



The Nigerian **ACCOUNTANT**

THE OFFICIAL JOURNAL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

OCTOBER/DECEMBER, 2014

Vol.47, No.4



Protecting Public Interest is an Obligation for Professionals

— *ICAN*



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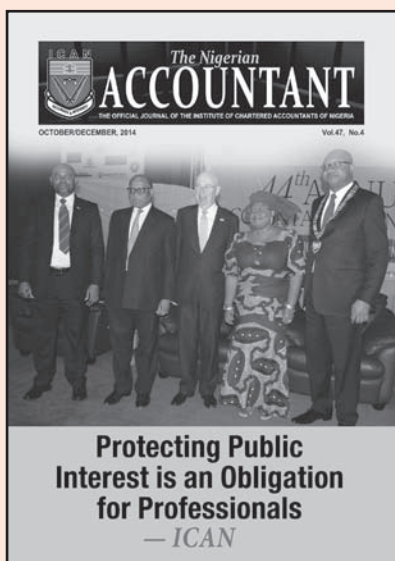
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The Nigerian ACCOUNTANT

(ISSN: 0048 – 0371) is published quarterly for **N400** by

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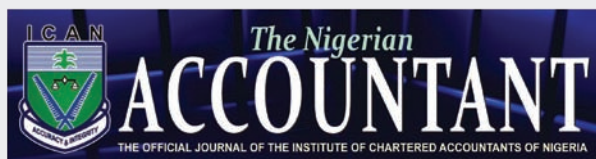
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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

(Established by Act of Parliament No.15 of 1965)

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Mission Statement

To produce world-class chartered accountants, regulate and continually enhance their ethical standards and technical competence in the public interest.

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From The Editor

The choice of the theme of this year's Annual Accountants' Conference, ***"Protecting the Public Interest, Enhancing Professionalism"*** was not without a purpose. The theme was selected to underscore the duties of professional Accountants as custodians of public interest. As expected, professionals ought to use their skills, knowledge and competence to promote and defend the interest of the public at all times.

Therefore, The Institute is not relenting in its efforts at creating awareness among its members and users of their services, on the importance of this step and inherent benefits. The Institute used its 44th Annual Conference to sensitise members as well as other professionals on the need to raise the bar of their professional duties with the aim of protecting the public interest.

In this edition, we have the report of proceedings at the Annual Accountants' Conference held at the International Conference Centre, Abuja where various topics were discussed by technocrats including the President of the International Federation of Accountants Mr Warren Allen and other big players in the nation's economy.

In the same vein, the proceedings of the 9th Annual Eastern Districts' Zonal Conference with the theme ***"Micro-Financing and Economic Empowerment: Nigeria in Focus,"*** were also captured. We also have News and pictorial views of The Institute's activities in this last quarter of the year in this edition.

Also in this edition is an article entitled ***"Capital Asset Pricing Model and Arbitrage Pricing Theory: A Comparative Analysis."*** The authors compared Capital Asset Pricing Model (CAPM) with Arbitrage Pricing Model (APM) as effective decision models in asset pricing with a view to identifying the more appropriate and efficient one.

The author of ***"Impact of Corporate Profitability and Complexity on Audit Fee in Nigeria"*** delved into the effect of corporate profitability and firm complexity on audit fee in Nigeria.

"Early Warning and Conflict Prevention in Nigeria" is another interesting piece for readers.

All these and a host of other articles on various topics and the activities of The Institute are published in this edition for readers' delight.

The Institute wishes its Members, a merry Christmas and blissful New Year in advance.

Your comments on this edition are welcome. Please write to: corporateaffairs@ican.org.ng or aoololabi@ican.org.ng

Common Eye Disorders

Many patients are with common eye disorders that may or may not be serious. Also, people often ask questions regarding whether a certain symptom such as eye redness or swollen eyes warrants a visit to an eye doctor.

This guide was created to help you learn the type of eye disorder you may have and what should be done about it. But these guidelines are only an overview and definitely should not replace a consultation with your own eye doctor.

Typically, common eye disorders can be broken down into major eye symptoms, making it easier to sort them out and come up with specific guidelines. Major categories include:

- Redness
- Itching
- Swelling
- Burning
- Trauma
- Pain
- Blur (decrease in vision)
- Spots, flashes and floaters

What If Your Eyes are Red and Irritated?

Red and bloodshot eyes have many causes, including infection, inflammation, allergy, broken blood vessels and trauma. If the white of your eye (sclera) looks red or pink, you might have one of the following conditions:

Pink eye — If you have kids, you almost certainly know about an eye infection known as pink eye. Adults can get it, too. If the redness is from a form of pink eye known as conjunctivitis, you also will have symptoms such as itching, burning or stinging, eye discharge, swelling, watering — or a combination of the above. Some forms of pink eye are contagious, and some are not. Allergic conjunctivitis, for example, is not contagious. But viral and bacterial forms of pink eye are contagious. So it's best to see your eye doctor or family doctor for diagnosis and possible treatment.

Quick Tip: Until you know more about what may be causing your problem, you should avoid rubbing your eyes. Make sure



you wash your hands often. For relief, use cool, wet compresses on the outside of your closed eyelids.

Eye allergies — Allergies can be seasonal (spring and fall), or they can happen when something irritating (allergen) invades your eyes, like cat dander or fumes. Symptoms of eye allergies include itchy eyes and red, watery and puffy eyes. How your eyes are affected may depend on the time of year and type of plants you have in the area where you live. We Minnesotans tend to have lots of seasonal allergy problems in the spring and fall. But many people can also have year-round allergies because of dust mites, molds, etc.

Quick Tip: Try cold, wet compresses on the outside of your closed eyelids. You also may find relief if you take an over-the-counter antihistamine orally. If the allergy continues to annoy you, you may need to see your eye doctor for a prescription to help you deal with symptoms.

Broken blood vessel — Tiny blood vessels in the white of the eye can break from straining, lifting, rubbing or for no reason at all. When this happens, the sclera becomes bright red from the blood leaking under the clear conjunctiva and the condition is called a subconjunctival hemorrhage. A red eye from a subconjunctival hemorrhage looks scary, but usually it is harmless and ordinarily isn't considered an emergency.

Quick Tip: To be on the safe side, you should see your eye doctor within a day or two after noticing symptoms to make sure there's no underlying cause for the broken vessel. Otherwise, there really is no treatment other than time for most of these

blood leaks. But I always tell my patients to make up a really good story, because everyone will ask them what happened!

Eye trauma — Getting hit in the eye can certainly cause redness, along with pain and blurred vision. The eye may be scratched or gouged, but there also could be hidden damage inside the eye, such as a detached retina, that can be very serious and must be treated. Unless the hit is very light, an eye doctor should treat eye traumas right away.

Quick Tip: For some immediate relief, put a very cold compress or ice pack on the injured eye. Avoid rubbing it. If you can't reach your eye doctor, go to an emergency room or urgent care center for help.

Itching and Itchy Eyes

Almost all eye itching is caused by some sort of allergy. Very often, mild itching can be helped with over-the-counter lubricating eye drops. I'd avoid the ones that take away redness (decongestants), as they can be addictive. You can also use cold compresses or ice packs to help with itchy eyes.

More severe itching may need extra help, such as oral antihistamines or prescription eye drops. Although itchy eyes are not an emergency, you still may need to consult your eye doctor for advice or a prescription.

If your eyelids are red and inflamed, you could have blepharitis. Make sure you visit your eye doctor to determine the cause and appropriate treatment.

Quick Tip: Try to avoid rubbing your eyes! Rubbing releases chemicals called histamines that actually make the itching worse.

Blurred Vision

If you have blurred vision that happens suddenly and persists, consider this an emergency. See your eye doctor, or visit an emergency room/urgent care center.

If one eye becomes blurry or goes dark suddenly, like a curtain coming down, this is an emergency and should be checked out by your eye doctor or an emergency room/urgent care center. This could indicate a retinal problem, like a detachment, or even a stroke.

If you have some minor blurring that comes and goes, this could mean tiredness, dryness or eye strain. Keep in mind that many eye conditions can cause some blurred vision, including pink eye, allergies, dry eyes and even a lot of near vision work. Most of these are not emergency situations.

Quick Tip: For mild blurry vision, try resting your eyes. If the blurry vision persists, make an appointment for an eye exam.

Puffy Eyes

Unusual puffiness around the eyes often is a sign of an allergy. Of course, trauma such as getting hit in the eye also can cause eyes to swell.

Quick Tip: If puffy eyes are caused by an allergy, you may have to take an over-the-counter decongestant orally to alleviate symptoms.

Eye Burning

Eye burning can be caused by allergy, dryness, tiredness, vision stress (like computer work) or a combination of the above. See your eye doctor if the burning persists, but this symptom is not usually an emergency.

Quick Tip: Usually, burning can be helped with over-the-counter lubricating eye drops and rest. You can also use cool, moist compresses.

Eye Pain

Eye pain can be sharp or dull, internal or external, constant or intermittent, stabbing or throbbing. As a general rule, if you have eye pain along with redness, you should consider this an emergency and either see your eye doctor or go to an emergency room or urgent care center right away.

Constant eye pain, especially when moving your eyes or gently pushing on your eyes, can sometimes indicate an inflammation of some of the inner eye parts.

This means you should try and see your eye doctor as soon as possible for diagnosis and treatment.

I often help people with rheumatoid arthritis or fibromyalgia (chronic pain throughout the body) who are having related eye pain. Eye pain sometimes is caused by dry eyes, which needs to be treated with over-the-counter or prescription medication. Occasionally, eye pain is caused by something serious, like uveitis. This is an inflammation of the inner eye tissues, like the iris. Again, this type of condition should be treated as soon as possible.

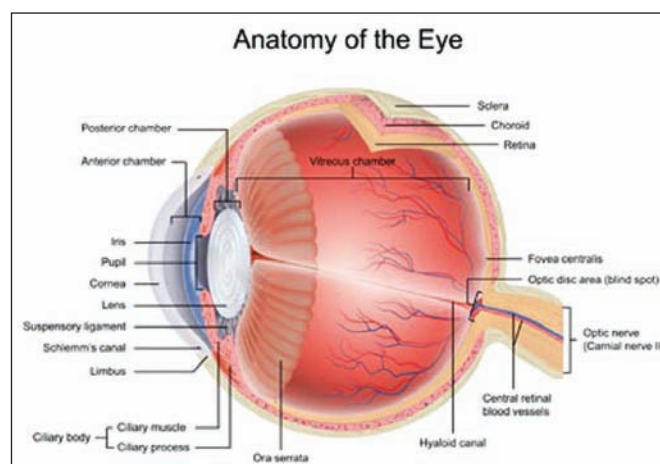
Eye pain with blurred vision should be considered an emergency and should be

flashes of light, can indicate something serious is happening inside your eye that could cause a detached retina.

As a general rule, if you have a few little dots, threads or “bugs” that come and go depending on how tired you are or what kind of lighting you’re in, these are normal floaters. But if you suddenly see flashes of light, clouds of floaters, swirly mists or a curtain over part of your vision, it’s best to see your eye doctor or an emergency room/urgent care center. They’ll dilate your pupils to see what’s going on inside your eyes and make sure it gets treated if need be.

Most retinal detachments can be helped if treated soon. If retinal detachments are ignored, however, they can lead to a loss of vision or even blindness.

Quick Tip: Most vitreous detachments creating spots and floaters just need to be watched. But you have no way of knowing whether you have a vitreous detachment or a far more serious retinal detachment. So in either case, make sure you see a doctor.



investigated as soon as possible by your eye doctor or by the emergency room/urgent care center.

Quick Tip: If your eye pain is dull like a headache in your eye, but there is no redness or blurred vision, this could be caused by overuse, eye strain or even sinus problems. I suggest seeing your doctor only if it doesn’t clear up with rest or perhaps some Tylenol or Advil.

Spots, Flashes and Floaters

Most spots and floaters are normal. They are caused by bits of protein and other tissue embedded in the clear, gel-like material (vitreous) that fills the inside of the eye.

As we age, the vitreous becomes more fluid and these thread-like strands and shapes move (“float”) more easily within the vitreous, which makes them more noticeable. Also, the vitreous can separate or detach from its connection to the retina, causing additional floaters. But some floaters, especially when accompanied by

Foreign Object (Something in the Eye)

Getting something in your eye seems like it should be an emergency, and it often is. Whether your eye is invaded by a piece of metal, a thorn or sticker or a sharp object, it’s critical that you see an eye doctor or an emergency room/urgent care center right away.

Don’t rub your eye or attempt to remove whatever is in there. You could cause more damage. Loosely tape a paper cup (or eye shield if you have one) over your eye and seek help.

Quick Tip: Let’s also be practical. Not everything that gets in your eye is serious. We all have little bits of something in our eyes at times. If you know it’s just a piece of dust that’s irritating your eye, you can try rinsing it with saline solution or using lubricating eye drops. If you are able, try turning your eyelid inside out to see if you can dislodge the particle. If none of these home remedies works, then it’s off to the doctor. ●

* Culled from allaboutvision.com

Chartered Accountants Grow, Manage the Economy – Governor Orji

The Executive Governor of Abia State, Chief Theodore Orji has applauded chartered accountants in the country for contributing immensely to the development of the economy. He showered the encomium while playing host to the 50th President of the Institute, Mr. Chidi Onyeukwu Ajaegbu who paid him a courtesy visit in his office in Umuahia as part of his visit to the Umuahia District Society in July.

While emphasising the importance of the role of chartered accountants to the nation, the governor attributed the management of the economy and the fight against corruption to the accountancy profession, noting that ICAN has done well in this regard.

Appreciating the initiative of the Institute to build a Secretariat in Aba, which the foundation-laying ceremony took place earlier same day, the governor enjoined the ICAN President to ensure that the members of the Institute are continually tutored and mentored in order to give the best and continue to support in nation building.

His words: “I encourage you Chidi along with your Council members to continue to tutor and mentor your members in order for them to continually give their best to building of the nation. We are ready to partner with ICAN especially with the inauguration of the Secretariat for producing more chartered accountants in the state.”

Responding, the ICAN Boss expressed his appreciation to the governor, for engaging members of the Institute in strategic places in his cabinet to give their professional input to the state’s economy.

Ajaegbu further stated that the Institute through Umuahia and Aba District Societies had resolved to build centres with conducive examination halls, library services as well as offices in both cities to



ICAN President presenting a souvenir to the Governor of Abia State, Chief Theodore Orji during his courtesy visit to the governor in Umuahia

enhance the production of more chartered accountants in the state.

ICAN Donates Lecture Theatre to OAU, Four Others

As part of strategies to strengthen its public interest mandate and to encourage the production of highly skilled Accounting graduates, the Institute is constructing five Lecture Theatres in selected tertiary Institutions across the country.

The five states that will benefit from the gesture include Osun, Edo, Kaduna, Kebbi and Enugu. Already, the foundation stone had been laid for the lecture theatre in Obafemi Awolowo University (OAU), Ile-Ife; University of Benin, Edo State; and University of



ICAN President laying the foundation for the Lecture Theatre at Obafemi Awolowo University



Foundation laying ceremony for the Lecture Theatre at University of Benin

Nigeria (Enugu Campus), Enugu State.

Laying the foundation stone of the first Lecture Theatre, the 50th President of the Institute, Mr. Chidi Onyeukwu Ajaegbu explained that the project was aimed at supporting the aspirations of the students and creating conducive atmosphere for learning with a view to producing highly skilled graduates in Nigerian Universities.

He expatiated further that the new project was the next step in the Institute's scheme of developmental initiatives borne out of its desire to address the problem of poor performance of students.

His words: "Over the years, the Governing Council of the Institute has observed with dismay the poor performance of candidates at the Institute's examinations due largely to poor academic background of students, lack of good tuition, poor and inadequate preparations, and dearth of good learning materials."

"The first outcomes of the concerted efforts to address the issues were the publication of ICAN Study Packs and creation of the Students' Special Project (SSP). The study packs which were first developed and solely financed in 2006 by the Institute have been taken to another level today through a World Bank sponsored twinning arrangement with the Institute of Chartered Accountants in England and Wales (ICAEW). This amongst other positive outcomes has produced world-class learning materials, a new examination structure and syllabus which would take effect in November, 2014."

The ICAN President also disclosed that each of the selected institutions will provide a parcel of land on which the Lecture Theatre will be built. He concluded that the Institute desires to accomplish the project within the next one year.

In his own remark, the Vice Chancellor of OAU, Professor Idowu Bamitale Omole posited that ICAN's gesture had complemented the vision of the Institution, expressing gratitude of the school's Governing Council to ICAN. He eulogised ICAN as the foremost professional body in Nigeria when it comes to turning out professional Accountants who know their onions and are capable of competing with their counterparts anywhere in the world.

ICAN Urges CBN to Address Issue of Torn, Dirty Naira Notes in Circulation

As the nation presses forward with the policy of cashless economy, the 50th President of the Institute, Mr. Chidi Ajaegbu, has called on the Governor of Central Bank of Nigeria (CBN), Mr. Godwin Emefiele to quickly address the issue of dirty, torn and worn naira notes currently in circulation in the country.

Ajaegbu made the call in his address during a courtesy visit to Mr. Emefiele in his office in Abuja recently, adding that as the symbol of Nigeria's exchange mechanism, the quality of the currency notes should reflect the nation's profile as Africa's most-priced economy.

"It is an irony that the available new notes are sold at motor

parks and at parties whereas, banks do not have any to dispense to their customers. Accordingly, we urge you to use your good office to attend to this issues," he admonished.

Speaking further, Ajaegbu observed that the place of well thought out macroeconomic policies that will guarantee price stability, promote investments and stimulate productive activities in the long term interest of the citizenry could not be over-emphasised.

While commending the apex bank for its achievements in this direction, he urged the bank to intervene to make the cost of borrowing by the real sector less expensive.

"Today, the margin between the cost of borrowing and interest



CBN Governor, Mr. Godwin Emefiele (right); ICAN President, Mr. Chidi Ajaegbu; and ICAN Vice President, Otunba Femi Deru during Ajaegbu's courtesy visit to CBN in Abuja

on savings is unusually wide. The apex bank should look into customers' complaints of hidden charges outside of the borrowing rates, which add to the cost of doing business. A marked reduction in the cost of funds will no doubt positively impact the cost of doing business which the government is also trying to address through its on-going investment in infrastructural facilities," he declared.

Ajaegbu also commended CBN for the various intervention initiatives, especially the establishment of Entrepreneurial Development Centres across the geo-political zones in the country. He promised that ICAN was also making effort to collaborate with the bank through the setting up of Professional Entrepreneurial Centres in Lagos and Abuja where members could enhance their professional competence as well as up-skill their business knowledge through capacity building for promoting SMEs initiatives.

Eight ICAN Members Honoured With National Award

The Institute is proud to be associated with its eight Fellows who were among the 305 individuals conferred with National Award on September 29, 2014 by President Goodluck Ebele Jonathan.

These worthy ambassadors include the Governor of Ogun State, **Senator Ibikunle Amosun** (CON); Head of Service

of the Federation, **Mr. Danladi, Kifasi** (CFR); Accountant-General of the Federation, **Mr. Jonah Ogunniyi Otunla** (OFR); Auditor General of the Federation, **Mr. Ukura Samuel Tyonongo** (OFR); Immediate Past President of the Institute, **Alhaji Kabir Alkali Mohammed** (MFR); Chairman, Nestle Food, **Chief Olusegun Oladipo Osunkeye** (CON); Chairman, Manufacturing Association of Nigeria, **Chief Kolawole Babalola Jamodu** (CFR); and His Royal Highness, **Samuel Ezekwo** (MON).

Joint Audit Will Raise Quality of Financial Reporting, says ICAN

The Institute has commenced the advocacy for joint audit by listed entities in order to raise the quality of financial reporting in Nigeria in line with its public interest mandate. This was disclosed by the 50th President of the Institute, Mr. Chidi Ajaegbu in his address during his courtesy visit to the Director-General of Securities and Exchange Commission, Ms Arunma Oteh in Abuja.

According to Ajaegbu, joint audit involves the choice of one of the big 4 firms and a small and medium-sized practice to jointly carry out the audit of an entity in a year, adding that they will both share the rewards and risks in pre-agreed proportion.

Expatriating further, he said apart from the fact that members in public practice can share experiences and benchmark their operations on global best practices, more employment will be created for chartered accountants in Nigeria and enhance capacity building in the entire audit profession.

"Building capacity in this manner will help raise the confidence of users in the quality of financial reports produced in the country. We therefore earnestly solicit your support for this initiative. Based on our discussions with the Financial Reporting Council of Nigeria, joint audit may become a financial reporting regulatory policy soon,"



ICAN President, Mr. Chidi Ajaegbu with Director-General of Securities and Exchange Commission, Ms Arunma Oteh

he concluded.

The ICAN President also posited that as vehicle for financial intermediation, there was need to deepen the market in order to increase its capacity to support various developmental initiatives as well as wealth creation efforts of Nigerians.

Engage More Chartered Accountants to Boost Your IGR – Ajaegbu

The 50th President of the Institute, Mr. Chidi Ajaegbu has advised the Osun State Government to emulate its Lagos state counterpart in employing more chartered accountants into its cabinet to help boost the economy of the State.

The advice was given by Mr. Ajaegbu when he paid a courtesy call on the Governor of the State, Mr. Rauf Aregbesola while on a two-day working visit to the Osun and District Society of ICAN.

Addressing the governor who was represented by his deputy, Mrs. Grace Titi Olaoye-Tomori, the ICAN President commended the efforts of the Governor for the huge developments going on in the state, noting that the series of development which are even noticeable by visitors to the state, has earned him a second term mandate to lead the people of Osun State.

Ajaegbu noted that the nation has adopted and commenced the use of International Public Sector Accounting Standards (IPSASs) as basis for financial reporting in the public sector and therefore urged the state government to embrace the standard by hiring chartered accountants.



ICAN President, Mr. Chidi Ajaegbu with the Deputy Governor of Osun State, Mrs. Grace Olaoye-Tomori and the Chief of Staff, Chief Gboyega Oyetola

His words: “I invite you to consider appointing more Chartered Accountants into other various executive positions in order to take advantage of their expertise to impact positively on revenue generation and governance processes in Osun State.”

Local Accounting Firms Should Be Encouraged – Adekanola

A Fellow of the Institute and Chairman of Olusola Adekanola & Co. (*Chartered Accountants*), Otunba Olusola Adekanola has reiterated that local accounting firms in the country should be encouraged to grow. He made this known during a courtesy visit by the ICAN President to his office in Lagos.

He also enjoined the Institute to give adequate protection to the interest of its members as well as offering necessary suggestions and advice to government at all levels on accounting and economic related issues.

In his response, the ICAN President thanked the management of the firm for hosting him and his entourage, explaining that his visit was to express gratitude to the firm for all it had done in the past and to also solicit more support for the Institute.

He thereafter corroborated Adekanola’s words that the interest of members must be protected at all times, adding that the issue of unemployment of members were being addressed through the employment bureau of the Institute.

ICAN, CIS to Partner on Financial Sector Development

A working arrangement has been concluded between the Institute of Chartered Accountants of Nigeria (ICAN) and the Chartered Institute of Stockbrokers (CIS) to develop the financial sector of the economy. This was disclosed by the two Institutes during a courtesy visit to ICAN by the President of CIS, Mr. Albert Okumagba

Celebration as Oguntimehin Becomes ‘Prime Minister’ of Ondo Kingdom

Friday, October 3, 2014 will not be forgotten in a jiffy as this was the day **Chief Simeon Olusola Oguntimehin**, a past president of the Institute, became the *Lisa* (Prime Minister) of Ondo Kingdom, the highest chieftaincy title in the kingdom and the next in rank to the Osemawe of Ondo. This same day, Oguntimehin also clocked 80 years on earth.

The event started with a thanksgiving service at the Cathedral Church of St. Stephen, Ondo, witnessed by the crème-de-la-crème in the society. Delivering his sermon during the service, the Most Reverend G.L. Lasebikan implored Oguntimehin to use his wealth of experience and goodwill to better the lot of Ondo indigenes and Nigerians in general. He blamed the social menace in the country today on the poor leadership style of the past administrators.

The event was witnessed by prominent Nigerians and foreigners such as former Head of State, Yakubu Gowon who was the Chairman of the day; The 50th President of ICAN, Mr. Chidi Ajaegbu, Council members, Past Presidents of the Institute; the Alaafin of Oyo, Oba Lamidi Adeyemi; the Ooni of Ife, Oba Okunade Sijuade; Osemawe and paramount ruler of Ondo Kingdom, Oba Adesimbo Kiladejo, his wife and other dignitaries. ●



Chief Oguntimehin displaying his certificate of office in the midst of traditional rulers



ICAN President, Mr. Chidi Ajaegbu exchanging pleasantries with former Head of State, Gen. Yakubu Gowon (rtd.) at the installation ceremony



The ICAN President, Mr. Chidi Ajaegbu, presenting a gift to the Executive Governor of Ogun State, Senator Ibikunle Amosun, during the ICAN President's visit to Abeokuta



Mr. Chidi Ajaegbu, President of the Institute of Chartered Accountants of Nigeria (right), with Mr. Layi Oyatoki, Managing Director of Grand Cereals Limited during a courtesy visit by ICAN team to the company



President of the Institute of Chartered Accountants of Nigeria (ICAN), Mr. Chidi Ajaegbu with the Executive Director/Chief Financial Officer of ExxonMobil, Mr. Segun Banwo when ICAN paid a courtesy call to Mobil Producing Nigeria Unlimited in Lagos

and his team.

According to Okumagba, the visit of CIS was to look for ways of collaborating with ICAN on how to further develop the financial sector of the economy and put in place a long-term structure for accelerated development. We need to put in place development efforts that would favour all our members and the nation at large.

Responding, the ICAN President, Mr. Chidi Ajaegbu disclosed that since the two bodies were driving similar agenda, it would therefore be easier to work together. He said the two major areas where the collaborative effort could work were joint audit of quoted companies and advocacy agenda.

"We are passionate about the joint audit agenda. Most of the quoted companies are audited by the big four but if there is joint audit, the big four will mentor the upcoming ones to the benefit of all. We will take the collaborative effort serious," he said.

IFAC President Gives Kudos to Nigeria on Timely Implementation of IPSAS

The President of the International Federation of Accountants (IFAC) Mr. Warren Allen has eulogised Nigeria and the Accountant-General of the Federation, Mr. Jonah Otunla over timelines for International Public Sector Accounting Standards (IPSAS) implementation in Nigeria.

Mr. Warren gave the commendation in Abuja during the visit of ICAN's 50th President, Mr. Chidi Ajaegbu to the office of the Accountant-General of the Federation before the commencement of the 44th Annual Accountants' Conference of ICAN.

During the visit, Mr. Ajaegbu thanked the Accountant-General who was represented by Mr. Omoniyi Fagbemi, the Director of Revenue Investment for his personal and professional contributions to the various activities of the Institute. He enjoined members in the office of the Accountant-General to continue to support the ideals of the profession irrespective of the circumstance they may find themselves.

In his response, the representative of the Accountant-General of the Federation, Mr. Fagbemi thanked the ICAN President and his team for the visit and also acknowledged the various re-positioning efforts by the Council of Institute towards the delivery of world-class services to its members. He also commended the Institute for ensuring that members' skills are updated through its knowledge enriching seminars and workshops as prescribed by the International Federation of Accountants.

ICAN Blacklists Student for Malpractice

The Institute has blacklisted a student caught for cheating during the May 2014 Professional Examinations. The student is **Mr. Bamiji-Afolabi Saheed Olaide**.

On May 20, 2014, during the May 2014 Professional Examinations at Amuwo, Lagos Centre, Olaide was caught with written materials related to Financial Reporting and Ethics paper he was writing. He was made to write his own statement and upon investigation was

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The Institute of Chartered Accountants of Nigeria
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found guilty. The exhibit and the invigilator’s report were also used as evidences against him.

After due investigations, the Council of the Institute found him guilty and decided that the student should be blacklisted and banned from all the Institute’s examinations. He was deregistered as a candidate and all the papers taken during the May 2014 diet professional examination were cancelled.

Award of Knighthood

A Fellow of the Institute, **Sir Samuel Kolawole Osinoiki**, KJW, FCA was awarded the Knight of John Wesley (KJW) at the 43rd/8th Biennial Conference of Methodist Church Nigeria. His nomination was ratified at the Church’s August 2012 Conference and the Award was conferred on him during the service of Recognition and Award of Merit held at the Methodist Cathedral, Ago-Iwoye, Ogun State.



Sir Samuel Osinoiki

New ExcOs for District Societies

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Olawale Sonola, FCA	—	<i>Financial Secretary</i>
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Omolola F. Oke (Mrs) FCA	—	<i>Treasurer</i>
Austin Nnamdi Anyaogu, FCA	—	<i>Social/Publicity Secretary</i>
Joshua Ansa, FCA	—	<i>Asst. General Secretary</i>
Reginal Feyisayo Oguneke, ACA	—	<i>Ex-Officio</i>
Adedeji Awobodu, FCA	—	<i>Ex-Officio</i>
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LAGOS MAINLAND

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Mr. Gafar Akanni, ACA	—	<i>Ex-Officio</i>

FROM OTHER BODIES

IFAC Introduces New Guidance on Supplementary Financial Measures

The Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants today issued ***International Good Practice Guidance: Developing and Reporting Supplementary Financial Measures***. The guidance provides recommendations for the use of supplementary financial measures as part of high-quality financial reporting in organisations.

Since supplementary financial measures fall outside the remit of Generally Accepted Accounting Principles (GAAP), they may lack transparency, comparability, and consistency — essential qualities for investors and other stakeholders wanting to assess financial performance. To address this challenge, the PAIB Committee’s guidance establishes a set of principles that allows professional accountants to develop and report useful measures in accordance with the qualitative characteristics of financial information.

“Supplementary financial measures can provide stakeholders with a greater understanding of an organisation’s financial performance, helping them make more informed financial decisions,” said Charles Tilley, Chair of the PAIB Committee. “Because supplementary financial measures are widely used, and can contribute to the overall picture of an organisation, our aim is to improve their quality and usefulness.”

The guidance builds on the qualitative characteristics of useful financial reporting: relevant and faithful representation, as well as comparability, verifiability, timeliness, and understandability.

“All measures in a financial report, whether they are prescribed by GAAP or are supplementary, should be clearly defined to provide comprehensive understanding of an organisation’s financial performance,” said Karyn Brooks, Chair of the PAIB Committee’s Business Reporting Advisory Group. “This guidance will serve as a reference for the development, implementation, location, and disclosure of supplementary financial measures.”

As part of IFAC’s commitment to strengthen financial reporting practices and the PAIB Committee’s efforts to support professional accountants in business, this guidance reinforces accountants’ ability to produce high-quality reports that enable sound decision making about organisations.

About International Good Practice Guidance

International Good Practice Guidance issued by the PAIB Committee cover areas of international and strategic importance in which professional accountants in business are likely to engage. In issuing principles-based guidance, IFAC seeks to foster a common and consistent approach to those aspects of the work of professional accountants in business not covered by international standards. IFAC seeks to clearly identify principles that are generally accepted internationally and applicable to organisations of all sizes in commerce, industry, education, and the public and not-for-profit sectors. Previously issued guidance is available on the **IFAC website**, including ***Preface to IFAC’s International Good Practice Guidance***.

G-20: Eight Recommendations to Support Global Growth and Resilience Proposed

The International Federation of Accountants (IFAC), the global organisation for the accountancy profession dedicated to serving the public interest, today submitted **eight recommendations** to support global economic growth and resilience for consideration at the forthcoming G-20 Leader's Summit in Brisbane, Australia, November 15-16.

IFAC's eight recommendations to help achieve strong, sustainable, and balanced growth are centered upon three core themes:

- Global consistency for sound financial regulation and standards for reporting and audit;
- Enhanced financial management, reporting, transparency and accountability by governments; and
- Effective taxation systems.

Fayez Choudhury, IFAC Chief Executive, commented: "IFAC understands that global economic growth, stability, and long-term resilience can only be truly supported once governments and the private sector 'get the numbers right.' Our detailed recommendations are aimed squarely at regaining momentum toward globally consistent regulation and adoption of high-quality international financial reporting, auditing, and auditor independence standards and requirements, improving both public and private sector transparency, and reducing taxation opacity.

"We have seen too many times throughout history how flawed numbers, and the decisions they impact, can lead to the unravelling of global economic stability. The most recent financial crisis generated much global interest in finally addressing the need for internationally consistent, appropriate regulation to help avert future crises. That momentum has dissipated and we need to regain it. Instead, unilateral government action is creating more divergence, which does not augur well for a coordinated global response to the next crisis".

"If adopted, our recommendations would serve the public interest by placing integrity in recognising, measuring, processing, and reporting financial transactions at the heart of the numbers relied upon by decision-makers to maintain economic performance and social cohesion.

"The accountancy profession's skills and experience are essential to advancing economic stability, strengthening financial systems and architecture, and promoting accountability and longer-term sustainability and growth. We have proposed to the G-20's leaders eight effective, practical recommendations focused on protecting and serving the global public interest, and which if adopted would significantly enhance global economic stability," he said.

Framework for Good Governance in the Public Sector Released

The Chartered Institute of Public Finance and Accountancy (CIPFA) and The International Federation of Accountants

(IFAC) have together developed the ***International Framework: Good Governance in the Public Sector***, to encourage more effective public sector governance.

Over the past few years, governance in public entities has become a pressing issue gaining greater exposure as a result of the financial and sovereign debt crises and a constant stream of governance failures, including nepotism, inefficiency, corruption, and poor financial management.

In response, the Framework encourages better governed and managed public sector entities by improving how they set and achieve their intended outcomes. Enhanced stakeholder engagement, robust scrutiny and oversight of those charged with primary responsibility for determining an entity's strategic direction, operations, and accountability leads to more effective interventions and better outcomes for the public at large.

"Public sector governance must focus explicitly on sustainable economic, social, and environmental outcomes, and this publication is unprecedented in highlighting the central role that outcomes and the public interest should play in the processes and structures of public sector governance," said Ian Ball, Chair of CIPFA International. "Our focus on sustainability is also especially important as public sector entities, from local councils to national governments, must consider the long term impact of their current decisions, especially in safeguarding the interests of future generations."

Increased focus on the critical role that good governance plays in the public sector has been an all-too-recent development. Growing awareness of the substantial role of poor public sector governance in the sovereign debt crisis and other public sector failures has made the appropriate application of governance standards and arrangements more pressing than ever.

On the launch of the Framework, IFAC CEO Fayez Choudhury said, "Good governance in the public sector requires an eye to the future, transparency, and accountability — principles that IFAC has consistently promoted, in particular with respect to the effects they have on the capacity to attract capital, global financial stability, and long-term sustainability. While adopting the International Public Sector Accounting Standards (IPSASs) is a critical step, improvement of other governance arrangements is essential if governments worldwide are to be successful in the sustainable development of our economies and societies."

Good Governance in the Public Sector establishes good practice principles for the fundamental aspects of public sector governance. The Framework also facilitates the review and update of national governance codes for the public sector and, where specific principles and guidance do not already exist, stimulates improvement.

The ideas and insights outlined in the Framework, which includes a foreword from Mervyn King, Chairman of the International Integrated Reporting Council and author of the King Report on Governance for South Africa, were developed using a wide-ranging literature review and in consultation with an International Reference Group. The Framework is useful for all those specifically involved with governance, including governing body members, senior managers, and internal and external auditors. Furthermore, this Framework provides the public with a resource to challenge substandard governance practices in public sector entities. ●

Capital Asset Pricing Model and Arbitrage Pricing Theory: A Comparative Analysis

By YOHANNA G. JUGU and YUNISA SIMON AMODU

The study compares Capital Asset Pricing Model (CAPM) with Arbitrage Pricing Model (APT) as effective decision models in asset pricing with a view to identify the more appropriate and efficient one. CAPM and APT have emerged as two famous models that have tried to scientifically measure the potential for assets to generate a positive or negative return. Both of them are based on the efficient market hypothesis, and are part of the modern portfolio theory. The methodology of the study is basically on theoretical review of extant literatures. Findings indicate that the major flaws of the CAPM are that it is based on several simplifying assumptions which appear to be unrealistic in real world. Moreover, CAPM is said to be incorrect in respect of its description of expected returns, and also that its' market proxies are not mean-variance efficient; therefore, a multi-factor model like APT offers a better explanation. APT provides a better warning of asset risk and estimates of required rate of return compared to CAPM which uses beta as the only market risk. APT remains the newest and most promising explanation of relative returns as it gives a more complete description of returns, hence, is said to naturally out-perform CAPM. The study recommends that investors rely more on the APT model because it is based on a simple and intuitive concept and has shown to be more efficient in asset pricing.

Keywords: Arbitrage Pricing Model, Capital Asset Pricing Model, Asset Pricing.

1. Introduction

Asset prices are universally believed to react sensitively to economic news. Every day experience seems to carry the view that individual asset prices are influenced by a broad variety of unpredictable events and that some events have a more pervasive outcome on asset prices than others (Chen *et al*, 1986). Thus, various asset pricing models can be used to determine equity returns.

The Capital Asset Pricing Model (CAPM) and the Arbitrage Pricing Theory (APT) have emerged as two models that have tried to scientifically measure the potential for assets to generate a return or a loss. Both of them are based on the efficient market hypothesis, and are part of the modern portfolio theory. CAPM by Sharpe (1964) and Lintner (1965) symbolises the birth of asset pricing theory. The

CAPM is still widely used in applications such as estimating the cost of capital for firms and evaluating the performance of managed portfolios (Black, *et al*, 1972).

The CAPM model assumes investors are risk averse and, when choosing among portfolios, they care only about the mean and variances of their one-period investment return (Markowitz, 1959). As a result, investors choose "mean-variance-efficient" portfolios; firstly, to reduce the discrepancy of portfolio return, given expected return, and secondly, to maximise expected return, given the variance. Thus, the Markowitz approach is often called a "mean-variance model."

APT is an asset pricing model which uses one or more common factors to price returns hence, a multifactor model with more factors (Devinaga and Peongkwee, 2011). Primarily, Ross (1976a, 1976b)

developed the APT. It is a one-period model in which every investor believes that the stochastic properties of returns of capital assets are consistent with a factor structure. Ross (1976) argues that if equilibrium prices offer no arbitrage opportunities over static portfolios of the assets, then the expected returns on the assets are approximately linearly related to the factor loadings. The factor loadings or betas are proportional to the returns' co-variance with the factors.

According to Azhar (2011), the equilibrium-pricing model using APT has developed into one of the modern financial theory. However, its use in determining the factors which influences expected returns is too general. APT is often viewed as a substitute to the CAPM. Market's expected return is used in the CAPM formula, while APT uses risky asset's expected return and the risk premium. APT model are used by arbitrageurs to profit by taking benefit of mispriced securities (Azhar, 2011). A mispriced security will have a price which is different from the model predicted hypothetical price.

APT is seen as an alternative to CAPM as it has the potential to overcome CAPM's weaknesses (Devinaga and Peongkwee, 2011). It requires less and more realistic assumptions to be generated by a simple arbitrage argument and its explanatory power is potentially better since it is a multifactor model. The APT relates the expected rate of return on a sequence of primitive securities to their factor sensitivities, suggesting that factor risk is of critical importance in asset pricing (Gilles and LeRoy, 1990). It tries to capture some of the non-market influences that cause securities to move together.

APT rests on the hypothesis that the equity price is influenced by limited and non-correlated common factors and by a specific factor totally independent from the other factors. The main empirical strength of APT is that it permits the researcher to select whatever factors and provide the best explanation for the particular sample at hand (Groenewold and Fraser, 1997).

Objectives and Research Question of the Study

In view of the limitations of CAPM, the study examines APT and compares both models with a view to identify which is more appropriate as a decision model in asset pricing.

The basic question in this study is: is APT an improvement on; and therefore, more effective than CAPM as a decision model in asset pricing?

The study theoretically reviews both models with a view to identify their strength and weakness as decision models in asset pricing. The rest of the paper is organised as follows. Section two reviews the existing literature on both models while section three compares CAPM with APT and section four concludes the paper.

2. Literature Review

APT and CAPM are two influential theories on asset pricing. APT differs from the CAPM in that it is less restrictive in its assumptions. It allows for an explanatory (as opposed to statistical) model of asset returns and assumes that each investor will hold a unique portfolio with its own particular array of betas, as opposed to the identical market portfolio, suggested by CAPM.

APT has the potential to overcome CAPM weaknesses: it requires less and more realistic assumptions to be generated by a simple arbitrage argument and its explanatory power is potentially better since it is a multifactor model. However, the power and the generality of APT are its main strength and weakness. APT permits

the researcher to choose whatever factors and provide the best explanation for the data but it cannot explain variation in asset return in terms of a limited number of easily identifiable factors. In contrast, CAPM theory is intuitive and easy to apply (Devinaga and Peongkwee, 2011).

2.1 Conceptual Framework

2.1.1 Measuring Risks and Returns with the CAPM

Measuring risk is not an easy task, partly because of the many factors to be considered. The mathematics of risk includes knowledge of probability theory and understanding of how portfolio risks and returns are brought together into a meaningful model. Attempts have been made to simplify the measurement of risk, and one of the more successful efforts has been the development of the CAPM. This is a model that relates predicted undiversifiable risks to the expected returns of a project. Although, CAPM is more readily applicable to security analysis, it can be employed to evaluate the risk/return merits of investments and assets at the corporate level (Richard and Ronald, 2011).

CAPM start by dividing risk into two major components: diversifiable risk and non-diversifiable risk. The premise is that there is a close relationship between the returns of individual securities and capital gain plus dividend yields. It has been established by academicians that the stock market is a highly efficient vehicle because it quickly incorporates all available information. Therefore, the volatility of the market provides a common denominator for evaluating the degrees of risk of individual assets and securities. This degree of risk is determined by finding out how sensitive the returns of a stock are to the returns of the market (Alike and Sun, 2011).

Against this background, investors employ a common index that measures the sensitivity of the individual stock against a common index namely the market. If a stock return move up and down more than the market returns, the stock is said to be more risky than the market but when a stock's returns move up and down less than market returns, the stock is said to be less risky than the market. It is possible, therefore, to classify the risks of different securities simply by relating them to the common market index (Alike and Sun, 2011). It is evident therefore, that the CAMP provides an easy way to compare the various risk levels of individual stocks. CAPM furnishes an alternative measure of risk in contrast to standard deviation. The model is a highly useful tool for evaluating securities because it supplies a required rate of return (discount rate) that can be employed to determine the value of securities. The rate of return supplied by the model serves as the discount rate to adjust future returns for risk (Richard and Ronald, 2011).

2.1.1.1 Assumptions and Criticism of CAPM

CAPM is based on several simplifying assumptions and because most of these assumptions appear to be unrealistic in the real world, it has been argued that they are the cause of its flaws (Watson and Head 1998; Harrington 1987). Several of the CAPM assumptions have been criticised. For instance, the assumptions that there are no taxes and no transaction costs do not conform to reality. In addition, the assumption of homogeneous expectations is also open to doubt, because investors usually have divergent expectations, apply various investment holding periods and differ in respect of their decision-making processes (Levy and Solomon, 2000).

Furthermore, CAPM assumes that the systematic or market risk

of any security is captured by only one risk factor; it's Beta. It also assumes that asset returns are multivariately normally distributed and that firm specific or diversifiable risk is not relevant, since it is easily eliminated. Some researchers suggest that CAPM is incorrect in respect of its description of expected returns and that a multi-factor model offers a better explanation. CAPM has run into several roadblocks such as Roll's (1977) suggestion that it is not a testable scientific theory but a plethora of empirical anomalies which provide empirical evidence that the usual market proxies are not mean-variance efficient.

2.1.2 Arbitrage Pricing Model

APT is a general theory of asset pricing that holds that the expected return of a financial asset can be modeled as a linear function of various macro-economic factors or theoretical market indices, where sensitivity to changes in each factor is represented by a factor-specific beta coefficient. The model-derived rate of return will then be used to price the asset correctly – the asset price should equal the expected end of period price discounted at the rate implied by the model. If the price diverges, arbitrage should bring it back into line (Devinaga and Peongkwee, 2011).

2.1.2.1 Assumptions of the APT

APT has two assumptions (Devinaga and Peongkwee, 2011). Firstly, only the systematic risk is relevant in determining expected returns which is similar to CAPM. However, there may be several non-diversifiable risk factors different from CAPM, (since CAPM assumes only one risk factor) that are systematic or macroeconomic in nature and thus affect the returns of all stocks to some degree. Secondly, in relation to firm specific risk, since it is easily diversified out of any well-diversified portfolio, it becomes irrelevant in determining the expected returns of securities (similar to CAPM).

2.1.2.2 Criticisms Against APT Model

Morel (2001) observes that the most disappointing feature of APT is that it does not identify the common factors (or even their number). It is not also supported by the theoretical foundations of the CAPM that describes the investors' behaviour. Moreover, Gilles and LeRoy (1990) states that APT contains no useful information about prices, because they think that APT does not include any clear restrictions and it can be thought as a too general asset pricing model.

Gilles and LeRoy (1990) further argues that many economists have all along been skeptical about the content of APT, because they believe that APT should depend on the validity of assumed restrictions on preferences and technology. Furthermore, the tendency of factors to increase cannot be explained by "priced" and "non-priced" risk factors. This problem arises because the theory in itself does not identify relevant factors (Dhrymes, *et al*, 1984).

The major assumption of APT model is that asset returns are linearly related to a set of unspecified common factors and that there are no arbitrage opportunities. This generality of the theoretical APT has turned out to be a major weakness for the empirical APT (Koutmos, *et al* 1993). There is also a great deal of skepticism about the test methods of the APT. Cheng (1996) states that the method of Chen, *et al* (1986) is very sensitive to the number of independent variables included in the regression. Cheng (1996) also note that when a researcher is testing the APT, a factor may be significant

in one multivariate analysis and then will not be significant when testing in a univariate model. The multi-collinearity among economic variables presents another drawback of this approach (Paavola, 2006).

2.2 Empirical Review

CAPM has been tested extensively, for over three decades, in various forms primarily in developed capital markets and to some extent in developing markets. Early work in this area including Black, Jensen and Scholes (1972), Fama and MacBeth (1973) and Blume & Friend (1973) supports the standard and zero beta model of CAPM. However Banz (1981), Reinganum (1981), Gibbons (1982), Shanken (1985a) and Fama & French (1992), highlights the danger of focusing exclusively on mean-beta space. These studies found that the return generation process also depends on other variables like size, book to market ratio and earnings price ratio.

Others, such as Maheshwari and Vanjara (1989), Madhusoodanan (1997), Sehgal (1997), Vipul (1998) and Dhankar and Singh (2005b) all sighted in Devinaga and Peongkwee, (2011) found that CAPM was not suitable for describing the Indian market. A great deal of research work on APT has been undertaken in developed markets, particularly in the U.S. market using two approaches. Roll and Ross (1980), Chen (1983) and Dhrymes, *et al* (1984) used the first approach, namely factor analysis. The drawback of this approach is that it is difficult to interpret the statistically derived factors in economic terms.

Chen, Roll and Ross (1986) found that four macroeconomic factors have a significant explanatory influence on returns. Yield differential between long and short term treasury bonds, inflation rate, yield differential between bb rated corporate and treasury bonds, and growth rate in industrial production. In another study of CAPM vs. APT using principal component analysis, Dhankar and Singh (2005a) sighted in Devinaga and Peongkwee (2011) found that monthly and weekly returns gave almost similar results, but weekly results showed APT in a more favorable light than monthly results. A study by Singh (2008b) as sighted in Devinaga and Peongkwee (2011) shows that beta varies considerably from year to year and also varies with the interval between data points (daily, weekly, monthly). Similarly, Singh (2008a) also found some evidence of non-stationarity of beta between bull and bear periods and stationarity between bull periods.

3. Comparing APT with CAPM

APT and CAPM are two influential theories on asset pricing. APT differs from CAPM in that it is less restrictive in its assumptions and allows for an explanatory (as opposed to statistical) model of asset returns. It assumes that each investor will hold a unique portfolio with its own particular array of betas, as opposed to the identical "market portfolio". In some ways, the CAPM can be considered a "special case" of the APT in that the securities market line represents a single-factor model of the asset price, where beta is exposed to changes in value of the market (Gur and Zhenyu, 2005).

In addition, APT can be seen as a "supply-side" model, since its beta coefficients reflect the sensitivity of the underlying asset to economic factors. Thus, factor shocks would cause structural changes in assets' expected returns, or in the case of stocks, in firms' profitabilities. On the other side, CAPM is considered a "demand side" model. Its results, although similar to those of the APT, arise

from a maximization problem of each investor's utility function and from the resulting market equilibrium - investors are considered to be the "consumers" of the assets (Burmeister and McElroy, 1988).

3.1 Arguments in Favour of APT's Superiority Over CAPM

Paavola (2006) argues that APT naturally out-performs CAPM in a statistical sense for two reasons: APT permits more than a single factor and constructs the factors to best fit data whereas CAPM uses a single factor clearly defined by the theory. If a researcher includes another variable to explain returns, R^2 can never be smaller with the added variable (Groenewold and Fraser, 1997). Burmeister and McElroy (1988) concluded that CAPM can be rejected in favour of their APT model which included factors like default premium and time premium.

Some common limitations about the CAPM are seen in the evidence, that it takes more than one factor to explain the shared, or systematic risk in securities, discredits the CAPM (Paavola, 2006) and in demonstrating that the risk premium on an asset depends only on its systematic factor loadings. The APT provides investors with a result of great practical value that the CAPM does not provide (Treyner, 1993).

According to Gur and Zhenyu (2005), APT is commonly put forward as a superior alternative to the criticised but widely used CAPM. The alleged weakness of CAPM, its baggage of "unrealistic assumptions" and its empirical shortcoming, are well known. Test of the CAPM typically display poor explanatory power as well as overestimating the risk-free rate and underestimating the market risk premium. The main criticism is particularly the use of betas to predict an asset's return - returns on high-beta stocks will tend to be overestimated and vice versa for low-beta stocks (Groenewold and Fraser, 1997).

The advances of APT over CAPM according to Elton, *et al* (2003) are that the APT makes no assumptions about the empirical distribution of asset returns. Secondly, the strong assumptions made about utility theory in deriving CAPM are not necessary. APT also admits several risk sources and therefore, can be more operational and has a better forecasting ability than the CAPM. There is no special role for the market portfolio in APT, whereas CAPM requires that the market portfolio is efficient. APT is also easily extended to a multi-period framework (Morel, 2001).

Several rigorous assumptions have to be made when deriving CAPM such as there are no market frictions, e.g., short selling is unrestricted, investors can borrow and lend at risk-free rate and there are no taxes. There are numerous securities so that idiosyncratic risk can be diversified away and Investors are risk-averse and seek to maximise their wealth (Devinaga and Peongkwee, 2011).

Chen *et al* (1986) concludes that APT model is better explaining equities returns than CAPM and that at one percent significance level, CAPM model can be rejected in favour of APT model. Dhankar and Esq (2005:12) sighted in Devinaga and Peongkwee (2011) concludes that "APT provides a better warning of asset risk and estimates of required rate of return compared to CAPM which uses beta as the only market of risk." Elton, *et al* (2003) states that APT remains the newest and most promising explanation of relative returns as it gives a more complete description of returns than CAPM model. Both models assert that every asset must be compensated

only according to its systematic risk. In CAPM, the systematic risk is the co-variation of the asset with the market portfolio and in APT; it is the co-variation with a number of factors.

3.2 Testability of APT Model

There had been a lot of tests of the APT (Chen *et al*, 1986; Burmeister and McElroy, 1988) for the United States, (Beenstock and Chan, 1988; and Clare and Thomas, 1994) for the United Kingdom. It is well known that the macroeconomic variables chosen by Chen, *et al* (1986) has been the foundation of APT. According to Paavola (2006), it is worth pointing out, why these variables could affect equities' returns. First, Inflation: Inflation impacts both the level of the discount rate and the size of the future cash flows. Secondly, Term structure of interest rates: Differences between the rate on bonds with a long maturity and a short maturity affect the value of payments far in the future relative to near-term payments. Thirdly, Risk premium: Differences between the return on safe bonds (AAA) and more risky bonds (BAA) are used to measure the market's reaction to risk. And fourthly, Industrial production: Changes in industrial production affect the opportunities facing investors and the real values of cash flows.

4. Conclusion

CAPM and APT have emerged as two famous models that have tried to scientifically measure the potential for assets to generate a return or a loss. Both of them are based on the efficient market hypothesis, and are part of the modern portfolio theory. In an economy with a large number of available assets, a linear factor model of asset returns implies that particular risk is diversifiable and that the equilibrium prices of securities will be more or less linear in their factor exposures.

This idea has spawned a literature which has pushed the scientific frontiers in several directions and led to econometric insights about what constitutes a factor model, and how to efficiently estimate factor models with large cross-sectional data sets. One of the more successful efforts at simplifying the measurement of risk has been the development of the CAPM. The model relates predicted undiversifiable risks to the expected returns of a project. Although, CAPM is more readily applicable to security analysis, it can be employed to evaluate the risk/return merits of investments and assets at the corporate level.

The APT which is based on a simple and intuitive concept has shown to be more efficient in asset pricing. When comparisons across models are made, the APT has tended to do well against the competing models. APT is commonly put forward as a superior alternative to the criticised but widely used CAPM. The alleged weakness of CAPM, is its baggage of "unrealistic assumptions" and its empirical shortcoming. Test of the CAPM typically display poor explanatory power as well as overestimating the risk-free rate and underestimating the market risk premium.

The main criticism is particularly the use of betas to predict an asset's return - returns on high-beta stocks will tend to be overestimated and vice versa for low-beta stocks. The advances of APT over CAPM are that the APT makes no assumptions about the empirical distribution of asset returns. It also admits several risk sources and therefore, can be more operational and has a better forecasting ability than the CAPM. APT provides a better warning of asset risk and estimates of required rate of return compared to

CAPM which uses beta as the only market of risk. APT remains the newest and most promising explanation of relative returns as it gives a more complete description of returns than CAPM model.

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Early Warning and Conflict Prevention in Nigeria

By **ORSHI TERHEMBA EPHRAIM**

There is no shortage of adages about the merits of prevention. An ounce of prevention is worth a pound of cure. Lawrence W. (2009) simply put it "Prevention is the best medicine". Perhaps the unimpeachable logic of those aphorisms should suffice to move government and international organisation to develop robust capacities to prevent violent conflict and to deploy them strategically. This paper discusses the concepts of conflict prevention focusing on preventive measures. Symptoms of conflict early warning are also identified as well as the cost of late response to early warning. Advancing the conflict prevention agenda will require navigating a series of challenges, including the rapidly changing context in which prevention strategies are applied. The research went ahead to determine if preventive measures have an impact to prevent ongoing and escalation of conflict. A set of difficult political and institutional factors that militate against vigorous prevention action were also examined, as well as the changing role of Nigeria. Policy recommendations are offered to provide effective early warning system. To be effective, conflict prevention capacities will not necessarily require pronouncement, institution and new offices, but they will require focused attention, resources, and a process to spur action in response to warning signs.

INTRODUCTION

Conflict is a very fluid and ambiguous concept. The word conflict usually has negative connotation. People often think that conflict is a destructive and undesirable process to be avoided, contained and eliminated. In this sense, it is perceived as the opposite of co-operation, harmony, or peace. Yet, co-operation is not the opposite of conflict, but a way of handling conflict.

Conflict is a multi-dimensional social process which is a common and essential feature of human existence. When expressed and handled constructively, conflict can act as a catalyst for personal, social and political change and transformation. A typical example is the usual strike by labour unions to demand for change in their working conditions, increase in salaries and allowance or change in terms and condition of their services.

When conflict is expressed in destructive sense, it fosters violence and damage that is familiar in wars; the activities of Boko Haram terrorists for instance, in the North East part of Nigeria, political turbulence in Egypt 2013 and Central African Republic 2014. Therefore, conflict, including ethnic conflict, are unavoidable but can indeed be prevented. This requires that, necessary efforts

should be made. Potential sources of conflict need to be identified and analysed with a view to their early resolution. Steps must be taken to forestall armed confrontation. If these preventive measures are superseded by a sharpening of the conflict, then an early warning must be given in time for more vigorous conflicts containment to take place.

Conflicts should be averted early on, if major arms conflict is to be avoided. Acting in a full-blown war, is the costliest and most dangerous way of intervening and also the least likely to succeed. Activities of Boko Haram terrorist in Nigeria, Al Qaida terrorist group in Yemen, Mali, Somalia exemplify this trend. According to Peter W. and Frida M. (2003) if the potential for conflict prevention is to be improved, the sources of its successes and failure must be better understood.

The purpose of this article is as follows: First, to discuss the concepts of conflict prevention focusing on preventive measures and the review of methodology of scholars to give better understanding of the phrase, Conflict prevention. Second, identify potential symptoms of early warning with a view to their early resolution. Thirdly, access the cost of late response to early warning. Fourthly, to determine if preventive measures have an

impact on dispute resolution or preventing ongoing conflicts from escalating further or spread across a larger region, and policy recommendation for Nigerian leaders to provide effective early warning system for conflict resolution.

THE CONCEPTS OF CONFLICT PREVENTION/PREVENTIVE DIPLOMACY

Conflict prevention is normally a combination of early warning, preventive diplomacy, and preventive deployment. Together, these may be regarded as confidence-building measures in order to maintain peace and security in a specific area. Identification of a conflict by early warning signs allows more time for preventive diplomacy or military action.

The League of Nations was established in the aftermath of the First World War to avoid further global conflicts but the organisation was never fully recognised and, consequently, failed to avert the Second World War. Thus the United Nations was established in the shadow of two global conflicts with the major purpose to prevent a repeat of the tragedies of wars.

Following the end of the Cold War, the combination of a growing number of complex conflicts and improved prospects for great power co-operation led to new interest in conflict prevention. In his 1992 report *"An Agenda for Peace"*, United Nations Secretary-General Boutros Boutros-Ghali, argued that one of the UNs central aims must be "to seek to identify at the earliest possible stage situations that could produce conflict, and try through diplomacy to remove sources of danger before violence result." The report defined preventive diplomacy as "action to prevent disputes from arising between parties, to prevent existing disputes from escalating into conflicts and to limit the spread of the latter when they occur."

The term conflict prevention suggests different things to different people and there is no consensus agreement on the meaning among scholars. According to Peter W. and Frida M. (2003) in Lund (1996) – preventive diplomacy is "actions taken in vulnerable places and times to avoid the threat or use of armed force and related form of coercion by states or groups to settle the political disputes that can arise from destabilising effects of economic, social, political and international change." Lund (2002) adds that conflict prevention includes "any structural or intersectoral means to keep intrastate or interstate tensions and disputes from escalating into significant violence and the use of armed force, to strengthen the capabilities of parties to possible violent conflicts for resolving their dispute peacefully, and to progressively reduce the underlying problems that produce those tensions and dispute."

The aim of preventive action is to prevent the emergence of violent conflict, prevent ongoing conflicts from spreading and prevent the re-emergence of violence. Boutros-Ghali (1996) and Wallensteen (1998) agreed that preventive diplomacy is the use of diplomatic techniques to prevent disputes arising, escalating into armed conflict and preventing the armed conflict from spreading. These are just constructive actions undertaken to avoid the likely threat, use or diffusion of armed force by parties in a political dispute.

Effective early warning system can only be achieved if all variety of actors undertake a medium and long-term proactive operational or structural strategy intended to identify and create the enabling conditions for a stable and more predictable local and international security environment.

THE CONCEPTS OF EARLY WARNING

Symptoms need to be identified and cured in a timely manner to avoid the situation degenerating into a conflict. The whole idea of "*early warning*" should be reflected by the determination of local and international communities to step in, to alert the state of its responsibilities, as soon as information is received confirming violation of human rights in a specific context, is on the rise. Given a typical example of United Nations activities to tackle armed conflicts, the whole process started with early warning to conflict prevention, peacemaking, peacekeeping, peace enforcement and peace building. These activities together with early warning system aim to monitor particular areas of potential conflict, and seek ways to act early enough to thwart potential conflict. Most of the African countries including the western world failed to recognised symptoms of early warning which would have been a perfect measure to resolve conflict.

Particularly, in Nigeria, from a certain perspective, emergencies are often the result of unresolved development of problems. Economic or social injustice generates poverty which can be a root cause for conflict. Nigeria is the only rich African country that houses large number of poor individuals. The major categories of people in Nigeria are in twofold, the rich and the poor. The absence of middle class in Nigeria is a sign of early warning which is already manifesting with the emergence of terrorism and high rate of robbery in the country.

Poverty creates conflicts over resources. It may also foster a breeding ground for political crises. Conflicts of ethnic and religious character witnessed in Africa, Europe and elsewhere, particularly in Nigeria are compounded by social revolts where old links are still maintained with external forces. The root causes have brought conflict and disaster to the entire country, devastating populations and scarring regions for generation.

If mechanisms to monitor, investigate and remedy situations of grievances or violations are supported by preventive actions to improve standards of living, they will guarantee education and freedom to live in peace which are crucial and deserve much more attention by the constituted authorities.

SYMPTOMS OF EARLY WARNING

According to Lawrence W. (2009), "the historical patterns suggest that new wars will continue to erupt unabated if greater and smarter efforts are not made to prevent them." Nigeria is already swimming in a pool of crises in the North, East, South and West. The most dangerous of all is the suicide bombing techniques adopted by the *Boko Haram* terrorists. These factors including other several factors are pushing the country into a new period of significant dangers and state of anarchy. Below are some of the early warning symptoms that need urgent attention when they surface:

❖ *Illegal arms trafficking and gun running:*

Illegal arms trafficking is an indication of security lapses at the border areas. This will result to acquisition and sales of arms to unauthorised holders. Nigeria borders with Chad Republic and Republic of Cameroon in the North. Due to the porous nature of border in these areas, illegal arms or weapons are procured into the country especially by terrorist. This is a sign of early warning i.e. when unauthorised persons are in position of arms, there will be misuse of arms which may result to violent conflict.

The use of Improvised Explosive Devices (IEDs) by terrorist groups to wreak havoc and inflict maximum terror on innocent

citizens in the North is a potential threat that if not contained now, will have devastating effect on the whole country in the shortest possible time. Already, some bomb attacks have been successfully carried out, shifting the ground from the North East to North Central like the IED attack in a motor park in Nyanya, on 14 April 2014, Police Force Headquarters bombing and the bombing of the United Nations house, all in Abuja. A similar attack hit Jos, Plateau State on 20 May 2014. The attack records the highest casualty in the country with over 150 wounded and dead people.

Such incidents are not to be restricted to the North, as indicated by the failed IED attack on 12 March, 2014 along Shagamu-Ijebu Highway where fully-Laden fuel tanker which was rigged with detonating devices was intercepted by 81 division troops. The interception of 486 suspected terrorist members by Soldiers in Abia State on 15 June, 2014 foil an attempted unknown attack by the group. Following the bomb scare in Living Faith Church (Winners Chapel), in Owerri on 15 June, 2014 by suspected terrorist, and many more heinous activities that are still on progress, it is assumed that the situation is not an early warning again but the real fact on ground.

More so, a new strategy has been devised in Pakistan where the Pakistan militants conceal Improvised Explosive Devices (IEDs). Such methods include planting the IEDs inside a hollowed book often made to look like a copy of the Holy Book, shaping it to children bicycles or hiding it inside water surges. Some are hung on the branches or concealed in tooth paste tubes.

The recourse to new methods of concealing IEDs is aimed at deceiving security personnel and unsuspecting members of the public. For instance, if the Holy book is found lying on the ground, people tend to pick it up immediately out of respect. Also children's bicycles or toys rarely attract scrutiny operations. Meanwhile, the global and dynamic nature of tourism has shown a predictable tendency of other terrorist groups adopting similar mode of operation. Thus, the likelihood of the *Boko Haram* terrorists and other groups copying Pakistan terrorist groups should not be ruled out and should be an early warning in the country.

From the development in Pakistan, there is the need for members of the public, including security operatives to thoroughly screen such items. Also, the need for public enlightenment, especially children against picking objects from the ground, no matter how ordinary they may appear. Analysis of IEDs used for attack by terrorist reveal that the insurgents make use of readily available materials such as nails, plastic cans, fertilizers and gas cylinders, hence an effective strategy to prevent reoccurrence would have to include devising ingenious and assertive means to deny them access to these IED-making materials.

In light of the aforementioned, members of the public including security agencies can employ all necessary measures to deny terrorist access to IED-making materials. Such measures are to include, taking note or observing the activities of gas cylinder dealer with the view to reporting to security agencies any dealer who supplies to suspicious people. This suggests that, devising such means will avert the intention of the terrorist to destabilise the relative peace enjoyed in the country.

❖ **Rise of unstable regime:**

According to Lawrence W. (2009), empirical analysis indicates that the states that are most likely to experience armed conflicts are governed by regimes that are neither fully democratic nor fully autocratic, but of a mixed character found "anocratic". Nigeria is a state that nobody can describe the system of government in

practice. This situation poses challenge and is an indication of early warning which if not taken care of now may result to violent conflict. In a country where there is no strong opposition, there is likely to be an element of autocratic system of government, because the leading party takes decision and the decision stand unopposed whether it will benefit the masses or not.

The merger of about five political parties to form one single party was a welcome idea, and this development provided the country with a strong opposition for checks and balances of the majority party. The opposition party was successful when they intervene in the political crisis that was almost crippling the economic activities in Rivers State. The mixed element of democratic and autocratic system of government presently in practice is likely to experience new outbreaks of societal wars.

❖ **Demographic pressure:**

High infant mortality, rapid population change including massive and uncontrollable influx of refugee, high population density, food or water shortage, ethnic groups sharing land, and environmental pressures are likely causes of future conflict. For example, the flow of internally displace persons from North East to other part of the country is a potential source of future conflict with respect to resource sharing.

While a great deal of work has gone into understanding the science of demographic pressure and potential strategies for mitigation, relatively little attention has been paid to assisting vulnerable countries or states to enhance their adaptive capacities so that demographic pressure do not lead to conflicts.

❖ **Fraudulent recruitment to the Nigerian Security Agencies:**

Services to the country especially the Nigerian Security Agencies are voluntarily. However, recruitment into Nigerian Security Agencies is somewhat unimaginable. Imagine the catastrophe if an unqualified person is engage to audit a financial statement. That is how the situation will be if unqualified persons are recruited into the Security Agencies. And of course, Nigerian Security system is manned with many unqualified and unscrupulous elements.

For a country to survive and remain strong, qualified, able men and women willing to serve the nation need to be recruited, instead of engaging people who are brought into the system just to earn a living. The process of engaging personnel into the security agencies especially the Armed Forces need to be revisited to support those that willingly volunteer to serve the nation, thereby preventing politicising the process.

❖ **Unemployment:**

Lack of employment opportunities gives room for sharp and severe economic distress, uneven economic development along ethnic lines. Lack of trade openness which is as a result of absence of potential market for domestic product creates room for unemployed youth to involve in criminal activities. It is believed that activities of some unscrupulous gangs like the *Boko Haram* terrorist, militias, fraudsters and kidnappers are as a result of economic depression. Members of this group who are unlucky to be arrested by security operatives revealed ingenious means used to identify potential victims.

Members of this gangs use information obtained from improperly disposed or shredded bank tellers, way bills, invoices and receipts in selecting their victims. These documents often contain valuable information such as depositor's name, contact number, addresses and other details of the potential victim. The gangs also elicit information on their potential victims from

untrained guards at residential areas. For this reason, there is a need to enhance personal and document security, especially in the area of proper disposal of documents both at the individual and official levels. Individuals that have cause to employ security guards and other domestic staff need to enlighten their domestic staff against unwanted disclosure of information to strangers.

❖ **Global economic turbulence:**

While poverty does not lead directly to conflict, history suggests that weak or negative economic growth raise the risk of conflict and that sharp economic shock in already fragile societies can trigger outbreak of conflict. Paul C. (2007) state that a negative point of growth in a typical low-income country roughly equals an increase of one percentage point in that country's risk of civil war over the next five years. Edward Miguel *et al* (2004) found economic shocks to be especially dangerous: "A Negative growth shock of five percentage points increases the likelihood of conflict in the following year by over 12 percentage points. The current global recession, which has a lot of negative impact especially on second and third world countries therefore, raises serious concerns about potential violent conflict.

❖ **Imminent influx of beggars into other parts of the country:**

Following the enactment and implementation of law prohibiting street begging in some Northern States of the country, there are indications that, some of the beggars may relocate to North Central States especially Plateau, Benue, Kogi States and FCT. The most recent of the states to outlaw street begging is Bauchi State which in late January, 2014 apprehended some street beggars for violating its law of street begging. This does not go down well with the beggars who have started relocating to other states.

Against the backdrop that the North Central is a gateway to other states in the Southern part of the country, it is envisaged that most of the beggars may relocate to Jos and Makurdi. This if allowed, could create ample cover for terrorist groups to gather themselves together for their operations in the guise of begging. In addition, such beggars are ready tools in the hands of mischievous persons in event of crises.

In light of the above, and to prevent the unknown as the country is already fragile security wise, it is suggested that, the government of North Central states and other region in the country expedite action on law banning street begging, so that the dislodged beggars from other part of the country do not make any other state a safe haven. Therefore, the need to heighten security vigilance on the activities of beggars with a view to averting/frustrating, any attempt to use them to breach peace of any state.

❖ **Shifts in global power distribution:**

While interstate wars have been uncommon for many years, policy makers should not take a continuation of this trend for grounded. According to Lawrence W. (2009) there are signs that should raise concern about the risk of violent conflicts that transcend individual states. First, major shifts in global power distribution have historically been dangerous periods, sometimes sparking great power conflicts, as was the case in the run-up to both World Wars. Second, in an increasingly interconnected world, the high degree of global inequality in wealth, freedom and effectiveness of governing institutions may generate significant tension.

A typical example of this situation in Nigeria is the revenue sharing formula. Oil is the major revenue of the country and many state had call for the review of the revenue sharing formula which if

not taken care of urgently can lead to violent conflict. The possibility of intrastate conflict in Nigeria in this context is not negligible, whether triggered by non state actors with increasing capacity to wreak significant damage. These trends represent challenges to weak and fragile state, which lack adequate legitimacy and/or effectiveness to govern their territories and populations.

To check for this situation, new initiatives to protect fragile state from the impact of economic shocks or to help the state adapt to new climate condition could dampen the resulting conflict risk. Urgent attention to the call of the review of revenue sharing formula as well as the designed and robust preventive strategies, thus, can insure against future dangers.

❖ **Gender based violence, sexual exploitation and abuse:**

According to Colonel Robert M. (2012), the scope of gender based violence, gender discrimination and gender inequality is a potential threat to security. This encompasses direct threats such as rape (including rape as a weapon of war), physical abuse, and sexual slavery. Women and girls are particularly vulnerable during period of armed conflict due to the absence of males, often leaving women as the head of the home with limited protection.

When cases of rape are on the increase, it signifies that there is a future danger apart from direct threat such as HIV/AIDS infection, psychological damage, child abuse, forced prostitution and forced pregnancy. The excess of this criminal act are signs of danger which preventive measures and strategy are needed urgently to take care of future damage. Other indicators of state at risk as suggested by Carnegie Commission on preventing deadly conflict are:

- Lack of democratic practices (human right violations, criminalisation, and de-legitimisation of the state).
- Regimes of short duration.
- Ethnic composition of the ruling elite differing from that of the population at large.
- Deterioration or elimination of public services.
- A legacy of vengeance seeking group vigilance.
- Massive, chronic or sustained human flight.
- Transfer of aggression.

Indicators of state at risk or early warning signals show that the true-lag between the first manifestation of organised protest and the onset of violent actions is a matter of years, with an average of about 10 years in liberal democracies. Clearly there is plenty of time for remedial action to be seriously undertaken. In Nigeria, for example, the call by other states to review the revenue sharing formula have taken a considerable length of time, the dreaded *Boko Haram* terrorist started with a considerable period before becoming the most challenging situation in the country and the battle between the equality of university and polytechnic graduates is gradually shifting ground to a new dimension if not checked, just to mention a few. Therefore, a call to Nigerian authority to strengthen norms and mobilise political support for preventing armed conflict, developing institutional capacities to deploy preventive strategies, and accruing knowledge about how to design and implement effective preventive strategies is necessary.

THE COST OF LATE RESPONSE TO EARLY WARNING

The costs of late response to early warning are devastating as nobody can estimate the outcome or result. During a three month period in 1994 an estimated 500,000 – 800,000 and in some estimate possibly up to one million people were killed in the course of a genocidal civil war in Rwanda. Two years after the UN

designated Rwanda a safe area, the Bosnian town of Srebrenica becomes the sight of the worst massacre of the Bosnian conflict.

The failure of the United Nations to establish facts and make possible early preventive mechanism resulted to the genocide in Rwanda. According to Lt.-Gen. Romo D. (2004), the failure by the United Nations to prevent, and subsequently, to stop the genocide in Rwanda was a failure by the United Nations system as a whole, the fundamental failure was the lack of resource and political commitment devoted to developments in Rwanda and to the United Nations presence there. This lack of political will affected the response by the Security Council and decision-making by the Security Council, but was also evident in the recurrent difficulties to get the necessary troops for the United Nations Assistance Mission for Rwanda (UNAMIR).

Similarly, countries like Congo, Somalia, Mali, Pakistan, Central African Republic and Egypt had suffered terror attack as a result of failure to establish and maintain early warning mechanism to avert terror activities. As a result, the cost of late response to early warning in these countries cannot be estimated.

Back home in Nigeria, *Boko Haram* terrorist group started as a religious group. Because of the disagreement between the teaching of their leader Mohammed Yusuf and other Islamic scholars, they broke out to form their separate teaching. This particular group headed by Mohammed Yusuf was a violent group which was an early warning to the Nigerian authorities. The failure of Nigerian government to prevent them from carrying out their activities led to the challenge the country is facing today. In 2009, the group first launched their attack on innocent civilians to execute their primary aim of formation. Presently their activities are the most challenging situation the country is facing, all because of late response to the early warning signals.

The issue of corruption that has besieged all sectors of the Nigerian economy and government offices are due to failure of the preventive mechanism provided by the government. The judicial system that supposes to be the final decision-maker is weak as a result of delay in judgment.

Presently, early warning signals could be the rampant rape cases, land dispute, cattle rustling, gender discrimination and unfair utterance of our politicians. On 29 May 2014, a serving Minister alleged that about 90 percent of protesters campaigning for the release of over 200 schoolgirls abducted from Chibok, Borno State, are members of the All Progressive Congress. He also added that 90 percent of all the insurgencies in the state are controlled by the same party. Such statements are capable of generating heat in the country.

Other early warning signals in the country are high rate of youth unemployment, high rate of pensioners especially where their benefits are delayed, failure of the judiciary in deciding cases, etc. It is clear that the opportunity to avert crises is by establishing early warning mechanism to take care of the emerging issues as they present themselves. Nigeria can only remain strong and united when issues are addressed as they emerge to prevent and resolve conflict.

ESTABLISHMENT OF EARLY WARNING MECHANISM

The need for maintenance of peace and security has called for the urgent development of a comprehensive and coordinated conflict early warning system or mechanism. In 1992, the UN Secretary-General Boutros Boutros-Ghali realised the need for early warning and timely intervention to conflict and released a

white paper title “*An Agenda for Peace*” focusing on preventive diplomacy, peace-making and peace keeping in order to increase the UN’s role to the international peace and security.

Nigeria needs an effective early warning system to cope with the insecurity that has besieged the country. Indeed, there is presently no country-wide coordinating mechanism to collect, assess, prioritise and integrate all of the early warning reporting from the source. Hence, the Nigerian challenge lies primarily in building a robust capacity to analyse multiply streams of information from both inside and outside the country. The following enabling mechanisms are suggested for timely collection, and analysis of data to provide for an effective early warning system for conflict situations in Nigeria:

❖ Preventive strategies:

According to the Carnegie Commission on preventive deadly conflict, effective preventive strategies rest on three principles:

- ✓ Early reaction to signs of trouble which requires early detection and skill analysis of developing trends.
- ✓ A comprehensive, balanced approach to alleviate the pressures that trigger violence. An effective response requires a coordinated range of political, economic, social, and military means. Note, military measures are supposed to be the last resort if all other measures failed.
- ✓ An extended effort to resolve the underlying root causes of violence.

This strategy has fallen short of use in Nigeria, because early warning signals are not ever taken seriously. The emergence of *Boko Haram* terrorist exemplifies this trend. It could be recalled that the leader of the group Mohammed Yusuf was arrested by security agencies several times but released. Therefore, the intended purposes of forming the group later emerged in 2009 which is the most challenging situation in the country today. If this practice is put to use, early warning data will be directed to those Parties that could best utilise them for a specific situation to provide timely intervention to conflict signals.

❖ Advocacy and communication:

Since independence and particularly since 1999, Nigeria has achieved measurable success in peace and security in West Africa, given the legacy in Liberia, Somalia, Sudan, Mali, etc. Laudable and impressive as its track-record is, the country has not been able to sell its achievements to the wider public and within the international community because of the high level of internal security challenges being experienced today.

To correct this imbalance, the country needs to develop an aggressive advocacy and communication strategy, including initiatives and activities in collaboration with the media. This will create opportunity for gathering information and data on early warning signals. Implementing this strategy will enable the country to sell its products and achievement to the wider public including the international community.

❖ Fact-finding mission:

According to Alex P. Schmid (1998), fact-finding is an “attempt of an independent expert or research commission to get controversial facts straight in a dispute or conflict, often in the context of political polarisation, suspicion and propaganda.” The United Nations has earlier on realised this fact; in 1991 the UN General Assembly unanimously adopted a declaration on UN Fact-Finding, which states “the Secretary-General should monitor the state of international peace and security regularly and systematically in order to provide early warning of disputes or situations which

might threaten international peace and security". If such measures are taken, findings will be reported to appropriate authority and/or public media for immediate action.

❖ **Plan of action, monitoring and evaluation:**

To establish an effective early warning system, a plan of action should be developed. The plan should be supported by performance indicators and a reporting plan. It should be collaborated in a logical framework that shows detailed activities needed to be carried out; the actors and target groups involved, input, expected outcomes and impacts.

The purpose of the monitoring and evaluation process should be assessed in light of progress of all aspects of the country on a regular basis with a view to gauging impacts on conflict landscape in Nigeria and applying corrective, incremental or reinforcing measure, wherever and whenever necessary. The strategy can also cover procedures for the processing of signals from the military sphere and signals in the human dimension.

❖ **Risk assessment:**

Risk assessment and early warning are distinct but complementary activities. According to Gurr, (1996), early warning requires near-real-time assessment of events that, in a high risk environment, are likely to accelerate or trigger the rapid escalation of conflict. Similarly, Alex P. Schmid (1998) noted that risk assessments are based on the systematic analysis of remote and intermediate conditions.

From this point of view, uncontrollable utterances of our politicians need to be checked as it is capable of creating tension in the country. The verbal battling of the ruling PDP and the opposition parties is an early Warning to the unknown. The practice of our politician blaming each other should be controlled by creating a problem solving approach to situation. This will provide an avenue for bringing the adversaries together to reflect on the causes of their conflict, and arrive at a common definition and joint solutions that satisfy the basic need of all sides. Thus, if conflict prevention and resolution is to be effective, interest must identify and it is these deeper interests which must be understood and addressed.

❖ **Management circle of early warning:**

The receipt or availability of information from various focal points alone does not constitute an early warning system. The conflict management division of Nigeria would need to receive data and information such as that generated by Gurr and Scarrit's **Minorities at Risk project**. Those responsible should be able to visit any conflict zone and communicate in person with parties directly involved to obtain first-hand information about the situation, such as the role of the various parties to the conflict, the nature of the tensions, recent developments and the potential consequences for peace and stability.

An effective establishment of early warning system will give room for other activities like: formation of the military standby force, resources mobilisation to finance early warning procedures, cooperation with development parties aiming at achieving financial and technical support from development parties, and risk reduction.

TOWARDS A PREVENTIVE ACTION

According to Lawrence W. (2009) "beyond political support and adequate institutional capacity, effective conflict prevention requires knowledge about whom, where and how to design and implement appropriately tailored strategies for each unique case".

At the strategic level this means knowing when and where to invest limited conflict prevention resources based on the estimation of risks and potential for positive influence. Second, it requires knowledge about which tools in the conflict prevention to use in different situations and stages and in what combination. At the operational level, practitioners need to know how to use various conflict prevention tools to greatest effect.

Prof. Tom W. and Dr. Tamara D. (2008) suggest two active measures to conflict prevention:

✓ **Light prevention which aims at preventing situations with a clear capacity for violence from degenerating into armed conflict.** Its practitioners do not necessarily concern themselves with the root causes of the conflict, or with remedying the situation that led to the crisis. Examples of such action are diplomatic interventions, long-term missions and private mediation efforts.

A number of policy options are available for light prevention. They range from official diplomacy (mediation, conciliation, good offices, envoys, fact-finding, peace conferences, hot lines, conflict prevention centers) to non-official diplomacy (private mediation, peace commissions, message-carrying and creation of back-channels, conflict resolution, problem-solving workshops, training, round-tables) to peace-making efforts by local actors (church-facilitated talks, debates between politicians, gross party discussion).

✓ **Deep prevention in contrast, aims to address the root causes, including underlying conflicts of interest and relationships.** Prof. Tom W. and Dr. Tamara D. (2008) states that, at the international level, this may mean addressing recurrent issues and problems in the international system, or a particular international relationship which lies at the root of conflict. Within societies, it may mean engaging with issues of development, political culture and community relations.

In a case where the conflict has already emerged like Nigeria and the *Boko Haram* terrorist, the country can apply both positive and negative inducements in an effort to twist the aims of governments, strengthen moderate leaders and counteract the influence of extremist. This includes a range of political measures (mediation with muscle, attempts to influence the media, mobilisation through regional and global organisation), economic measures (sanctions, emergency, conditional offers of financial support) and military measures (aims embargoes, preventive peacekeeping, demilitarisation). Deep prevention (or, structural prevention) means building domestic, regional or strategic capacity to manage conflict.

In the Nigerian context, where the *Boko Haram* menace has become the most challenging issue in the country, there are possible responses to those situations in specific cases. In terms of the theory of early warning and conflict prevention, the indicators suggested above might call upon light preventors, including:

- Flexible and accommodating state actions and strategies;
- Moderate "communal" actions and strategies on the part of the leaders of challenging groups; and
- Mutually de-escalatory "built-in mechanism" of conflict management.

The core challenge for risk assessment/forecasting models and detailed conflict assessment methods is ensuring that these analyses are taken into consideration in targeting and designing a preventive strategy. Considering the state of insecurity in the country now, deep preventers are susceptible in tackling conflicts which are yet to become violent arms conflict. Such preventers are:

- ✓ Adequate political institutions and good governance.
- ✓ Cohesive social structures.
- ✓ Opportunities for groups to develop economically and culturally, and the presence of accepted legal or social norms capable of accommodating and peacefully transforming these formations.

An example where the international environments use the light and deep prevention is the case of Estonian. According to Prof. Tom W. & Dr. Tamara D. (2008) the Estonian outcome can be attributed to a combination of “*light*” and “*deep*” prevention. On the “*light*” side, the effective diplomatic interventions of Max Van der Stoep and others, combined with the moderate positions taken by Estonian present, de-escalated the citizenship crisis. At a deeper level, the membership of all the concerned parties in the Organisation for Security and Co-operation in Europe (OSCE), and their acceptance of OSCE standards on citizenship and minority right, created a legitimate framework for consultation and mediation. Both the Baltic States and the Russian Federation sought entry into European institutions. This gave European institution some weight in the conflict. Crucially, the West, the Baltic States and the Russian government were taken to avoid an armed conflict, but to be effective, this wish had to be translated into practical measures and bridge-building institutions in the Baltic States.

In this case, powerful third parties transformed an asymmetric conflict by balancing the relationship between the parties, introducing a measure of restraint and facilitating negotiation. The intervention of the OSCE High commissioner was convenient, and created time and political space for political movement. At the end, compromise over the central citizenship issue allured the situation to be redefined in terms of access to economic opportunities instead of as an ethno-political struggle for control of the state.

MEETING CHALLENGES

The broad political support for conflict prevention provides a context for a determined leader to forge more substantial institutional capacities and make prevention a core strategic tenet. Lack of political will constitute challenge in prevention of conflict in Nigeria because some actors make conflict money making venture to enrich themselves.

The dangers and cost of waiting to respond once conflict erupts will provide continuing impetus for this kind of move. An example is the cost of preventing escalation of *Boko Haram* activities in the country. Success will require navigating a series of challenges, some emanating from new developments, others coming from enduring stubborn foils.

Multiple political challenges remain even when there is no major interest to weight against conflict prevention. The political system in Nigeria poses new challenges to conflict prevention strategies. By referring to the political environment of Nigeria as a complex system, they are marked by their unpredictability, lack of consistent cause-effect relationships, and paradoxically and sensitivity to small perturbations. Therefore policy makers and practitioners alike may need to think differently about how to design and implement effective strategies to prevent violent conflict.

CHANGING ROLE OF NIGERIA

On top of these factors, the current political dynamics in Nigeria complicate investment in prevention, even while these dynamics underscore the case for its importance. To say that Nigeria resources are overstretched hardly begins to capture the current

constraint. Commitments in Liberia, Sudan, Mali, and the broader internal security challenges include not only large number of troops, limiting the range of military actions that can be taken or plausibly threatened elsewhere, but also a significant proportion of Nigeria diplomatic attention and optional civilian assets.

These wars are likely to leave a long shadow of aversion of foreign entanglements, the financial crisis of 2008 to date and the poor long-term budget position of Nigeria will make it harder and harder to justify any spending that is not perceived to make a direct, tangible linkage to the security and well-being of Nigerian citizens. This may require more creative thinking about how coalition of states with overlapping but distinct interest and diverse capabilities as well as NGOs can work together most effectively to prevent future conflict.

RECOMMENDATION AND CONCLUSION

According to Lawrence W. (2009) more than a decade ago, Bruce Gentleson wrote that preventing conflict was “possible, difficult, and necessary”. Each of these points is even truer today than when Gentleson first discussed them. Preventing conflict in Nigeria is possible because Nigerians are capable of achieving it and can do it practically as exercised by Adamawa Vigilantes who on 16 May 2014 attack and kill 70 terrorists. It’s also difficult to prevent conflict in Nigeria because it is hard, not easy, it requires much effort to fight especially terrorists, and it is necessary to prevent conflict because Nigerians deserve peace.

Being that conflict prevention is necessary for a sustainable development, the analysis in this article leads to several recommendations. Governments, international organisations, NGOs and members of the public should:

- ❖ ***Develop new policy, strategies or activities that are people-centered:***

Using democracy as an example, development and all other humanitarian activities require the involvement of local people. Recognising the necessity of humanitarian-oriented activities or policy, the country should adopt people centered strategies involving the local population. This approach ensures that strategies or mechanism and similar activities are well anchored in the communities. It is paramount that the needs and interest of the people are identified and pursued in decision-making process. It is very important to note that the security agencies alone cannot succeed, but a collective cooperation of the citizens and the security men. However, good policy, strategies and people oriented activities are catalyst to a successful early warning system.

- ❖ ***Preventive practice should involve the development and regularisation of new political strategies:***

According to Lawrence Woocher (2009), “Advocacy for conflict prevention too often relies on calls to our leader’s better angels and seems to wish away the many reasons that they be reluctant to take preventive actions.” Therefore actors at national, regional, and global levels need to think more realistically and more creatively about the politics of prevention.

This means accepting the fixed factors that militate against effective action, while looking for opportunities to reduce other impediments. For example, more systematic use of conflict assessments can nudge decision-makers toward more robust preventive strategies without altering their fundamental political motivations.

- ❖ ***Developing new policy and strategy to block sources of funding to terrorist:***

The attention of the international community is being sorted here especially where the issue of terrorism is growing by day. The United Nations Deputy Secretary-General Jan Eliasson made it publicly the intension of UN to collaborate with organisation and member states to block funding of terrorist organisation during the 2014 African Union Conference of ministers in Abuja. He however noted that, the United Nations will not go to individual countries to control arms, noting that it is within the powers of the countries to fight terrorism domestically.

This means that Nigeria needs to do more in fighting arms trafficking and illegal position of arms. This can be done by developing policies and strategies to check on both internal and international means of fund to terrorist and possibly advancing means of blocking these sources of funding. Also, efforts should be put in place to tighten security at border areas to prevent arms trafficking and illegal influx of migrant refugees and displace persons into the country.

❖ **Due process:**

The words “due process” suggests a concern with procedure, and that is how the Due Process Clause is usually understood. Due process is a legal term. It states that the government of a country has a duty to protect the people of the country and must respect each individual’s legal rights, which they are entitled to under the law of the land. Due process can also be seen as the regular administration of law, according to which no citizens may be denied his or her legal right.

These concepts need to be revisited especially during investigation, and deciding court cases. It is believed that the procedure for arrest, investigation, and deciding court cases are not followed properly in Nigeria. Some times when arrest are made by other security agencies and handed over to Police, rumours have it that politician will go behind and lobby for the release of the culprit. This practice constitutes challenge on the security agencies especially when they see the culprit going about unpunished. The culprit also sees the security agency as an enemy. This crude habit needs to be addressed to allow the Laws of the land to take its course on offenders, and to serve as a lesson to others, thereby providing preventive mechanism for early warning to be effective.

❖ **Monitor implementation of existing political commitments to conflict prevention:**

There is little utility today in debating whether preventing violent conflict should be on the international agenda. Clear commitments to prevention are on the books of leading government, intergovernmental organisations and NGOs. Reminding political leaders and working-level officials of these commitments, and highlighting gaps between promise and practice when they arise should promote accountability.

Other recommendations suggested by Lawrence Woocher are recalibrating the balance of policy attention given to conflict prevention, peacemaking, post conflict peace building and expanding the knowledge on conflict prevention to help develop effective strategies.

It is true that preventing violent conflict is indeed difficult, and the challenges to advancing the prevention agenda are formidable, but they are not insurmountable. Consistent development of effective conflict prevention strategies is possible. The stakes demand that Nigerian actors in conjunction with international actors move determinedly toward the day when this possibility is a reality.

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* Mr. Orshi Terhemba Ephraim, a Lance Corporal in the Nigerian Army contributed this article from Jos, Plateau State.

A Tribute to Late Ven. E. Ayo Odukoya, FCA, A Past President of The Institute

By G.M. OKUFI, FCA

I read in the Bible that Jesus Christ Cleansed ten Lepers. Only one came back to give thanks to Him and Jesus Christ raised the question – were ten not cleansed?

A Dominican Priest of acquaintance, during a Homily said. “Memory loss is a sign of ingratitude and ingratitude is a form of sin.” Feeling a sense of gratitude and not expressing it, is like wrapping a present and not giving it.

In 1954, I was awarded a scholarship by the Western Nigeria Development Corporation in Ibadan, to study Accountancy. The nearest I got to Accountancy then, was that I was a Third Class Accounts Clerk in the Nigerian Railways. In the Nigerian Railways, some staff, after an Examination, were designated Accountants-In-Training. They later travelled to England and after three or four months, returned to Nigeria and were designated Accountants.

On an evening in 1954, I was listening to the Radio Rediffusion Service. Mr. Akintola Williams gave broadcast on “How to be an Accountant.” The contents of the broadcast were in sharp contrast to what I knew on the Nigerian Railways. I met Mr. Akintola Williams in person in 1968. During the Interview at Ibadan, a member of the Panel asked me what I knew about Accountancy. All I did was to repeat some of the contents of Mr. Akintola Williams’ broadcast.

The letter of the Award of Scholarship talked in terms of years and not months. I then had an argument with myself, those sent by the Nigerian Railways spent months and not years.

In September 1954, I travelled with other Western Nigeria Development Corporation Scholarship Students. The travelling instruction was to assemble at Broad Street, (now Nnamdi Azikiwe Street), Lagos. I came from the Mainland and as I was getting out of the car, another student was coming from the Tinubu end of the Street. The two of us were the first to arrive. Was it fate that made us the two to arrive before the others?

We did not speak to each other. All the students were taken in a bus to Ikeja Airport. I waved my parents and as I was taking

the last step into the Aircraft, I heard my mother’s voice – “please, take care of that boy for me.” I looked at the person; he was the person I met at the Airways Office in Lagos. We sat separately in the Aircraft until we landed in London, I had no opportunity of gaining his acquaintance. The flight was Lagos, Kano, Tripoli, London. We spent the night in Tripoli because of bad weather.

The British Council was on hand to take us to Bayswater Hostel in London. There was an announcement – “two students to a room.” I sat at the back of the Hall, the man my mother

assigned the duty of looking after me, came to me and picked me to share the room with him. I lay on my bed at 9p.m, said my night prayers and slept off. He knelt down, held a wooden cross and was praying. I did not hear a word of his prayers. I woke up at 2.00a.m, I felt like going to the toilet. I discovered that he was still on his knees holding on to that cross. I said to myself, this man must be very close to his creator.

The next day, the late Prince Ogunmokin FCA, a friend of Venerable Odukoya called at the Hostel to take him out. The late Mr. Gerald A.O. George FCA and myself were invited by him to follow them. It was during the conversation between Venerable Odukoya and Prince Ogunmokin that I heard of Foulks Lynch. Venerable Odukoya had passed the Intermediate of the ACCA,

Gerald had passed the R.S.A. and all I had in my possession was the Cambridge School Certificate.

We spent about two weeks in London with the British Council. He talked extensively about the working of the Lagos City Council – especially the procedure of taking decisions by the “Majority” Approach.

He always wrote his name as – E. Ayo Odukoya – What is “E”? “Ayo” what is he? My grandfather was Ayodele. Since we could not call him by name, Gerald and myself referred to him as “Majority” in our conversation but not to his hearing. During the Orientation in London, during breaks he bought cakes, ordered tea for us at his expense. He showed traces of leadership, care

“It is not the years in one’s life that count but the life in those years. I am grateful to him for guiding my feet. I miss his kindly presence and re-assuring voice. What we do to ourselves dies with us, but what we do to others and the world remains and is eternal”

for others and a willingness to show the way.

Another evening, Prince Ogunmokun took the three of us to Abalabi Club in London. He advised us not to disclose that we were students. We saw English girls with Yoruba names holding conversation in Yoruba. This was the Club where Ambrose Campbell was presiding. We spent about thirty minutes and left. After the Orientation, Mr. Odukoya, Gerald and myself were given tickets to travel to Leeds City Station. He was given accommodation in the city centre. Gerald and I were taken to a Hostel at Headingly. On Monday, the three of us met at the college. That was the beginning of my struggle to get into a profession. Mr Odukoya observed that I was not comfortable with the lectures and so, very often, came to my aid.

He was good at Ballroom Dancing. He kept his dancing to the students' Union. After each social activity, he would just say – "Maje, take that tram and go home." It was an advice, but to me it was an order. As a Third Class Clerk on the Nigerian Railways, I was on a monthly salary of £7.17.6. As a student on Scholarship I was receiving £34 monthly. That created some instability. He was there all the time to guide my feet, to show me the way and to remind me constantly that I left my parents in Lagos for a purpose.

On his return to Nigeria, he was visiting my parents monthly and the day I arrived in Nigeria he called to see me and told my mother that the assignment given to him in 1954 had been accomplished.

In the office of the Auditor-General for the Federation, I was the Auditor in charge of auditing the Lagos City Council, the Lagos Executive Development Board at Idumagbo and others. Venerable Odukoya was to attend a Conference outside the country. He discovered before he left that the conference was to be for a shorter period. Although he had received his Estacode, he made a refund.

That was unusual in the civil service. People have asked why he was not made a Bishop in spite of his many valuable contributions to the economic life, growth and development of the Anglican Communion. The answer is in the house of Bishops, but I am reminded by Mark Twain, that it is better to deserve something and not have it than to have it and not deserve it. Men are flesh and blood.

It is not the years in one's life that count but the life in those years. I am grateful to him for guiding my feet. I miss his kindly presence and re-assuring voice. What we do to ourselves dies with us, but what we do to others and the world remains and is eternal.

He departed this world in excellent company. Msgr. Pedro Ayodele Martins, a Catholic Priest was buried on 10th June 2014. Ven. Emmanuel Ayodele Odukoya, a priest of the Anglican Communion was buried on 12th June 2014. Both namesakes were great men of distinction. The good Lord he had served faithfully in his profession and vocation will continue to bless the family he has left behind.

Let me end with the parting prayer at each funeral Mass in the Catholic Church "Requiescat in Pace" and the people say "AMEN." ●

INSTRUCTIONS TO AUTHORS

Authors wishing to have their articles published in *The Nigerian Accountant* and *ICAN Students' Journal* are advised to adopt the following guidelines:

1. Articles must be well researched on contemporary issues in the field of: **Accounting; Audit; Investigations; Forensic Accounting; Taxation and Fiscal Policy Management; Consultancy; Information Communication Technology; Insolvency and Corporate Re-engineering; Public Finance; Corporate Finance; Banking; Insurance; Manufacturing; Capital Market.**

Articles from other disciplines e.g. **Health/Medicine; Agriculture; Engineering; Education; Religion; Fashion; Construction; Oil and Gas;** etc, are welcome.

Opinion articles would also be accommodated.

2. All articles should be typed on standard A4 paper and must not exceed twenty pages in 12-point Time Roman font and double spacing.

3. The title page should include the title and author's contact information (no other page should include author's information).

4. The second page should include the title and an abstract of not more than 150 words.

5. The research paper must be properly referenced. The American Psychological Association style should be used in the following format:

a) In-text referencing: Author's name and year of work e.g. **Lucey (1997)** or **(Lucey, 1997)** at the end of sentence. Page numbers must be included for direct quotations e.g. **(Lucey, 1997, p.8).**

b) List of references: Arranged in alphabetical order in the author-date format, e.g.

Book Reference

Lucey, T. (1997), *Management Information Systems* (8th ed.), London: Letts Educational.

Journal Article Reference

Wainer, H. (1997), *Improving Tabular Displays: With NAEP Tables as Examples and Inspirations*, *Journal of Educational and Behavioural Statistics*, 22, 1-30.

Internet Reference

Baker, F.M. & May, A.J. (2007), *Survey Research in Accounting*. Unpublished manuscript retrieved January, 2008 from <http://www.maybaker.org/journals/webref.html>.

6. Every page must be numbered.

7. Two **Hard copies** of the paper should be delivered to the **Editor, Corporate Communications & Marketing**, The Institute of Chartered Accountants of Nigeria, Plot 16, Idowu Taylor Street, Victoria Island, P.O. Box 1580, Lagos, while the **Soft copy** saved in **Microsoft Word 2007** should be forwarded to corporateaffairs@ican.org.ng, dmuyiwa@ican.org.ng and aooowolabi@ican.org.ng

9th Annual Eastern Districts' Zonal Conference

Micro Financing and Economic Empowerment Is Germane to Poverty Alleviation



Chairman, Eastern Districts of ICAN, Mr. Efe Iserhienrhien (left); ICAN President, Mr. Chidi Ajaegbu; and the Anambra Commissioner for Budget and Finance

The Federal Government has been called upon to give greater encouragement to micro financing and economic empowerment in order to eradicate poverty in the country. This advice was contained in the Communiqué issued at the end of the 9th Annual Eastern Districts' Zonal Conference of the Institute of Chartered Accountants of Nigeria (ICAN) with the theme "**Micro Financing and Economic Empowerment: Nigeria in Focus**" held at Finotel Classique Hotel, Awka, Anambra State, between July 30 – August 2, 2014.

The participants observed that the threat to national existence as a result of pervasive poverty is real in the Nigerian context and posited that this was because various government initiatives to address poverty in the past had failed due to insincerity and corruption. The conference theme was therefore chosen to draw government's attention to the need to generate institutional and policy framework to address the problem.

Participants unanimously agreed that poverty could be alleviated through sincere policies that address the needs of the poor, calling on government at all levels to vigorously monitor the implementation of these policies to ensure their effectiveness.

The conference stated that high lending rates by micro finance

institution is a constraint and should be reduced to a single digit to encourage the poor to participate while the Central Bank of Nigeria (CBN) should guide the process in this direction.

It was also recommended that the 70 per cent of Nigerian population operating in the informal sector should be adequately catered for through the provision of infrastructure and easy access to micro finance.

The operators in the informal sector should be encouraged to form co-operatives where more loans would be available to rural communities and the incidence of default in loan repayments, that is predominant with individual borrowers, could be avoided to encourage micro finance banks to lend.

The participants agreed that those that should have access to micro finance should be provided with specialised training and education on how to recognise economic opportunities and the knowledge, skills and attitudes to act on them.

The challenges to entrepreneurship education were also identified and strategies such as giving more space to entrepreneurship education in the nation's educational curriculum; setting up more SME and skills acquisition for business development services to SMEs; making it a compulsory diet in professional education; using



Cross section of participants at the 9th Eastern Zonal Conference

community based organisations and NGOs as media for training members on entrepreneurship; making it a compulsory section in public examination and interviews; raising more mentorship organisations for entrepreneurship apprenticeship and virtual learning, were suggested for promoting it.

Participants also agreed that agriculture has the power to create jobs in the rural areas where majority of the population live, urging government to increase sectoral spending on agriculture which should be closely monitored to ensure transparency in its implementation.

The conference also recommended women empowerment through easy access to micro credits and entrepreneurship education and training as effective ways of alleviating poverty.

There were cultural barriers constraining women from accessing credits and pursuing entrepreneurship opportunities. Therefore, government was called upon to urgently put in place appropriate mechanisms to eliminate these inhibitions to enable women participate fully in economic activities.

In his keynote address, the 50th ICAN President, Mr. Chidi Ajaegbu congratulated the organising committee for putting together the conference which was aimed at looking at the various ways by which poverty could be alleviated. He noted that the conference was organised to give an insight into the role of Micro-Finance Banks in economic empowerment, adding that a major hindrance to entrepreneurship is poor access to finance.

“Many budding entrepreneurs do not have the collateral, sophisticated feasibility studies, credit history, etc, to meet the stringent requirements to obtain facilities from the well established money deposit banks. This lends credence to government’s decision to establish Microfinance banks which were conceptualised to assist small savers and small and medium-sized enterprises (SMEs) and entrepreneurs to access credits through their cooperative societies or town unions,” he said.

Declaring the Conference closed; the ICAN President reiterated the need for an inspired leadership imbued with the right mindset and vision that will easily secure the commitment of the citizenry, as a vital factor for the achievement of economic transformation. ●



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Communiqué

of the 9th Eastern Districts Annual Accountants' Conference

PREAMBLE

The 9th Eastern Districts Annual Accountants' Conference of the Institute of Chartered Accountants of Nigeria was held at Finotel Classique Hotel and Reservations, Awka, Anambra State from July 30 – August 2, 2014. The theme of the conference was ***"Micro Financing and Economic Empowerment: Nigeria in Focus"***.

The threat to national existence as a result of pervasive poverty is real in the Nigeria context. This is because various government initiatives to address poverty in the past have failed due to insincerity and corruption. The conference theme was therefore chosen to draw government's attention to the need to generate institutional and policy framework to address the problem.

PARTICIPATION

The 50th and Golden Jubilee President of the Institute, Mr. Chidi Onyeukwu Ajaegbu, ACS, MBF, Dip. (Polygraph), FCA led a powerful delegation from the Presidency and Council of the Institute to the conference that included the 2nd Deputy Vice President, Alhaji Ismaila Muhammadu Zakari, mni, FCA; the Immediate Past President, Alhaji Kabir Alkali Mohammed, mni, FCIS, CGMA, FCA; twelve Council members and the Registrar/Chief Executive. The executive governor of Anambra State, Chief (Dr.) Willie Obiano, FCA, ably represented by the Hon. Commissioner for Commerce. A total of 237 Chartered Accountants were in attendance.

ISSUES AND RECOMMENDATIONS

During the 3-day conference, four papers were delivered by eminent scholars and professionals. The highly interactive sessions reached the following conclusions and recommendations:

1. Poverty can be alleviated through sincere policies that address the needs of the poor. Government at all levels should vigorously monitor the implementation of these policies to ensure their effectiveness.
2. High lending rates by micro finance institutions is a constraint and should be reduced to a single digit to encourage the poor to participate while the CBN should guide the process in this direction.
3. About 70% of Nigerian population operates in the informal sector, and should therefore be adequately catered for through the provision of infrastructure and easy access to micro finance.
4. The operators in the informal sector should be

encouraged to form co-operatives where more loans would be available to rural communities and the incidence of default in loan repayments, that is predominant with individual borrowers, could be avoided to encourage micro finance banks to lend.

5. Those that should have access to micro finance should be provided with specialised training and education on how to recognise economic opportunities and the knowledge, skills and attitudes to act on them. The conference identified the challenges to entrepreneurship education and suggested strategies for promoting it through giving more space to entrepreneurship education in our educational curriculum; setting up more SME and skills acquisition for business development services to SMEs; making it a compulsory diet in professional education; using community based organisations and NGOs as media for training members on entrepreneurship; making it a compulsory section in public examination and interviews; raising more mentorship organisations for entrepreneurship apprenticeship and virtual learning.
6. Agriculture has the power to create jobs in the rural areas where majority of the population live. Government should increase sectoral spending on agriculture which should be closely monitored to ensure transparency in its implementation. Giving the successes achieved in Ghana through the unique farmer factory ownership scheme called Corporate Village Enterprises (COVE) scheme in empowering rural dwellers, Nigeria should consider adopting a similar scheme.
7. Apart from obtaining credits for investment in productive activities, there should be a sustainable savings culture which is a key factor in wealth creation.
8. Empowering women through easy access to micro credits and entrepreneurship education and training are effective ways of alleviating poverty. Women should therefore be the focus group for poverty targeted micro finance. There are cultural barriers constraining women from accessing credits and pursuing entrepreneurship opportunities. Therefore, government should urgently put in place appropriate mechanisms to eliminate these inhibitors to enable women participate fully in economic activities. Increasing women's access to microfinance services can lead to economic empowerment that contributes towards household well-being and eventually lead to wider social and political empowerment. ●

Practice Monitoring and Audit Quality

By **EJIKE OJUKWU**

Introduction

The dynamic nature of business environment in recent times has brought to the fore the need for due diligence in handling organisational finances and the exercise of greater care and skill by those that offer assurance services. The era of poor quality reporting is over as corporate stakeholders now insist on having reliable and credible financial reports. Corporate failures in many jurisdictions and the public perception of the culpability of auditors have cast doubt on the integrity of auditors. In fact, the public want to wrongly hold the auditors, who come into an organisation once in a year for a brief period, liable for the fraud and malfeasance perpetuated by the Management that have responsibility for the presentational faithfulness of financial reports. Although this tough stance of the public has been criticised by professional accountants as posited by Ojaide (2011), when he said it is a misconception to think that accountants should be held responsible for corrupt practices of a chief executive. That notwithstanding, auditors must continue to exercise Professional Scepticism and Due care in carrying out their Professional services and report any fraudulent activity discovered during the course of their job to persons with governance responsibilities as required by practice standards.

Chartered accountants, acting as external auditors, play vital roles in the financial reporting process. According to Asein (2009), "The place of the external auditor in the financial reporting process is crucial. Without his attestation role, financial statements will lack credibility." The credibility of financial reports depends largely on the adoption of quality assurance procedures and best practices. Accountants must continue to raise the quality of their services in order to sustain the confidence of investors and the public. Raising the quality of financial reporting in Nigeria is a survival strategy for the profession. Here lies the relevance of audit quality.

Quality Audit is a continuing process of testing the quality system in use in the organisation in order to ascertain whether the processes are effective, documented and are continuously adhered to by the staff. The International Standard ISO 1011-1

(1990) defines Quality Audit as: *A systematic and independent examination to determine whether quality activities and results comply with planned arrangements and whether these arrangements are implemented effectively and are suitable for achieving objectives.*

The importance of Quality Audit cannot be over emphasised. In order to ensure that Practitioners continuously render quality services to their clients, the Institute of Chartered Accountants of Nigeria (ICAN) commenced Practice Monitoring initiative in 2009.

What is Practice Monitoring?

Practice Monitoring is an enforcement mechanism that encompasses the review of audit procedures, reports and related working files of practicing firms of chartered accountants for compliance with Nigerian Standards on Auditing and International Standards on Auditing. The exercise is a quality assurance procedure aimed at assisting practitioners to build capacity in rendering quality services to their diverse clientele and also to ensure that they are complying with the various Standards guiding practices in the country.

According to Parmesar (2010), "*Practice Monitoring is a review to ensure that audit reports and audit procedures are in compliance with International Standards on Auditing (ISAs) and other international recognised rules.*" In other words, the objective of Practice Monitoring is to ensure that Practitioners and members maintain a high standard of quality service to their clientele as required by their public interest mandate. It is also to satisfy IFAC's Statement of membership obligations (SMOs).

The Journey So far

The Institute's Practice Monitoring exercise started in 2009 and since then it has continued in phases. In June 2014, the Institute carried out Phase 11 (Eleven) of practice monitoring exercise in which thirty (30) firms were reviewed. With the completion of Phase 11 (Eleven), a total of 256 (two hundred and fifty-six) firms have so far been visited by the Institute's team of reviewers. Given

the fact that the number of members in practice are over 1200, there is still much to be done. While this may seem a poor performance, the point must be made that the cost of practice monitoring is huge and the Institute is currently rendering this service free of charge to its members. Besides the dearth of capacity within the Secretariat to carry out this task, it has been fairly difficult finding many experienced members of the Institute (e.g., retired partners of Big 4) to participate in the programme.

Although the initiative is wholly financed by the Institute, many members in practice have been very reluctant to receive the practice monitoring teams. While some express fears about the loss of clients to reviewers and breach of confidential relation with their clients, some others who hold practice licences are actually not in practice. This is evidenced by the fact that they do not have physical office address and records of clients. It goes without saying that Practice Monitoring will achieve little if it is not undertaken in conjunction with a sound regulatory framework that will sanction non-compliance with ICAN set standards. This is to ensure that firms take necessary actions to rectify deficiencies identified during the exercise. The current initiative by the Institute is only exploratory and designed to support members; no sanctions are currently imposed.

Regulatory Framework for Practice Monitoring

The ICAN Act empowers the Council to set standards and regulate the practice of accountancy in Nigeria as well as regulate the activities of its members. Sections (1), (15) and Schedule A of the Act provides the regulatory framework for the Council to regulate practitioners and to ensure that they render quality service to the public.

Similarly, the Financial Reporting Council (FRC) of Nigeria Act 2011 also empowers FRC Council to regulate and monitor the activities of all professionals (e.g., estate valuers, actuaries, lawyers, etc) involved in the financial reporting chain and this includes chartered accountants in practice. Accordingly, all Professionals are now required to register with the Council and will be subjected to continuous monitoring exercise.

While FRC has the powers to monitor the activities of all professionals, the Institute's monitoring is solely for its members in practice. To avoid a possible conflict between both regulatory bodies as well as reduce the cost of practice monitoring on firms of chartered accountants, the FRC Act provides that it can enter into memorandum of understanding with such professional body as ICAN. Section 32 of the Act states "the Council may enter into a Memorandum of Understanding (MoU) with such Professional or regulatory body as it considers appropriate in order to exchange or share information for the purpose of discharging its functions under this Act."

It is on this note that the Institute needs to Partner with FRC in Practice Monitoring so that the Institute's experience and expertise in practice monitoring can be brought to bear on the initiative for the benefit of the Profession and the Society in general. As a preparatory stage towards the FRC involvement, the Institute's Practice Monitoring exercise becomes a must for all Practitioners.

Unlike the Institute's monitoring exercise in which Practitioners are not billed for now to be reviewed, the FRC practice review will be for a fee which is mandatory.

Modus Operandi of Practice Monitoring

Practice Monitoring entails visiting firms to ascertain the level of their compliance with the regulatory frameworks. It involves ascertaining whether Practitioners are complying with the various Standards guiding Practice which include but not limited to Nigerian Standards on Auditing (NSAs), Nigerian Standard on Quality Control 1 (NSQC 1), ICAN Scale of Professional Fees and Professional Code of Conduct and Guide for Members. It is also aimed at highlighting the weaknesses and proffer solutions/recommendations to correct the observed deficiencies. Where breaches of rules or non-compliance with Standards are not considered to be very serious, the Institute provides advice and guidance to the firms on how the deficiencies can be rectified. Where there are serious issues, the firms are advised by the Institute to develop an Action Plan to correct the observed lapses. Timelines to accomplish action plan must be agreed with the Institute.

Besides the visit, questionnaires are sent to the Firm's Management to obtain information about the firm. The responses received are used by reviewers to prepare for the visit. On their visit to the firms, the reviewers will demand to see the following documents/facilities: **Partner(s) Licence to Practice, Professional Indemnity Insurance Cover, Quality Control Manual, Professional Library, Partnership Agreement (if applicable), Succession Plan, Audit Planning Memorandum (APM), Audit Programme and Partner/Manager Review Checklist.**

Practice review exercise follows the following procedure:

1.	<i>Notification of the Practice that they have been selected for review.</i>
2.	<i>Sending of Quality Control Procedures Questionnaire to the firm to complete prior to the exercise</i>
3.	<i>The Reviewers are notified of the schedule of the review and to confirm their availability.</i>
4.	<i>Notification of the Firms of the reviewers assigned to them and the scheduled date of the review.</i>
5.	<i>The Reviewers carry out the review and submit their reports to the Secretariat.</i>
6.	<i>The Institute Sends the Reports to the various firms and requests for an Action Plan to correct the weaknesses identified by the reviewers.</i>
7.	<i>Post-review follow-up to ensure compliance with recommendations by the Institute.</i>

The review time-table is flexible such that the Practitioners and the reviewers are allowed to agree on a date appropriate for the monitoring visit. This is to ensure a seamless review exercise thereby not disrupting the programmes of the firms or the Consultants.

What Reviewers are Expected to Do

Practice monitoring process entails the review team checking to ensure that the audit procedures of the firms comply with the relevant standards in quality control. The quality control

procedures are outlined in NSA 3 Paragraph A1 and NSQC 1 Paragraph 17 as follows:

- Leadership responsibilities for Quality within the firm;
- Relevant Ethical requirements;
- Acceptance and Continuance of Client relationships and specific engagements;
- Human Resources;
- Engagement Performance; and
- Monitoring.

The reviewers will check the quality control procedures of the firm to ensure compliance with NSA 3 "Quality Control for an Audit of Financial Statements" Paragraph 24 which states *"An effective system of quality control includes a monitoring process designed to provide the firm with reasonable assurance that its policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively. The engagement partner shall consider the results of the firm's monitoring process as evidenced in the latest information circulated by the firm and if applicable, other network firms and whether deficiencies noted in that information may affect the audit engagement."*

Furthermore, they will examine the files of the firm to ascertain the level of compliance with audit documentation. Nigerian Standard on Auditing (NSA 4) "Audit Documentation" paragraph A1 states *"Preparing sufficient and appropriate audit documentation on a timely basis helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence obtained and conclusions reached before the auditor's report is finalised. Documentation prepared after the audit work has been performed is likely to be less accurate than documentation prepared at the time such work is performed."*

The firms visited will be assessed based on these criteria in order to determine their level of compliance to practice regulations and requirements.

Building Confidence in Practice Monitoring

In order to build practitioners' confidence in the practice monitoring initiative and ensure its global acceptance, the following measures were put in place by the Institute:

1. All correspondence and reports from the exercise are to be submitted to the Institute and no aspect of the working papers of the review exercise are to be retained by the reviewers.
2. To guard against bias, members of the Professional Practice Monitoring Committee (PPMC) which superintend over the exercise, are disqualified from participating as reviewers.
3. The Reviewers sign an agreement with the Institute and the terms and condition of the exercise are clearly outlined.
4. The Reviewers go through an in-depth induction and training programme known as Reviewers' Forum organised by the Institute through PPMC.
5. The Reviewers are selected based on their Professional reputation and Practice experience. They are Chartered Accountants who have significant experience in audit practice and are also financially up-to-date with the Institute.
6. Under the terms and conditions of appointment, the reviewers are bound by an agreement not to disclose the identity or information about the Practice, its Personnel

or its Clients order than to the Institute. Breach of the confidentiality clause in the agreement will amount to professional misconduct and would be referred to the investigating panel.

7. The Reviewers are required to inform the Institute when there is a conflict of interest in reviewing a firm assigned. Conflict of interest could arise when a reviewer and the Partner of the firm to be reviewed are close associates. That could jeopardise the objectivity of the report and in such circumstances, alternative reviewers will be assigned to the firm.

THE BENEFITS OF PRACTICE MONITORING

The Benefits to the Public

The benefits of Practice Monitoring cannot be over-emphasised. They include the following:

- Improved quality of financial reports which will boost the trust of the investing public and clients.
- The public and clients are re-assured that their accountants and auditors are being monitored by the Institute and the Government. The public knowledge that auditors handling public interest entities are being regulated through practice monitoring will raise the confidence of the investing public.
- Practice Monitoring will lead to the issuance of reliable financial reports through which foreign direct investment (FDI) will be attracted to the Country and more job opportunities created for Nigerians including chartered accountants.

Benefits to Firms

Practice monitoring ensures that audit procedures are duly followed thereby reducing the risk of material misstatements. The review exercise helps to put the auditors on their toes in respect of the quality of reports released to the public and upon which the investors base their investment decisions. Other benefits of the exercise are:

- It reduces the risk of litigations to the firms.
- It impacts positively on the quality of audit reports by firms. The exercise helps practitioners to establish quality control measures in their firms.
- It helps to advertise the firms to the public through practice monitoring report.
- It enhances communication between the practice and the regulators (the Institute and the Government).
- It helps boost the firm's standing and recognition with the Institute and the government.
- The firm benefits from the exercise as the Institute bears all the cost of the review.
- The firm benefits from this exercise as there are no punitive measures for non compliance.
- The exercise affords the Institute the opportunity to serve members better by developing guidelines and manuals for audit practice.
- It brings about improved firm and client relationships.
- The exercise serves as a check on the activities of the firm by ensuring that audit procedures are followed and

documented.

- It assists the Practitioner to rejig his/her skills and knowledge towards faithful application of the various Standards on Auditing (NSAs 1–36) and the Nigerian Standard on Quality Control 1(NSQC 1) issued by the Institute.
- Practice review helps the firm in capacity building. The reviewers hold interactive Sessions with the Partners and Staff of the firm during which the reviewers share knowledge, skill and experience in various aspects of engagements.
- Practice review helps the firm to acquire up-to-date Publications for Practice. During the exercise the firms are made more aware of various standards and Guidelines issued both by the Institute and IFAC. **(For example: Nigerian Standards on Auditing (1–36); Nigeria Standard on Quality Control 1; Guidelines for Merger of Small and Medium-Sized Audit Firms; Guide to Practice Management for Small and Medium Sized Practices; Code of Conduct and Guide for Members and Scale of Professional Fees, etc).**
- Practice review exercise assists Professional Colleagues to Network. There are instances where reviewers through the exercise met their former Colleagues and friends and then engage on discussions of Strategic Alliance or pooling of resources for other assignments or even agreed to merge their various Practices.

Benefits to The Institute

Practice monitoring will benefit the Institute in the following ways:

- It helps the Institute to be in good standing with IFAC.
- It boosts the Institute's image in the comity of regional regulatory bodies.
- It raises the profile of the Institute both locally and internationally.
- It helps the Institute to know its members that render assurance services.
- It boosts the image of the Institute to the public and the government.
- It helps Practitioners to be recognised across border as Professional Accountants.
- It demonstrates the Institute's readiness to enforce Compliance with Standards.

Benefits to the Accountancy Profession

Practice Monitoring is one of the prerequisites for recognition by the world accounting body (IFAC) and IFAC is currently working with the Institute on many areas to assist Practitioners in management of practices. This gesture will not only improve the quality of services but will also enhance Strategic Alliances within Practicing firms both locally and internationally. On various occasions, IFAC has requested from the Institute contributions in development of Policies and Procedures for global adoption. This is attributed to the Institute's adoption of best Practices among which is Practice Monitoring.

Other benefits to the Profession are:

- Practice Monitoring will help to forestall lowballing and the

activities of quacks.

- It will eliminate price undercutting within the system.
- It improves the profile of the Profession.
- Most importantly it will help to check the practice of members issuing financial reports that have no adequate and reliable audit evidence and documentation.
- Accountancy Profession is a revered Profession by the public. Practice Monitoring is one of the ways through which those attributes will be sustained.
- Audit is a critical element of Assurance Services and all assurance services thrive on credibility. Practice Monitoring helps to sustain that perception by the public.
- Practice Monitoring would impact positively on the Profession as the public have new perception of the auditors.

Challenges of Practice Monitoring in Nigeria

The Institute's Practice Monitoring exercise did not come without challenges. Some of the challenges include:

- Inadequate awareness of the exercise by members.
- Paucity of Practice reviewers.
- Scepticism of Practitioners to the exercise.
- Poor remuneration of the reviewers.
- Training and re-training of Practice reviewers.
- Funding of Practice Monitoring exercise.
- Dearth of capacity within the Secretariat.
- Training of the Staff of Practice Monitoring Department.
- Unwillingness of Practitioners to avail themselves to be reviewed.

Despite these challenges, the Institute is not relenting in its efforts to assist Practitioners to improve on their service delivery to the public and to rebuild the confidence of stakeholders in the Accountancy Profession. Accountancy Profession thrives on credibility. It is the duty of every member of the Institute to ensure that our public image is enhanced. While the Institute is evolving policies and measures to restore this credibility, members are enjoined to strive to live above board in discharging their attestation roles. The position of the Institute on quality of services to the public is not in doubt as members are constantly reminded that Accountancy Profession is a fiduciary function and the trust associated with the Profession should not be compromised.

CONCLUSION

Practice monitoring is a requirement of membership of International Federation of Accountants (IFAC). It is aimed at assisting practitioners raise the quality of services rendered to the public. This requirement is contained in Statements of Membership Obligation (SMO) 1: QUALITY ASSURANCE.

In fulfilment of this obligation, the Institute developed a quality assurance programme by creating Professional Practice Monitoring Department (PPMD) and engaged Practice Reviewers as Consultants to pilot the scheme. The exercise involves reviewers visiting selected firms to ascertain the level of compliance to practice standards and other practice requirements. The exercise is not aimed at penalising members rather to assist them to build capacity through improved quality of services.

The benefits of Practice Monitoring are encompassing. The public, practitioners, regulators and the accountancy profession

benefit immensely from the programme. The public and accountancy profession benefit through improved financial reports, while the practitioners and the regulators benefit through global recognition.

Practice monitoring has its challenges. These include members' apathy, low publicity, evasion, funding and paucity of practice reviewers. It is important to state that some of the firms reviewed has commended the Institute for this initiative and their commendation stemmed from the huge resources being expended by the Institute on the exercise.

It is on this note that members most especially practitioners need to assist the Institute through awareness campaign at District Society meetings and conferences. The success of this programme lies with all the stakeholders — the public, the practitioner and the regulator. Thus, all hands must be on deck to make this exercise a success.

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44TH ANNUAL ACCOUNTANTS' CONFERENCE

Rapporteur-General's Report

PREAMBLE

1. I consider it a very special privilege and honour for me to present the **"REPORT OF THE PROCEEDINGS OF THE 44th ANNUAL ACCOUNTANTS' CONFERENCE OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA"** as compiled by the team of rapporteurs which I lead. In line with established tradition, I will also, at the end, present the draft communiqué for the consideration and adoption by this august gathering.

GENERAL PROCEEDINGS AND ACTIVITIES

2. The 44th Annual Accountants' Conference of the Institute of Chartered Accountants of Nigeria was held at the International Conference Centre and the Sheraton Hotel and Towers, Abuja between September 8 and 11, 2014.

THEME OF THE CONFERENCE

3. The theme of this year's conference, **"Protecting the Public Interest-Enhancing Professionalism"** was carefully chosen to drive home the prime role that professionals can and have been playing to achieve the society of our dream; that is, a society that cares and thrives on general will, rather than, narrow personal interest. The protection and defense of the public interest must continue to be at the heart of chartered accountants' attestation and assurance mandate.

PARTICIPATION

4. In spite of the massive publicity that attended the current health and security challenges in the country by the Western and local media, a total of 3,925 delegates including invited guests and resource persons from Canada, New Zealand, South Africa, United Kingdom, USA and host, Nigeria attended the Conference. This is very commendable in the circumstance.

5. Also, this is the second time in six years that the President of the International Federation of Accountants (IFAC) would be honouring ICAN's invitation to its annual conference. We recall that Mr. Richard Bunting graced the Institute's Conference in 2008 when ICAN hosted the Small and Medium-Practices Forum of IFAC in Abuja here.

6. A total of six countries were represented at this Conference. These are Canada, New Zealand, South Africa, UK, USA and the host country, Nigeria. The health challenge prevented ABWA member-bodies from attending the conference as flights were cancelled in most of the cases.

GOODWILL MESSAGES

7. Goodwill messages were received from:

- a. The President, Commander-In-Chief of the Armed Forces of the Federal Republic of Nigeria, His Excellency, Dr. Goodluck Ebele Jonathan, GCFR through the Minister of Finance and Coordinating Minister For the Economy, Dr. Ngozi Okonjo-Iweala;
- b. The International Federation of Accountants;
- c. Pan African Federation of Accountants;
- d. Association of Accountancy Bodies in West Africa;
- e. Minister of Education, Alhaji Ibrahim Shekarau, the Institute's supervising minister;
- f. Minister of Trade and Investment, Dr. Olusegun Aganga, FCA;
- g. Financial Reporting Council of Nigeria; and
- h. Chartered Institute of Stockbrokers.

8. In his goodwill message, the President, Commander-In-Chief warmly commended the giant strides the Institute has recorded and the immense contributions it has made towards the development of the country over the years. Describing professionalism as an intangible asset, the President, who was ably represented by the Minister of Finance and Coordinating Minister for the Economy, Dr. Ngozi Okonjo-Iweala urged ICAN to avoid non-professional conducts and strive at all times to put the good of the whole before individual or sectional interests. While condemning those who just criticise public policies for its sake, she urged Nigerians not to forget some significant contributions that the present administration has made to the development of this great country.

9. She made allusion to the country's current investment in mortgage-driven housing scheme, construction of over 32,000 km of roads across the country, on-going power sector reforms, the agricultural revolution designed to guarantee food security for all Nigerians, the provision of over N220b to support Micro, Small and Medium-sized enterprises, the ground work done with the laying of over 500km of fibre optic cables aimed at driving ICT revolution for the present and future generations of Nigerians. The Minister apprised the audience about the proposal to set up the Development Bank of Nigeria which will provide long term financing to the real sector at very low interest rates. She assured Nigerians that more jobs will be created through the various initiatives being implemented by the government. In conclusion, she commended the choice of the Conference theme which she philosophically described as **"sharpening the axe"** to fell the tree of anti-public interest.

WELCOME ADDRESS

10. In his Welcome Address, the Chief Host and Golden

Jubilee President of the Institute, Mr. Chidi Onyeukwu Ajaegbu, ACS, MBF, Dip in Polygraph, FCA expressed great delight about the huge attendance of participants in spite of the massive publicity of the health and security challenges confronting the country. He described this as evidence of uncommon commitment to the Profession and its flagship in Africa, the Institute of Chartered Accountants of Nigeria. One distinguishing hallmark of professionals, according to the 50th President, is their duty to the society. Serving the public interest, he said, is inherent not only in the social contract between Professionals and the society where they derive their being, but also a moral obligation they must fulfill. By their training, professionals, he noted, relish in promoting and defending the public interest with their knowledge, skills, competence with great ethical disposition not only for their benefit but for the good of all.

11. While paying glowing tributes to many professionals who laid down their lives to promote the common good, he urged professionals and in particular, chartered accountants, as conscience of the nation, to consistently act, promote and defend the public interest no matter the odds. He invited them to continue to provide, to diverse stakeholders including the business community, sound financial and tax advice, credible and reliable financial and non-financial reporting, internal control measures and efficient resource management strategies such that wealth is created for the benefit of the larger society. Through the profession's attestation function, we must continue to lend not only credence to credible stewardship reports of persons in fiduciary positions but also raise red flags for observed improprieties.

12. In conclusion, he noted that the public interest will better be served if:

- The allocation of resources is designed to promote the common good;
- Adherence to rule of law is and remains the foundation of governance;
- Constitutional provisions are allowed to freely operate to promote healthy labour relations, security, peace and progress;
- Merit takes precedence over mediocrity in the employment and deployment of public officers;
- Appointment to public office is driven by the philosophy of service rather than self enrichment;
- Public officers take responsibilities for their actions or inactions;
- The nation derives value for money for all its recurrent and capital expenditure;
- The outcome of the electoral process reflects the will of the people rather than "stomach infrastructure";
- The financial statements issued by professional accountants are true, fair, credible and devoid of material misstatements such that they can be relied upon by investors and other stakeholders;
- Corporate entities take responsibilities for the externalities they cause in pursuit of profit;
- Market regulators prevent insider trading and sanction infractions of market rules without fear or favour; and
- Enduring institutions, rather than powerful leaders,

become the legacies of our government.

13. TECHNICAL SESSIONS

In all, there were seven technical sessions which comprised, the Lead Paper, two plenary and four workshop sessions. The reports of the various sessions are as follows:

14. THE LEAD PAPER

The Lead paper titled, *"Chartered Accountants and the Society, The Realities of Serving the Public interest,"* was presented by Mr. Warren Allen, the IFAC President while the session was chaired by the Minister of Trade and Investment, Dr. Olusegun Aganga, FCA. In his presentation, which set the tone for the Conference, Mr. Allen noted that IFAC activities were motivated by the realisation that value-driven, high quality financial reporting by the Accountancy Profession was at the heart of economic growth and development of nations.

15. Using a hierarchical analysis, Mr. Allen argued persuasively that through the acquisition of accounting education, competences and expertise can be built. With such expertise, the professional can objectively generate credible information and continue to act ethically such that public trust is earned. Without the Accountancy Profession, societal growth will be stunted and no one desires this.

16. It is in pursuance of this that, IFAC, according to him, spends 65% of its budget to support standards development, improvement in quality and capacity, engage in advocacy, support and represent the profession globally. He further noted that over the years, IFAC has been in the vanguard for the development of professional accountancy bodies globally and in particular, in Africa, where many countries do not currently have accountancy bodies. Yet without professional accountancy bodies, good public financial management which can guarantee proper management of public resources will be non-existent. It was this failure of accountability in governance that led to the "Arab Spring". Indeed, Mr. Allen noted that nations that emerged faster from the global economic meltdown of 2007/8 were those that embraced accountability and transparency, which politicians detest.

17. While noting that the global demand for professional accountants will continue to rise, he urged the Institute to continue to engage the government because of the attendant benefits, promote compliance to ethics and best practices by its members, encourage and attract women into the profession. Other areas he emphasised include the need to attract the best and brightest youths into the profession, correct the wrong perception about the profession as dull and geared only towards number crunching, rethink training and development, include strategic thinking and confidence building modules into its certification curricula. Since Accountancy is a global profession, he enjoined ICAN to continue to train chartered accountants to be global citizens who can work anywhere and add value to the global economy.

18. Finally, Mr. Allen advised professional accountants to be on top of their game and be familiar with current developments in the profession such as rapid technological changes, the

emergence of Integrated Reporting and the increasing demand by market players for narrative corporate reporting. While stressing that trust and credibility will continue to be paramount in the relationship among professional accountants, employers and clients, Mr. Allen concluded that only professionals with the right skills, competences and ethical disposition, can change the world.

19. In response to a question on security of professional accountants, Mr. Allen informed the audience that IFAC was in the process of issuing an Exposure Draft on Accountants' Responsibility for Non-compliance with Laws and Regulations. He agreed that for a professional accountant to discharge his responsibility without fear or favour, he needs to be protected, for instance, through the enactment of a Whistle-blower's Protection Act. He also assured that, contrary to views expressed that there were barriers to employment of professional accountants of Nigerian origin abroad, many of them were securing jobs and making waves in USA, UK, New Zealand, Australia, etc.

20. Earlier the Chairman of the Session, the Minister of Trade and Investment, Dr. Olusegun Aganga, FCA in his remarks commended ICAN for the choice of the conference theme which, he said, encapsulated the essence of professionalism. While noting that professional accountants, through their public interest mandate, have the opportunity to make a difference, he urged them to raise the quality of financial reporting in order to instill greater confidence in their work, restore honour and integrity to the profession. He also reiterated the need for more women to be attracted into the profession to complement the affirmative action of government. In response to a question on the non-appointment of an ICAN member to fill the position statutorily created by the ICPC Act since the expiration of the tenure of the incumbent in 2011, the Minister encouraged the Institute to formally write to his office in this regard.

PLENARY SESSION 1

21. Plenary 1's paper titled, *"Professional Accountants: Adding Value Through Financial Reporting"* was presented by Mr. Ken Igbokwe, ACA while Dr. (Chief) R.U. Uche, FCA (PP) chaired the session. In his presentation, Mr. Igbokwe reminded participants that reliable financial statements play a key role in the financial market activities which contribute to the success and well-being of households, businesses, the economy, global participants and other stakeholders in the capital and money markets. The preparation of financial statements, according to him, are based on universally accepted financial reporting framework and this serves as basis for statutory audit, accounting measurements, disclosures, etc.

22. He further opined that the main issues in financial statements revolve around public trust or lack of it; public awareness or lack of it; the public's lack of financial skills or literacy; fraud and human propensity for greed; advances in technology; the mismatch between the skills of accountants and users' of financial reports, etc. He also identified the quality of reporting, disclosure and assurance as further issues that affect the public's interest in financial statements.

23. In his view, professional accountants, as the bastion of the financial reporting process, are expected to bring their skills and experience to bear in the areas of internal controls, risk management, due diligence, assurance services, corporate governance and compliance, strategic management and planning, delivering business objectives, corporate finance and partnering with line managers to ensure that financial reports are credible, have integrity and meet the overall needs and expectations of stakeholders. He stressed that professional accountants will continue to be critical to the capital markets and the economy as they will be required to provide reliable financial reporting and independent credible audits.

24. Accordingly, the attributes expected of professional accountants include insightful and deep analytical skills, sound professional judgment, project management skills, integrity and ethics. They must also have leadership qualities, broad business perspective, functional expertise in the traditional technical skills, strong communication skills as well as be versed in IT and be committed to a life time of learning. Furthermore, they must also have the ability to combine technical skills with strategic vision, see themselves as professional advisors and business partners. Professional Accountants therefore need to constantly improve their knowledge and skills in order to be on top of their game.

25. In their various contributions, the discussants (Messrs. Babatunde Savage, FCA and Dayo Babatunde, FCA) were of the opinion that sound decisions depend on the availability of accurate, reliable and timely financial statements and reports. They believe that real growth in the global market depend to a large extent on the comparability of financial statements across nations. To achieve this, they advocated that key players in the financial reporting process/chain must be professionally qualified, possess relevant experience and technological skills. They also recommended that the systems and processes to be deployed must not only suit the particular industry but also meet international best practices.

26. In the view of the discussants, the services of the professional accountants in the areas of compilation, review and assurance must be properly segregated to ensure that the integrity of the process and the results therefrom are not compromised. They argued persuasively that the financial reporting risk is greater than the internal control risk and that a breakdown in the financial reporting risk can lead to credibility issues and the erosion of public confidence in the financial statements. In conclusion, they noted that the increasing complexity and Extensible Business Reporting Language (XBRL) demand that professional accountants remain proactive in order to take advantage of future developments.

27. In response to a question on the cost of training and the need for the Institute to organise more free capacity sessions, the discussants encouraged members to see training as investment in an asset and the accounting profession as business. In their view, a chartered accountant who cannot solve emerging problem due to knowledge gap would soon become irrelevant in the profession. While encouraging them to balance the burden of training with

the expected benefits, they were urged to explore the window of Consultation with peers as Consultation is a sign of strength not weakness.

PLENARY SESSION 2

28. The title of the paper for this session was, ***"Whistle-blowing: Inspiring Chartered Accountants"*** and was presented by Dr. Vincent Onodugo of the University of Nigeria, Enugu Campus while Mr. M.S.C. Aviomoh, FCA and Barrister Godwin Iyimbor (who represented Chief Mike Ozekhome, SAN) were discussants. The session was chaired by Mrs. M.O. Onasanya, FCA a former Council member, banker and an industrialist.

29. In the lead presentation by Dr. Onodugo, whistle-blowing was defined, "as the making of disclosures, by individuals, of illegal, corrupt, fraudulent or illegitimate practices to those persons or agencies that may be able to effect an action." Often driven by corruption, wrongdoings and unethical behaviours, whistle-blowing may take various forms:

- a. Formal versus informal;
- b. Identified or anonymous; and
- c. Internal or external.

30. Notwithstanding its form, the objective of whistleblowing is usually the exposure of wrong-doings. According to the presenter, there are four elements of whistle-blowing: (i) the whistle-blower; (ii) the whistle-blowing act or complaint; (iii) the party to whom the complaint is made and (iv) the organisation or persons against which or whom the complaint is lodged. The university don quoted the following passage from the ***Holy Writ*** to lend credence to whistle-blowing as a justified strategy for fighting evil: ***"When a crime is not exposed and punished quickly, people feel it is safe to do evil" (Ecc 8v. 11).***

31. While striving to establish the relationship between whistle-blowing and the work of Accountants, the don observed that whistle blowing supports auditing in two ways:

- First, it provides information to auditors on areas where there are possible malpractices for close scrutiny; and
- Second, where the auditor is perceived to have colluded with the Management and Board to deceive the public, whistle-blowing can save other stakeholders by disclosing factual information to the public and regulatory agencies.

Therefore, auditing like policing requires intelligence gathering.

32. To ensure that the whistle-blowing intention is driven by altruistic reasons, the presenter recommended the following five tests:

- ★ Pubic interest test
- ★ Good faith test
- ★ Benefit of the doubt test
- ★ Impact test
- ★ Proportionality test.

33. Describing whistle-blowing as a strategy to serve the public interest, Dr Onodugo identified the following benefits:

- Stoppage of unethical businesses with all the harm it

poses to the society;

- Proactive prevention of corruption and unethical practices;
- Promotion of public good and saving society from all sorts of diverse malpractices; and
- Facilitation of the work of an auditor by making him pay closer attention to the facts behind the figures and unravel malpractices.

34. In spite of its inviting attributes, it was observed that the strategy has the following downsides: threat to personal life and property; denial of pay increases and incentives; unfair performance appraisal, lack of peer support, transfers to undesirable posts or career dead-end jobs, possible loss of job and loss of reputation. In view of these, people were advised to handle cases of whistle-blowing with care and caution.

35. One of the discussants brought a very rich historical perspective to bear on the issue of whistle-blowing which dated back to 1777, a year after USA got its independence from United Kingdom. The passage of the Whistle-blowers Act in 1778, according to him, was not only the first such law in the world but also, ensured that violators of law are punished. In his treatise which he tagged ***"Whistle-blowing: Ancient and Modern"***, he graphically showed the transition from animal horns in ancient times to the use of whistle on the football pitch to the use of internet.

36. He therefore recommended the following:

- Quick passage of the Whistle-blower Protection Bill which has been with the National Assembly since 2011 in order to give legal teeth to whistle-blowing protection in Nigeria. For this bill to be effective, it should contain the provision that whistle-blowers should be motivated through incentives;
- Similarly, given the sensitivity of whistle-blowing and to protect the innocent against false accusations, it was also recommended that there should be sanctions for false alarms in order to deter frivolous whistle-blowing;
- It was also recommended that chartered accountants should be courageous, defend the public interest and blow the whistle where necessary.

37. WORKSHOP SESSIONS

A total of four workshop sessions were held. Their reports are as follows:

38. Workshop 1:

The title of the paper was, ***"Standards for Protection of Public Interest and the Performance of Supervisory Institutions"*** by Mr. Seyi Bickersteth, FCA ably presented by Mr. Tola Adeyemi, Head, Audit Services, KPMG. The session, which was attended by 1337 delegates was chaired by Senator (Chief) F.K. Bajomo, mni, FCA while the discussants were Alhaji Umaru Ibrahim and Ms. Arunma Oteh, DG, Securities and Exchange Commission represented by Mr. Abacha Ulama.

39. Mr. Tola Adeyemi, using the IFAC framework defined

the “Public Interest as the net benefits derived for, and procedural rigour employed on behalf of all society in relation to any action, decision or policy.” In other words, it is the welfare of the general public (in contrast to the selfish interest of a person, group, or firm) in which the whole society has a stake and which warrants recognition, promotion, and protection by the government and its agencies.

40. Although the protection of public interests may be expected to happen naturally, it is necessary, according to the presenter, to discipline organisations in such a way as to safeguard the promotion of the public interest. This is to preclude the few dominant players from supplanting the public interest with their personal interest. Accordingly, the government has the responsibility to enact relevant laws, set rules and policies, promote competition and establish regulatory institutions.

41. In spite of the good intentions of government, the resource person noted that things could go wrong on account of regulatory complexity occasioned by multiplicity of regulatory institutions. Additionally, appointment of unskilled regulators, poor responsiveness and having a powerful leader rather than strong Institution, tend to lead to “regulatory capture” which is a form of political corruption.

42. As a solution, Mr. Adeyemi recommended the adoption of OECD principles for the governance of regulators. These include:

- Role clarity i.e. the legislation establishing a regulatory scheme should unambiguously specify the purpose and objectives of the regulatory scheme;
- Specifying the entities and citizens to be regulated;
- Setting clear standards for performance evaluation;
- Preventing undue influence and maintenance of trust;
- Independence of regulatory institutions;
- Accountability and transparency; and
- Specifying regulator’s sources and levels of funding in order to guarantee its independence and objectivity.

43. In summary, the presenter called for well-designed rules and regulations that are efficient and effective with appropriate institutional frameworks. In his view, the achievement of good regulatory outcomes requires co-operative efforts of the government, regulators, the regulated and the public.

Workshop 2:

44. The paper for Workshop 2 titled, *“The Imperative of Corporate Governance in the Protection of Public Interest”*, by Dr. Ed. Olowookere, FCA was presented by Mr. Ismaila B. Ceasay under the chairmanship of Ambassador Joe Keshi, OON, FPS, former Chairman, UBA PLC.

45. In his presentation, Mr. Ismaila Ceasay identified Corporate Governance as, “that blend of law, regulation and appropriate voluntary private sector practices which enable the corporation to attract financial and human capital, perform efficiently, and thereby perpetuate itself by generating long-term economic value for its shareholders, while respecting the interests of stakeholders and society as a whole.” The existence of good

corporate governance is usually assessed through:

- a. Board Structure and Organisation;
- b. Board Operation and Effectiveness;
- c. Strategy, Planning and Monitoring;
- d. Robust Risk Management and Compliance Processes;
- e. Transparency and Disclosures; and
- f. Corporate Citizenship.

46. The paper also identified Corporate Social Responsibility (CSR) as key to the effectiveness of a Corporate Governance regime. This involves the establishment of a defined code of conduct, business ethics, healthy employee relationship and responsive social obligations.

47. The key issues in CSR center on labour rights, the environment, human rights, social safety nets and poverty alleviation. CSR arise because of the substantial externalities resulting from corporate exploitation of its environment. There is, therefore, a need to mitigate the negative impact of productive activities.

48. Mr. Ceasay was of the opinion that as providers of integrated information, the role of accountants is critical and crucial. He urged Accountants to see themselves not only as custodians of private sector corporate finances and financial information but also of all public interest entities including governments. Increasingly, accountants and auditors are focusing on performance reporting – environment, social, etc. whether in the private or public sectors.

49. The discussant, Dr. Etofolam Osuji was of the view that Corporate Governance is ineffective without a well-defined CSR because CSR addresses the impact of the actions of the corporate entity on its immediate environment. He decried the absence of organs for the effective enforcement of corporate governance rules. According to him, transparency enhances an effective corporate governance environment and should start at the top with the Board of Directors who must also have the relevant experience to drive the entity’s sustainability programmes.

50. Participants were concerned with entities being able to marry their CSR objectives with the stakeholder’s interest in achieving profitability. It was however agreed that the long term sustainability of an entity depends, to a large extent, on how it manages its social responsibilities. Entities must therefore be proactive and responsive to the needs of their environment as a survival strategy.

51. It was also agreed that the same underlying principles that apply to entities in the private sector apply to those in the public sector. Therefore, professional Accountants are well positioned to act as catalysts to drive the institution of good corporate governance, including but not limited to, corporate social responsibility since they are the collators of results of operations. However, as is usual in the public sector, accountants should not become scape goats where there are failures in the system. In defining the frameworks for Good Corporate Governance, there is need for Nigeria to benchmark on International Good Practice

Initiatives. A total of 374 attended the workshop.

Workshop 3:

52. The topic of Workshop 3, ***“Value Re-Orientation: A Key Issue for National Development and the Role of the Accountancy Profession”*** was presented by Mr. Toine Knipping, the CEO/Co-founder, Amicorp Group. The session was chaired by Mr. Emmanuel Itoya Ijewere, FCA (PP) while the discussants were Mr. Mike Omeri, DG, National Orientation Agency and Mr. Victor Eromosele, FCA

53. In his presentation, Mr. Knipping stressed the importance of professional and value-driven preparation and auditing of financial statements to stakeholders and in particular, investors and resource owners. According to him, the moral basis of disclosure and discretion was driven by the desire to promote honesty over inordinate pursuit of the profitability objective. He cited the involvement of professional accountants in Tax evasion and tax avoidance activities all in the name of tax planning. Such issues pose, according to him, not only the greatest challenge to Tax Revenue Administration worldwide, but also, erode profits from national tax bases. He was at pains to observe that African economies, according to a 2013 Report by Global Financial Integrity and the African Development Bank, lost between US\$597 billion and US\$1.4 trillion between 1980-2009 in net resources transferred away from the continent primarily through transfer mispricing and other tax evasion schemes. He added that Nigeria lost as much as US\$89.5bn between 1970 and 2008 to illicit financial outflows!

54. These outflows, according to him, increase not only the burden on tax paying residents but also, represent monies and resources that would have been used for the provision of infrastructure. While acknowledging the fact that the problem was a global, rather than, a Nigerian one, he noted that professional Accountants have a duty to play to stop the ugly tide as part of their public interest mandate.

55. While admitting that corruption destroys trust, hurts investments, bleeds the budget of the nation and therefore, stalls growth and national development, one of the discussants found it difficult to exonerate the professional accountants who have the training and skills to secure corporate assets from the decadence in the system. In order to draw attention to the evils of corruption, he called for massive value re-orientation, monitoring and enforcement of the profession's Code of Ethics such that deviant behaviours are sanctioned.

56. It was recommended that the enthronement of a culture of accountability, trust and more openness in government business should be promoted. Finally, professional accountants were enjoined, in the words of Albert Einstein to, ***“always endeavour not only to become men of success, but rather, try to become men of value”*** by protecting the public interest.

57. Interestingly, Mr. Knipping took a radically different approach to the topic of value re-orientation, in some sections of the paper, by treating the issue as a call to advise on international

taxation. He used the opportunity to market the consultancy services rendered by his organisation, the Amicorp Group. Although Nigeria, as a country, did not appear to have problems with international tax treaty compliance and implementation, he advised on the need to ensure global tax transparency in Nigeria.

58. In his contribution one of the discussants highlighted the challenges faced by accountants in trying to defend public interest in the midst of demented value system. He wondered why, in spite of the triple (AAA) credit rating agencies gave to corporate entities, and clean audit reports, companies still ran into financial crises and even collapsed soon after their audit. He therefore recommended that a culture of accountability should be enthroned because without accountability there can be no progress. He concluded by further recommending rapid improvement in ethics and integrity, learning and empowerment of accountants.

59. While describing ICAN as a critical professional body in the economic growth and development of Nigeria, the other discussant enjoined members of the Institute to rise to their responsibility by speaking out when government institutions and government officers are falsely accused of corruption over accounts that have been properly audited and certified okay by professional accountants. ICAN should also sanction members who collude with public and private institutions and officers to render false accounts thereby facilitating corruption which is detrimental to national development. The discussant also informed the audience that the National Orientation Agency is finalising a proposal to the Nigerian President to bring about the declaration of a “National Emergency on value system.” The participants called for a new era of improvement in public service.

60. In their contributions, participants wanted to know what the National Orientation Agency was doing to improve the attitude of an average civil servant to embrace technology. They also sought to know why in Nigeria, the value system is only money centred rather than leadership. They advised that the remuneration of an average chartered accountant should be commensurate with the work he was doing to motivate him to perform to expectation. **A total of 759 attended the Workshop**

Workshop 4:

61. The paper for Workshop 4 titled ***Sustaining Ethical Standards in the Accountancy Profession*** by Professor Kwame B. Omane-Antwi, President, Institute of Chartered Accountants, Ghana, was ably presented by Alhaji Isma'ila Muhammadu Zakari, mni, FCA, 2nd Deputy Vice President of ICAN. The session was chaired by Otunba (Alh.) Abdulateef Owoyemi, FCA (PP). The discussants were Mr. Femi Abegunde, FCA, Country Chairman, Akintola Williams Deloitte and Mr. Uyi Akpata, FCA, Country Senior Partner, PricewaterhouseCoopers.

62. In his presentation, Mallam Zakari drew the participants' attention to the far-reaching unsavoury consequences of Ethical challenges which include deception in creative accounting as was witnessed in the Enron debacle and other local companies. The development led to the demise of Arthur Anderson a renowned firm of chartered accountants with over 95,000 staff spread all

over the world. It also created mistrust for the auditor.

63. As part of the recipe and to enable accountants discharge their responsibilities effectively, he advocated for improved academic and professional accountancy education for accountants which will be reinforced by Continuing Professional Development programmes in line with International Education Standards issued by the International Accountancy Education Standard Board (IAESB).

64. He also recommended that the following measures should be put in place:

- Establishment of stringent disciplinary procedures;
- Review of Companies' Codes e.g. CAMA 1990 (ROSC 2011, Nigeria);
- Upgrading the procedure for licensing practicing auditors;
- Whistle-blowers' protection as the simple most effective technique for detecting all types of fraud;
- Monitoring of Auditors' compliance, making ethical standards subject of legislation, peer reviews and rotating audit appointments;
- Establishing an independent body to administer the appointment, removal and remuneration of auditors; and

65. At the end of the workshop, the following key observations and recommendations emerged:

- i. ICAN should set up a trust fund for whistle-blowers and increase awareness of members about ethical standards and publicise the available avenues for lodging complaints about sharp practices;
- ii. There must be Zero tolerance of unethical practices;
- iii. The sustenance of standards must be a collective responsibility of all players;
- iv. The Institute should evolve a robust system for handling cases of unethical practices;
- v. Members must make efforts to familiarise themselves with the Institute's Code of Ethics which is on the ICAN website;
- vi. In addition to professional competence and adherence to ethical standards, members should also build spiritual and moral strength through their faith;
- vii. The issue of confidentiality should be taken very seriously as it is an ethical misconduct to disclose matters that are supposed to be confidential.

A total of 206 participants attended the workshop session.

OTHER UNSCHEDULED PRESENTATIONS

66. PRESENTATION BY JIM OBAZEE OF THE FINANCIAL REPORTING COUNCIL (FRC)

The Executive Secretary/Chief Executive of the FRCN, Mr. Jim Obazee made a presentation in which he apprised the audience of current initiatives of the regulatory body and the need for players in the financial reporting chain to be on top of their game. In particular, he informed the audience that FRC will:

- Soon release the Template for the preparation of Auditor's report on Internal Control System of their

- clients in line with Section 7 of the FRC Act No. 6 of 2011.
- Commence Practice Monitoring of practicing firms in 2015.
- Make Joint Audit Engagement compulsory for Public Interest Entities from 2015.
- The harmonised Code of Corporate Governance for the nation will be launched very soon.

67. As part of the regulatory body's strategies to raise the quality of financial reporting in the country and sustain the confidence of users, Mr. Obazee highlighted the following steps so far taken:

- ★ Only professional accountants are now allowed to chair audit committees of listed and public interest entities.
- ★ The Chairman, Chief Executive and Chief Finance Officer are now required to sign all audited financial statements. They can only sign if they meet the registration requirements of the Financial Reporting Council and are duly registered.
- ★ Where audit reports are qualified, the financial statements must reach the FRC within 30 days.
- ★ Entities whose reports are not qualified **should** submit their audited financial statements to the FRC within 60 days in compliance with Sect 80 of the FRC Act.
- ★ FRC in collaboration with IASB will run a train-the-trainers programme in Lagos on IPSAS.

68. In response to a question on the basis for the organisation's charges, he intoned that charges were both for consultancy and to deter entities from wasting the Council's valuable time. More importantly, he said that it was to encourage specialisation and decongest the traffic. For those who desire multiple registration to enable them do all types of businesses, they would need to heavily pay more.

69. PRESENTATION BY THE OFFICE OF THE ACCOUNTANT-GENERAL OF FEDERATION (OAGF)

This presentation, which was made on behalf of the Federal Accounts Allocation Committee's Subcommittee by Mr. Salawu Adeku Zubieru (Director, Consolidated Accounts Dept., OAGF), was designed to give the audience and insight into the various initiatives which the government has undertaken to ensure the smooth transition of the public sector from cash accounting to accrual accounting in 2016. The vehicle for accomplishing the dream is the adoption of International Public Sector Accounting Standards (IPSAS). In the main, he stressed the fact that the government had:

- ★ Commenced nation-wide sensitisation programme on IPSAS;
- ★ Adopted Cash-based IPSAS with effect from January 1, 2014 while accrual-based IPSAS will be adopted in January 2016;
- ★ Embarked on capacity building;
- ★ Developed a new chart of accounts for use in the Public Sector;
- ★ Issued a national circular to ensure compliance;
- ★ Commenced the harmonisation of laws for effective public finance management regulations.

70. PRESENTATION BY PROFESSOR EMMANUEL EMENYONU, FCA

This presentation was on the topic *Accountability in Governance, the Chartered Accountant and the Public Interest*. Using an interactive question and answer methodology, the Professor established from the responses received that:

- ★ God-fatherism, Ghanamustgo and stomach infrastructure are critical determinants of electoral victory in Nigeria.
- ★ Come 2015 elections, the philosophy of do or die will hold sway because electoral victory will provide winners opportunity for *egunje* or corruption.
- ★ Democratic era is synonymous with giving of bribe rather than service.
- ★ Police mount road blocks not to protect the citizenry but for self enrichment through bribery.

71. He concluded that if the nation has a good public accountability framework, good people and in particular, seasoned professionals can be attracted to the public sector. He urged ICAN to take advantage of the IFAC/CIPFA developed framework to drive accountability in public governance. According to him, this framework has five good principles which are germane to accountability. In conclusion, he urged ICAN to start a monthly accountability forum to which labour unions, human right activists, lawyers, NGOs will be invited to ask questions about government receipts and expenditure. According to him, we can do more by engaging in pervasive and massive sensitisation to raise the flag of accountability. We have a unique calling to take on the gauntlet, he said.

72. SOCIAL ACTIVITIES

The Conference was not all about professional and technical presentations. Opportunities were also provided for sports and district societies' competition which brought to the fore not only the rich cultural heritage of Nigerians but also the fact that chartered accountants are multitalented professionals. Many of them regaled in their traditional costumes with gaiety. The Abuja & District Society emerged first both in overall performance and size of contingent in the District Societies' Competition. The Ibadan & District Society won first Prize in Best Attire, 2nd in Performance and 3rd in Contingent. A total of 15 District Societies competed for honours during the event. In the same vein, various sports activities were held and winners given their trophies.

73. PRESIDENT'S BIRTHDAY

The birthday anniversary of the Golden Jubilee President, Mr. Chidi Onyeukwu Ajaegbu, ACS, MBF, Dip Polygraph, FCA, a man destined for greatness was celebrated on September 9, 2014 in style. He spent the day in the ICC auditorium conducting the business of ICAN and protecting the public interest. On behalf of the team of Rapporteurs, we congratulate you once again sir and wish you many glorious returns.

74. RECEPTION FOR GOLDEN JUBILEE PRESIDENT

The traditional Sheraton reception which usually heralds the arrival of the ICAN President into the city of Abuja was uniquely organised this year. The Golden Jubilee President was treated to a well-organised and rich red carpet reception in one of the ball

rooms of Sheraton. Laced with different small chops, delicacies and choice wine, the reception was witnessed by a huge audience which comprised the IFAC President, Mr. Warren Allen, the ABWA Executive Secretary, Mrs. Margaret Unubun and twelve Council members including the Vice President and Honorary Treasurer. The Atilogu dancers were at their best with unimaginable, breathtaking aerobics or acrobatic dance steps. An elated President, commended Sheraton for its hospitality and very warm reception.

COCKTAILS AND RELIGIOUS PROGRAMMES

75. To flag off the Conference activities, a cocktail ceremony was organised by the President for invited guests and major players in the economy. Sponsored by the Dangote Group, the well attended Cocktail was graced by the IFAC President, many revered past presidents of ICAN including the chairman, BOPP, Presidents of CIS, Council members, past registrars, captains of Industry and gentlemen of the press. At the end of the day, religious programmes were held to commit the entire Conference unto the hands of the Almighty God. The event took place on Monday, September 8, 2014 at the Ladi Kwali Hall, Sheraton Hotel and Towers. This closing ceremony is a testimony that He answered our prayers.

76. BUSINESS EXHIBITION

A total of sixteen (16) entities paid to exhibit their goods and services during the 3-day conference both at the ICC and Sheraton Hotel and Towers venues. The exhibition was declared open by the Special Guest of Honour, His Excellency, Dr. Goodluck Ebele Jonathan, GCFR, President, Commander-In-Chief, Armed Forces of the Federal Republic of Nigeria, who was ably represented by the Minister of Finance and Coordinating Minister for the Economy, Dr. Ngozi Okonjo-Iweala.

77. SPONSORSHIP

As a measure of its towering image and goodwill, the Institute received the immense support of its partners drawn from various sectors of the economy. A total of 22 corporate entities donated to support the conference thereby making the task of organizing this huge conference less financially demanding on the Institute's resources. We thank them all.

CONCLUSION

78. It is from this comprehensive report of proceedings that we, the Rapporteurs' Team, prepared the following draft Communiqué which I will now present for your comments and possible adoption. The final communiqué would subsequently be considered, approved by the Council and released by the President.

On behalf of all the members of the Rapporteur Team, I thank you for listening.

Abel Aig. Asein,
Rapporteur-General

TEAM OF RAPPORTEURS

Chief Tom Onyeagwa, FCA
Sir Jerry Nwanne, FCA
Mrs Hilda Ozoh, FCA
Dr. Ben Ukaegbu, ACA
Mr. Dayo Ajigbotosh

Mr. John I. Evbodaghe, FCA
Mr. Jude Sunny Egbo, ACA
Dr. Semiu B. Adeyemi, FCA
Mr. Kayode Abe

44th ANNUAL ACCOUNTANTS' CONFERENCE OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

Communiqué

Preamble

1. The 44th Annual Accountants' Conference of the Institute of Chartered Accountants of Nigeria was held at the International Conference Centre and the Sheraton Hotel and Towers, Abuja between September 8 and 11, 2014.
2. The Conference was declared opened by the Special Guest of Honour, President, Commander-in-Chief of the Armed Forces of the Federal Republic of Nigeria, Dr. Goodluck Ebele Jonathan, GCFR who was ably represented by the Minister of Finance and Coordinating Minister for the Economy, Dr. Ngozi Okonjo-Iweala.

Participation

3. In spite of the massive publicity that attended the current health and security challenges in the country by the Western and local media, a total of 3,925 delegates including invited guests and resource persons from Canada, New Zealand, South Africa, United Kingdom, USA and host, Nigeria attended the Conference. It is instructive to mention that two serving Ministers (Dr. Okonjo-Iweala and Dr. Olusegun Aganga, FCA) and a former governor, Chief Achike Udenwa, FCA, graced the occasion with their esteemed presence. The presence of Mr. Warren Allen, the global President of the International Federation of Accountants (IFAC), the body that regulates the Accountancy Profession in 125 countries of the world added great colour to the historic event.

Goodwill Messages

4. Goodwill messages were received from the Special Guest of Honour, the President, Commander-In-Chief, Armed Forces of the Federal Republic of Nigeria, Dr. Goodluck Ebele Jonathan, GCFR through the Minister of Finance and Coordinating Minister For the Economy, Dr. Ngozi Okonjo-Iweala; The International Federation of Accountants; Minister of Education, Alhaji Ibrahim Shekarau, the Institute's supervising minister; Minister of Trade and Investment, Dr. Olusegun Aganga, FCA; the Executive Secretary/Chief Executive of the Financial Reporting Council of Nigeria; the Association of Accountancy Bodies in West Africa and Chartered Institute of Stockbrokers.

Theme of the Conference

5. The theme of this year's conference, *"Protecting the Public Interest-Enhancing Professionalism"* was carefully chosen to drive home the prime role that professionals can play and indeed, have been playing to achieve the society of their dream; that is, a society that cares and thrives on general will, rather than, narrow personal interests.

Technical Sessions

6. In all, there were seven technical sessions which comprised the Lead Paper, two Plenary and four Workshop sessions.
- 6.1 The Lead Paper titled, *"Chartered Accountants and the Society, The Realities of Serving the Public interest"*, was presented

by Mr. Warren Allen, the IFAC President while the session was chaired by the Minister of Trade and Investment, Dr. Olusegun Aganga, FCA.

- 6.2 The paper for Plenary Session 1 titled, *"Professional Accountants: Adding Value Through Financial Reporting"* was presented by Mr. Ken Igbokwe, ACA while Dr. (Chief) R.U. Uche, FCA chaired the session. The discussants were Messrs. Babatunde Savage, FCA and Dayo Babatunde, FCA.
- 6.3 The paper for Plenary Session 2 titled, *"Whistle-blowing: Inspiring Chartered Accountants"* was presented by Dr. Vincent Onodugo of the University of Nigeria, Enugu Campus while Mr. M.S.C. Aviomoh, FCA and a representative of Chief Mike Ozekhome, SAN were the discussants. The session was chaired by Mrs. M.O. Onasanya, FCA.
- 6.4 The paper for Workshop 1 titled, *"Standards for Protection of Public Interest and the Performance of Supervisory Institutions"* was delivered by Mr. Seyi Bickersteth, FCA. The session, which was attended by 1336 delegates, was chaired by Senator (Chief) F.K. Bajomo, mni, FCA while the discussants were Alhaji Umaru Ibrahim and Ms. Arunma Oteh, DG, Securities and Exchange Commission ably represented by Mr. Abacha Ulama.
- 6.5 The paper for Workshop 2 titled, *"The Imperative of Corporate Governance in the Protection of Public Interest,"* by Dr. Ed. Olowookere, FCA of the World Bank was presented by Mr. Ismaila Ceesay while Ambassador Joe Keshi, OON, FPS, former Chairman, UBA Plc chaired the session. Dr. Etofolam F. Osuji, FCA, Council member was the discussant.
- 6.6 The paper for Workshop 3 titled, *"Value Re-Orientation: A Key Issue for National Development and the Role of the Accountancy Profession"* was presented by Mr. Toine Knipping, the CEO/Co-founder, Amicorp Group. The session was chaired by Mr. Emmanuel Itoya Ijewere, FCA (PP) while the discussants were Dr. Mike Omeri, DG, National Orientation Agency and Mr. Victor Eromosele, FCA.
- 6.7 The paper for Workshop 4 titled *Sustaining Ethical Standards in the Accountancy Profession* by Professor Kwame B. Omane-Antwi, President, Institute of Chartered Accountants, Ghana, was ably presented by Alhaji Isma'ila Muhammadu Zakari, mni, FCA, 2nd Deputy Vice President of ICAN. The session was chaired by Otunba (Alh.) Abdulateef Owoyemi, FCA (PP). The discussants were Mr. Femi Abegunde, FCA, Country Chairman, Akintola Williams Deloitte and Mr. Uyi Akpata, FCA, Country Senior Partner, PricewaterhouseCoopers.

Observations and Recommendations

- 7.0 At the end of deliberations, the following recommendations were made:

- 7.1 While reaffirming their commitment to the profession's statutory public interest mandate, the participants urged the Institute to strengthen its investigating and disciplinary processes such that complaints of professional misconduct can easily be dispensed with.
- 7.2 Given the increasing dynamics of the environment and the global nature of the Accountancy Profession, the participants urged the Institute to continue to produce world-class chartered accountants for the global economy. In other words, they enjoined ICAN to continue to train chartered accountants to be global citizens who can work anywhere and add value to the global economy.
- 7.3 They further urged the Institute to press forward with its capacity building initiatives not only for improved service delivery but also, for the benefits of unemployed members.
- 7.4 The participants noted that the public interest will be better served if the allocation of resources is designed not only to promote the common good but also, that merit takes precedence over mediocrity in the employment and deployment of public officers.
- 7.5 While noting that the common good was often subordinated to the whims and caprices of powerful leaders, the participants recommend that the nation should strive to build enduring institutions and processes that will make such overrides either impossible or difficult to accomplish.
- 7.6 Considering the negative impact of industrial activities and mineral resource exploration on the environment, participants recommend that the Institute should be in the vanguard of Corporate Social Responsibilities and Integrated Reporting by business entities.
- 7.7 While noting that the global demand for professional accountants will continue to rise, the participants urged the Institute to continue to engage the government because of the attendant benefits, promote compliance to ethics and best practices by members, encourage and attract women, and the best and brightest youths into the profession.
- 7.8 In order to guarantee the security of life and property of a whistleblower and insulate him from victimisation, the participants recommend the quick passage of the Whistle-blowers' Protection Bill that had been with the National Assembly since 2011.
- 7.9 As part of its public interest mandate, the participants recommend that the Institute should create confidential avenues for lodging complaints about sharp practices and evolve a robust system for handling cases of unethical practices.
- 7.10 While commending the Institute for the proactive role it played to support its member that blew the whistle on his organisation, the participants recommend that greater publicity should be given to the Trust Fund established by the Council to support members who suffer persecution for blowing the whistle.
- 7.11 Given the sensitivity of whistle-blowing and to protect the innocent against false accusations, the participants also recommend that there should be sanctions for false alarms in order to deter frivolous whistle-blowing.
- 7.12 The participants also recommend that chartered accountants should be courageous and take active part in the struggle to defend the public interest by blowing the whistle, where necessary.
- 7.13 In order to further apprise members of the provisions of the Institute's Code of Ethics, the participants recommend that the revised Code of Ethics should be printed and copies given to members notwithstanding the fact that the Institute's Code of Ethics is on the ICAN website.
- 7.14 From discussion of the participants, it was evident that there was performance expectation from the public on supervisory and regulatory institutions. They therefore recommend the institutionalisation of a structured periodic evaluation mechanism such that the performance of public institutions can be measured.
- 7.15 They further recommend that public institutions should be adequately funded in order to preclude them from the tendency of imposing arbitrary fees on the citizens which may be a deterrent to the realisation of the government's objectives for establishing them.
- 7.16 In view of their public interest mandate, professional accountants were urged to see themselves not only as custodians of private sector corporate finances and financial information but also of all public interest entities including the government.
- 7.17 While decrying the absence of organs for the effective enforcement of corporate governance, a mechanism which promotes transparency, they recommend that professional accountants can continue to act as catalysts to drive the institution of corporate governance in all aspects of the Nigerian economy and benchmark their practices on International Good Practice Initiatives.
- 7.18 The participants also called for value orientation and improved incentive schemes for officers and men of the Police, Custom and the Military as they are critical agents for the protection of the public interest.

Conclusion

7.19 Finally, the participants 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.

7.20 Thank you.

Mr. Chidi Onyeukwu Ajaegbu, ACS, MBE, Dip (Polygraph), FCA
50TH and Golden Jubilee President
Conference Convener
Chairman, Governing Council
The Institute of Chartered Accountants of Nigeria.



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

ICAN Members' Benevolent and Educational Trust Fund

Fund Raising Brochure

PREAMBLE

The ICAN Members' Benevolent and Educational Trust Fund was established by the Council of the Institute of Chartered Accountants of Nigeria (ICAN) in 2003 to assist persons in need who are or have been ICAN members and/or their families and dependants. It is also aimed at promoting and supporting educational/research in Accountancy, Financial Management, Taxation and related subjects. The Board of Trustee of the Fund was formally inaugurated on July 13, 2003 in the Council Chamber of the Institute, Victoria Island.

Some Chartered Accountants due to no fault of theirs have been very unfortunate with employment so much so that as a result of economic downturn, prematurely lost their jobs. Some others suddenly became ill and were unable to cope with their jobs and so had to quit unexpectedly. Others became victims of natural disasters such as flood, fire etc and suffer untold hardship having lost all they laboured for in many years.

Those who were unfortunate to die (from accident, illness, etc) left dependants particularly children who were also forced out of school for lack of financial assistance from the extended family. It is for these reasons and more that the Benevolent Fund was set up.

OBJECTIVES OF THE SCHEME

Thus the broad objectives of the Fund are:

* **To give financial assistance to members** — For various reasons hitherto vibrant and intelligent Chartered Accountants fade out for reasons such as natural disasters or accidents and they become incapacitated. There will be a need to assist them to get back to a sound state of health to continue to add value to society.

* **To support families and dependants of members** — Members who are unfortunate to pass on leave behind families and dependants who more often than not find it difficult to make ends meet or even continue with their education, particularly members of the immediate family.

* **To promote and invest in Research and Educational development** in order to continuously improve the technical competence of members, so as to protect the public interest.

STRUCTURE

The Fund has a five man Board of Trustees with **Sir (Chief) Simeon O. Oguntimehin** (PP), OON as Chairman.

Other members are:

- **Chief (Mrs) O.O. Olakunri** (PP);
- **Sir Ike Nwokolo**, OFR;
- **Mrs I.M. Osiyemi** (PP); and
- **Alh. M.A. Dangana**

ACTIVITIES OF THE MANAGEMENT BOARD

The major activities of the Management Board are fund raising and Management of investments. Funds so generated are invested and it is the income from the investments that are disbursed to members in need and families that are distraught. Since inception, the Fund has been used to assist members and families of dead members. This include members who had renal (kidney) failure, blindness, stroke, spinal cord injuries, disaster (fire/flood/accident) victims, children's education, etc.

CONDITIONS FOR GRANTING FUND

1. Must be a professionally qualified member of the Institute of Chartered Accountants of Nigeria (ICAN).
2. Must have paid up the annual subscription of the Institute at least up to the immediate past year of before incapacitation.
3. The mishap for which the Fund is meant to grant succor to the member must not be due to his/her careless, negligence, or recklessness, e.g. the Fund will not be disbursed towards cases like arson, murder, manslaughter, accident resulting from use of hard

drugs, etc.

4. It must be proved beyond all reasonable that the member cannot afford (as a result of his/her present circumstances) his immediate needs.

LIMIT OF FUND

The minimum limit shall be a sum of Ten Thousand Naira (N10,000.00) while the maximum limit shall be a sum of Two Hundred and Fifty Thousand Naira (N250,000).

MANAGEMENT BOARD MEMBERS

- **Mrs Ibironke Mojisola Osiyemi** (PP) — *Chairman*
- **Doyin Owolabi** — *Member*
- **Chidi O. Ajaegbu** — *Member*
- **Mrs Yinka Olowu** — *Member*
- **Alhaji S.I. Dabana** — *Member*
- **Kayode Abe** — *Secretary*
- **Mrs Jumoke Kujore** — *Minutes Sec.*

PROCEDURE FOR DISBURSEMENT

1. Application shall be received from prospective beneficiaries stating the estimate of his/her needs – Such application should also be supported by the District Society of the member.

2. Application to be considered by the Management Board. All applications considered and treated at any meeting where at least two (2) members of the Board are present is considered valid.

3. The Secretary shall be responsible for the processing and issuance of cheque for the amount approved.

4. All cheques shall be crossed "account payee only" and made payable to the beneficiary through the District Society, unless otherwise decided by the Board.

5. All failed/rejected applicants will be informed of the reason for failure/rejection.

We use this medium to passionately appeal to you for donation to meet the rising demands on the Fund. We are not unaware of the times we are in but we believe some members are more privileged and fortunate than others. We request that you extend a hand of love to your colleagues. This is a worthy cause and we pray that God will remember you in your time of need.

Finally, we wish to assure you that donations received would be thankfully received and acknowledged.

Kindly issue your cheque in favour of
"ICAN BENEVOLENT AND EDUCATIONAL TRUST FUND"

or pay directly into the account:

Guaranty Trust Bank: 0014213873

Ecobank: 4482037490

APPEAL FOR DONATION

The Management Board has received many applications for financial assistance in recent times, which it could not positively respond to due to lack of fund. This financial limitation has hindered the progress of work, as the Board is desirous of touching many more lives, which we believe have the potentials to add value to society. We are therefore constrained to make direct appeal to organisations and net worth individuals to support the Fund. The donation can be in form of cash, property, bequeathment in wills, endowment, etc.

For further information please contact:

- **Ibironke M. Osiyemi** (Mrs) — *Chairman*
- **Rotimi A. Omotoso** — *Registrar/Chief Executive*
- **Kayode Abe** — *Secretary*

Tel.: **01-7735204, 7740627, 4705336**

e-mail: **corporateservices@ican.ng.org**

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Impact of Corporate Profitability and Complexity on Audit Fee in Nigeria

By NDUKWE O. DIBIA

The objective of the study is to examine the effect of corporate profitability and firm complexity on audit fee in Nigeria. Cross-sectional research design was used for the study with an extensive reliance on secondary data. The populations of the study consist of all companies listed on the Nigerian stock exchange. However, the study utilises a sample of 40 companies selected using the simple random sampling technique. Multiple Regression analysis using the Ordinary least squares (OLS) technique was employed as the method of data analysis. The findings indicate that firstly; there is a positive and significant relationship between profitability and the audit fees. Secondly, we find a positive and significant relationship between complexity and audit fees. Thirdly, there is a positive and significant relationship between firm size used as control variable and the audit fee. Diagnostic analysis indicated that the regression assumptions test such as the Pearson correlation coefficients for collinearity, the Breusch-pagan-Godfrey test for heteroscedasticity, the Lagrange Multiplier (LM) test for higher order autocorrelation and the Ramsey RESET test miss-specification showed that the model satisfies the OLS criterion. The study recommends that there is the need for regulation of audit fees in the Nigerian environment as the market framework for determining the audit fees may not readily suffice as an advantage for the fostering of auditor dependence.

INTRODUCTION

Audit fee determination has further become fundamental area of audit research in recent times especially following after the classical cases of audit failures experiences in Enron and other corporations. The disturbing dimension resulting from ex-post analysis and discourses of these cases of corporate failure is that often times the client had been given a “clean bill of health” and an unqualified auditor’s opinion by the auditor. This therefore suggests that there had been incentives for the maintenance of an on-going relationship between auditor and client and the auditor independence and the audit quality had to become the opportunity cost for the survival of the interest of clients and the auditor. The search for explanations for the auditor performance, the level of auditor independence and the audit quality has seen audit fee evolving as a critical factor and this is well documented in the literature (Simunic, 1980, Gist, 1995), audit fee is an important issue and has a significant

effect on auditor’s performance, their independence and more particularly on audit failures. Thus audit fee research may be seen as a subset of the general research area concerned with issues of audit fee determination, auditor independence and audit quality. Audit fee is concerned with the determination of remuneration for audit services that relates directly and primarily to the audit function. Succinctly put, it deals with the determination of audit remuneration. Since the early work on the pricing of audit services by Simunic (1980), substantial progress has been made with regard to understanding the basic economics of fee determination. Following the market framework, early studies such as Simunic (1980) explicitly saw the audit pricing as the determination of audit fee and initiated the use of the demand and supply functions to identify the determinants of audit pricing and hence the audit fee. This market theory covers both the demand side and the supply side determinants i.e. determinants representing features from clients that demand audits and from auditors that supply audit

services. Following the audit fee literature, several determinants of audit fee has been identified. However, this study focuses on the effect of corporate profitability and firm complexity on audit fee determination in Nigerian using quoted firms.

Corporate profitability comes with several implications for audit fees. Firstly, companies reporting high levels of profits will be subject to rigorous audit testing in order to relate revenues and expenses and this entails more audit fees (Joshi and Al-Basaki, 2000). Also since ability to pay largely influences the audit firm choice, it suggests that better performing companies may want to hire audit services of the big 4 and this may signal more audit fee expenses. However, there is also the argument that under-performing companies are more likely to control their over-heads and this would result in less audit work (Chan, McDonald & Miller 2004). In relation to firm complexity, the theoretical expectation generally is that since audit fees are dependent on how much time auditors have to spend for an audit engagement, more complex firms will thus be associated with higher audit fees. Using quoted companies, the study objective is to provide empirical evidence on the relation between corporate profitability and client complexity, and audit fees in Nigeria.

STATEMENT OF THE RESEARCH PROBLEM

Following the market framework, several studies (Butterworth and Houghton 1995, Palmrose, 1986, Gist 1995, Cohen and Hanno 2000, Tsui, Jaggi and Gul, 2000 have examined the influence of client complexity and corporate profitability on audit fees. However, the findings have not been unanimous across researchers. The evidence from these studies revealed the presence of mixed findings in the literature which suggest that the issues involved in the auditor pricing and the determination of auditor remuneration are far from been settled empirically. In addition, we find that most of the empirical studies conducted on the impact of corporate profitability and complexity have been done in developed countries, e.g. USA (Simunic, 1984; Palmrose, 1996; Gist, 1992), in the UK (Pong and Whittington, 1994; Che Ahmad and Houghton, 1996), in Australia (Jubb *et al.*, 1996; Craswell and Francis, 1999), in New Zealand (Firth, 1985; Johnston *et al.*, 1995), in Canada (Anderson and Zeghal, 1994); in Japan (Taylor, 1997), in Singapore (Low *et al.*, 1990), in Hong Kong (DeFond *et al.*, 2000), in India (Simon *et al.*, 1986), in Pakistan (Simon and Taylor, 1997), and in Bangladesh (Waresul Karim and Moizer, 1996). We find that there is a need for extensive empirical evidence on the issues especially from developing economies and hence the need and relevance of the study.

RESEARCH OBJECTIVES

The following research objectives have been specified to guide the direction of the study:

1. To investigate the relationship between firm profitability and audit fee.
2. To examine the relationship between firm complexity and audit fee.

RESEARCH HYPOTHESES

1. There is a significant relationship between profitability and audit fees.
2. There is a significant relationship between firm complexity

and audit fees.

LITERATURE REVIEW

i. Audit Fee

Audit fee determination refers to the determination of auditor remuneration. The audit fee has in extant literature been divided into two categories; audit fees and non-audit fees. While audit fee refers directly to payments made to the auditor that relates directly to the audit function, non-audit fees is concerned with payments for other non-audit services rendered by the auditor. Generally, the audit fee should cover audit costs and provide a reasonable profit. Therefore, the audit fee can be seen as a combination of two items: audit cost and profit or auditors reward. One of the first theories regarding the determinants of the audit fees was developed by Simunic (1980). He proves that the level of the audit fees depends first on the auditor's effort. The connection between the "price" of the audit and the effort for its accomplishing is a natural one, because any audit mission is carried out according to some compulsory standards and rules established by professional auditing organisations. Simunic (1980) also proved the direct connection between the level of the audit fees and the subsequent litigation risk. Referring to this statement, Pratt and Stice (1994) underline that the auditor's evaluation in terms of possible losses in future litigations may result in an increase of the audit effort in order to reduce this litigation risk, and, consequently, to a raise of the audit fees. In more contemporary literature (Gonthier-Besacier and Schatt, 2007; Ahmed and Goyal, 2005; Ho and Hutchinson, 2010; Steward and Munro, 2007) several factors have been identified as important considerations in the audit pricing process. Among the factors, Hayes, Dassen, Schilder, and Wallage (2005) mentions the following: the auditee's size and the geographical dispersion, the size of the audit company, financial performance of the client, corporate governance structure, the quality of the auditee's internal control system, auditee industry of operation amongst others. Moreover, it has been argued that the impact of these factors on the level of audit fees is quite contradictory (Cobbin, 2002).

ii. Corporate Profitability and Audit Fee

Corporate profitability is viewed as an indicator of management performance and its efficiency in allocating available resources. Hence the direction of the relationship between audit fees and profitability can be positive or negative. Some might argue that companies reporting high levels of profits will be subject to rigorous audit testing to relate revenues and expenses and this entails more audit fees (Joshi and Al-Basaki 2000). Others make the point that under-performing companies are more likely to control their over-heads and this would result in less audit work (Chan *et al.* 1993). Nevertheless, it must be remembered that cost cutting may result in reduced internal control and thus engender more audit control. In practice, different variables have been used in previous research to proxy corporate performance. A number of studies used profit or loss figures (e.g. Firth, 1985, Dugar *et al.* 1995). Other studies have used different profitability ratios such as Return on Assets (ROA), Return on Equity (ROE), Return on Capital Employed (ROCE), Income to Total Assets ratio (1/TA). In all cases most of these studies reported significant associations between audit fees and corporate profitability. We expected that companies

performing well financially would generate a greater degree of complexity and greater risks for the auditing firms. In fact, the auditing procedures must be significantly adjusted to reflect the amount of company transactions, which in turn increases the risk of not detecting potential anomalies in company accounts.

iii. Firm Complexity and Audit Fee

It is likely that the level of audit work will increase with the level of auditee complexity. In previous studies, proxies for complexity have included the number of subsidiaries, the number of industries in which the company participates, the number of different company locations and variables relating to asset composition. Basically, audit fees are dependent on how long time auditors have to spend for an audit engagement. It means companies with complexity are charged higher audit fees. Complexity of an audited firm is examined in two aspects: complexity of operation and complexity of balance sheet (statement of financial position) composition. Under the impact of globalisation, companies can extend their operation to foreign countries by establishing subsidiaries. Auditors for such companies have to spend more time for evaluating consolidated financial statements. On the other hand, the complexity of operations can lead to complex transactions which require auditors to invest more time to test. The complexity of balance sheet (statement of financial position) composition can be reflected through the complexity of assets. Generally, companies with higher ratio of liquid assets (inventory, receivables) to total assets are more complex than others. Like auditee size, auditee complexity is of interest in researching determinants of audit fees. (e.g. Joshi and Bastaki, 2000; Gonthier-Besacier and Schatt, 2007; Ahmed and Goyal, 2005). Most results are consistent with the view that auditee complexity has a positive relation with audit fees.

iv. Review of Empirical Studies

Prior research (Simunic, 1980; Che-Ahmad and Houghton, 1996) documented empirical results indicating that audit fees are significantly influenced by the level of the audit client complexity. Hypothetically, we would expect that as the audit client becomes more complex, more time and effort is needed to perform the external audit work. This is true because a more complex audit client means a more diverse organisational structure, and harder to review transactions. This increased audit effort is expected to lead to an increase in the level of audit fees.

Kamran and Goyal (2005) concluded that complexity has a positive, although not significant effect on audit fees. In addition, Kamran and Goyal (2005) consider business risk in relation with the financial health of a company. They constructed an index measuring financial health based on return on assets, solvency and liquidity. The index is positively related with audit fees, but not always significant.

Hassas and Alavi (2000) in their research studied the relationship between resources spent on internal audit and independent auditing expenses. The results showed independent audit fees was related to the complexity of enterprise.

Whisenent *et al* (2003) found that corporate profitability measured using return on assets and liquidity has a negative and significant relation with audit fees, whereas solvency has a positive and significant relation. They also found a positive and significant relation with losses. Felix *et al* (2001) observe a positive and

significant relation between solvency and audit fees.

In Belgium, Willekens and Gaeremynck (2005) found that total assets, sales and added value are positively and highly significantly related to audit fees. Audit fees are also related to being listed and are influenced by the industry. Financial performance variables related to profitability are significant and generally have a negative relation with audit fees. They use the ratio 'inventory to total assets' as a proxy for inherent risk and find a positive but non-significant relation with audit fees.

A study by Joshi & Al-Bastaki, (2000) using Middle Eastern listed companies also found that complexity, and profitability of client operations to be significantly associated with audit fees. They concluded that auditor's profitability is another important factor in influencing audit fees and is used in this study.

Attempting to assess the relation between audit fees and the complexity of balance sheet (statement of financial position) composition, many authors (Simunic, 1980; Simon and Francis, 1988; Gonthier-Besacier and Schatt, 2007) find considerable evidences to suggest a positive association of audit fees and auditee complexity. Ahmed and Goyal (2005) however do not find such relation.

Fukukava (2011) proposed to investigate whether and to what extent the audit determinants examined in the researches so far influence the audit fees on the Japanese market and examine whether the fees charged by the Japanese audit companies and their cost strategies are significantly different. The study revealed that some determinants, such as: the client's size and complexity influence the cost of the audit.

A study by Che-Ahmad and Houghton (1996) using a matched-pair sampling technique to overcome a serious methodological flaw and found that complexity was significant in influencing audit fees.

THEORETICAL FRAMEWORK

Agency Theory

Agency theory deals with the contractual relationship between the agent (manager) and the principal (shareholders) under which shareholders delegate responsibilities to the manager to run their business. This theory argues that when both parties are expected to maximise their utility, there is good reason to believe that the agent may engage in opportunistic behaviour at the expense of the principal's interest. Jensen and Meckling (1976) modelled this condition as an agency relationship where the inability of the principal to directly observe the agent's action could lead to moral hazard, thus increasing agency cost. How does the determination of audit pricing fall within the context of the agency theory? This question is answered when we consider clearly the contributions of Jensen and Meckling (1976). According to Jensen & Meckling (1976), a component of the agency costs is represented by the monitoring costs supported by shareholders for the monitoring of the managers actions. The audit fees are an important component of these costs, as long as auditors have to make sure that managers act according to the shareholders' interests, while also auditors have the required task to inspect the accounts of the company. It may hence be supposed that auditors will spend more time inspecting the managers' activity if the agency problems are big. Consequently, Jensen (1986) suggests that, in the case of the companies whose capital is mainly owned by managers, the agency

Table 1:
Operationalisation of Variables

Variable	Measurement	Source	Expected Sign
Audit fee	Audit fee as specified in annual report		
Firm size	Log of total assets	Gonthier- Besacier and Schatt, 2007; Ahmed and Goyal, 2005)	+
Profit	Profit after tax	Kajola (2010)	+
Complexity	Number of branches	Joshi and Bastaki (2000), Thinggaard and Kiertzner (2008)	+

Descriptive Statistics

	COMP	AUDFEE	FSIZE	PAT
Mean	9.00	28606.37	6.864	3234882
Median	0.071	11000	6.766	440129
Maximum	45.00	212000	9.333	40002000
Minimum	4.00	750	3.625	-1638500
Std. Dev.	0.381	42110.12	1.118	8097904
Jarque-Bera	71.103	248.172	4.107	491.262
Probability	0.00	0.00	0.128	0.00
Observations	147	147	147	147

Source: Eviews 7.0

costs are low, because it is more probable that the managers’ interests coincide with the shareholders’, when managers are also majority shareholders. Therefore, the monitoring costs, including the audit fees, will be higher in the case of the companies whose managers own an insignificant part of the capital.

METHODOLOGY

The design adopted for the study is cross-sectional research design. The design is well suited in examining the several sample units across time. The population of the study covers all companies quoted on the Nigerian stock exchange as at the study period. However, resulting from the practical difficulties of accessing the population, a subset regarded as a sample will be utilised. The basis for sampling is justified by the law of statistical regularity which holds that on the average a sample selected from a given population will exhibit the properties of its source (Green, 2003). The simple random sampling technique was employed in selecting the 40 companies for 2008-2011 financial years. The technique is well suited for determining the sample as it provides an equal probability of selection and as such minimises selection bias. Secondary data will be used for the study. The secondary data will be retrieved from financial statements of the sampled companies. The study will make use of ordinary least squares regression analysis as the data analysis method. Preliminary analysis such as the descriptive statistics and correlation analysis will be conducted as well as diagnostic test such as the normality, linearity of the model parameter, test for multicollinearity, heteroscedasticity and autocorrelation will also be conducted using Eviews 7 econometric software.

MODEL SPECIFICATION

The model for this study in line with prior studies (Iosivan, 2008; Carson, Fargher and Simon, 2005). The model is specified below:

AUDFEE = F (PROFIT, COMP, FSIZE, u)..... (1)

This can be re-specified in regression form as:

AUDFEE = a + β₁ PROFIT+ β₂ COMP+ β₃ FSIZE + u)..... (2)

Where: AUDFEE = Audit Fee measured by the amount of audit fee paid to the auditor

PROFIT = Profitability proxied by Profit after tax (PAT)

FSIZE = Firm Size (proxied by log of total asset)

COMP = Complexity

U_i = Stochastic term

The apriori signs are B₁ > 0, B₂ > 0, B₃ > 0, and B₄ < 0

PRESENTATION AND ANALYSES OF RESULT

Where: COMP = Complexity, AUDFEE = Audit Fee, FSIZE = Firm size, PAT = Profit after Tax.

From the descriptive statistics of the variables as shown in **Table 1** above, it is observed that the mean for Complexity is 9. The maximum value is 45 while the minimum is 4. The standard deviation of the distribution stood at 0.381 which indicates that the leverage ratio for the sample clusters around the average value. The Jacque-Bera-statistic stood at 71.103 and the p-value of 0.00 and indicates that the data is normally distributed at 5% level of significance (p<0.05) and as such selection bias is unlikely in the sample. The mean for audit fee stood at 28606.37 with maximum and minimum values of 212000.0 and 750 respectively.

The standard deviation of 42110.12 is large and indicates a significant dispersion of the Audit fee for the distribution from the sample mean. The Jacque-Bera of the statistic of 278.172 and p-value of 0.00 indicates that the data satisfies the normality criteria ($p < 0.05$). Firm size is observed with a mean of 6.864 and standard deviation of 1.118. The maximum and minimum values stood at 9.333 and 3.625 respectively. The Jacque-Bera-statistic of 4.107 and the p-value of 0.128 indicates that the series deviates from normality ($p > 0.05$).

Table 2 presents the Pearson correlation coefficient result for the variables. As observed, Complexity (COMP) and Audit Fee (AUDFEE) appear to be negatively associated as depicted by the correlation coefficient (-0.137). Firm size (FSIZE) is observed to be negatively correlated with Complexity (COMP) (-0.176) and positively correlated with Audit fee (0.402). Profit after tax (PAT) is observed to be negatively correlated with complexity (COMP) (-0.106), positively correlated with Audit fee (0.451) and with firm size (0.489). An overview of the correlation coefficients suggests the unlikelihood of multicollinearity amongst the variables as none appear to be strongly correlated ($r > 0.50$) This indicates that the data is suitable for regression analysis.

Table 2:
Pearson Correlation Result

	COMP	AUDFEE	FSIZE	PAT
COMP	1			
AUDFEE	-0.137	1		
FSIZE	-0.176	0.402	1	
PAT	-0.106	0.451	0.489	1

Source: EvIEWS 7.0

Table 3:
Regression Result

Dependent Variable: AUDFEE				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-55352.19	21203.77	-2.6104	0.01
FSIZE	12818.64	1649.498	7.771	0.00
COMP	892.506	226.946	3.932	0.00
PAT	0.074	0.000	4.453	0.00
R ²	0.820			
Adjusted R-squared	0.813			
S.E. of regression	18432.2			
Sum squared resid	4.59E+10			
Log likelihood	-1581.886			
Durbin-Watson stat	1.353			
F-statistic	123.454			
Prob (F-statistic)	0.00			

Source: EvIEWS 7.0

Equation 3.1

AUDFEE = -55352.19 + 892.506 COMP + 0.074 PAT + 12818.64 FSIZE
(-2.610) (3.932) (4.453) (7.771)

Note: t-values are in brackets.

Table 3 below shows the ordinary least squares regression result conducted using EvIEWS 7.0. The white heteroskedasticity-consistent standard error is used to control for possible heteroskedasticity in the model. As observed, the R² and coefficient of determination is 0.820 which is high and indicates that the model explains about 82% of the systematic variations in the dependent variable. The Adjusted R² which controls for the effect of inclusion of successive explanatory variables on the degrees of freedom stood at 0.81. The F-stat value of 123.454 and the associated p-value of 0.000 indicate that the hypothesis of a joint statistical significance of the model cannot be rejected as 5% and indicates the goodness of fit of the model. The evaluation of the slope coefficients reveals the existence of a positive and significant relationship between firm complexity and audit fee (892, $p < 0.05$) and this suggest that increases in firm complexity measured in terms of number of branches will result to increases in audit fees. Hence we accept the hypothesis of a significant relationship between firm complexity and Audit fee (H2). The results also indicates that there is

a positive and significant relationship between Profit after tax (PAT) and Audit fee as indicated by the slope coefficient (0.074) and p-value ($p = 0.00 < 0.05$). The result suggests that an increase in the financial performance of the firm will result in higher audit fee. Hence we accept the hypothesis of a significant relationship between corporate profitability and audit fees (H1). Firm size appeared to be positive and significantly related to Audit fee as indicated by the slope coefficient (12818) and p-value ($p < 0.05$). The result indicates that audit fee increase with the firm size. The finding is consistent Steward and Munro (2007) notes that auditing large-sized client's

requires spending more time and effort.

DISCUSSION OF RESULT

The study finding indicates the existence of a positive and significant relationship between firm complexity and audit fee and this suggest that increases in firm complexity measured in terms of number of branches will result to increases in audit fees. This suggests that it is likely that the level of audit work will increase with the level of auditee complexity. Like auditee size, auditee complexity is of interest in researching determinants of audit fees (e.g. Joshi and Bastaki, 2000; Rubin, 1988; Gonthier-Besacier and Schatt, 2007; Ahmed and Goyal, 2005; Simunic, 1980; Francis, 1984). Most results are consistent with the view that auditee complexity has a positive relation with audit fees. Joshi and Bastaki (2000), Thinggaard and Kiertzner (2008), reveals that audit fees are positively associated with the number of subsidiaries in foreign countries proxied for auditee complexity. Attempting to assess the relation between audit fees and the complexity of balance sheet (statement of financial position) composition, studies (Simunic, 1980; Francis, 1984; Gonthier-Besacier and Schatt, 2007) find considerable evidences \ to suggest a positive association of audit fees and auditee complexity. Ahmed and Goyal (2005) however do not find such relation. Researchers typically expect that the more complex a client, the harder it is to audit and the more time-consuming the audit is likely to be (Simunic 1980; Hackenbrack and Knechel 1994).

We also find a positive and significant relationship between Profit after tax (PAT) and Audit fee. The result also indicates that there is a positive and significant relationship between Profit after Tax (PAT) and Audit pricing. The result suggests that an increase in the financial performance of the firm will result in higher audit prices/fee. The finding is consistent with Anderson and Zeghal (1994) as well as Pong and Whittington (1994). The result for the impact of profitability ratio measure is mixed. A meta-analysis conducted by Hay, Knechel and Wong (2004) revealed that three studies reported a significant positive result for return on assets, while seven reported a negative association. Using an alternative measure of profitability, i.e. a dummy variable for loss, the impact of profitability was reported to be significant and positive in 27 percent of the papers reviewed. In country specific findings, Hay, Knechel and Wong (2004) have noted that studies that yielded results that contradicted expectations and were not significant (or negative) came mostly from Canada and Australia and were almost all using data prior to 1990. In fact, studies from the 1970s and 1980s often yielded insignificant results for the loss measure. In contrast, data from the 1990s and more recent periods generally confirm expectations about the association between fees and losses.

Finally, we find the existence of a positive and significant relationship between Firm size used as our control variable and Audit fees. The finding is consistent Steward and Munro (2007) which notes that auditing large-sized client's requires spending

Table 4:
Heteroskedasticity Test

F-statistic	0.139356	Prob. F(1,17)	0.4035
Obs*R-squared	0.154484	Prob. Chi- Square (1)	0.2842

Source: Eviews 7.0

Table 5:
Ramsey RESET Test

	Value	df	Probability
t-statistic	0.55253	14	0.5893
F-statistic	0.305289		0.521
Likelihood ratio	0.431441	1	0.5113

Source: Eviews 7.0

Table 6:
Breusch-Godfrey Serial Correlation LM Test:

F-statistic	1.654683	Prob. F(2,13)	0.321
Obs*R-squared	4.058241	Prob. Chi-Square (2)	0.539

Source: Eviews 7.0

more time and effort. To this end, as the fees paid to auditors depend on the amount of time to complete the job given, it is expected that larger companies have to pay higher audit fees. The finding is also consistent with Joshi and Bastaki, (2000) and Gonthier-Besacier and Schatt, (2007) and Ahmed and Goyal, (2005).

DIAGNOSTICS TEST FOR THE MODEL

The following tests were conducted for the model to ensure that basic ordinary least squares assumptions have not been violated and that the estimates resulting from the model were the best, linear unbiased estimates of the population parameters. The tests were Autoregressive Conditional Heteroskedasticity (ARCH) for heteroskedasticity test, the LM test for autocorrelation and the Ramsey reset test for the model specification.

Table 4 reveals that the p-value s for both the f-statistics and the observed R-squared were 0.40 and 0.28 respectively using residual lag length of 2. The values are greater than the critical value of 0.05 at 5% significance level. This shows that there is no evidence for the presence of heteroskedasticity. Hence there is violation of the constant variance assumption of the ordinary least squares.

The Ramsey Reset Test (**Table 5**) shows that the p-values for the t-statistic and f-statistic of 0.589 and 0.521 respectively are greater than the critical value of 0.05. This shows that there is no apparent non-linearity in the regression equation and it would be concluded that the linear model is appropriate.

Table 6 shows the Breusch-Godfrey correlation LM tests for the presence of autocorrelation. The result reveals that the p-value of the f-statistics and the observed R-squared were 0.321 and 0.539 respectively using a residual lag length of 3. When compared to the critical value of 0.05, the p-values are noticed to be higher and this shows the non-existence of autocorrelation. Hence the estimates of the regression follow the non-violation of the zero covariance

assumption of the ordinary least squares and the estimates are free from any bias.

CONCLUSION AND RECOMMENDATION

Audit fee has been analysed within a market framework, where is determined primarily by the demand conditions of the users of audit services and the supply conditions of the providers of audit services. The findings of the study indicate that there is a positive and significant relationship between client size, firm profitability and the pricing of audit services. Finally, the study indicates that there is a positive and insignificant relationship between Leverage and the pricing of audit services. The study recommends that there is the need for regulation of audit prices in the Nigerian environment. The market framework for determining the audit fees may not readily suffice as an advantage for the fostering of auditor dependence. Firstly, an auditor faces cost uncertainty, so the return (net income) from an engagement depends upon the fees paid by the client. Secondly, in the market for audit services the fear of loosing the clients and revenues generated from the various assurance activities may compromise the auditor's independence. Consequently, there may be the need to examine how regulation of the audit fee can help minimise the tendencies for declining auditor independence.

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Executive Director, Financial Reporting Council, Mr. Jim Obazee (left); Minister of Trade and Investment, Dr. Olusegun Aganga; IFAC President, Mr. Wallen Allen; Minister of Finance and Coordinating Minister for the Economy, Dr. (Mrs.) Ngozi Okonjo-Iweala; and ICAN President, Mr. Chidi Ajaegbu

Protecting Public Interest is an Obligation for Professionals – ICAN

There is a great link between professionals and the society in which they operate and this is the promotion and defence of the public interest. Without mincing words, serving the public interest is embedded in the social contract between professionals and the society. This is why it is imperative at all times for professionals to relish in promoting and defending the public interest with their knowledge, skill, competence and great ethical disposition.

Before the theme of this year's conference ***"Protecting the Public Interest, Enhancing Professionalism"*** was chosen, the interest of the public was in mind as the Institute believes that actions, policies and initiatives of both the political leadership and corporate entities must be geared towards advancing the cause of the society.

The conference held between September 8 and 12, 2014 at the International Conference Centre and Abuja Sheraton Hotels and Towers, Abuja was declared open by the President of the Federal Republic of Nigeria, Dr Goodluck Jonathan, represented by the Coordinating Minister for the Economy, Dr. Ngozi Okonjo-Iweala. The conference was attended by over four thousand participants

comprising of Chartered Accountants, and other professionals from various disciplines from Nigeria, Ghana, Guinea Bissau, Benin Republic, Sierra Leone, South Africa, Gambia, United Kingdom and the United States of America.

The lead paper, ***"Protecting the Public Interest, Enhancing Professionalism"*** presented by the President of International Federation of Accountants (IFAC), Mr. Warren Allen pointed to the fact that public interest can be referred to as the net benefits derived for, and procedural rigour employed on behalf of all society in relation to any action, decision or policy.

According to him, for actions, decisions and policies to advance the public interest, the benefits must not only outweigh the cost, the processes for reaching the decision must follow due process, be transparent, independent, participatory and publicly accountable.

After an exhaustive discussions, brainstorming and deliberations on the theme and sub-themes through technical sessions, participants reaffirmed their commitment to the profession's statutory public interest mandate and urged the Institute to strengthen its investigating and disciplinary processes such that



Mrs. Uchenna Erobu, Council Member (left); Immediate Past President of ICAN, Alhaji Kabir Mohammed; 2nd Deputy Vice President, Alhaji Ismaila Zakari; ICAN President, Mr. Chidi Ajaegbu; Minister for Trade and Investment, Dr. Olusegun Aganga; 1st Deputy Vice President of ICAN, Deacon Titus Soetan; Mrs Comfort Olujumoke Eyitayo, Council Member; Alhaji Razaq Jaiyeola, Council Member; and ICAN Registrar/Chief Executive, Mr. Rotimi Omotoso at the Conference

complaints of professional misconduct can easily be dispensed with.

The participants also urged the Institute to continue to produce world-class chartered accountants for the global economy and continue to train chartered accountants to be global citizens who can work anywhere and add value to the global economy.

The conference appealed further that the Institute should reinforce its capacity building initiatives not only for improved service delivery but also, for the benefits of unemployed members.

The Institute was implored to be the vanguard of Corporate Social Responsibilities and Integrated Reporting by business entities, considering the negative impact of industrial activities and mineral resource exploration on the environment.

Due to a rise in the global demand for professional accountants,



Head of Service of the Federation, Mr. Danladi Kefasi (left); ICAN Vice President, Otunba Olufemi Deru; ICAN President, Mr. Chidi Ajaegbu; Minister of Trade and Investment, Dr. Olusegun Aganga; Chairman, Body of Past Presidents, Otunba Olabisi Omidiora

the participants urged the Institute to continue to engage and advise the government, promote compliance to ethics and best practices by members, encourage and attract women, and the best and brightest youths into the profession.

As part of its public interest mandate, the participants recommended that the Institute should create confidential avenues for lodging complaints about sharp practices and evolve a robust system for handling cases of unethical practices.

While commending the Institute for the proactive role it played to support its member that blew the whistle on his organisation, the participants recommend that greater publicity should be given to the Trust Fund established by the Council to support members who suffer persecution for blowing the whistle.

The participants recommended that in order to keep members abreast of the provisions of the Institute's code of ethics,

the revised edition should be printed and copies made available to members, notwithstanding the fact that the document is on the ICAN website.

The participants appealed to government to quickly pass the Whistleblowers' Protection Bill that had been with the National Assembly since 2011, in order to guarantee the safety of life and property of a whistleblower and insulate him from victimisation, adding that there should be sanctions for false alarms in order to deter frivolous whistle-blowing.

It was also unanimously agreed that the public interest will be better served if the allocation of resources is designed not only to promote the common good but also to allow merit to take precedence over mediocrity in the employment and deployment of public officers.

The participants observed that it was evident that there was performance expectation from the public on supervisory and regulatory institutions; they therefore recommended the institutionalisation of a structured periodic evaluation mechanism such that the performance of public institutions can be measured.

They further recommended that public institutions should be adequately funded in order to preclude them from the tendency of imposing arbitrary fees on the citizens which may be a deterrent to the realisation of the government's objectives for establishing them.

Declaring the conference open, the representative of President Goodluck Jonathan, Dr. Ngozi Okonjo-Iweala noted the Institute's strategic contributions to the country's capacity building efforts and its defence of public interest. She expressed appreciation over ICAN's usual support and advice to government on national issues.

She reiterated government's commitment to the



Minister of Finance and Coordinating Minister for the Economy, Dr. (Mrs.) Ngozi Okonjo-Iweala cutting the tape to declare the 44th Annual Accountants Conference open



ICAN President, Mr. Chidi Ajaegbu with his wife, Mrs. Josephine Ajaegbu at the Gala Night



ICAN President, Chidi Ajaegbu with some Past Presidents of ICAN at the Gala Night



ICAN Vice President, Otunba Olufemi Deru and his wife at the Gala Night



Cross-section of participants at the Conference cocktail



ICAN President, Chidi Ajaegbu on the dancing floor with King Sunny Ade at the Gala Night



President, International Federation of Accountants (IFAC) and Lead Paper Presenter, Mr. Warren Allen (left) and Minister for Trade and Investment, Dr. Olusegun Aganga

security of lives and properties of the citizenry and urged other professionals to emulate ICAN by putting the interest of the public first in their operations.

In his welcome address, the ICAN President, Mr. Chidi Ajaegbu declared that as conscience of the society, professionals such as chartered accountants are required to consistently act, promote and defend the public interest.

"I dare say that the quest by professionals for a better society often encourages them to consistently deliver value to diverse people, sometimes, at great personal price. As professionals, we have the moral obligation to defend and protect the public interest without fear and or favour. Indeed, persuading corporate entities, the government and its agencies to recognise, promote and protect the welfare of the citizenry is in tandem with our advocacy role and inherent mandate as professionals," he declared.

He lamented that the Nigerian experience over the years has neither been inspiring nor giving anyone reason to cheer, adding that public interest has been sacrificed on the altar of expediency as personal interest was made to supplant the general will.

On the way forward, the ICAN President declared that rather than continue

to dwell in self pity, the involvement of more professionals in resource allocation and utilisation decisions, project implementation processes will inevitably enhance the economy's growth, development, the collective wealth and comfort of the Nigerian people.

Declaring the conference close, the Chairman of Body of Past Presidents, Balogun Olabisi Omidiora, expressed appreciation to those who took time out to attend the conference. He also commended the Institute for putting the conference in place, advising that those at the helms of affairs should endeavour to make use of the various suggestions from the conference, for the benefit of the nation's development.

The sub-themes of the conference include: **Chartered Accountants and the Society: The Realities of Serving the Public Interest; Professional Accountants: Adding Value Through Financial Reporting; Whistle Blowing: Inspiring Chartered Accountants; Standards for the Protection of Public Interest and the Performance of Supervisory Institutions; The Imperative of Corporate Governance in the Protection of Public Interest; Value Re-Oriented: A Key Issue for National Development and the Role of the Accountancy Profession; and Sustaining Ethical Standards in the Accountancy Profession.**

Apart from paper presentations, workshops and plenary sessions, there was a gala nite on Thursday during which the number one juju musician, King Sunny Ade took the participants to the dancing floor. There was also an open raffle draw in which two members, Mr. Laban Danjuma Molshakat (MN 030529) and Mr. Oji Uzoma Ugochukwu (MB 015110) won brand new Kia Rio and Kia Cerato car each.

The raffle draw was part of the packages of the conference. Other prizes like LCD television, gas cookers, laptops, fridges, were also won during the Gala.

There were also sporting activities such as jogging, excursions and exhibitions. Other programmes of the conference include District Societies competition where various District Societies won trophies for their performances. ●



ICAN President, Chidi Ajaegbu presenting car keys to the star winners of brand new Kia Rio and Kia Cerato at the gala night



ICAN President presenting trophy to Ibadan District Society of ICAN during District Societies' competition at the annual conference

Mandatory Continuing Professional Education (MCPE)

Seminar Dates, Zones, Sectors and Locations

S/N	ZONE	SECTOR	DATES	LOCATIONS
1.	Lagos	Telecommunications	October 22 – 23	Lagos Airport Hotel, Ikeja
2.	Abuja	Public Sector Accounting	November 5 – 6	Sharon Ultimate Hotel, Plot 1710, Tafawa Balewa Way, Area 3, Garki, Abuja
3.	Lagos	Tax	November 5 – 6	Lagos Airport Hotel, Ikeja
4.	Port Harcourt	Information Technology	November 12 – 13	L A Kings Complex, Plot 267, GRA Phase IV, Stadium Road, Elekahia, Port Harcourt, Rivers State
5.	Lagos	General Management Practice	November 26 – 27	Lagos Airport Hotel, Ikeja
6.	Ibadan	Tax	November 26 – 27	Premier Hotel, Mokola Hill, Oremeji, Ibadan North East, Oyo State
7.	Lagos	Banking	December 3 – 4	Lagos Airport Hotel, Ikeja
8.	Lagos	Accountancy, Audit & Insolvency	December 17 – 18	Lagos Airport Hotel, Ikeja

Note: A change in seminar dates/venues would be uploaded on the Institute’s website at least a week to the programme.
Seminar Fee: N25,000

Continuing Professional Education (CPE)

For Members and Non-members of ICAN

Venue: Lagos Airport Hotel, Ikeja, Lagos.

November 19 – 20	LEADERSHIP STRATEGIES FOR OUTSTANDING RESULTS
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Fee: **Members:** N35,000
 Non-Members N40,000

Executive Mandatory Continuing Professional Education (EMCPE)

Venue: Sheraton Lagos Hotel & Towers
 Mobolaji Bank Anthony Way, Ikeja, Lagos.

December 3 – 4	GAINING COMPETITIVE ADVANTAGE THROUGH SOCIAL MEDIA & e-COMMERCE
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Fee: **Members** N80,000
 Non-Members N85,000

Venue: Lagos Airport Hotel, Ikeja, Lagos.

Topic Specific Programme

December 9 – 11	ADOPTION OF IFRS IN NIGERIA KEY ISSUES AND CHALLENGES: BEFORE, DURING AND AFTER IMPLEMENTATION
November 10 – 11	FINANCIAL INSTRUMENTS: PRACTICAL SCENARIO AND CASE STUDIES

Fee: **Members** N80,000
 Non-Members N85,000

MCPE Zenith Bank Account no.**1012757801**, Sort Code: **057151012**.

For further enquiries on the Institute’s Professional Training Programmes, please call:
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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

LIST OF RECOGNISED TUITION CENTRES AS AT AUGUST 29, 2014

1. **Able God Professional Tutors**, 47, Ikotun/Egan Road, Market B/Stop, Igando, Lagos. E-mail: agpcentres@yahoo.com, Tel: 08028430567
2. **Accountancy Tutors Nigeria Limited**, 1-9, Ilorin/Katsina Road, By Independence Way, Marafa Estate, Kaduna State. Email: acas_2007@yahoo.com, Tel: 08037861401, 08028782686
3. **Accuracy Tutors**, No. 76, St. Michael's Road, Aba, Abia State. E-mail: ijiomao@yahoo.co.uk, Tel: 8068548135
4. **Alphamarshall Professional Limited**, 72, Mbano Street, Phase 3, Kubua, Abuja. E-mail: muge@alphamarshall.org, Tel: 08068798944
5. **Atlas Professional Centre**, BELLS University of Technology, Ota, Ogun State. E-mail: atlasprofessionals@gmail.com, Tel: 08033195330, 08053947907
6. **Best Option Tuition Centre**, No. 9, Kashim Ibrahim Road, Makurdi, Benue State. E-mail: terencegaddy@yahoo.com, Tel: 08034932068
7. **Bratim Training Centre Limited**, Ground Floor, National Library Building, Adjacent Reiz Continental Hotel, Central Area, Abuja. E-mail: tejan@bratim.com, Tel: 08059125288, 08030408384
8. **Career Intelligent Professionals**, New Capital School, 17/30 Kwame Nkrumah Crescent, Asokoro, Abuja. E-mail: careerip@yahoo.com, Tel: 08077303645
9. **Crest Professional Tutors**, Plot 238/240, Apapa Oshodi Expressway, Odo-Olowu B/Stop, Ijeshatedo, Lagos. E-mail: crestprofessionals@gmail.com, Tel: 08056243941, 07025289695, 08033721559
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11. **Edo Wyse School of Professionals**, 75/98, Arthur Eze Avenue, By Unizik Temp-Site Junction, Awka, Anambra State. E-mail: edo-wyse@hotmail.com, fidelisabiah@yahoo.com, Tel: 07038584227, 08065303399
12. **Excel Professional Centre**, No. 11, Queen Elizabeth Road, Mokola, Ibadan, Oyo State. E-mail: excelprofessionalcentreeng@yahoo.com, moolauluwa@yahoo.co.uk, Tel: 07081488611
13. **Foresight Professional Institute**, 24 Road, Opposite H Close, Festac Town, Lagos. E-mail: foresight_professional@yahoo.com, Tel: 08033164620
14. **Gusau Business School**, Off Sokoto Road, Opp. Janyau Primary School, Gada Biyu, P.O. Box 315, Gusau, Zamfara State. E-mail: info@gusaubusinessschool.com, gbs2015@yahoo.com, Tel: 08060976226, 08082585301
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20. **MSL School of Accountancy & Mgt. Studies**, L8, Ahmadu Bello Way, Katsina Round-about, same building with Studio 24, Kaduna, Kaduna State. E-mail: mucomail@yahoo.com, Tel: 08038492871
21. **Pass Associates Limited**, 9 - 11, Ogunyade Street, Gbagada, Lagos. E-mail: pass.centre@yahoo.com, Tel: 08033750527, 08027082699
22. **PLUM Academy Limited**, 368, Lagos-Abeokuta Expressway, Oja-Oba B/Stop, Abule-Egba, Lagos. E-mail: plumacademytld@yahoo.com, Tel: 08083687713, 08078635086, 08061382365
23. **Port Harcourt School of MGT & Economics**, 6B, Abeokuta Street, D/Line, Port Harcourt, Rivers State. E-mail: info@phsme.com.ng, Tel: 08056425355, 08169999886
24. **POSSE Associates Tutors**, WTC Primary School Compound, Off WTC B/Stop, Near University of Nigeria, Enugu Campus (UNEC), Ogui New Layout, Enugu State. E-mail: sesan.sosanolu@yahoo.com, Tel: 08038036940
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30. **Safe Associate Limited**, 31, Ore-Ofa Street, Gbaja, Off Barracks B/Stop, Onitolo, Opposite Laspotech Surulere Campus, Lagos. E-mail: safeican@yahoo.com, sabammeke@yahoo.com, oyemolu@yahoo.co.uk, Tel: 08033304599, 08023210622
31. **Sapati International School**, Off Ajase-Ipo Road, Sapati-Ile Road, Ilorin, Kwara State. E-mail: yomimajor@yahoo.co.uk, principalsapati@yahoo.com, Tel: 08067923014, 08034661929
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42. **WYSE Associates Limited**, c/o Immaculate College Compound, Maryland, Lagos. E-mail: wysesstudents@yahoo.com, adeniji.adeniyi@gmail.com, Tel: 08033078065, 08023168451
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ACCOUNTANTS' DISCIPLINARY TRIBUNAL

Established by Section 11 (1) of Act of Parliament No. 15 of 1965

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HOLDEN AT VICTORIA ISLAND, LAGOS

CHARGE NO: ICAN/LEG/DT/10852/01/2013

BETWEEN

ICAN

—

COMPLAINANT

AND

KOLAWOLE EKE (MN: 10852)

—

RESPONDENT

JUDGEMENT

The Respondent was arraigned before this Tribunal on a one count charge as follows:

STATEMENT OF OFFENCE

INFAMOUS CONDUCT IN A PROFESSIONAL RESPECT contrary to Paragraph 21.2.3 of Chapter Twenty-One of the Professional Code of Conduct and Guide for Members and punishable under the said Rules and Section 12(1) (a) of the ICAN Act, Cap 185, Laws of the Federation of Nigeria 1990.

PARTICULARS OF OFFENCE

That you **Kolawole Eke** (M) between July 26, 2011 and November 13, 2012 and thereafter acted in disrespect to the Institute when, despite several reminders to that effect, you willfully disregarded the Institute's Investigating Panel's requests that you provide it with additional documents to facilitate its investigation of allegations made against you by **Mr Inuasung Jumbo** thereby committing an offence contrary to Paragraph 21.2.3 of Chapter Twenty-One of the Professional Code of Conduct and Guide for Members and punishable under Section 12(1) (a) of the ICAN Act, Cap 185, Laws of the Federation of Nigeria 1990.

The Respondent's plea was taken on the 25th of July 2014 on which date the Respondent pleaded liable to the one count charge.

Having considered the plea of the Respondent, the Tribunal finds the Respondent liable of the offence as charged.

However, in view of the Respondent's admission of wrongdoing to the Tribunal at the earliest opportunity without wasting the time of the Honorable Tribunal and his obvious remorse as shown in the allocutus he made before the Tribunal, the Tribunal is inclined to be lenient on the Respondent. This Tribunal is also not unmindful of the fact that the Respondent is a first offender.

However, it is also pertinent to state that the Panel Members who are members of the Institute had put in time and money in the prosecution of this matter at the Investigating Panel. The Panel members were nine (8) Chartered Accountants coming from different locations within the Country. Their costs and their charge out rates are to be considered. They met about four times, mails were equally sent out. These expenses were bourn by the Institute. In taking a decision on the decision of the Tribunal as regards the action of the Respondent, the costs at the instance of the Institute have to be taken into cognizance.

Further to the above, the Tribunal therefore cautions the Respondent and makes the following orders that:

1. The Respondent should in his best endeavor desist from any act that will amount to disrespect of the Institute and also forestall actions that are capable of bringing the Institute into disrepute;
2. The Respondent is ordered pursuant to paragraph 9(b) of the Assessors Rules to pay cost of N200,000.00 (Two Hundred thousand Naira) only, being the cost of the proceedings at the Investigating Panel as enumerated above, and the Tribunal;
3. The Respondent shall pay the said cost into the coffers of the Institute within the next 30 days. If the Respondent does not comply with the directive in paragraph 2 above, he shall be suspended from the membership of the Institute for one (1) year after which he may apply to the Tribunal for re-admission into membership of the Institute.

This shall be the judgement of the Tribunal and same shall be published in the Institute's Journal.

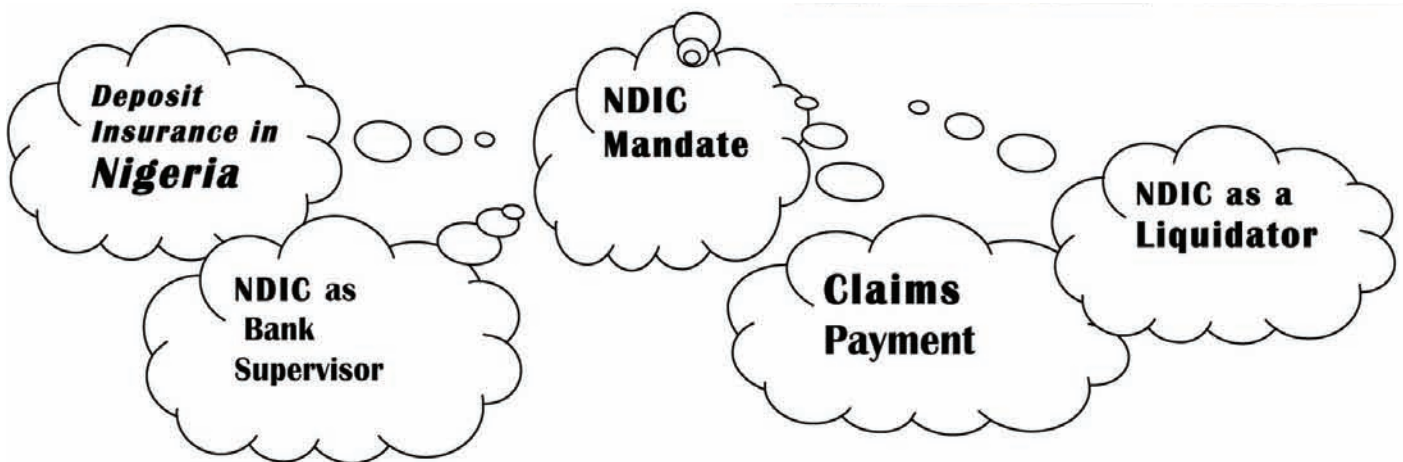
Dated the 24th Day of August 2014

MR CHIDI ONYEUKWU AJAEGBU, ACS, MBF, FCA
CHAIRMAN, ACCOUNTANTS' DISCIPLINARY TRIBUNAL



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