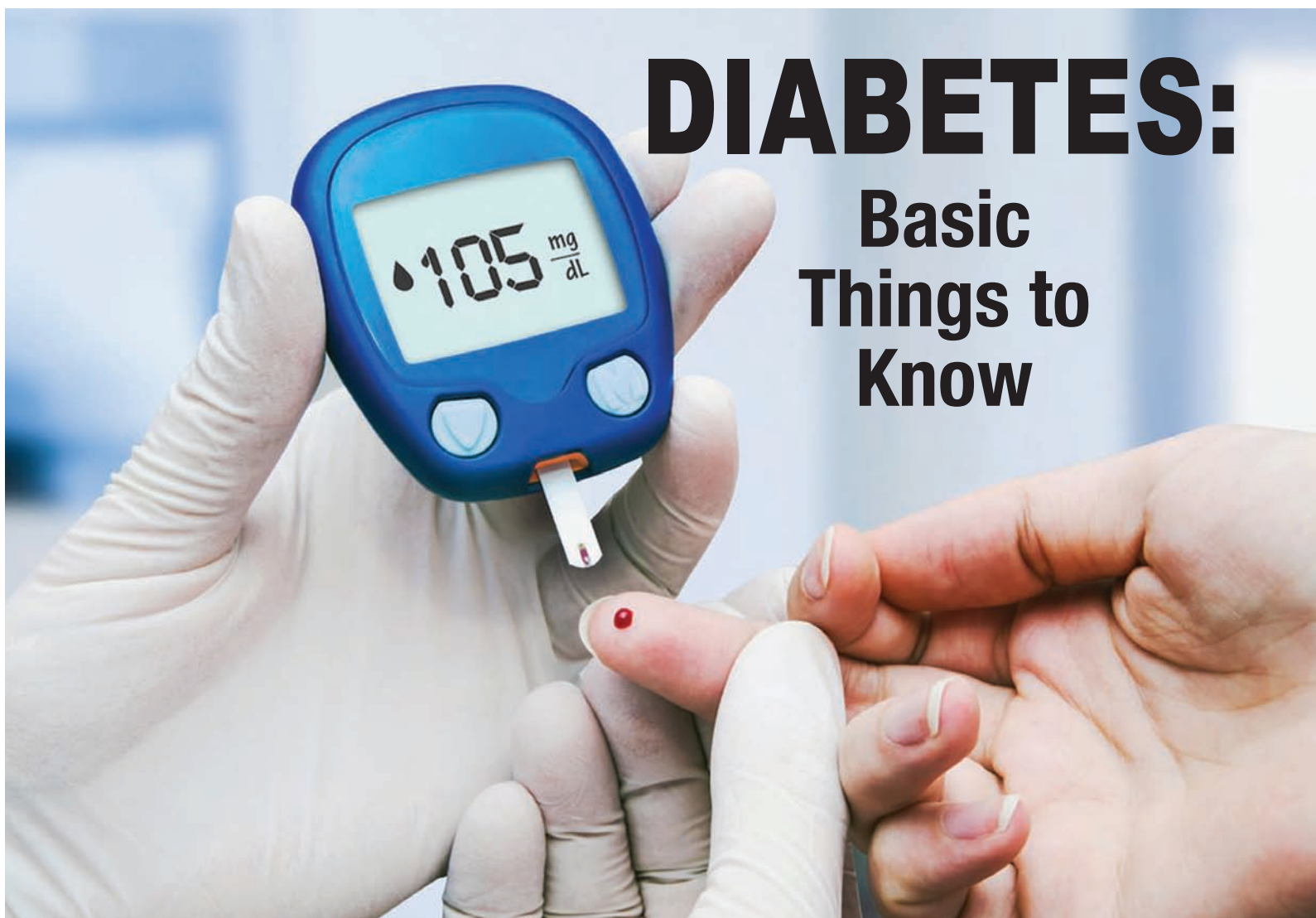
**xxii.** They further recommend that accounting firms of the future should engage in digital marketing and strive to understand and manage digital disruption and its effect on businesses as well as the pressures imposed by regulatory trends in the accountancy profession.

**xxiii.** The Participants also recommend that accounting firms of the future should take advantage of cloud technology, build social brand, deliver value, transform work flows by automation and winning the battle for accounting talent. In addition to considering diversity (e.g. gender diversity) and inclusion in workplaces, the accounting firms of the future should continually stay abreast with changes in automation and regulatory pressure in the accountancy profession.

**4.** Participants at the Conference commended the Council for the choice of the Conference theme, sub-themes and the careful selection of erudite resource persons. They look forward to the implementation of the above recommendations by the relevant bodies including the Council.

**Alhaji Razak A. Jaiyeola, BSc, ACFE, CRISC, FCA**  
**54<sup>th</sup> President**  
**The Institute of Chartered Accountants of Nigeria**

**October 18, 2018**



# DIABETES:

## Basic Things to Know

**D**iabetes is a number of diseases that involve problems with the hormone insulin. Normally, the pancreas (an organ behind the stomach) releases insulin to help your body store and use the sugar and fat from the food you eat. Diabetes is when one of the following occurs:

- When the pancreas does not produce any insulin.
- When the pancreas produces very little insulin.
- When the body does not respond appropriately to insulin, a condition called “insulin resistance.”

Diabetes is a lifelong disease. Approximately 18.2 million Americans have the disease and almost one third (or approximately 5.2 million) are unaware that they have it. An additional 41 million people have pre-diabetes. As yet, there is no cure. People with diabetes need to manage their disease to stay healthy.

### The Role of Insulin in Diabetes

To understand why insulin is important, it helps to know more about how the body uses food for energy. Your body is made up

of millions of cells. To make energy, these cells need food in a very simple form. When you eat or drink, much of your food is broken down into a simple sugar called “glucose.” Then, glucose is transported through the bloodstream to the cells of your body where it can be used to provide some of the energy your body needs for daily activities.

The amount of glucose in your bloodstream is tightly regulated by the hormone insulin. Insulin is always being released in small amounts by the pancreas. When the amount of glucose in your blood rises to a certain level, the pancreas will release more insulin to push more glucose into the cells. This causes the glucose levels in your blood (blood glucose levels) to drop.

To keep your blood glucose levels from getting too low (hypoglycemia or low blood sugar), your body signals you to eat and releases some glucose from the stores kept in the liver.

People with diabetes either don’t make insulin or their body’s cells no longer are able to recognise insulin, leading to high blood sugars. By definition, diabetes is having a blood glucose level of 126 milligrams per deciliter (mg/dL) or more after an overnight

fast (not eating anything).

Type 1 diabetes most commonly starts in people under the age of 20, but may occur at any age.

### Type 2 Diabetes

Unlike people with type 1 diabetes, people with type 2 diabetes produce insulin. However, the insulin their pancreas secretes is either not enough or the body is unable to recognise the insulin and use it properly. When there isn't enough insulin or the insulin is not used as it should be, glucose can't get into the body's cells.

Type 2 diabetes is the most common form of diabetes, affecting almost 18 million Americans. While most of these cases can be prevented, it remains for adults the leading cause of diabetes-related complications such as blindness, non-traumatic amputations and chronic kidney failure requiring dialysis. Type 2 diabetes usually occurs in people over age 40 who are overweight, but can occur in people who are not overweight. Sometimes referred to as "adult-onset diabetes," type 2 diabetes has started to appear more often in children because of the rise in obesity in young people.

Some people can manage their type 2 diabetes by controlling their weight, watching their diet, and exercising regularly. Others may also need to take a pill that helps their body use insulin better, or take insulin injections.

Often, doctors are able to detect the likelihood of type 2 diabetes before the condition actually occurs. Commonly referred to as pre-diabetes, this condition occurs when a person's blood glucose levels are higher than normal, but not high enough for a diagnosis of type 2 diabetes.

### Gestational Diabetes

Gestational diabetes is triggered by pregnancy. Hormone changes during pregnancy can affect insulin's ability to work properly. The condition occurs in approximately 4% of all pregnancies.

Gestational diabetes is triggered by pregnancy. Hormone changes during pregnancy can affect insulin's ability to work properly. The condition occurs in approximately 4% of all pregnancies.

Pregnant women who have an increased risk of developing gestational diabetes are those who are over 25 years old, are above their normal body weight before pregnancy, have a family history of diabetes or are Hispanic, black, Native American, or Asian.

Screening for gestational diabetes is performed during pregnancy. Left untreated, gestational diabetes increases the risk of complications to both the mother and her unborn child.

Usually, blood glucose levels return to normal within six weeks of childbirth. However, women who have had gestational diabetes have an increased risk of developing type 2 diabetes later-in-life.

### What Are the Symptoms of Diabetes?

The symptoms of type 1 diabetes often occur suddenly and can be severe. They include:

- Increased thirst.
- Increased hunger (especially after eating).

- Dry mouth.
- Frequent urination.
- Unexplained weight loss (even though you are eating and feel hungry).
- Fatigue (weak, tired feeling).
- Blurred vision.
- Laboured, heavy breathing (Kussmaul respirations).
- Loss of consciousness (rare).

The symptoms of type 2 diabetes may be the same as those listed above. Most often, there are no symptoms or a very gradual development of the above symptoms. Other symptoms may include:

- Slow-healing sores or cuts.
- Itching of the skin (usually in the vaginal or groin area).
- Yeast infections.
- Recent weight gain.
- Numbness or tingling of the hands and feet.
- Impotence or erectile dysfunction.

### How Is Diabetes Managed?

At the present time, diabetes can't be cured, but it can be treated and controlled. The goals of managing diabetes are to:

- Keep your blood glucose levels as near to normal as possible by balancing food intake with medication and activity.
- Maintain your blood cholesterol and triglyceride (lipid) levels as near their normal ranges as possible by decreasing the total amount of fat to 30% or less of your total daily calories and by reducing saturated fat and cholesterol.
- Control your blood pressure. Your blood pressure should not go over 130/80.
- Slow or possibly prevent the development of diabetes-related health problems.

You hold the key to managing your diabetes by:

- The total amount of fat to 30% or less of your total daily calories and by reducing saturated fat and cholesterol.
- Control your blood pressure. Your blood pressure should not go over 130/80.
- Slow or possibly prevent the development of diabetes-related health problems.
- Planning what you eat and following a balanced meal plan.
- Exercising regularly.
- Taking medicine, if prescribed, and closely following the guidelines on how and when to take it.
- Monitoring your blood glucose and blood pressure levels at home.
- Keeping your appointments with your health care providers and having laboratory tests as ordered by your doctor.

**Remember:** What you do at home every day affects your blood glucose more than what your doctor can do every few months during your checkups. ●

\*Culled from [www.health.com](http://www.health.com)

**ADDRESS BY**  
**ALHAJI RAZAK JAIYEOLA**  
**AT THE COURTESY CALL ON HIS EXCELLENCY,**  
**PRESIDENT MUHAMMADU BUHARI**  
**ON FRIDAY, OCTOBER 19, 2018**

1. On behalf of the Governing Council and the entire membership of the Institute of Chartered Accountants of Nigeria (ICAN), we thank Your Excellency, most sincerely, for finding time within your very busy schedule to grant us this audience. This is clearly a demonstration of the respect and premium you place on professionalism.

2. I wish to formally acknowledge with immense gratitude your constant support for ICAN. We note with particular delight your honouring of our invitation to declare open the 48th Annual Accountants' Conference held at the International Conference Centre and the Sheraton Abuja Hotel from October 1–5, 2018. The presence of your representative, Senator Udoma Udo Udoma, the Honourable Minister of Budget and National Planning, immensely contributed not only to the success of the programme but also, added great colour to the entire Conference

3. Let me at this point congratulate you Sir on the giant strides of the current administration, especially in its unrelenting efforts at stamping out corruption in our society and ensuring the security of lives and properties. At ICAN, we would not shy away from the fact that there are many challenges, but with the purposeful leadership and determined efforts of your Excellency's administration, we are confident that the country would be restored to its rightful place in the comity of nations.

4. In the last three and a half years, there is no gainsaying the fact that this administration has devoted time and resources to infrastructural development, security and the putting in place of other socio-economic structure to facilitate a growth trajectory that would be both sustainable and inclusive.

5. The doggedness of this administration to bring the country out of the woods of recession in 2017 and the

sustained decline in inflation rates since February of 2017 from the peak of 18.72% in January 2017 have been widely commended. This in addition to various efforts at improving the ease-of-doing business in the country, diversification of the economy in areas such as agriculture, mining and tourism and various youth development and employment generation initiatives.

6. Your Excellency, I wish to inform you that ICAN is not resting on its oars in our capacity building initiatives for chartered accountants and the need to ensure that our members adhere strictly to the ethos of our profession premised on integrity and accuracy. Our profession is in integral to the current fight against corruption in the country and other economic development services we provide as professionals. I am therefore pleased to intimate you Sir, with some of the areas of our contribution to national growth and other developments in the Institute and the profession as a whole:

**a) Implementation of Accountability and Transparency Framework** – In support of the government accountability and transparency initiatives, ICAN recently launched:

- i. An Accountability Index, designed to enhance the quality of public financial management by accessing the availability and ease of access of the various financial reports as required by Nigerian public finance legislations.
- ii. The Non-Compliance with Laws and Regulations (NOCLAR) Guidelines issued by International Ethics Standard Board for Accountants (IESBA) adopted by the Institute. This means that our members do not only have the obligation to do the right thing but are mandated to report non-compliance with rules and regulations to appropriate authorities.

iii. The Institute pioneered the whistle blowing policy and set aside a fund to support any of her member that is victimised on account of this initiative. We are delighted that your administration has since made whistle blowing a national policy.

iv. The Institute reviewed the recently published draft 2018 Corporate Governance Code and have sent her observations and recommendations to the Financial Reporting Council. A fundamental area of concern is the issue of high concentration of equity ownership in the hands of few individuals. This has led to badly composed and very weak insider dominated corporate boards which are unable to exercise effective oversight on the relationship between executive management, the board and the controlling shareholders. This has created enormous opportunities for uncontrolled expropriation of the interests of both the minority shareholders and non-equity financial stakeholders, whose joint stake appears significantly in excess of equity values across many sectors in Nigeria. This is the root of endemic nonperforming loans and of course frequent corporate failures. Protecting of minority interest is very fundamental to the success of 2018 code. We hope it will be properly addressed.

**b) Tax and Fiscal Policies**

i. **Fiscal Policies** – The government’s ideas on taxation and fiscal policies should always come with the Appropriation Bills rather than Executive Orders. This would create valid expectation and adjustment tied to financial years of the government with ease of commencement of the tax laws.

ii. **Tax Revenue Drive** – Our members not only support businesses in the area of financial accounting and audit, we play a key role in advising various taxpayers on their compliance obligation. ICAN supported the Ministry of Finance and the Joint Tax Board (JTB) during the roll out of the recently concluded Voluntary Assets and Income Declaration Scheme (VAIDS). We note the recent Executive Order on Voluntary Offshore Assets Regularisation (VOARS) and hereby offer to help in any capacity necessary to ensure a successful outcome.

**c) Economic Recovery and Growth Plan (ERGP)** – The Institute has been contributing to discussions regarding the ERGP. We are particularly interested in the aspect of capacity building, supporting Small and Medium Enterprise (SME) and accountability for the various deliverables under the ERGP.

**d) Enabling businesses** – We also commend the

progress made so far in improving the business environment under the Presidential Enabling Business Environment Council (PEBEC). We congratulate you on the recent 10-step improvement in the 2018 global competitiveness ranking of Nigeria on ease of doing business by the World Economic Forum. The Institute will continue to support this initiative professionally.

**e) Annual Budget and Medium Term Expenditure Framework (MTEF)** – We have always made contributions to the budget making process through our stakeholder events, capacity workshops and submissions to the National Assembly. We intend to continue and further improve on this. We would be happy to support the budget making process especially through capacity enhancement for the relevant officers of MDAs and the Budget Offices at the Federal and States level through the National Economic Council platform.

**f) Budget Deficit** – That the government is investing in a lot of capital projects is common knowledge and very commendable. However, the deficit financing and huge borrowing by the government should be moderated as the nation is currently spending over 60% of revenue on debt servicing. Borrowing should be directed at expanding the productive capacity of the economy.

**g) Proliferation of the Accountancy Profession** – Nigeria currently has two professional bodies recognised by law-ICAN & ANAN. These two bodies have adequately catered for all fields/aspects of accounting profession. To create other associated bodies is to trivialise professionalism. This is not in the public interest, other profession such as Law (NBA), Medicine (NMA), Architecture (NIA), etc, all have one body. Forensic and investigating auditing is a specialised part of accounting profession for which ICAN already established a Faculty through which members are certified. Your Excellency, the passage of The Forensic and Investigative Auditors Bill by the Senate can be akin to establishment of Chartered Institute of Criminal Lawyers or Chartered Institute of Commercial Lawyers for the Law Profession. Sir, we implore you not to assent to any bill that seek to balkanise the accountancy profession.

**h) Passage of the Petroleum Industrial Fiscal Bill** – This bill is of paramount importance to the national economy and the petroleum industry in particular. We urge you sir, in collaboration with the National Assembly, to ensure the passage of this bill as a matter of national priority.

**i) Implementation of Local Content Policy** – The Institute commends the government efforts to implement the local content initiatives through Executive Orders and the Local Content Act. We urge the government to scrupulously

monitor compliance in order to create employment opportunities for Nigerian youths as well as empower them technologically. Efforts should be increased to ensure that full compliance is made to build capacity in the Nigeria professionals.

**j) Review of Obsolete Laws** – There is need to review the Stamp Duty Act, 1939 and other laws that negatively affect Ease of Doing Business. Similarly, the ongoing review of the Companies and Allied Matters Act, 1990 should be concluded expeditiously.

**k) Economic and National Events** – As part of our efforts to support the government, the Council of our Institute invites the Presidency to include ICAN in the Protocol list for invitation to major economic and national events. As a key stakeholder in the Nigerian project, such invitation will give us the opportunity not only to share ideas and professional experience on national issues but also demonstrate our support for policies made in the public interest. Given the roles the Institute plays in the national economy, we wish to request that the Institute be represented in the economic team of the President.

**l) Treasury Single Account (TSA)** – The TSA is one of the widely acknowledged initiatives of this administration that has helped to adequately manage all governments' accounts. ICAN is willing to work with the government and other stakeholders to address the challenges currently being faced.

**m) Information and Communications Technology as a Catalyst to Sustainable Development** – Currently, Nigeria ranks below many other African countries in the Global ICT Development Index at 119 out of 130 nations. With our population growth rate of 3.5% (projected to hit 400million by 2050) against an economic growth forecast of 1%, our development challenges seem to continue to magnify. Our National IT development vision should be focused on digital equity to all. Indeed, to ensure the delivery of the objectives and benefits of sustainable development goals (SDGs), government should declare access to the Internet and other digital information systems – a fundamental Human Rights for all Nigerians.

According to the National Office for Technology Acquisition and Promotion (NOTAP), "Nigeria loses over N1trillion in foreign exchange annually to the importation of ICT devices and software of the said amount, N250billion is lost annually to the importation and maintenance of foreign software". Your Excellency, out of eight major application software use in running government processes, only one "Remita" is locally made, others are from Estonia, Sweden, Germany, etc, this is shameful considering our population which is largely made

up of smart and energetic youth.

Nigeria is the single largest concentration of people of Africa origin in the Planet Earth, Nigeria must be seen taking a leadership position in information technology especially software engineering which has been tipped as the secret of the 4th Revolution. We must rely on our own productive capacity in application software and indeed other products as no economy can develop while depending on other countries for her needs. It is shameful for a Nigeria with huge youthful population to depend on importation for survival.

Your Excellency, from the foregoing, may I humbly make the following request which I believe will enhance the Nigeria position as the world 4th Revolution becomes a reality:

- i. Establish the Office of the ICT General of the Federation and each state Office of ICT General with immediate effect.
- ii. Establish National e-Government Academies as e-Readiness retooling platforms for accelerated development.
- iii. Encourage the creation of Innovation Hubs across the nation – with a goal to retooling the workforce. The Digital Bridge Institute should be immediately deployed for the training of software engineers in the six regions of the country.
- iv. Discourage importation of all application software with local alternatives.
- v. Aggressive education of Nigerians on the negative impact of cybercrime and how to protect themselves.

**n) Provision of Assurance against Corruption and Fraud** – The fight against corruption should be institutionalised by putting in place control environment, risk assessment, control activities, Information and Communication and monitoring activities. Your Excellency, the Institute would be willing to partner with the government.

**o) Communique of the 48th Annual Accountants' Conference** – The just concluded 48th Annual Accountants' Conference with the theme *Securing Our Shared Future: A Collective Responsibility* ended with profound recommendations for moving the country and accounting profession forward. A copy is attached herewith.

**Alhaji Razak A. Jaiyeola, BSc, ACFE, CRISC, FCA**  
54th President, ICAN

October 19, 2018.

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