

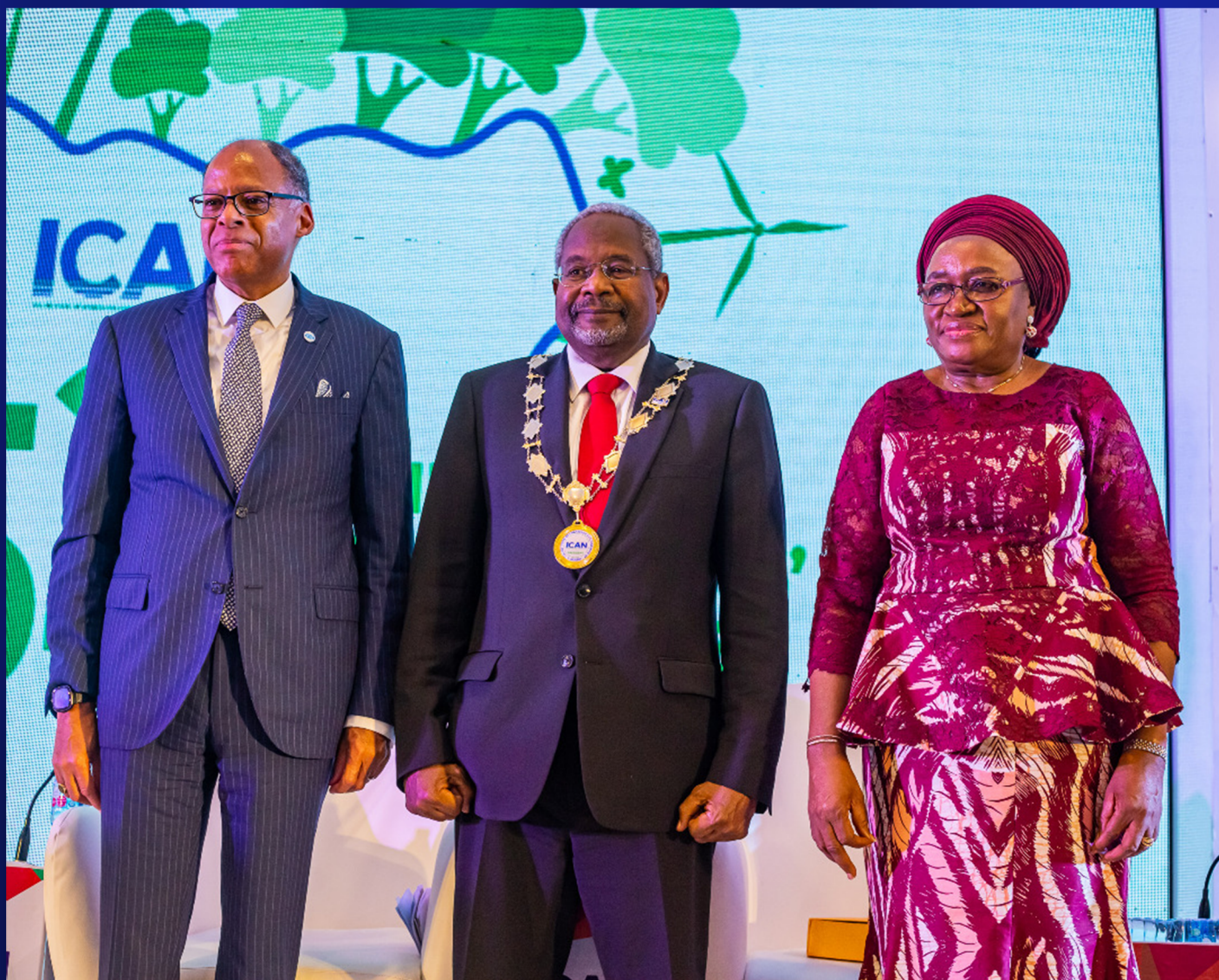
THE NIGERIAN

October - December 2022, Vol. 53, No. 4

# Accountant

ICAN

JOURNAL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA



## Nigeria: Adopting sustainability for Economic Prosperity







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# FROM THE REGISTRAR



**Prof. Ahmed M. Kumshe FCA**  
Registrar/Chief Executive

I congratulate our ardent and esteemed reading community of The Nigerian Accountant for witnessing the close of the year 2022. As the year winds down, The Institute of Chartered Accountants of Nigeria (ICAN) assures its members and other stakeholders of our resolve to enhance our value add, creatively and constantly.

The outgoing year has been challenging, on several fronts, for nations and citizens across the globe. Our dear country faced its own fair share of the challenges – high inflation, slow growth, increasing unemployment rate, insecurity among others. It is against this backdrop that we operated as individuals and firms.

- The Institute expresses its appreciation to all members, individuals and corporate, for the unfaltering loyalty to the course of the Institute as well as your unrelenting financial commitments. This is despite the taxing operating environment and other demands, including compliance with the various regulations and policies of governments and standard setters.

- ICAN, on its part, sustained its tradition of defending and promoting the interests of its members, building their professional skills and competencies as well as contributing to relevant national and global debates. In this quarter, we engaged a broad spectrum of stakeholders in a bid to entrench best practices in accounting and finance in our nation. We advocated the creation of an enabling business environment for professionals to operate.

The 52nd Annual Accountants Conference was held in this quarter. The theme of the Conference was **Nigeria: Adopting Sustainability for Economic Prosperity** and it was unarguably an intellectually rewarding and socially engaging event. The Communique of the Conference and the memorable moments captured are some of the exciting intellectual journeys you would take in this edition.

The Institute was also well represented by a large contingent, ably led by the 58th President, Mallam Tijjani Musa Isa, FCA, at the 2022 World Conference of Accountants (WCOA) in Mumbai, India in November 2022. To assure the global mobility of our members, we used the opportunity of the Conference to sign Reciprocity

Agreement with the Institute of Chartered Accountant of India. In the first week of December 2022, we equally signed a Memorandum of Understanding and a Pathway Agreement with the Institute of Chartered Accountants in England and Wales (ICAEW). These MOU and Agreements are aimed at exploring opportunities to work together with these renowned Institutes and enhance further recognition routes that may be available for members of one Institute towards membership of the other.

The last quarter was indeed a beehive of professional activities in the Institute. We joined the global accounting bodies to celebrate the 2022 International Accounting Day on November 10, 2022. The 2022 Budget Symposium of the Institute was held virtually with over 880 participants. We issued the Institute's position on the new Currency Redesign among other contributions to national discourses. We have reproduced these proceedings and position in this edition of The Nigerian Accountant.

I assure you that you have a full dose of informative, educative and entertaining articles in this Journal. I therefore invite you to join me as we dig the goldmine in this publication. There are thoroughly researched articles that would provide insight into the required leverage to navigate these rapidly changing and digitally disrupted times.

As we draw the curtains on the year 2022, and a new chapter of year 2023, I admonish you, my professional colleagues, and our community of readers with the words of **Milton Berle** that, **'If opportunity doesn't knock, build a door.'** This should be the mindset as we begin a new year 2023 and take advantage of all the opportunities it presents.

Do have an interesting read as you explore the pages of this publication!!

**Happy Yuletide and I wish you a prosperous 2023!**



You are welcome to the last quarter edition of your favourite journal – The Nigerian Accountant. The Institute held its 52nd Annual Accountant Conference from October 10 – 14, 2022, in Abuja. The theme of the conference was **“Nigeria: Adopting Sustainability for Economic Prosperity”**.

Various seasoned speakers and paper presenters were assembled to give the Conference its deserved honor and promotion of professionalism. Papers were presented, discussed after which recommendations and suggestions were made to government on how to move the country forward and rescue it from the present economic squalor it finds itself. In his lead paper, entitled **“Nigeria: Adopting Sustainability for Economic Prosperity”**, the immediate past President of International Federation of Accountants (IFAC), Allan Johnson eulogized ICAN and disclosed that for a country to adopt sustainability for economic prosperity, three perspectives have to be followed, which are: the reporting and assurance of sustainability information; the importance of sustainability for Small and Medium Enterprises (SMEs); and the need for strong public financial management. He urged Nigeria to take the three points serious to achieve its desired economic prosperity. We serve you the details of the conference proceedings in this edition.

The year 2022 International Accounting Day was celebrated all over the world on Thursday, November 10, 2022 and the Institute was not left behind in the celebration as some programmes were organized to mark the day. There was a health walk, medical checkup and Press conference where the Institute's President described Accountants as the “Conscience of the nation”. The detailed report is also published in this edition.

Other articles published in this edition include: **Accounting as a Requisite for Sustainable Governance; Assessing Effectiveness of the Tax Incentive Regime for Micro, Small & Medium Enterprises in Nigeria; Internal Control Over Financing Reporting (ICFR) Sec-**



**tion 60 63 of Investments and Securities Act 2007; Emotional Intelligence & Optimum Productivity; Nigeria: Adopting Sustainability for Economic Prosperity; Blockchain Technology & Accounting Profession; K2 as Accountant's Guide to Blockchain and Cryptocurrency;** and much more.

In recent times, hypertension has become one of the leading causes of death and reduction in quality of life worldwide. As it is, more resources are being committed to the treatment of hypertension and its complications. Everybody needs to know about this disease and other complications associated with it. It is on this note we publish in our health column the relationship between hypertension, epidemiology, alcohol and salt intake for your information.

You will also read in this last quarter edition, our other regular columns like news and events. Your comments on the news items and articles published in this edition are welcome. Please, write to: [editor@ican.org.ng](mailto:editor@ican.org.ng) or [aoowolabi@ican.org.ng](mailto:aoowolabi@ican.org.ng)

We wish you all a merry Christmas and happy new year in advance.

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# Accounting As A Requisite For Sustainable Governance

By Peter Obi



I thank the organizers of the 52nd Annual Accountants (ICAN) Conference, and especially the 58th ICAN President, Mallam Tijani Musa for the kind invitation extended to me.

I join you today, not because I am an Accountant, but because we are all fellow believers in the search for a new Nigeria. Also, ICAN as a body of accountants continues to contribute to economic sustainability to the country. Today, I will speak briefly on "Accounting as a Requisite for Sustainable Governance."

I have had a good number of speaking engagements since, in concordance with the people; I decided to offer myself for election for the office of President of Nigeria, in conjunction with Dr. Yusuf Baba-Ahmed, under our great party, The Labour Party of Nigeria. Yet this particular invitation to share my perspectives with you is of special importance to me.

Whether you are involved in corporate, public, government or forensic accounting, all accountants are fundamentally concerned with financial records.

And since finance is the primary resource in any type of development, incompetence in financial records, totally

distorts intended development.

Accounting is not only important to development; it is in fact a requisite in ensuring sustainable governance and a stabilising factor in development. Proper accounting serves as checks on the activities of the three arms of government as well as the three tiers of government.

Deprivation and poverty pose a great challenge to Nigeria. It is on record that more than half of Nigeria's population is living under poverty. A greater percentage of the challenges we face in Nigeria are of economic nature. Tackling the economic challenges of the nation will help resolve some of its nagging problems.

It is logical; therefore, that placing Nigeria on the part of economic prosperity will help reduce our national challenges to the barest minimum. We must therefore put in place, sustainable economic policies that will drive economic prosperity in the country.

The main engine of economic growth, as I have continued to argue, is Micro, Small, and Medium Business Sector. A robust MSME sector will boost production of goods and services, increase jobs creation and reduce poverty. It will

also serve as a tool of combating, not just poverty, but social vices like crime, drug abuse and so on.

Putting in place fiscal and monetary policies that will encourage the MSME sector will help catalyse sustainable economic growth that will place the country on the path of economic prosperity.

In keeping with our vision of moving the country from consumption to production, we must pursue sustainable economic policies that will help the nation to remain productive in all fronts and sectors. For this reason we will endeavour to domesticate the Sustainable Development Goals (SDGs) as part of our governance modalities.

## Amplification of Consumption to Production Mantra

We have a three-tracked plan aimed at achieving Goal 12 of the SDG, namely ensuring sustainable consumption and production patterns. First, our focus will be on agriculture and production-centered growth for food security and export, with more emphasis on exporting finished products instead of commodities and raw materials. This relates mainly food and textiles. Nigeria has over 84 million hectares of arable land. And

barely 40% of our arable land is cultivated today. Nigeria's arable land is her new oil and gold.

Second, pursuant to Goal 9 of the SDGs our administration will from its inception, continue to encourage investment in infrastructure - energy, transport, irrigation, and telecoms—to grow these and other sectors. We are eager to quickly close the infrastructure gap between now and 2030.

We will expand the frontiers of financial inclusion to ensure that SMEs have greater access to credit to grow. We will work with financial institutions to improve their ability to identify credit worthy borrowers; and support inventory financing, which will help to unlock finance for SMEs dealing with high account receivables. We will enforce the legal framework protecting foreign investors and their indigenous partners. This is the only way to tamper monopoly and capital flight.

Third, as a nation, Nigeria must look beyond oil. We therefore intend to leapfrog Nigeria from oil to the Fourth Industrial Revolution by expanding physical infrastructure through market-driven reforms that will unleash growth-enabling entrepreneurship and market-creating innovations. To ensure sustainability and resilience, we will stop borrowing for consumption. All loans must be invested in regenerative projects. We shall pursue a drastic reduction in cost of governance and corruption; improve ease of doing business to attract Foreign Direct Investment to jumpstart industrialization and when borrowing is unavoidable, it will be strictly for production.

It is also imperative that henceforth, we should strive to operate within available resources and strive for a balanced national budget as cost saving measures. Whatever oil we still have will be refined domestically. These measures along with ending the leakages including the subsidy regime and improving our tax regime should do the magic of moving Nigeria from consumption to production.

### **Role of Accounting in Sustainable Governance\***

I have touched on cost of governance and blocking leakages. The efficiency

and credibility of any system whether an institution or even a government is closely linked to the credibility of its accounting system, and where there is disorganisation in the growth of any nation, you will always find discrepancies in the accounting practices.

We have spoken so much about how bad things have gone, not because we want to raise fears, but because it is important for one, to properly understand how deep down you have sunk, in order to determine what efforts exactly, you have to put in, to correct existing anomalies.

Our message of probity, equity, innovation, competence, true brotherhood and visionary reconstruction in governance, has not only been embraced by the youth, but has now become too many, their own personal and collective battle, to take back our country, and rescue it from the difficult times with which we daily struggle.

So let me briefly present to you how I think my administration and ICAN can partner to begin turning the country around, when I am elected next February, as President of this great nation.

As President, one of my priorities will rule of law and due diligence, and promoting intangible assets, which are vital components of holistic security. This will also underpin public sector accountability. We will abide by the Fiscal responsibility laws. All arms of government will be subject to routine audit this is the only way to ascertain the veracity of procurement figures, recurrent and concurrent expenses, even constituency projects.

In many ways accounting is equivalent to census. Budgetary allocations for staff emoluments in all facets of government should be audited. There should always be some connectivity between, revenue and expenses - and only accountants can guarantee our institutions a clean bill of health in that regard.

There must be clear orientation. We have weak institutions. Yet, we must not feel that dialogue is a sign of weakness, we must not be quick to show force, when reaching out and talking may make a difference, and we must muster the courage to accept solutions that may not always flow with our personal posi-

tions, so much as they are ultimately in the interest of the country.

Nigeria is not bereft of good governance ideas and plans. However, a combination of institutional weaknesses and lack of political will meant that various policies and strategies are poorly implemented leading to poor outcomes for the people. Hence, the overall goal of my administration shall be to streamline governance, make it more responsive, transformative, and effective. We must draw a clear distinction between good governance and more governance. Those of you in the accounting sphere must not abate cover-ups. A forensic audit must serve its purpose, even if it means indictment of the high and mighty.

Conventional wisdom instructs that more governance is not necessarily good governance, which ultimately is aimed at continuous delivery of services, encouraging constructive criticisms and public feedback for public policy making.

We do not have to reinvent the wheel in addressing Nigeria's failing economy, but we can begin to apply a higher level of research, and greater innovation I creativity, thinking out of the box, in assessing our potentials, and how to widen their enhancement.

### **The Big Elephant**

My last points could easily have been my first, but I preferred not to lead with them. So let me touch on corruption. It is the issue of corruption and investment protection. It is no secret that corruption has been endemic and one of the biggest obstacles to our economic progress in Nigeria. Corruption is the big elephant in the room.

In the past few days we have seen videos of illegal pipelines connected to national oil pipeline networks, running for kilometers... where billions of dollars that should have been used for development and welfare, have been illegally siphoned away, for up to nine years, according to reports.

What I first expected was that the hierarchy of our top oil management bureaucracy will immediately resign, because without mincing words, this is irrefutable evidence of their incompetence, if not collaboration. My administration, when



we come in, will tackle this corruption head on. We will have zero tolerance for corruption.

### Conclusion

In closing, I have not forgotten that this is a gathering of accountants. As a man with a private background in business and administration, I have always been very aware and sensitive to the position of accountants in our national economy and development.

And as people of precise and accurate presentation, I am sure you will permit me to speak frankly. The truth is that the position of accountants in our society and in our public institutions is very vital in checking corruption especially in government. But it is also true that the

position of accountants in our society is also vital in aiding corruption in our society.

If you look at the written financial regulations in any establishment, you will see watertight regulations of auditing, vetting, tendering, vouchering, joint signatories and other safeguards, designed to check embezzlement and corruption, yet these sharp practices and misappropriated sums continue to rise, and I understand that there is now a Nigerian record of almost N109 billion allegedly embezzled by an accountant.

I know your profession an honorable one, so I do not have to emphasise so much why it is important that you increase the level of peer surveillance and internal discipline among your ranks , if

we cannot properly account for our finances , the country is finished , let us as accountants, do more to check and stop corruption

***Peter Obi, Presidential Candidate of the Labour Party delivered this paper at the 52nd Annual Accountants Conference of ICAN in Abuja.***



***ICAN President and IFAC President with Presidential Candidates during the conference***

# ASSESSING EFFECTIVENESS OF THE TAX INCENTIVE REGIME FOR MICRO, SMALL & MEDIUM ENTERPRISES (MSMEs) IN NIGERIA

By Titilayo E. Fowokan, FCA



## General Overview of Micro, Small & Medium Enterprises (1/2)

- Small and Medium Enterprises (SMEs) are non-subsidary, independent firms/organizations that maintain annual turnover, assets or a number of employees below a certain threshold.

- Each country has its own definition of what constitutes a small and medium-sized enterprise and may also set different guidelines across industries and economic sector to support the definition.

- The determination of SME status for businesses requires that certain size criteria must be met and occasionally the industry in which the company operates is also taken into account.

- SMEs are defined in most countries in relation to the number of employees, size of investment in plant, machinery & equipment (excluding and and building) and annual turnover of the business, whether manufacturing undertaking or rendering services.

- According to the European Union (EU), SMEs are categories of micro, small and medium-sized enterprises (MSME) which employ fewer than 250 persons and have an annual

turnover not exceeding 50 million Euros.

- The Organisation for Economic Co-operation and Development (OECD) refers to SMEs as companies that are employing up to 249 people. Micro employs between 1 to 9 people, small refers to hiring 10 to 49 people, and medium ranges between 50 and 249 people.

The significance of MSMEs for the growth, productivity and competitiveness of most economies, particularly in developing countries, is universally recognised.

- MSMEs outnumber large firms considerably, employ vast numbers of people, generally entrepreneurial in nature and established out of creativity and innovation in search of solutions to problems.

- MSMEs account for the majority of businesses worldwide and are important contributors to job creation and global economic development.

- Access to finance is a key constraint to MSMEs growth. It is the second most cited obstacle facing MSMEs to grow their businesses in emerging markets and developing countries.

- Governments regularly offer incentives

to MSMEs, including favorable tax treatment and better access to loans, to help keep them in business.

- Incentivising MSMEs have been effectively used by the government as a tool to encourage their growth and expansion.

- Studies have shown that tax incentives play a great role in enhancing the growth and the sustainability of MSMEs as well as the economy as a whole.

## Types of Small & Medium Enterprises

### 1. Sole Proprietorships:

- Can be owned and controlled by an individual, a company or a limited liability partnership.

- No partners in the business.

- Not a separate legal entity from the business owner but the business owner is personally liable for all debts incurred by the business.

### 2. Partnerships:

- A formal agreement made by two or more parties to jointly manage and operate a business or company.

- Limited Liability Companies (LLC):



- A business structure that protects its owners from personal responsibility for its debts or liabilities.
- Hybrid entities that combine the characteristics of a corporation with those of a partnership or sole proprietorship.

#### **Corporations:**

- A business entity that is owned by its shareholder(s), who elect a board of directors to oversee the organization's activities.
- Liable for the actions and finances of the business and not the shareholders.

#### **Importance of Micro, Small & Medium Enterprises**

##### **Utilization of Local Resources**

- Better utilization of resources in local area

##### **Employment Generation**

- Job opportunities for local people

##### **Opportunities to New Entrepreneurs:**

- Easy to set up
- Less capital required

##### **Development of Local Areas**

- Employment creation
- Utilisation of local population
- Improvement of the Quality of Life
- Job creation
- Increase in per capita income

#### **Advantages of Micro, Small & Medium Enterprises**

##### **More Flexible in relation to being adaptable to change**

- Small in size and operates simple business model
- Closer to customers.

##### **Close Relationship with Customers**

- Connect easily with customers at low cost
- Operates locally with smaller customer base

##### **Fast Decision-Making**

#### **Better Communication**

- Small group of people employed and activities are owner-managed
- Easy tracking of employees and effective communication

#### **Better Control Over Business**

- Owner-managed operations

#### **Disadvantages of Micro, Small & Medium Enterprises**

##### **Less or No Use of Technologies**

- Less capital requirement but highly labor-intensive techniques
- Adopts traditional business model that requires less use of modern technologies.

##### **Difficulty In Funding**

- Uneasy access to funding due to supposed short life span of the business
- Relies more on personal, friend and family financing.

##### **Less-Skilled Employees**

- Inability to pay higher salaries with less capital results in employment of less-skilled employees.

##### **Risk**

- Risk is can never be completely eliminated in any business
- Stress
- Managing all the departments of the business alone is burdensome which eventually affects the mental health of the entrepreneur.

##### **Stress**

- Managing all the departments of the business alone is burdensome which eventually affects the mental health of the entrepreneur.

#### **Global Overview of Micro, Small & Medium Enterprises Development**

Small businesses help stimulate economic growth by providing employment opportunities to people who may not be employable by larger corporations.

- Small businesses tend to attract talent who invent new products or implement

new solutions for existing ideas.

- SMEs promote inclusive growth by providing employment opportunities in rural areas especially to people belonging to weaker sections of the society.

- Across the globe, MSMEs are accepted as a means of economic growth and for promoting equitable development. They are known to generate the highest rate of growth in the economy.

- Economic impact of MSMEs on the global economy has been assessed to include:

MSMEs represent about 90% of businesses and more than 50% of employment worldwide.

Formal SMEs contribute up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included.

- According to World Bank estimates, 600 million jobs will be needed by 2030 to absorb the growing global workforce, which makes SME development a high priority for many governments around the world.

The SME sector is the backbone of major developed economies, as well as important contributors to employment, economic and export growth.

- Specific to the United States, SMEs play a vital role in the success of the United State's economy by contributing in a variety of ways such as:
  - a) Small businesses comprise 99% of all firm in the United States.
  - b) Small businesses contribute to 43.5% of the entire country's GDP.
  - c) Small businesses pay 39.7% of the entire country's private payroll.
  - d) Small business created 4.8 million more new jobs from 1995 to 2020 compared to large businesses.

- In emerging markets, most formal jobs are generated by SMEs, which create 7 out of 10 jobs.

- In the developing world, SMEs make up 90% of the private sector and create more than 50% of jobs in their

corresponding economies.

- SMEs account for approximately 80% of jobs in Africa and this makes SMEs a significant mechanism for socio-economic growth.

- In South Africa, SMEs account for 91% of businesses, 60% of employment and contribute 52% of total GDP.

- In Nigeria, SMEs contribute 48% of national GDP, account for 96% of businesses and 84% of employment.

- Access to finance is a key constraint to MSME growth and the second most cited obstacle facing SMEs to grow their businesses in emerging markets and developing countries.

- According to World Bank Report, MSMEs are less likely to be able to obtain bank loans than large firms; instead, they rely on internal funds, or cash from friends and family, to launch and initially run their enterprises.

- The International Finance Corporation (IFC) estimates that 65 million firms, or 40% of formal micro, small and medium enterprises (MSMEs) in developing countries, have an unmet financing need of \$5.2 trillion every year, which is equivalent to 1.4 times the current level of the global MSME lending.

- East Asia And Pacific accounts for the largest share (46%) of the total global finance gap and is followed by Latin America and the Caribbean (23%) and Europe and Central Asia (15%). The gap volume varies considerably region to region.

- Latin America and the Caribbean and the Middle East and North Africa regions, in particular, have the highest proportion of the finance gap compared to potential demand, measured at 87% and 88%, respectively.

- About half of formal SMEs do not have access to formal credit and the financing gap is even larger when micro and informal enterprises are taken into account.

- In India, MSMEs have been defined as

enterprises involved in the processing, production, and preservation of goods and commodities.

#### **Some of the essential elements of MSMEs in India include:**

1. MSMEs work for the welfare of the workers and artisans. They help them by giving employment and by providing loans and other services.

2. MSMEs provide credit limit or funding support to banks.

3. They promote the development of entrepreneurship as well as up-gradation of skills by launching specialized training centers for the same.

4. They support the up-grading of developmental technology, infrastructure development, and the modernization of the sector as a whole.

5. MSMEs are known to provide reasonable assistance for improved access to the domestic as well as export markets.

6. They also offer modern testing facilities and quality certification services.

7. Following the recent trends, MSMEs now support product development, design innovation, intervention, and packaging.

Based on India's economic agenda for MSME development, the MSME economic segment was formed and has proven to be a highly dynamic Indian economy sector. Their roles have been identified as follows:

1. Produces and manufactures a variety of products for both domestic as well as international markets.

2. Promotes the growth and development of khadi, village, and coir industries through collaboration and working with the concerned ministries, state governments, and stakeholders towards the upbringing of rural areas.

3. Provides employment opportunities in rural areas, which helped the industrialization of the areas with a low capital cost compared to the large industries as a

complimentary unit to large sectors, thereby contributing to the country's socioeconomic development.

4. Contributes and plays an essential role in the country's development in different areas like the requirement of low investment, flexibility in operations, mobility through the locations, low rate of imports, and a high contribution to domestic production.

5. Demonstrates the capability and capacity to develop appropriate local technology, provide fierce competition in domestic and international markets, technology-savvy industries, thereby contributing to the creation of defence materials, and generating new entrepreneurs by providing knowledge, training, and skill up-gradation through specialized training centers.

6. Encouraged with effect from 2020 to embrace exportation without fearing to lose the benefits of being an MSME through the exclusion of exports from counting of MSMEs turnover. This is expected to exponentially add to exports from the country leading to more growth and economic activity, and creation of jobs.

#### **Small and Medium Enterprises Development in Nigeria**

##### **Micro, Small & Medium Enterprises in Nigeria**

SMEs are organizations which can best be described through their capital, scope and cost of projects, annual turnover, financial strength and number of employees amongst other things.

- Nigeria is unarguably one of the largest economies in the Sub-Saharan Africa and despite the major reliance on oil, the nation's economy is also grown largely by small and medium scale enterprises (SMEs).

- Nigeria's first-ever National Policy on Micro, Small and Medium Enterprises (MSMEs) was developed by the Small & Medium Enterprises Development Agency of Nigeria (SMEDAN) with technical and financial support from the African Institute of Applied Eco-



nomics (AIAE) and the United Nations Development Programme (UNDP) respectively, in 2007.

- Revised National Policy on MSMEs took effect from 2015 to 2025, subject to review every 4 years.

- The objective of the policy is to facilitate and sustain a vibrant MSME sub-sector that will be the major driver of national economic growth and employment.

- Generally, enterprises may be classified by size, sector, organisation, staff strength, technology and location but Nigeria's National Policy on MSME adopts a classification based on dual criteria: employment and assets (excluding land and buildings) as follows:

a) Micro enterprises - less than 10 employees; less than N10 million assets value (excluding land and building),

b) Small enterprises - 10 – 49 employees; 10 million to less than 100 million asset value

c) Medium enterprises - 50 – 199 employees; N100 million to less than 1 billion asset value

- The MSME Policy makes provision for where there exists a conflict in classification between employment and assets criteria, such that the employment-based classification will take precedence.

- Employment-based classification implies that, if an enterprise has assets worth twelve million naira (N12m) but employs 7 persons, the number of employees will take precedence and determines the classification of the enterprise, which in this case would be regarded as micro enterprise.

- For the sake of clarity, the National Policy on Micro Small and Medium Enterprises (MSMEs) has given a clear distinction of enterprises, based on employment and Assets.

- The Central Bank of Nigeria (CBN) has through its various circulars and intervention fund programmes

generally defined SMEs (curiously omitting the Micro) as entities with asset base of N5 million and not more than N500 million excluding land and buildings with employees between 11 and 200.

- MSMEs have been acknowledged as critical breeding and nurturing grounds for domestic entrepreneurial capacities, technical skills, technological innovativeness and managerial competencies for private sector development.

#### **Characteristics of Micro, Small & Medium Enterprises in Nigeria (1/2)**

- Limited Investment
- Small scale operation
- Less capital requirement

- Labor-Intensive
- Little or no heavy or sophisticated machinery required
- Uses more labor-intensive techniques

- Less Number of Employees
- Small scale operation
- Smaller number of people required

- Local Area of Operations
- Operate locally and for longer duration
- Build a strong relationship with local customers

- Management
- Mostly managed by a single owner or a small group of individuals

MSMEs often operate in a single sector of the economy, such as education, trading, utility services, etc. and majorly fall under the informal business sector.

- MSMEs are often operated as sole traders or as partnerships.

- MSMEs set up as a limited company or LLP are typically run by a single individual or small team of people who are involved in all aspects of the day-to-day running of the business and may even be the only employee of the business too (especially for micro enterprises).

- **Micro Enterprises have the following characteristics:**

- Typically operated by a sole proprietor/manager aided mainly by unpaid family workers and the occasional paid employee and apprentice.

- Output value as well as levels of technology and skills are very low but this is now being upgrading with advancement in technology.

- Funding is mainly from individual resources, with a little help from family and traditional mutual fund societies (esusu).

- Government interacts very little with individual micro enterprises, except through the occasional cooperative or other officially recognised groups.

#### **Challenges Faced by Micro, Small & Medium Enterprises in Nigeria (1/2)**

- **Inadequate infrastructural facilities**

- **Harsh business environment**

- **Restricted market access**

- **Poor access to credit**

- **Poor information flow**

- **Discriminatory legislation**

- **Poor access to land**

- Weak linkage among different segments of the operations in the sector whereby sub contracting to SMEs are not embraced by large scale firms

- Weak operating capacities in terms of skills, technology, knowledge, experience and attitudes

- Weak safeguards against occupational health and environmental hazards

- Lack of financial resources to expand

- Inadequate support from the government

- Inability to undertake innovation activities due to limited resources and capabilities

- High costs of doing business; multiple

taxes, levies and rates as well as unpredictable regulatory oversight.

- Unfavourable fiscal policies,
- Policy inconsistencies, reversals and shocks
- Uneasy access to funding
- Poor policy implementation
- Raw materials sourcing problems
- Competition with cheaper imported products
- Insecurity of people and property
- Fragile ownership base

### **Government Intervention for Micro, Small & Medium Enterprises Growth in Nigeria**

Growth of MSMEs is a vital factor in the economic development of the country especially with regard to creation of employment and contribution to the growth of Gross Domestic Product (GDP).

• In recognition of SMEs contribution to economic growth and development in Nigeria, government embarked on various funding support initiatives focused on enhancing the financial opportunities for the SMEs, with the aim of promoting their welfare.

• Considering that government support is a factor that affect innovation capabilities and activities of MSMEs, incentives such as tax deductions/credits, grants, subsidies and other similar instruments have been used by governments to promote innovation especially in MSMEs.

• In order to address the demands for an efficient and effective stimulation of SME development and economic growth, the government charges less tax and gives tax holidays to SMEs in form of tax incentives.

• Tax incentives are granted to encourage investments and economic activities of SMEs in those areas which help to improve production capabilities, activate economic growth as well as the allocation of resources in a socially desirable manner.

• SMEs are concerned about the tax base and rate than tax incentives in many developing countries.

Tax Incentives Available to Micro, Small & Medium Enterprises in Nigeria

### **Understanding Tax Incentives**

• Tax incentive encompass all the measures adopted by government (including to use of government spending and tax policies to influence the level of national income) to motive taxpayers to respond favorably to their tax obligations.

• This measure encourages the springing up and gradual growth of new enterprises by the reduction or elimination of tax applied on profit, which results in increased production level and employment creation.

• Tax incentives include adjustments to tax policy aimed at lessening the effects of taxation on an industry, a group of persons or the provision of certain services.

• Such measures may consider the adoption of low tax rate; the effective dissemination of fiscal information by tax authority; or the non-imposition of tax at all.

• Tax incentives have different objectives. However, most tax incentives are granted to achieve:

compensation for the high rates in certain categories of taxes, increasing the competitiveness of a country in the field of taxation, and the attraction of new investments.

• Tax incentive such as tax deduction, tax credit, tax holiday, or tax exemption have been used by government as one of the tools for promoting innovation especially in MSMEs.

### **Overview of Tax Incentives in Nigeria**

The tax incentives in Nigeria are tax reliefs or exemptions granted by the Nigerian Government to qualified investment projects or businesses (whether foreign or Nigerian-owned) whose income or profit are derived from, brought into, accruing in or received in Nigeria, for the growth and development of the Nigerian economy.

• Categories of tax incentives – (a) cost-

based tax incentives, which include tax credits, deductible business expenses and accelerated depreciation allowances, and (b) profit-based tax incentives which include tax holidays and reduced tax rates (e.g. pioneer status incentive).

• Type of tax incentives granted to taxpayers is dependent on the sector, income type, business size, and business location.

• A major profit-based incentive available in Nigeria to encourage foreign direct investment as well as development of indigenous companies is the Pioneer Status Incentive (PSI) governed by the Industrial Development (Income Tax Relief) Act, Cap 17 Laws of the Federation of Nigeria, 2004.

• PSI is structured along sectorial and industry lines as a means of attracting and boosting investment and economic development in the different sectors of the Nigerian economy.

• Tax incentives in Nigeria are applicable to all qualifying companies except for the Finance Act 2019 incentive of no-tax regime for micro and small companies.

### **Tax Credits**

• Tax credits are cost-based incentives representing amounts that taxpayers can use to reduce the amount of income taxes due and payable.

• Tax credits are more favorable than tax deductions because they reduce the tax due, not just the amount of taxable income.

• The value of a tax credit depends on the nature of the credit; certain types of tax credits are granted to individuals or businesses in specific locations, classifications, or industries.

• Tax credits are either refundable or non-refundable.

• Non-refundable tax credits can reduce the tax payable to zero but not result into tax refund.

Thus, any excess of non-refundable credits over the taxes due is lost.



- Refundable tax credits are paid in full regardless of the amount of tax liability due. This implies that refundable tax credits may result in tax refunds for taxpayers. Hence, the most beneficial credit.

- Expenses are deductible for tax purposes if they are wholly, reasonably, exclusively, and necessarily incurred for the business or trade.

### Tax Deductions

- Tax deductions are items that you can use to reduce taxable income which in turn results in lower amount of taxes due.

- In the case of an individual taxpayer, the effect of tax deductions on tax liability due depends on the taxpayer's marginal tax bracket.

- Expenses are deductible for tax purposes if they are wholly, reasonably, exclusively, and necessarily incurred for the business or trade.

- For most businesses tax deductions have to be carefully recorded and reported in the income tax returns.

- Some of the top deductions for small business owners include: Bad debts, Books, Business travel, Charitable contributions, Continuing education, Equipment, Insurance, Legal and professional fees, License and regulatory fees, Loan interest, Repair and maintenance, Taxes (local, sales, and property taxes), Vehicle expenses and Startup costs.

- The rules for tax deductions are complex, particularly for SMEs, there must be careful separation between expenses deductible for business use and non-deductible personal or family use.

### Tax Holiday

- Tax holidays are profit-based tax incentives granted as elimination or reduction of the tax liable for the beneficiary business for a period of time.

- Tax holiday is frequently used by government of developing countries as in-

centive program that offers a temporary tax reduction or elimination to consumers or businesses to encourage capital investments.

- Tax holidays have long been a popular device for encouraging firms to locate in a particular area.

- Tax holiday incentive offers benefits for short-term investments but could penalize long-term capital investments.

- Studies have shown that for some countries with high inflation rates and relatively fast write-offs for depreciable capital assets, the effective tax rate on long-term investments is higher during the tax holiday than after.

### Tax Reduction

- Tax reduction also known as tax cut represents a decrease in the amount of taxpayers' money that go towards government revenue by virtue of reductions in the percentage of tax paid on income, goods and services.

- Tax cuts decrease the revenue of the government and increase the disposable income of taxpayers.

- Lower income tax rates increase the spending power of consumers and can increase aggregate demand, leading to higher economic growth (and possibly inflation).

- On the supply side, tax rate reduction may also increase incentives to work thereby leading to higher productivity.

- Finance Act 2020 introduced a 50% reduction in minimum tax rate from 0.5% of gross turnover (less franked investment income) to 0.25% as COVID-19 Palliative for any two accounting periods between 1 Jan 2019 and 31 Dec 2021 as may be chosen by the taxpayer.

### Tax Incentives for Small & Medium Enterprises in Nigeria

**Exemption from Company Income Tax:** Small businesses with an annual turnover of less than 25 million naira, are exempted from paying Companies Income Tax.

### • Reduced Company Income Tax Rate:

A lower company income tax rate of 20% is also provided for medium-sized companies whose yearly turnover is between 25 million to 100 million

- **Tax Holiday of Up to 5 Years:** SMEs who qualify for Pioneer Status in Nigeria can enjoy tax holidays for an initial period of 3 years from their first year of commencement, extendable for an additional 2-year period as established under the Nigerian Industrial Development (Income Tax Relief) Act. SMEs in sectors such as ecommerce, waste management, electricity and agriculture may be eligible for pioneer status incentives.

- **Tax Exemption for SMEs in the Agricultural Sector:** Eligible SMEs involved in Primary Agricultural production with an annual gross turnover of 25 million to 100 million naira, may apply for tax exemption for 4 years and an additional 2 years. This incentive is created under the Finance Act, 2020.

- **Rural location incentives:** Certain incentives are available to companies located in rural areas. The incentives take the form of tax reductions at graduated rates for enterprises located at least 20 kilometres from available electricity, water, and tarred roads.

- **3 Years Tax Holiday for Mining:** A new company that engages in the mining of solid minerals is exempt from tax for the first three years of its operation.

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**• 3 Years Tax Holiday for Mining:** A new company that engages in the mining of solid minerals is exempt from tax for the first three years of its operation.

### Incentives for Export-Oriented SMEs and Operators within the Free Trade Zones:

**1.** An SME engaged in an approved **manufacturing activity** in an Export Processing Zone (EPZ) and incurs expenditures in its qualifying building and plant equipment is entitled to 100% capital allowance in that year of assessment.

**2.** SMEs that are **100% export oriented but located outside an EPZ** will enjoy a three-year tax holiday, provided the company is not formed by splitting up or reconstruction of an already existing business and the export proceeds form at least 75% of its turnover.

**3.** Profits of SMEs whose supplies are exclusively inputs to the manufacture of products for export are exempt from tax subject to providing certificate of purchase of the input from the exporter in order to claim tax exemption.

**4.** Profits of any SME (operating in industry other than oil & gas industry) in respect of goods exported from Nigeria are exempt from tax, provided that the proceeds from such exports are repatriated to Nigeria and are used exclusively for the purchase of raw materials, plant, equipment, and spare parts.

**5.** The tax exemption for approved SMEs operating in Free Trade Zone (FTZ) is

subject to such SME filing income tax and transfer pricing (where applicable) returns to the FIRS.

### Interest incentives for Financial Services SMEs:

1. Interest on foreign-currency domiciliary account of SMEs is tax-exempt.

2. Interest on any foreign loans, and interest on any loan granted by a bank for the purpose of manufacturing goods for export, is exempt from tax as follows:

Repayment Period	Moratorium	Exemption (%)
Over 7 Years	Not less than 2 years	70
5 to 7 years	Not less than 1.5 years	40
2 to 4 years	Not less than 1 year	10

3. Interest on any loan granted by a bank to SMEs engaged in primary agricultural trade, fabrication of local plant and machinery, or as working capital to any cottage industry is 100% tax free if the loan has a moratorium of not less than 12 months and the rate of interest is not more than the base lending rate at the time the loan was granted, refinanced, or otherwise restructured.

• **Gas utilisation incentives:** SMEs engaged in gas utilisation are entitled to:

- A tax-free period for up to five years.
- Accelerated capital allowance after the tax-free period.
- Tax-free dividends during the tax-free period.

• **Investment allowances:** Investment allowance of 10% on the cost of qualifying expenditures in respect of plant and machinery is available to SMEs as a deduction from assessable profits in the year of asset purchase.

• **Unrestricted capital allowance claim:** There is no restriction to the full claim of capital allowance in any year of assessment for SMEs in the mining, manufacturing, and agricultural sectors.

• **Tax-Free Dividends:** Investments in SMEs can also enjoy tax-free dividends as follows:

a) Dividends received from small manufacturing companies are exempt for CIT purposes during the first five years of operation.

b) Dividends from investments in wholly export-oriented business are also exempted from tax.

### Tax Incentives and Growth of Small and Medium Enterprises in Nigeria

#### Tax Incentives & SMEs' Growth in Nigeria

• SMEs are seen as a source of employment, competition, economic dynamism, and innovation which stimulate the entrepreneurial spirit and the diffusion of skills.

• Study conducted by Babatayo & Adegbe (2021) reveals that tax incentives (investment allowance, tax holiday, tax credit and tax deferment) have a significant positive effect on the growth in sales revenue of SMEs in Nigeria.

• Effective use of tax incentives has also been identified as germane to the growth, development and continued sustenance of small and medium enterprises in Nigeria (Feyitimi & others, 2016).

• Research reveals that SMEs in Nigeria require a favorable institutional framework to thrive, which is critical to inclusive economic growth and development but usually ignored by government.

• Studies have shown that receipt of government incentives (such as tax credits, deductions (e.g., for R&D costs), waivers, etc.) for innovation activities have a positive impact on organizational and marketing innovation.

• Innovation drives improvements in productivity and competitiveness of SMEs and ultimately their contribution to the economy.

• Incentives such as tax allowance or credits can help raise the amount of expenditure on technology and innovation related acquisitions which can help firms improve productivity.

• According to Dotun and Sanni (2009),

tax incentives can be targeted on the low income earners, local and developing industries, farmers, to increase their savings and promote higher investment.

• Tax incentives create employment opportunities for the people, helps to fight economic depression and inflation thereby increasing the equitable distribution of income and wealth.

• Providing enabling environment for the development of SMEs enables them to adequately play their expected role in economic transformation and development.

• Implications of granting tax incentives to SMEs includes:

• mobilization of domestic savings for investment,

• appreciable contribution to gross domestic product,

• increased harnessing of local raw materials, and

• employment generation.

• According to Smatrakalev (2006), encouraging SMEs growth contributes significantly to their poverty reduction efforts through:

- sustainable livelihoods and enhancement in personnel income,
- technological development, and
- export diversification.

• Taxes levied for regulating the investment behavior of households suffocates the entrepreneur growth and development, and also serves as a major constraint to the development of the SMEs rather than catering for them.

### Conclusion

Most SMEs and their investors are unaware of incentives available to them in Nigeria because of the absence of a comprehensive platform or document that highlights all applicable incentives and regulations.

• A search by Start-ups for tax incentives available to SMEs (without the as-



sistance of professionals) can be very tedious. It is, therefore, necessary that the government collates relevant incentives and applicable regulations on a single platform for ease of reference by Start-ups and other SMEs.

- The presence of SMEs in all sectors of the African economy signifies their vital role in steering the socio-economic development and growth of the African continent. With full recognition of this, special incentives need to be created to encourage SMEs growth, even with the implementation of the African Continental Free Trade Area (AfCFTA) Agreement.

- Effective stakeholder engagement, discussions, and collaboration with the MSMEs are necessary to ensure that there is a balance between the tax system of Nigeria and the steady growth and development of MSMEs.

Financing has been identified as one of the major challenges of MSMEs, therefore government needs to incentivize financial institutions to lend to, and/or invest in SMEs and to develop the capacity of financial service providers to serve SMEs.

- Considering the scope of business activities of the SMEs coupled with the technology advancement, there is a need for market infrastructure for access to financial services such as functional credit bureaus and payment platforms including the use of mobile money, and access to cheap funds for lending.

- Finally, government should provide such tax incentives that will boost MSMEs' development which will bring about an increase in employment opportunities and also cause an improvement in the economy.

**“Call it what you will, incentives are what get people to work harder”.**

**- Nikita Khrushchev**



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# Internal Control over Financial Reporting (ICFR) Section 60 63 of Investment and Securities Act 2007

- Jamiu Olakisan



## Introduction

- Enron Collapse of 2001 and Sarbanes Oxley Act of 2002 in US
- Similar initiatives in other part of the World including India and Zambia
- SEC Guidance issued on 8 March 2021 for compliance date of 31 December 2021
- Intervention of ICAN and other stakeholders led to change in compliance date
- New compliance date now 31 December 2023 but implementation plan started from 4th quarter of 2021
- FRC has emulated SEC and about to release similar guidance for PIEs other than listed entities
- FRC also planning to issue guidance on Assurance Engagement on ICFR

## SEC Guidance to ICFR

Research has identified a correlation between global corporate scandals and weaknesses in financial reporting and

accounting practices. In response to this and as part of the efforts to reform corporate financial reporting in Nigeria, the Nigerian Securities and Exchange Commission (on 8 March 2021) issued a guidance to enforce the Investments and Securities Act (2007) sections 60-63 which requires the following for a public company whose securities are required to be registered under ISA 2007

- The Chief Executive Officer and the Chief Financial Officer or officers or persons performing similar functions to personally certify the accuracy of the financial statements prepared by such company and present in the report their conclusion about the effectiveness of their internal controls based on evaluation as of that date. The Signing Officer must disclose to the Auditors of the company and Audit Committee any significant deficiencies in the design and operations of internal controls including fraud, whether or not material, that involves management or other employees

- A public company shall establish a system of internal controls over its financial reporting and security of its assets and it shall be the responsibility of the Board of Directors to ensure the integrity of the

company's financial controls and reporting

- The Directors of a public company shall report on the effectiveness of the company's internal control system in its annual report
- The auditor of a public company shall, in his audit report to the company, issue a statement as to the existence, adequacy, and effectiveness or otherwise of the internal control system of the public company

The amendment provides guidelines for the implementation of relevant Internal Controls over Financial Reporting (for management and Auditors who will review same and issue a statement on its existence, adequacy and effectiveness or otherwise). Ultimately the guidelines would ensure the company has common procedures for the evaluation of ICFR. The SEC guideline stipulates that, the assessment of the effectiveness of internal control over financial reporting must be supported by evidential matter, including documentation, regarding both the design of internal controls and the testing of controls for operating effectiveness.

The SEC in 2021 extended the timeline for public companies to report compliance to December 2023 financial year end.

## Key Sections and Objectives of SEC ISA 60-63

### Impact

- A structured framework is required to meet the responsibility of maintaining and evaluating a robust internal control environment
- The SEC Guideline recommends the use of the framework created by Committee of Sponsoring Organizations of the Treadway Commission otherwise known as COSO Integrated Internal Control Framework but also permit the use of other framework
- Section 65 of the Act imposes penalties for contravention of any of the provisions

### Objectives

- Increase the accountability of management of public companies
- Improve corporate governance
- Increase the oversight of public accounting firms
- Restore investor confidence in the capital markets

### ICFR Overview

#### What is ICFR?

“Internal Control over Financial Reporting” is defined as a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and

fairly reflect the transactions and dispositions of the assets of the company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets that could have a material effect on the financial statements.

### Management Duties

Duty of Management to Assess and Report on Internal Controls of Public Companies

- It is the responsibility of Management to develop and maintain adequate documentation and evidence, to provide reasonable support on management’s assessment of the effectiveness of its ICFR based on a suitable framework

- Management assessment/evaluation and reporting on ICFR is required to be performed using suitable evaluation framework such as COSO Framework

- Annual report to include an internal control report of management that contains

- A statement of management’s responsibility for establishing and maintaining adequate internal control over financial reporting (ICFR)

- A statement identifying the framework used by management to conduct the required evaluation of the effectiveness of the company’s internal control over financial reporting

- Management’s assessment of the effectiveness of the company’s internal control over financial reporting as of the end of the most recent fiscal year, including a statement as to whether or not internal control over financial reporting is effective The assessment must include disclosure of any “material weaknesses”

- A statement that the registered public

accounting firm that audited the financial statements has issued an attestation report on management’s assessment of the registrant’s internal control over financial reporting.

FRC Guidelines on Management Report for selected PIEs and Assurance Engagement on ICFR

FRC is planning to issue two guidelines as follows:

1) Guidance on Management Report on Internal Control Over Financial Reporting (ICFR) for selected PIEs

2) Guidance on Assurance Engagement Report on Internal Control over Financial Reporting (ICFR) for selected PIEs

The 1 st guidance applies to all PIEs except the following:

- Listed entities (to which SEC guidance applies)
- Small companies as defined by CAMA 2020
- Unit Micro Finance banks
- Insurance Brokers
- Non Tertiary Educational Institution
- Non Tertiary Health Institution

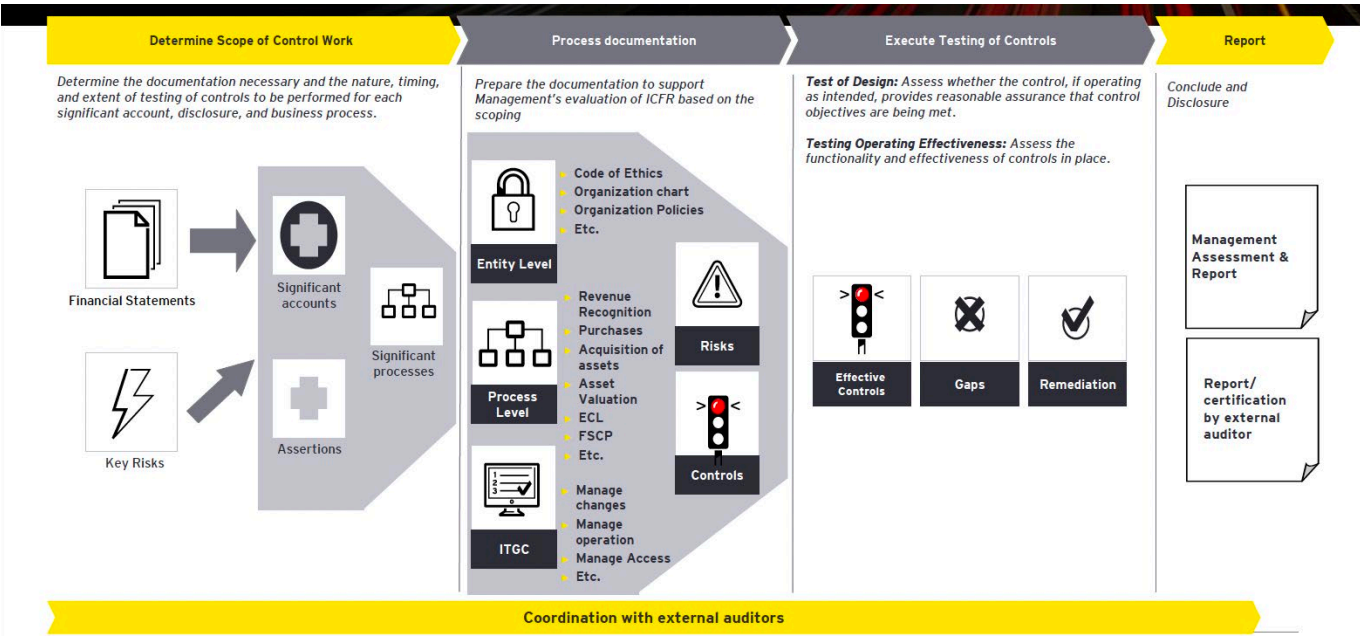
- Any other as may be considered by FRC from time to time

The 2nd guidance is strictly for practitioners/auditors and covers all aspects of the audit of ICFR including:

- Planning the audit
- Testing controls
- Evaluating identified deficiencies
- Wrapping up
- Reporting
- The two guidelines will become effective immediately they are issued

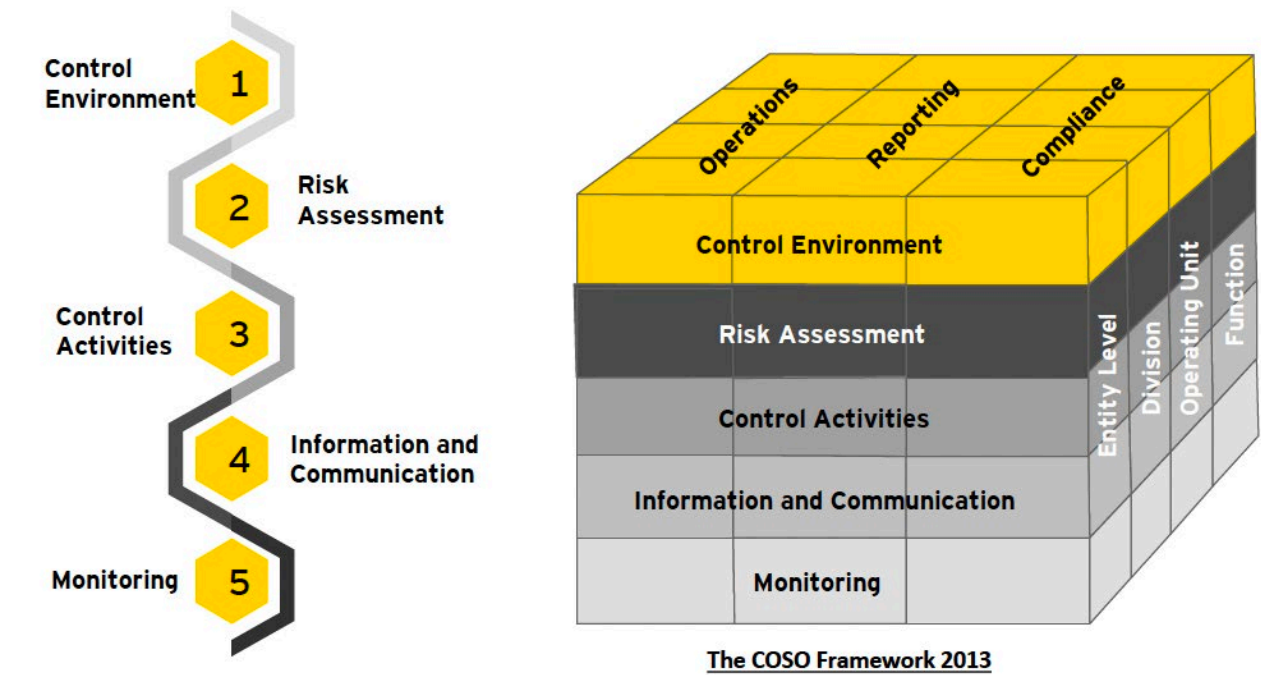


# ICFR Implementation process at a glance



## COSO Internal Control Framework

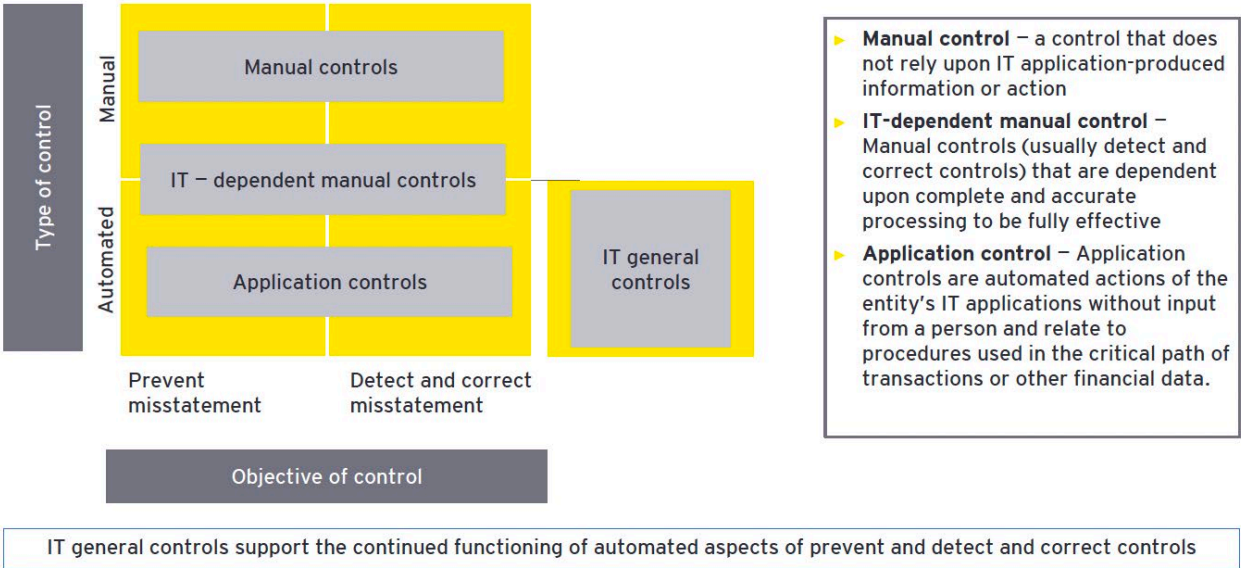
The Framework sets forth the requirements for an effective system of internal controls, that provide reasonable assurance regarding the achievement of an entity's objectives. It consists of five basic components, which in turn are set out in seventeen principles representing the fundamental concepts of each component:



# ICFR Implementation process at a glance



## Categorisation of Controls



## Implications For Corporate Reporting in Nigeria.

- Improve quality of financial reporting
- Restore public trust and confidence in public securities market
- Improve corporate governance and promote ethical business practices
- Enhance transparency and completeness of financial statements and disclosures
- Confirm that company executives are aware of material information emanating from a well controlled environment
- Hold Management accountable for material financial information
- Achieve new levels of corporate excellence
- Awareness of responsibilities Board, Audit Committee, Management, CEO, CFO, Internal Auditors, External Auditors
- Helps auditors to focus on their responsibilities
- Additional work for management,

regulators and external auditors

- More opportunities for chartered accountants who are prepared
- Increased financial literacy Audit Committee members, Board members etc.

**Jamiu Olakisan, delivered this paper at the 52nd Annual Accountants' Conference**

## Do you know

**your benefits as an ICAN financial member ?**



1. Right to be recognised as a Chartered Accountant
  2. Right to vote and be voted for in the Institute's Council elections
  3. Privilege to serve in any of the Institute's standing committees
  4. Eligible to be selected as an examiner or Assessor of the Institute's examinations,
  5. Speaker, MCPD and Faculties programmes
  6. A life Assurance policy cover to the tune of ₦2,000,000 and ₦1,500,000 for the next of kin of a deceased Fellow or Associate respectively (must be a financial member and next of Kin must have been named on the member's profile)
  7. PhD Research Grant to the tune of ₦500,000
  8. Commission Research Grant to the tune of ₦1,000,000
  9. Access to ICAN e- Library
  10. ₦1,000,000 support for Professorial Inaugural Lecture
  11. Access to Benevolent Fund for financially challenged members.
  12. Health Insurance Scheme
  13. Discount at Partner Hotels
- a. Lagos Airport Hotel keja (20% off accomodation rack rates)
  - b. Premier Hotel Ibadan (15% off accomodation rack rates)
  - c. Dover Hotel, Lekki Phase 1 (30% off accomodation rack rates)
  - d. Sheraton Hotel, Lagos (25% off accomodation rack rates ex charges)
  - e. Upright Hotel & Suites, Ibara Abeokuta (15% off accomodation rack rates)
  - f. Green Legacy Resort, Okemosan Abeokuta (10% off rack rates)
  - g. Sharon Ultimate Hotel, Abuja (20% off rack rates)

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## COMMUNIQUE ISSUED AT THE END OF THE 52ND ANNUAL ACCOUNTANTS' CONFERENCE

### 1. Introduction

The 52nd Annual Accountants' Conference of The Institute of Chartered Accountants of Nigeria (ICAN) held from October 10 to 14 2022, at Abuja, Nigeria. The theme of the Conference was: **"Nigeria: Adopting Sustainability for Economic Prosperity"**.

The Conference was declared open on Tuesday, October 11 2022, by the Special Guest of Honour, His Excellency, Muhammadu Buhari, GCFR, President, Commander in Chief of the Armed Forces, Federal Republic of Nigeria, ably represented by Mrs. Zainab Shamsuna Ahmed, Honourable Minister of Finance, Budget and National Planning, who was also ably represented by Dr. (Mrs) Sarah Alade, the Special Adviser to the President on Finance and Economy.

The total number of Delegates at the Conference was 6,393 with Delegates from within and outside Nigeria.

The Conference had six plenaries, during which eminent scholars, professionals, and technocrats drawn from within and outside Nigeria made presentations.

In addition, five of the candidates contesting for the 2023 Presidential election in Nigeria attended the Conference. They took turns to share their thoughts on the theme of the Conference and to also discuss what they will do differently, and how, if elected as president.

### 2. Observations and Recommendations

At the end of deliberations, Delegates made the following observations and recommendations:

#### 2.1 General

**I.** Delegates emphasized that a strong institutional framework is necessary for the pursuit of a sustainable economy.

**II.** Delegates noted the connection between governance issues, on one hand, and environmental and social challenges, on the other. The recent flooding and drought in Nigeria are examples of how a governance issue has given rise to environmental and social issues.

**III.** Delegates applauded the Government for the establishment of the National Council on Climate Change (NCCC) and noted that it is a watershed in the efforts of the country to show commitment to environmental issues.

**IV.** The Presidential candidates that honored the Conference invitation, acknowledged the role of governance in sustainability.

#### 2.2 The Accountancy Profession & Deepening Market Offerings for Accountants

**I.** The Institute should, as a matter of urgency, intensify its Continuing Professional Development programs on Environmental, Social and Governance issues, if its members are to play a leading role in the Sustainability Reporting and Assurance landscape.

**II.** Delegates suggested that the Institute should continuously supplement its syllabi with emerging trends, such as developments in sustainability and technology, to ensure that the profession does not lag in transformations. They also urged the Institute to continue to liaise with the National Universities Commission (NUC), the National Board for Technical Education (NBTE) and other regulatory bodies in the education sector, to incorporate future developments into the curricula of the accounting departments.

**III.** Delegates urged the Institute to collaborate with the Federal Inland Revenue Service (FIRS), National Council on Climate Change (NCCC), and other relevant stakeholders and specialized institutions, to facilitate public awareness and better understanding and appreciation of the specific design features of the Climate Change Act 2021, to further Nigeria's climate change ambition.

**IV.** Delegates urged the Institute to encourage the adoption of International Sustainability Reporting Standards that cover a robust carbon accounting protocol so that companies have a framework for reporting on their decarbonisation activities.

#### 2.3. Sustainability and Innovative Tax

**I.** Delegates noted that tax straddles the three pillars of sustainability – Environment, Social and Governance. Tax is a valid instrument for promoting sustainable environmental practices and discouraging harmful ones. The provision for carbon taxes and emission trading in the Climate Change Act 2021 is an example. Government's social contract and obligations to citizens are fulfilled with revenue, most of which are from taxes. Through good governance and the fulfilment of the social contract, tax compliance is achieved. Delegates recommended that Government should deepen its transparency

initiative by publicly disclosing the uses of tax, as a means of driving new revenues from sustainability initiatives.

**II.** Delegates noted that sustainability in revenue collection can be guaranteed through the recruitment of competent/qualified staff, adoption of appropriate technologies, and open communication channels. Delegates also observed the urgent need for the Joint Tax Board to harmonize taxes, and align technology for online verification and approvals.

#### 2.4 Sustainability Reporting and the Green Economy

**I.** Delegates supported the growing call for Public Sector Entities in Nigeria to also include sustainability activities in their reports. Delegates considered that this inclusion necessary given that the Sustainability Development Goals (SDGs) address solutions to human challenges of poverty, financial inclusion, water, inequality, climate change, etc. being faced by developing countries. Delegates resolved to include this Key Performance Indicator in the Institute's Accountability Index.

**II.** Delegates acknowledged that early adoption of the International Sustainability Reporting Standards is instrumental to unlocking the flow of capital into Nigeria for an effective transition to a sustainability based economy.

**III.** Delegates urged the Financial Reporting Council of Nigeria (FRCN) to ensure that Nigeria is an early adopter of the International Sustainability Reporting Standards by working closely with relevant stakeholders and the International Sustainability Standards Board (ISSB) toward seamless and effective adoption.

**IV.** Delegates suggested that in adopting the International Sustainability Reporting Standards, the Financial Reporting Council of Nigeria (FRCN) should ensure a proportional and scalable framework that will enhance the effective inclusion of Small and Medium-sized Enterprises (SMEs), similar to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) for SMEs.

**V.** Delegates identified capacity building as the most critical factor for the effective and seamless adoption of the International Sustainability Standards. They urged the International Sustainability Standards Board to, as a matter of priority, assist Nigeria in building the required capacity.

**VI.** Delegates agreed that Sustainability Reporting, including assurance on the reports, is crucial to investors and other stakeholders who need to understand the sustainability activities of the enterprise.

#### 2.5 Transitioning to Clean Energy

**I.** Delegates acknowledged that the challenge of climate change presents an opportunity for Nigeria to transform into a green economy. A Nigerian Green economy would, for instance, build a sustainable transportation system devoid of carbon emissions, have an efficient recycling and waste management system, and lower unemployment by creating green jobs for the future, in a more diversified economy.

**II.** Delegates recognised that to meet the 2060 target of a net-zero economy, the National Council on Climate Change (NCCC) should go beyond aggregating the activities of Public and Private entities. Delegates urged the Council to collaborate with relevant stakeholders to implement its mandate – produce a carbon budget, establish a climate fund and release the National Climate Action Plan, among others.

**III.** Delegates agreed that to create new revenue sources, drive innovation, create jobs, and support linkages among sectors for a positive spillover of growth and productivity, the government should accelerate the implementation of the provisions of the Climate Change Act 2021, continue investment in technology, and increase spending on infrastructure.

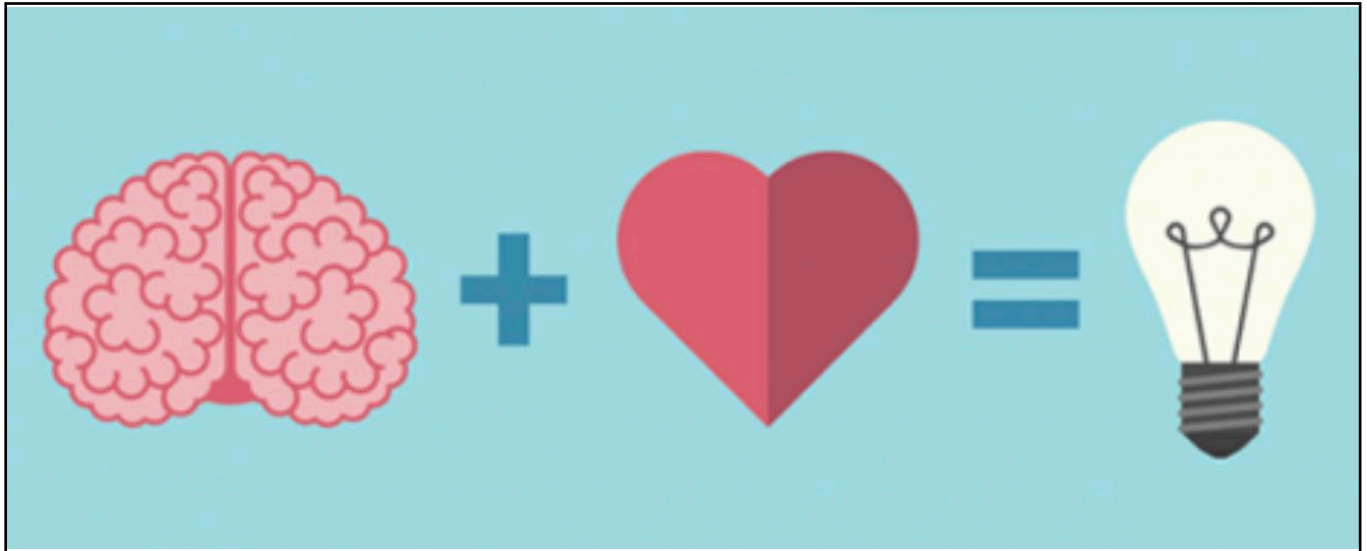
**IV.** Delegates noted the nexus between energy availability and economic development and appreciated why Nigeria's large energy deficit is responsible for the lag in economic development. Delegates noted that though Nigeria has bold and ambitious plans, concerted efforts are required to optimise the intended value. They then urged that the Nigerian National Energy Transition Masterplan be harmonized, aligned, and ultimately implemented.

### 3. Conclusion

In terms of economic growth and development, the adoption of sustainability practices is the current direction of travel, as it determines the flow of new and mobile factors of production. Considering her significantly youthful population and access to abundant natural resources, Nigeria is well positioned to attract this new investment that is needed for the next wave of economic prosperity. Therefore, to build a prosperous nation, all enterprises in Nigeria, including the public sector must embed sustainability practices in all their activities.

# Emotional Intelligence & Optimum Productivity

- Olusola Olumide



## Introduction

The roots of Emotional Intelligence (EI) can be traced to Robert Thorndike, who wrote about "Social Intelligence" in the thirties [1937]. Peter Salovey and John Mayer created the term 'Emotional Intelligence' in the 1990s.

Accountant's role requires many various abilities. One of such fundamental capacities in the contemporary world is emotional intelligence.

According to the World Economic Forum, emotional intelligence is one of the top 10 skills needed for professional success in 2020 and beyond.

## Definition

Simply put, Emotional Intelligence is being smart with feelings. It is the ability to use emotional information to guide thinking and behaviour to achieve one's goals. The skills of emotional intelligence have been found to help people become healthier and more successful in school and life.

Emotional intelligence is a learned ability to identify, understand, experience, and express human emotions in healthy and productive ways; as it is very crucial to employee's success and linked to increased organizational performances in

all sizes of businesses.

While productivity is the rate at which a worker, a company produces goods and the amount produced, compared with how much time, work and money is needed to produce them. To be productive, then means doing or achieving a lot.

Employees are also human beings with personal lives, which they can't always keep separate from their work lives. And just as illness can interfere with our ability to get our jobs done, so can mental health issues.

Therefore, improved performance is a function of informed, involved and in tune personnel. Emotional Intelligence is necessary because emotion drives people, and people drive performance.

Emotional Intelligence has been shown to foster empathy, contribute to violence prevention, improve interpersonal relationships and communication, make people more self-aware about their feelings and the feelings of others, and help build resilience.

According to Daniel Goleman, "If your emotional abilities aren't in hand, if you don't have self-awareness, if you are not able to manage your distressing emotions, if you can't have empathy and have effective relationships, then no matter how smart you are, you are not going to

get very far."

## Domain of Emotional Intelligence

**a. Knowing one's emotions:** Self-awareness—recognizing a feeling as it happens.

**b. Managing one's emotions:** Handling feelings so that they are appropriate is an ability that builds on self-awareness.

**c. Motivating oneself:** Involving emotions in the service of a goal is important for creativity, paying attention, self-motivation and mastery.

**d. Recognizing emotion in others:** Empathy is the fundamental people skill.

**e. Handling relationships:** This is the skill in managing emotions in others. It is an ability that underlays leadership and interpersonal effectiveness. Integrating cognitive and emotional

Your level of emotional intelligence, accounts for your self-awareness, which determine your disposition!

## The Bane of Emotional Illiteracy

The opposite of Emotional Intelligence is Emotional Illiteracy. Emotional illiteracy is the deficit in emotional competencies and the inability to define and label one's emotions appropriately, which of-

ten leaves the individual delinquent and uncontrollable. Smart people can sometimes act dumb. This emotional incompetence manifests in different ways such as:

Uncontrolled Anger, Aggression, Addiction, Depression, Low self-esteem, Bullying, Poor relationships, Behavioural disorder, Poor leadership skills, Poor parenting skills, Suicidal tendencies.

### **Behind every behavioural disorder, there is an unresolved issue!**

Incidentally, these employability skills (leadership, emotional intelligence) needed for the workplace success are not really being taught in our conventional universities (especially at the undergraduate level).

Although the acquisition of technical and theoretical knowledge is fundamental and necessary, but, in our current social reality, it is no longer sufficient (Baker et al., 2013; Rivers and Willans, 2013).

Employee's performance is no more judged with his/her capability to complete the given task. It is not the only parameter to evaluate one's work performance but the ability to handle oneself and others is also considered. So, developing emotional skill sets in this turbulent world is non-negotiable

### **Qualities of Being Emotionally Intelligent**

According to **Susan David** (Harvard University), emotions can give you tremendous data and not necessarily direction. Emotions are an incredibly amazing sort of GPS, giving us data on where we are, where we want to go, and what's on the way. But we have to learn to listen to those messages, and not dismiss them as mere distractions.

### **If your emotion is illiterate, your thought will be ignorant and your behaviour awkward!**

Becoming an emotionally intelligent ac-

countant is a journey and process, not an arrival state or end result. It makes you resilient in response to negative stress and you will be less likely to be overwhelmed with pessimism and strong negative emotions. An emotionally intelligent accountant learns and applies emotional intelligence skills to improve:

- 1.** Physical and mental health by gaining knowledge/techniques to break the habit of emotional reactivity (Stress Management)
- 2.** Productivity and personal satisfaction by helping to harmonize their thinking and feeling minds (**Self Esteem and Confidence**)
- 3.** Communication in personal and work relationships (**Assertion**)
- 4.** Ability to manage anxiety and improve performance under pressure (**Anxiety Management**)
- 5.** Ability to quickly establish and maintain effective interpersonal relationships (**Interpersonal skill**)
- 6.** Ability to understand and accept differences in others and diversity issues (**Empathy**)
- 7.** Ability to plan, formulate, implement effective problem-solving procedures in stressful situations (**Decision Making**)
- 8.** Ability to positively impact, persuade, and influence others (**Leadership**)
- 9.** Ability to direct energy and motivation to accomplish personally meaningful goals (**Drive Strength**)
- 10.** Ability to manage time to meet goals and assignments (Time Management)
- 11.** Ability to complete tasks and responsibilities in a timely and dependable manner (Commitment Ethics) and
- 12.** Ability to control and manage anger and improve performance under stressful conditions and situations (Anger Management).

### **Steps to Optimizing Employee Productivity**

I believe that our knowledge creates a reflection on the degree of our actions and responses in life. That is, when we know better, we will do better. The following steps will aid employee's productivity

- 1.** Undertaking training in Emotional Intelligence and associated soft skills.
- 2.** Practicing self-care and mindfulness
- 3.** Organization should make employees' well-being part of professional development
- 4.** There should be friendly channel to give and receive feedback
- 5.** Prioritizing social connection

### **Benefits of Emotional Intelligence in the Work Place**

- It reduces presenteeism
- It reduces employee's burnout
- It reduces poor working relationship
- It promotes personality and coping strategy
- It promote staff motivation
- It enhances work-life balance

### **Conclusion**

The 21st century age is a complex, multidimensional, and multidisciplinary one. The job place too is no less interwoven, and as such requires multivariate skill sets to succeed.

**Mr Olusola Olumide presented this paper at the 52nd Annual Accountants' Conference in Abuja**



# Nigeria: Adopting Sustainability for Economic Prosperity

- Alan Johnson



One of the main duties of the IFAC President is to engage with our members and their key stakeholders at events held around the world. Since my term began in November 2020 I have been able to keep up my engagement thanks mainly to virtual connections.

In 2020 and again in 2021, when travel was not possible, I used Zoom to join ICAN conferences. So, to visit Abuja and meet with ICAN colleagues in person again, and not just through a screen, is a great pleasure.

I did promise your two immediate past Presidents, Mrs Comfort Eytayo and Mrs. Onome Adewuyi, that I would do my best to participate in one of your conferences before the end my IFAC President's term; I step down in 5 weeks, so I am delighted I could fulfil my promise. Thank you to President Musa and the Governing Council for inviting me to be with you and participate at your 52nd Annual Accountants Conference.

## Introduction

I will say just a few words about IFAC. As the voice of the global accountancy profession, IFAC has 180 members representing more than three million professional accountants in 135 countries. Our role is to speak out as the global voice of the profession, to lead and develop a future-ready profession, and to support

the development, adoption and implementation of high-quality international standards.

We serve the public interest by enhancing the relevance, reputation, and value of the accountancy profession around the world.

Our work falls broadly under three categories:

- We represent and advocate for the profession as its global voice.
- We help to equip the profession for the future – through our members and all the professionals they represent.
- And we support the development, adoption and implementation of high-quality international standards.

ICAN became a founding member of IFAC in 1977, and you have served Nigeria admirably since 1965.

Over the decades you have been and remain a pillar of prosperity in Nigeria and a very important part of the global profession. Thank you for your hard work and great accomplishments in service of the public interest.

May I take this opportunity to recognize Mr. Akintola Williams who was the founder of the accountancy profession in Nigeria.

Through his foresight and commitment to establishing a profession that serves the needs of the nation, ICAN is a successful and vibrant professional accounting organisation providing the accountants that the country needs.

The volunteer service of individual ICAN members on the IFAC and standard-setting boards has been instrumental to the global profession. I would like to recognize IFAC Board Member and past ICAN President, Mr. Ismaila Zakari, for his outstanding contributions to the profession. He is a dear colleague on the Board, and we are all beneficiaries of his contributions. I would also like to pay tribute to General Sebastian Owuama, the first President of PAFA and a former IFAC board member, and your immediate Past President, Mrs. Onome Adewuyi, who serves on the Nominating Committee for the International Standards Setting Boards. I also thank Mr. Jaiyeola, Mrs. Eytayo and Mr. Okwuosa for their service on our Advisory Groups.

May I take this opportunity to congratulate Mrs. Comfort Eytayo who today is receiving the National OON honour from His Excellency President Muhammadu Buhari. This is a great honour both personally to Mrs. Eytayo but also to ICAN and the profession for which we should all be proud.

As a global profession we have bene-

fitted from ICAN's contributions both in Africa and across the globe. I know that there are many professional accountants who are ICAN members in many countries outside Africa.

IFAC has much strength. We are a global convener of the profession's stakeholders, a global forum for thought leadership on the most pressing issues facing our profession and our world, and an influential voice in critical international conversations about public interest issues.

But what we aim to do is possible only with our members –because they offer the resources and geographic reach to make local, regional and global transformations happen. So I thank you for holding this 52nd Conference and for continuing to advance our profession.

Let me now turn now to the Conference theme, "Nigeria: Adopting Sustainability for Economic Prosperity."

I will offer a global perspective from IFAC on three related themes: the reporting and assurance of sustainability information, the importance of sustainability for SMEs, and the need for strong public financial management.

## **Sustainability reporting and assurance**

### **Turning first to sustainability.**

We all know we are living in an unsustainable world. Whether it be consuming more than we can produce, our inability to provide adequate housing, education or health care for our citizens, or not properly addressing the growing inequality on society, we must change course – and do so urgently. We cannot behave as if we can continue with a strategy of "Business as Usual" and hope that someone else will address these critical and existential issues.

Sustainability means fairness in society, reducing inequality, effective and efficient public services, and corporations that has a corporate purpose that meets the needs of all stakeholders.

We have all seen the devastating impact of global warming across the world. It is especially acute in Africa, where agriculture has been severely affected, infrastructure has been damaged and liveli-

hoods have been destroyed.

The UN Secretary General Antonio Guterres put COP26 in context in a speech to world leaders: the 2020s, he said, is "the critical decade." And he is right! The science is clear that continued global warming will lead to an irreversible environmental catastrophe. "The critical decade" has begun.

The Glasgow agreement last November includes significant pledges on emissions reduction and forest protection.

It also has a greater emphasis than past agreements on adaptation, which is crucial to the ability of the Global South to survive climate change and of people everywhere to build more equitable and inclusive societies.

But we all know it is easy to make pledges; what matters is that such pledges are delivered – and that those who make them are held accountable for their delivery. This is why there is now a growing demand for accountability and transparent reporting.

In response to a growing, global demand for sustainability-related information and assurance — from investors, regulators, and other stakeholders—sustainability reporting is finally taking its rightful place within the corporate reporting ecosystem.

It is, in my opinion, even more important than financial reporting if we are going to change the direction the world is going in.

IFAC spent much of the past two years campaigning among all our stakeholders and partners for the establishment of the new International Sustainability Standards Board, or ISSB. Its formation in November 2021 was an important step towards meeting stakeholder demand and supporting the United Nations 2030 Agenda for Sustainable Development.

Just as we supported the board's formation, we welcome its initial activities. Jurisdictional advocacy for global adoption and implementation of the ISSB's sustainability-related standards will be critical to maintain momentum.

For global standards to have a truly global reach, jurisdiction-level adoption and implementation is key. I was delighted

that Dr Ndidi Ezozien, who I had the privilege of listening to at the PAFA African Congress of Accountants in Mozambique, last year, was appointed a member of the ISSB in July this year.

Ndidi has had a very successful career in multinational and local companies and civil society organizations in Africa and Europe, and was the inaugural Group Sustainability & Governance Officer of Dangote Industries, a company that does so much good in Nigeria and across Africa. I congratulate Ndidi, Mr Dangote and Nigeria for your contributions to the world's sustainability agenda.

There is absolutely no doubt that the global accountancy profession is well-placed and well-prepared to champion sustainability strategies and reporting. Our voice on these issues is crucial, as is our work.

In September 2021 IFAC published the placemat, "How Global Standards Become Local." This placemat examines how jurisdictions can leverage mechanisms already in place for adopting standards used in financial reporting for sustainability-related reporting.

I encourage ICAN to continue engagement with local policy makers to determine which mechanisms – new or existing – are required for sustainability-related reporting in Nigeria.

There is no doubt that the corporate reporting landscape is changing quickly. As sustainability reporting becomes standard practice around the world, investors, regulators, and policymakers are, as you would expect, turning their attention to the assurance of such information.

At IFAC, we believe that non-financial information must have the same level of attention as financial information; I would even say it needs greater attention.

A comprehensive picture of enterprise value – one that encompasses both financial and non-financial information – is only complete and comprehensive with high-quality, transparent, consistent and trustworthy information.

And the good news is that stakeholders agree. IFAC's latest "State of Play" benchmarking report determined that the number of global companies obtaining independent assurance on ESG factors

increased from 51 in 2019 to 58 percent in 2020.

Professional accountants, equipped with the skills and competencies to action sustainability reporting and assurance, must lead the world from commitments to implementation. And I want to stress **implementation**.

We cannot be satisfied with just the reporting of information if that does not lead to changes in strategies, policies and **behaviours**.

Today, it is to fulfill our duty to act in the public interest. Tomorrow, it will also be to help establish the regulatory requirements and contribute to policies and actions that will address these issues.

### Sustainability for SMEs

The second theme is sustainability and SMEs.

There is no doubt that SMEs are the backbone of the global economy – and in some ways they are the global economy.

SMEs account for 90 percent of all businesses, 60 to 70 percent of all employment, and 50 percent of GDP. In emerging markets the role of SMEs is especially large, with 7 out of 10 new jobs in the formal economy coming from SMEs. That is not to downplay their role in other countries: every company, including the world's largest, depend on SMEs as suppliers and customers at nearly every link today's global supply chains.

And Nigeria is no exception. SMEs contribute account for 48 percent of GDP, 96 percent of businesses, and 84 percent of all employment.

Recently, Fidelity Bank announced a strategic partnership in the form of an MoU with Nigeria's Small and Medium Enterprises Development Agency to help bridge the gap in small businesses getting funding. This is significant not just to the Agency, but to the SME ecosystem.

After all, capital is the lifeblood of any business. I really welcome this initiative as today only 3 percent of all new green financing goes to SMEs.

And if capital is the lifeblood of any business, SMEs are the lifeblood of any

economy. SMEs therefore must not be excluded in the climate crisis.

Let me explain this in two parts.

First, the carbon footprint of SMEs is extremely important.

According to a recent OECD report, 60 to 70 percent of industrial greenhouse gas emissions come from SMEs.

The implications are profound for emissions mitigation strategies around the world, including Nigeria's Energy Transition Plan for 2060. All stakeholders need to incorporate SMEs into the heart of their plans for a greener future.

Just as the future of our planet and our markets stand to benefit from SMEs' commitment to sustainability, SMEs stand to benefit from a sustainability agenda. And if SMEs are successful then economic prosperity will be shared across society.

This brings me to the second point: SMEs stand benefit greatly from sustainability initiatives.

Relevant, timely, comparable, and accurate sustainability information allows SMEs to think holistically about their strategies and business models, particularly in the context of their future relevance.

The accountancy profession has a very important role to play here: SMEs do not necessarily have the resources they need to handle so many of the tasks necessary in today's complex business environment, including new and unfamiliar work on sustainability matters. And these tasks are bound to become more complicated as sustainability reporting becomes the norm around the world.

SMEs will continue to look outside their firms for support – and our profession must be ready to apply our technical skills and give business advice, as well as high-quality assurance services for sustainability disclosures.

I mentioned earlier that regulators are, like all stakeholders, demanding sustainability information. I want to emphasize that this is a global issue. Regulatory requirements in the EU and elsewhere will have ripple effects around the world as firms in those jurisdictions examine the climate risk in their supply chains. SMEs around the world will have to think beyond their borders.

In short, SMEs simply cannot afford to ignore sustainability and sustainability efforts cannot afford to ignore SMEs.

### Conclusion

Having outlined a few thoughts about sustainability, let me now offer a few closing thoughts.

With the profound and truly global challenges I have described today, professional accountants might wonder, "Why me? I cannot save the world."

But there are very good reasons to believe that professional accountants will save the world.

We are at the center of information flows and decision making — and so we are uniquely positioned to capture, analyze, report on, and assure sustainability information.

We have skills and competencies that are critical for connecting financial and sustainability information.

We have global reach like no other profession.

We also need to support the public sector to raise the standards of transparency, efficiency, competence and the quaking of service delivery to its citizens. In many countries across the world the public sector is the largest investor in domestic economies, and often the largest employer. Therefore the public sector is critical to sustainable economies and societies.

We have our public interest mandate. As a regulated profession, we are subject to an ethical code and public oversight that require us to act with professional judgment, skepticism and most important of all, independence.

There is no question that we are the right professionals for the job.

Economic prosperity, here in Nigeria and across the African continent, and indeed everywhere in the world, can only be achieved when we change direction, take decisions that take account for the needs of the many and not the few, where we act in the public interest and not in our own self interest, and behave ethically and responsibly. Nigeria is a vibrant country rich in resources, par-



ticularly human resources, so there is no reason why you cannot achieve sustainable economic success.

ICAN is playing an important role in helping achieve this, and I thank all current and past members of your Governing Council and all ICAN members both those here today, and all others for your commitment to working in the public interest.

Through this work you are ensuring that your children and grand-children and all citizens enjoy the benefits of a more prosperous society that care for everyone.

Thank you again for inviting me to be at your forum and giving me the privilege to address you today. I look forward to a very successful 52nd Annual Accountants Conference, and to taking part this week.

***Alan Johnson, the President of the International Federation of Accountants (IFAC), delivered this keynote address at the 52nd Annual Accountants Conference of ICAN.***



**ICAN President Mallam Tijjani Musa Isa presenting a plaque to Mr. Alan Johnson at the conference**

# BlockChain Technology & Accounting Profession

- Babajide Owoniya, ACA



## Blockchain Technology and Accounting Profession

### Introduction

Web 1.0	Web 2.0	Web 3.0
• User-name	• Sign with Google	• Connect Wallet (Applepay, Interswitch, Konga, E-Naira)
• Password	• Sign with Facebook	
	• Sign with Twitter	

### Who makes a living on crypto?

2010-2013	2014-2017	2018-2020	2021-
Investors	• Investors	• Investors	• Investors
	• Developers	• Developers	• Developers
	• Crypto Coys	• Crypto Coys	• Crypto Coys
			• Artists
			• Musicians
			• Writers
			• Gamers

**Author:** Chartered Accountants Worldwide (2022)

## Blockchain Technology

This is originally conceived as underlying protocol of Bitcoin, Blockchain technology has since evolved to support a number of applications of Smart contracts.

Blockchain technology is a distributed transactional database, a kind of general ledger or registry, in which transactions and details of these transactions (date, place, amount, anonymised participants and their encrypted signatures) are recorded and verified through consensus algorithms. Each completed transaction is encrypted, the involved participants are identified by a string of characters and, after a certain amount of time, the transaction becomes part of a block. A block is a group of transactions that is linked to the previous block, hence the term blockchain. It is then distributed to all parties associated with this network.

Once a transaction is recorded on blockchain, it cannot be changed or cancelled which make this technology accurate and secure. From an auditing point of view, it provides a reliable audit trail where the authenticity and validity of transactions can be verified.

Blockchain technology usefulness in the financial sector and cryptocurrency cannot be overemphasised. Having an immutable distributed ledger within a financial system has its obvious advantages such as self auditing and transparency.

Blockchain technology provides stronger transactional security than traditionally centralised computing services for secured networked transaction ledger. Centralised databases are prone to cyber attacks and if the securities of these centralised databases are compromised, they can destabilise the entire system.

Blockchain uses distributed ledger technology (DLT) to avoid this. DLT increases cyberresiliency because it creates a situation where there is no single point of contact.

### TYPES OF BLOCKCHAIN

- Public blockchain such as Bitcoin attempt to create trust in a trustless environment. Anyone around the world with a computer system can join Bitcoin blockchain and store a full copy of the current ledger on their system

- Private blockchain is the situation whereby an entity using the technology owns all the hardware used to store, calculate and maintain the chain. Access is limited to employees working in that entity.

- Hybrid blockchain is the mixture of both Public blockchain and Private Blockchain.

- Consensual blockchain is group of Private blockchains that come together based on the consensual agreement.



## KEY COMPONENTS OF A BLOCKCHAIN

### Immutable Ledger

Blockchain is a write-once distributed database so it registers an immutable record of every transaction that occurs.

### Smart Contracts

The Ethereum blockchain can store and execute both data and Smart contracts in the blockchain.

Smart contracts are agreements that execute and enforce themselves as pieces of code that live in a blockchain. They replace legal language with code. They replace lawyers and court with automatic implementation and distributed confirmation.

These are Peer to Peer transactions (P2P), Business to Business transactions (B2B); Business to Consumers transactions (B2C) etc

### Cryptographically Secure

Blockchain uses public/private signature technology to create transactions that are impervious to fraud and establishes a shared truth.

### Decentralized Consensus

There are many replicas of the blockchain database and no one participant can tamper it. Consensus among the majority of participants is needed to update the data base. Through its distributed nature, Blockchain enables better, trustless coordination. It creates inclusive collaboration and is more robust than is no power outage, natural disasters

or a malfunction or malicious attack can bring it down.

### Digital Assets

Blockchain technologies have underlying cryptographic currencies, and can tokenize any asset and track it digitally and securely. Funds, Currencies, Commercial/Real Estate, Private equity, Fine Art and Gold/Precious Metals have potential for tokenisation.

## IMPLICATIONS FOR THE ACCOUNTING PROFESSION

- There is need to integrate and modify existing standards or create new ones such as Digital asset Accounting
- Use financial instrument accounting appropriate for some classes of token e.g. Treatment under IFRS 9 depends upon holder intent: IAS 38 (Intangible assets) at cost with impairment in P or L statement & revaluation in OCI; OR IAS 2 (Inventories) if held for sale in ordinary course of business then fair value through P or L statement.

### Conclusion

This is the dawn of a new era for Accounting, let us consider the possibilities if all transactions are recorded on a blockchain:

- Verification of 100% transaction activity
- Real time access to data
- Availability of perfect audit trail
- Reduced opportunities for accounting / Misrepresentation fraud

- No need for reconciliation again

For audit function, automated tools can help, but they are not a replacement for judgement.

Although blockchain could be used to nearly eliminate the need for the auditing of the data within, it will not eliminate the requirement to conduct audit on the system and organisation that run it. Governance and regulations will still be required that auditors conduct attestation on these systems and verify that they are functioning properly and securely.

However, if the roles of auditors shift from auditing financial statements/data to auditing blockchain and certifying that it is correctly implemented, accounting professionals need to broaden their technical skills to master computer coding, hashing, cryptography and also to keep working on their soft skills such as communication.

This is not the end of accounting profession, this is an opportunity allowing accountants to automate mundane tasks so we can focus our time and efforts on providing valuable financial insight and analysis of innovative products such as blockchain system security, audit and governance roles.

***Babajide Owoniya presented this paper at one of the technical sessions during the 52nd Annual Accountants Conference***



# Earth VS Bottomline connecting ESG AND CSR to profitability

By Dr. Deji Awobotu FCA



## Introduction

All companies around the world face some sorts of social or environmental pressure. Increasing demands and expectations by an increasingly diversified set of stakeholders. Companies are expected to be good stewards of the environment, they are expected to care deeply about their local communities. In other words they face these pressures to care about stakeholders over and above and many cases in addition to shareholders and to increasing their financial performance.

Companies are expected to have a positive social impact to contribute towards an inclusive and sustainable growth in addition to being financially profitable and successful.

The question is why now? Why is it that companies are facing these pressures now more than ever before?

Consider some companies like Unilever for instance. Unilever is a company whose goal and objective is to make **sustainable living common place**.

This company through its products and services can reach 2 to 2.5 billion people on the planet on a daily basis.

But Unilever is not alone, what we observed in practice is that many companies

increasingly develop a sophisticated understanding of what are the structural environmental challenges, some may see them as risks that need to be mitigated and managed others see them as profitable business opportunities, at the end of the day they are massive problems in need of efficient and scalable solutions.

So what we increasingly see is that companies start bringing these considerations into the

- core of their organisational structures
- core of their strategies as well as in the
- core of their business models

In recent years we understand that if companies decide to go beyond compliance, that constitute a strategic choice.

How responsible you choose to be towards the environment and towards the broader society is at the end of the day a strategic choice.

Corporate culture has never been more transparent or important than it is now. Sustainability leaders, investors, employees, and consumers are choosing companies that align with their values.

Corporate Social Responsibility (CSR) and Environment, Social, and Governance (ESG) policies guide business practices and inform the public about the values,

goals, and risks of a company.

This presentation will explain the difference between the overlapping concepts of CSR and ESG and how each can be incorporated, measured, and refined.

## CSR & ESG Explained

Corporate Social Responsibility (CSR) covers the social, environmental, and economic concerns in a company's policies, practices, and decision-making.

CSR commitments serve as keystones for corporate culture and give employees, investors, and consumers insight into the company's values.

They are generally self-regulated and can vary widely. Though CSR is about accountability, the qualitative nature of CSR makes it difficult to pin down.

The will, values, and spirit of corporate culture can be captured by CSR which serves as a starting point to get to the next step of measurable, data-driven change.

ESG uses environmental, social, and governance factors to evaluate sustainability practices within a company.

"While CSR aims to make a business accountable, ESG criteria make such business efforts **measurable**."

ESG criteria focuses on quantitative results that help investors make better decisions about the **risks** and **ethics** of particular companies. ESG reporting also helps consumers decide which businesses to support, and which not to, by giving them an indication if a company's practices and actions align with their own values.

ESG metrics have quantitative performance indicators aligned to particular ESG criteria.

Proactively evaluating your company according to ESG criteria is not only appealing to the eyes of potential investors or the public, but it gives your company the information it needs to shore up any gaps.

CSR and ESG are related but not the same. Let's say a paper bag manufacturer wants to implement CSR and ESG policies.

CSR can be incorporated by communicating internally and in press releases that the company is committed to being more sustainable and responsible.

ESG builds on that foundation with measurable goals such as a 30% increase in recycled materials within five years and planting one million trees in 10 years.

ESG practices can be used to evaluate how well a company is adhering to the sustainability and corporate responsibility goals they set.

CSR is the ideal and gives context about **sustainability** agendas and corporate responsibility culture. ESG is the action and measurable outcome.

To simplify, **CSR** can be thought of as the **qualitative** side and ESG as the **quantitative** side.

### How to Incorporate CSR

CSR starts with recognizing the key sustainability concerns in your industry and incorporating improvement as part of your culture.

### Five key CSR factors are:

**1) Company Culture:** Implement a code of ethics and core values that include social and environmental stewardship.

**2) Health and Safety:** Clearly outline the standards for health and safety in the workplace and, where applicable, explain how the company reduces risk of accidents that have negative environmental impacts.

**3) Environmental:** Be aware and proactive about the impact your company has on the environment. Create goals that improve resource management and reduce your carbon imprint.

**4) Social:** Make diversity and fair treatment of employees a central value and implement programs that increase employee, customer and supplier diversity. Understand and improve the relationship your company has with local communities and find sustainable ways to give back.

**5) Educate and Listen:** CSR isn't just at the top — ask employees, suppliers and customers for input about how your company can shore up CSR ideals or improve policies. Educate employees about how they can be part of the solution and encourage them to recommend diverse suppliers and potential hires. Educate employees and the public about environmental and social risks for your industry.

### How to Incorporate ESG

Implementing ESG is a more involved process than implementing CSR because it requires measurable goals, data collection, and reporting.

### 7 steps to develop and implement an ESG strategy

**1) Conduct a Materiality assessments:** These are methodical, informed reviews to determine the priority and current industry landscape around ESG topics.

### What is Materiality Assessment ?

• Materiality Assessments are formal exercises aimed at engaging stakeholders to find out how important specific environmental, social and governance (ESG) issues are to them.

The insights gained can then be used to guide strategy and communication, and help you tell a more meaningful sustainability story.

• If you are considering conducting a materiality assessment, the following 7 basic steps should be a part of your initiative:

- i) Identify Internal and External Stakeholders
- ii) Conduct Initial Stakeholder Outreach
- iii) Identify and Prioritize What You Want to Measure
- iv) Design Your Materiality Survey
- v) Launch Your Survey and Start Collecting Insights
- vi) Analyze the Insights
- vii) Put Insights into Action

### 2) Assess Current State (Baseline):

Gather data within the company based on the priorities from your materiality assessment. Discuss specifics and collect insights from key stakeholders.

### 3) Set Objectives and Goals:

**Determine** what you are currently doing well and how to maintain and communicate about it.

**Improve:** Set strategic goals to improve areas that are currently underperforming.

**Optimize:** Determine where your company can excel and move towards industry leadership in ESG. Implement incremental, measurable goals and reporting strategies.

**4) Analyze Gaps to Achieving Future State:** Conduct a gap analysis to identify roadblocks and optimize your strategies.

### 5) Develop a Strategic ESG Roadmap and Framework:

This is where ESG is really set apart from CSR. The framework should include measurable, progressive goals. The roadmap guides efforts and communicates a clear picture of your goals to stakeholders and investors.

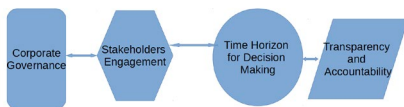
### 6) Set Action Plans and Measure Key Performance Indicators:

Incorporate ESG goals into the culture, policies, and procedures of your organization.

Set a regular cadence of communication to review, revise and update along the way. Determine how performance data will be collected and analyzed and define key performance indicators.

**7) Report Progress:** Reporting can be internal, external, or a mixture of both. Decide how and when reporting will take place and keep a consistent schedule. Explain

### Pillars of a Responsible Company



### Understanding the Tripple Bottomline

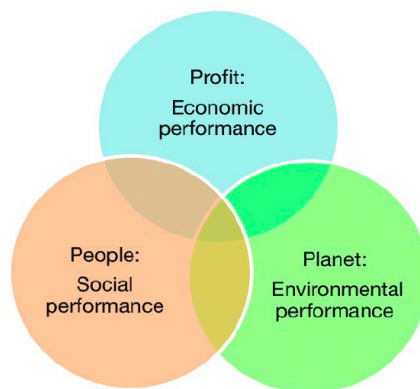
Sustainability has been an often mentioned goal of businesses, nonprofits and governments in the past decade, yet measuring the degree to which an organization is being sustainable or pursuing sustainable growth can be difficult.

This accounting framework, called the triple bottom line (TBL), went beyond the traditional measures of profits, return on investment, and shareholders value to include environmental and social dimensions.

By focusing on comprehensive investment results—that is, with respect to performance along the interrelated di-

mensions of profits, people and the planet—triple bottom line reporting can be an important tool to support sustainability goals.

The TBL dimensions are also commonly called the three Ps: people, planet and profits. We will refer to these as the 3Ps.



The 3Ps do not have a common unit of measurement. Profits are measured in currency (dollars). What is social capital measured in? What about environmental or ecological health? Finding a common unit of measurement is one challenge.

Some advocate **monetizing** all the dimensions of the TBL, including social welfare or environmental damage.

While that would have the benefit of having a common unit—dollars—many object to putting a dollar value on **endangered species** on strictly philosophical grounds.

Others question the method of finding the **right price** for lost endangered species.

Another solution would be to calculate the TBL in terms of an **index**. In this way, one eliminates the incompatible units issue and, as long as there is a universally accepted accounting method, allows for comparisons between entities, e.g., comparing performance between companies, cities, development projects or some other benchmark.

There remains some subjectivity even when using an index however. For example, how are the **index components weighted**? Would each “P” get equal weighting? What about the sub-components within each “P”? Do they each get equal weighting? Is the people category more important than the planet? Who decides?

Another option would do away with measuring sustainability using dollars or using an index.

If the users of the TBL had the stomach for it, each sustainability measure would stand alone. “Acres of wetlands” would be a measure, for example, and progress would be gauged based on wetland creation, destruction or status quo over time. The downside to this approach is the proliferation of metrics that may be pertinent to measuring sustainability. The TBL user may get metric fatigue.

There is no universal standard method for calculating the TBL.

Neither is there a universally accepted standard for the measures that comprise each of the three TBL categories.

This can be viewed as a strength because it allows a user to adapt the general framework to the needs of different entities (businesses or nonprofits), different projects or policies (infrastructure investment or educational programs), or different geographic boundaries (a city, region or country).

### Traditional Sustainability Measures

Many of the traditional sustainability measures, vetted through academic discourse, are presented below.

#### Economic Measures

Economic variables ought to be variables that deal with the bottom line and the flow of money. It could look at income or expenditures, taxes, business climate factors, employment, and business diversity factors. Specific examples include:

- Personal income



- Cost of underemployment
- Establishment sizes
- Job growth
- Employment distribution by sector
- Percentage of firms in each sector
- Revenue by sector contributing to gross domestic product

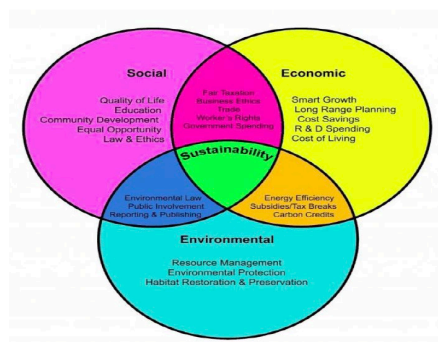
### Environmental Measures

- Environmental variables should represent measurements of natural resources and reflect potential influences to its viability.
- It could incorporate air and water quality, energy consumption, natural resources, solid and toxic waste, and land use/land cover. Ideally, having long-range trends available for each of the environmental variables would help organizations identify the impacts a project or policy would have on the area.

### Specific examples include:

- Sulfur dioxide concentration
- Concentration of nitrogen oxides
- Selected priority pollutants
- Excessive nutrients
- Electricity consumption
- Fossil fuel consumption
- Solid waste management
- Hazardous waste management
- Change in land use/land cover

### Traditional Sustainability Measures



### Social Measures

- Social variables refer to social dimensions of a community or region

and could include measurements of education, equity and access to social resources, health and well-being, quality of life, and social capital.

The examples listed below are a small snippet of potential variables:

- Unemployment rate
- Female labor force participation rate
- Median household income
- Relative poverty
- Percentage of population with a post-secondary degree or certificate
- Average commute time
- Violent crimes per capita
- Health-adjusted life expectancy

### Road Infrastructure Tax Credit Scheme

The Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme (the Scheme) is a form of tax incentive granted to Nigerian companies (other than a corporation sole) that engage in the construction and refurbishment of roads designated by the Federal Government of Nigeria as "eligible." The Scheme came into effect on Jan. 25, 2019, when Nigerian President Muhammadu Buhari signed Presidential Executive Order No. 007.

The Scheme is for a period of 10 years, starting from the commencement date of the Executive Order (i.e., 2019).

The main objectives of the Scheme are to incentivize and promote private sector funding for the

- construction or repair of eligible road infrastructure projects in Nigeria,
- increase the focus on the development of eligible road infrastructure projects in a manner that will generate value for money through the private sector, and
- guarantee participants timely and

full recovery of funds provided for the construction or repair of eligible road infrastructure projects in the manner prescribed in the Executive Order,

Applicants (i.e., companies) intending to participate in the scheme are required to register and be certified by the Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme Management Committee (the Committee).

The recommendation of the applicant's eligibility to participate is determined by the Committee, where it confirms that the applicant's proposed project is :

1. economically viable,
2. cost-efficient and
3. can be completed in a timely manner (within 12 to 48 months)

In addition, participants are also entitled to a single uplift equal to the prevailing Central Bank of Nigeria monetary policy rate plus 2% of the project cost.

- The uplift will not constitute taxable income in the hands of the participant or beneficiary; however, companies can utilize the uplift as a tax credit against CIT payable.
- The utilization of the RITC is contingent on the receipt of the road infrastructure tax credit certificate from the Federal Inland Revenue Service.

• In this regard, the amount of the RITC that may be utilized in any year of assessment is limited to 50% of the CIT payable by the participant or beneficiary.

- However, RITC issued on account of eligible roads in economically disadvantaged areas can be fully utilized in an assessment year without any form of restriction.

### Harnessing the Benefits Provided by the Scheme by Nigerian Companies

Ordinarily, donations made by companies to certified organizations in Nigeria in accordance with the relevant provi-

sions of the Companies Income Tax Act are allowed for tax purposes to the extent that it conforms with the relevant provisions.

However, where a company makes donations to organizations that are not approved by the Companies Income Tax Act, the donations are often disallowed for tax purposes.

- Considering the tax incentive provided by the Scheme, a Nigerian company can mitigate the impact of the disallowable donations by registering with the Committee in order to be eligible to carry out

road development and refurbishment projects on designated roads in Nigeria.

- In this regard, the company, upon presentation of the RITC certificate, would be allowed to claim both the project cost and the uplift as a tax credit against CIT payable.

- For example, as at today the Nigeria Liquefied Natural Gas project is building the Bodo-Bonny bridge and road. "This is a huge project that is costing almost N200 billion and it is building it on that tax credit basis.

- Also, Dangote built the Obajana-Kabba Road in Kogi State on that basis, and is currently doing the Apapa-Oworoshonki Road in Lagos also on this tax credit basis.

***Dr. Deji Awobodu FCA is a Member, ICAN Governing Council***

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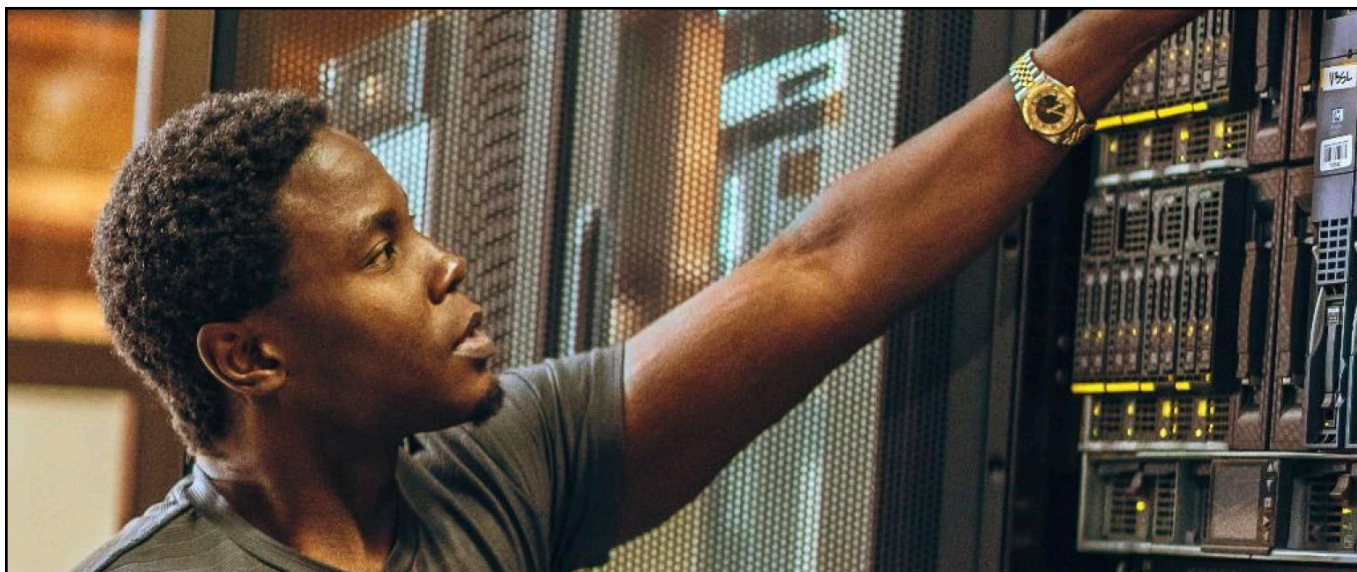
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# Nigeria Startup Act: Positioning the country for the fourth revolution

By Taiwo Oyedele, Esiri Agbeyi, Babatunde Olaniyi, Alfred Ofulue, Daniel Okon



## Introduction

In 2019, President Muhammadu Buhari launched the National Digital Economy Policy and Strategy (NDEPS), tagged "For a Digital Nigeria". NDEPS is anchored on eight (8) pillars, i.e. Developmental Regulation, Digital Literacy and Skills, Solid Infrastructure, Service Infrastructure, Digital Services Development and Promotion, Soft Infrastructure, Digital Society and Emerging Technology and Indigenous Content Development and Adoption. These pillars are to create an enabling environment for entrepreneurship, economic productivity, create employment and promote inclusive growth.

According to McKinsey, the African Digital Economy is expected to grow to about \$300bn by 2025. Although Nigeria currently has the highest number of Unicorns in Africa (start ups valued at \$1bn or more), and dominates the share of capital influx into the tech space on the African continent, the ratio of Unicorns to the population lags far

behind most regions.

This presents a significant opportunity for further growth to bridge the digital divide. The World Economic Forum predicts that digital platforms will create close to 70% of new value over the next decade.

On 19 October 2022, the Nigeria Start up Bill was signed into law and took effect immediately. We have provided the highlights of the new law as follows;

## Key Provisions of the Act

### • Governance and Administration

The Act provides for a governance structure that involves a multi-membered council at a policy and operational level. Administration will be provided through an engagement portal to be managed by the council. Collaboration and sharing of information will be facilitated through a startup consultative forum that includes industry representatives.

### • National Council for Digital

## Innovation and Entrepreneurship

The Act establishes the National Council for Digital Innovation and Entrepreneurship (the Council) as a body corporate with attendant powers. The Council's membership comprises the President as its Chairman, the Vice-President as the Vice-chairman, the Minister of Communications & Digital Economy who will preside over the Council in the absence of the President and the Vice-President, the Director-General of the National Information Technology Development Agency (NITDA) as its Secretary, Ministers with specific portfolios, the Governor of the Central Bank of Nigeria, four (4) representatives of the Startup Consultative Forum, Nigeria Computer Society and Computer Professionals (Registration Council of Nigeria).

The functions of the Council include formulating and providing general policy guidelines for the realisation of the objectives of the Act, ensuring the monitoring and evaluation of the regulatory framework to encourage the development of startups in Nigeria among others.



The Council is also empowered to review policies and directives of Ministries, Departments and Agencies (MDAs) which may affect the operation, establishment and investment in a startup.

### Secretariat of the Council

The National Information Technology Development Agency (NITDA) will be the Secretariat of the Council (the Secretariat) headed by the Director General of the NITDA. The Secretariat will carry out the following functions amongst others:

1. Manage the process of labelling a startup;
2. Maintain platforms to provide access to information in relation to the startup ecosystem;
3. Enter into partnerships with local and international business incubators, accelerators and digital innovation hubs to promote the startup in Nigeria;
4. Maintain a directory of startups, incubators and accelerators;
5. Support research and development activities relating to digital technology innovation and its commercialisation; and Advise the Council on issues affecting Startups and digital technology innovation entrepreneurship in Nigeria and matters connected with implementation of the Act.

The Secretariat is also to ensure that the National Digital Innovation, Entrepreneurship and Startup Policy (NDIESP) of the Secretariat is implemented for the development of the startup ecosystem.



### Startup Engagement Portal

The Secretariat will establish, upon approval from the Council, the Startup Support and Engagement Portal (the Portal) as the primary platform through which a startup will conduct registration and other processes with government and other relevant stakeholders. These processes can vary from the issuance of permits or licences, provision of tools, resources and information to the receipt of complaints and recommendations. The Secretariat will appoint a Coordinator, subject to the approval of the Council, to manage the Portal.

### Startup Consultative Forum

A Startup consultative forum (the Forum) is to be set up upon approval of the Council. The Forum will comprise of industry stakeholders and representatives of entities registered on the Portal including labelled startups, investors, civil society organisations etc. The Forum will provide a platform for information sharing and collaboration in the Nigerian startup ecosystem.

A company must be labelled as a Startup to qualify for the benefits under the Act. A Startup label is a certificate issued by the Secretariat to a Startup upon fulfilment of the labelling requirements. A Startup is eligible for labelling under the Act where it is:

1. A Nigerian limited liability company and has been in existence for less than ten (10) years;
2. The objects of the company are innovation, development, production, improvement and commercialisation of a digital technology innovative product or process;
3. The company is a holder or repository of a product or process of digital technology, or the owner or author of a registered software;
4. Nigerian shareholder(s) hold at least one-third of the shareholding of the startup at incorporation;

5. Must submit an application on the portal in the prescribed form supported by documents prescribed by the Secretariat and have its name entered in the Startup Register kept for that purpose.

A sole proprietorship or partnership that meets all the above requirements except being a limited liability company incorporated under the Companies and Allied Matters Act can apply.

### A labelled Startup has the following obligations under the Act:

- Ensure compliance with all laws governing business in Nigeria;
- Provide annually, information on the number of human resources, total assets and the annual turnover achieved from its approval date;
- Maintain proper accounting records in accordance with International Financial Reporting Standards;
- Provide a report on the utilisation of incentives annually;
- Inform the Coordinator of the Portal of any change in structure, composition, objects within one month of such change; and
- Comply with the obligations issued by the Coordinator of the Portal.

Where a Startup fails to meet its eligibility criteria or does not meet its compliance obligations as stated above, its Startup label can be withdrawn after a 30 day notice which avails the company time to rectify its non eligibility or non compliance status. Where the Startup label is withdrawn after the 30 day period, there is scope for the company to apply for a re issuance of its Startup label.



### Startup Investment Seed Fund and other funding support

The Secretariat will set up a Startup Investment Seed Fund (the Fund) of not less than N10 Billion from sources to be approved by the Council. The Nigerian Sovereign Investment Authority will manage the Fund.

The Fund will provide labelled startups with early stage finance on the recommendation of the Fund manager and provide relief to technology laboratories, incubators and hubs. The Secretariat will also establish a Credit Guarantee Scheme and ensure that labelled startups have access to grants and loan facilities administered by the CBN, the Bank of Industry or other bodies statutorily empowered to assist small and medium scale enterprises.

### Tax and other incentives

Labelled Startups and their investors are entitled to the following tax incentives:

#### Registered Startups

- **Pioneer Status Incentive:** A labelled startup is eligible to enjoy an income tax holiday for up to five (5) years and incentives in line with the Pioneer Status Incentive under the Industrial Development (Income Tax Relief) Act. The Pioneer Status Incentive covers software development and publishing and E-commerce businesses. The income tax relief period commences from the date of the issuance of the startup label and may be granted expeditiously upon application to the Nigerian Investment Promotion Commission;
- **Research and Development Relief:** A labelled startup will enjoy full tax deduction of research and development expenses wholly incurred in Nigeria;
- **Industrial Training Fund exemption:** A labelled startup will be exempted from contributions to the Industrial Training Fund where it provides in-house training to its employees during the period of the registration;
- **Export Incentives:** A labelled startup involved in the exportation of products

and services will be entitled to export incentives and financial assistance from the Export Development Fund, Export Expansion Grant and Export Adjustment Scheme Fund;

- **Access to Grants & Loan Facilities:** A labelled startup will have access through the Secretariat to grants and loan facilities administered by the Central Bank of Nigeria, Bank of Industry or other statutory bodies empowered to assist small and medium scale enterprises and entrepreneurs;

- **Access to a Dedicated Credit Guarantee Scheme:** A labelled startup will have access to a dedicated Credit Guarantee Scheme to be established by the Secretariat for the development and growth of labelled startups;

- **Extended Tax Free Zone exemptions:** A startup licensed to operate in the Technology Development Zone will enjoy tax benefits contained in the Nigeria Export Processing Zone Act. Such incentives include exemption from all taxes.

#### Investors

- **Representation on the Startup Consultative Forum:** Investors are to be represented on the Startup Consultative Forum which will allow for contributions to deliberations on matters to be considered by the Council including policy proposals that will be relevant to the Nigerian startup ecosystem;
- **Development of a National Policy for Incentives:** The Federal Government through the Federal Ministry of Finance and other MDAs are to develop and implement a national policy for incentives for individuals, impact investors, angel investors, companies, venture capitalist, private equity funds, accelerators or incubators that invest in a labelled startup or in the startup ecosystem to enjoy tax credits on their investments.
- **Investment Tax Credit:** Investors in a labelled startup or in the startup ecosystem will enjoy tax credits on their investment. Such investment tax credits will be 30% of the investment which shall be applied on any gains on investment which are subject to tax.

- **Capital Gains Tax exemptions:** Investors will enjoy capital gains tax exemption from sale of assets in relation to a labelled startup. This exemption is subject to a holding period of 24 months prior to such disposal. However, where the asset is disposed of within 24 months, the capital gains tax payable (where applicable) will be reduced by the investment tax credit.

- **Repatriation of Investment:** Collaboration of the Secretariat and the CBN to guarantee repatriation of investment proceeds which is supported by a Certificate of Capital Importation.

- **Access to Incentives:** Registered incubators and accelerators will be entitled to incentives in accordance with relevant regulations to be issued by the Secretariat. Such as access to grants (including grants under the Nigeria Digital Innovation, Entrepreneurship and Startup policy) and aids for research, development, training and expansion.

### Talent development and capacity building

A key objective of the Act is to provide for the development and growth of technology-related talents. This objective will be achieved through collaboration with stakeholders in the public and private sectors. Such stakeholders will include National Universities Commission, National Board for Technical Education and other tertiary institutions regulatory bodies in Nigeria.

The Secretariat will support research institutions, develop centres for digital technology in the six (6) geopolitical zones and maintain a national database of research and innovation whilst the private sector will establish digital technology innovation parks and hubs in universities, polytechnics and other institutions of higher learning.

### Ease of doing business

The legislative framework focuses on the ease of doing business for the labelled Startups in the following ways:

- **Harmonisation of Regulations:** Set up of a Council that is focused on harmonisa-

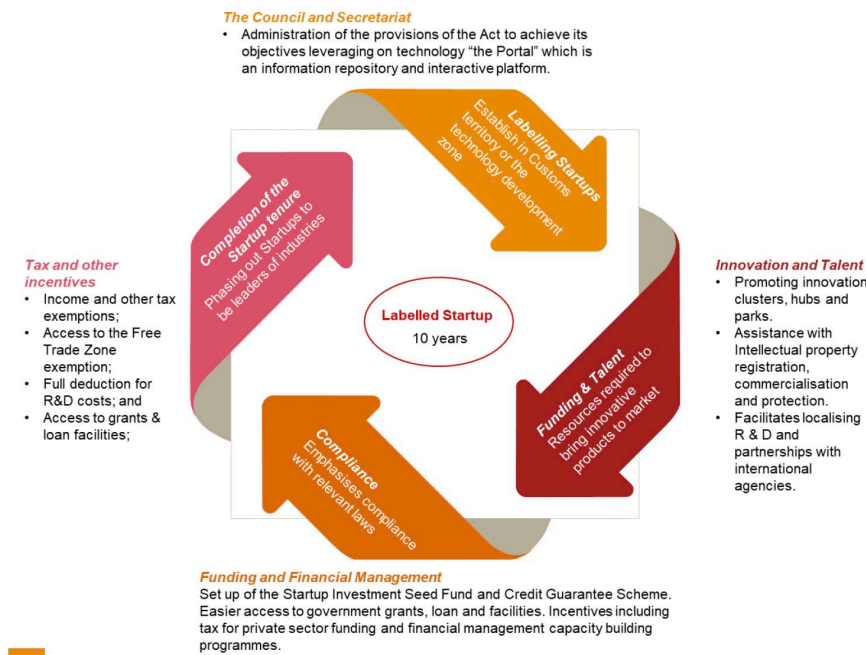
tion of laws and regulations that affect a Startup;

- Collaboration among MDAs: The Secretariat will collaborate with relevant Ministries, Departments and Agencies to promote innovation in digital technology and enterprise development;
- Commercialisation of Intellectual Property: The Secretariat will ensure the holders of intellectual property rights are encouraged to exploit and commercialise these rights with a global perspective;
- Smooth facilitation of Registrations: The Secretariat will collaborate with the National Office for Technology Acquisition and Promotion to ensure ease of

technology transfer registrations and discounted registration fees;

- Quick Processing Time: The Secretariat will collaborate with the Corporate Affairs Commission to leverage on the Portal to ease the processes for labelled Startups that conduct transactions at the Commission;
- Ease of registration for fin-techs: Collaboration with SEC and the CBN to ease the registration of financial technology companies and fast-track the process to participate in the CBN's regulatory sandbox, SEC's regulatory incubation programmes or any other regulatory sandbox programmes set up by the regulator;

- Access to finance via listing on the Exchange: The Council will encourage and assist labelled Startups to list on the relevant boards of the Nigerian Exchange Limited (NGX) or on similar stock and commodity exchanges operating in Nigeria; and
- Technology Development Zone: The Secretariat will collaborate with the Nigeria Export Processing Zone Authority (NEPZA) to set up the Technology Development Zones and licence Startups, accelerators and incubators to operate in the Zones.



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**We expect that the inclusive nature of the council would facilitate a more cohesive implementation of the Act and improve the ease of doing business for qualifying startups. The council as contemplated in the Act however excludes the tax authorities. There should be involvement of the tax authorities perhaps through the Joint Tax Board to ensure a seamless implementation of the tax incentives.**

### Insights

In order to fully achieve the objectives of the Act, the following areas will need to be addressed;

- **Commencement date of the tax relief period :** Based on the Act, the income tax relief period will commence from the date of issuance of the Startup Label. In practice, such companies are not usually profitable in the early years;

- **Alignment of startups in the customs territory and technology development zone (TDZ):** According to the Act, labelled startups must be incorporated under the CAMA. The application of the above will bring ambiguity in the access to incentives by licensed entities, investors, incubators and accelerators operating in the TDZ. As an example, the withholding tax (WHT) to be applied by a labelled startup on payments for tech-

nical services by a non resident supplier is 5% under the Act. However, a startup (not labelled under the Act) licensed to operate in the TDZ will have to deduct WHT at 10% under the Companies Income Tax Act. This difference in interpretation also applies to the CGT exemption upon divestment in a labelled startup which does not apply upon divestment of equity held in a startup licensed in the TDZ. This will result in unintended consequences and should be considered for a legislative amendment.

**Tax filing practicalities:** The collaboration with the FIRS will be required to ensure that the investment tax credit is confirmed and uploaded to the tax compliance platform i.e. TaxProMax where applicable. The scope of the investment tax credit should also be expanded to include investors in the TDZ and investors that provide non equity funding through crowdfunding platforms.

- **Robustness of holding and finance structures:** Founders who have sourced funds from US investors will need to review their corporate holding structures to ensure that their vehicles can be labelled startups and access benefits in the Act. There is also a need to future proof corporate structures in other locations and Nigeria to confirm which offers more effective exit strategies.

- **Investment Seed Fund:** We expect that the source of finance for the Startup Investment Seed Fund should be through budgetary allocation or special government bond issuance but not another earmark tax as is the case with the existing NITDA or NASENI levies given the already high tax burden on businesses.

### Takeaway

The government engaged stakeholders widely in drafting the legislation showing a positive and collaborative approach to policy design. This is also evident in the governance structure which is required

to stay abreast of the needs of the Startup ecosystem and provide necessary support accordingly. A core objective of the Act is to position Nigeria's startup ecosystem as the leading digital technology centre in Africa with world class innovators, cutting edge skills and exportable capacity. Israel has done this, driven by global based technology solutions. With a population of 9 million people, Israel has thousands of startups and it is the country with the 3rd most listed companies on the Nasdaq (a United States stock exchange market).

The Federal Government also provides the framework where such initiatives that border on digital technology can be accelerated leveraging tertiary education institutions, research organisations and technical partners (locally and internationally). This is expected to help address the talent development gap existing today in the industry. For instance, NITDA recently announced that it will train 30,000 Nigerians on blockchain technology which aligns with the National Digital Economy Policy and Strategy. Effective implementation of the Act is essential to achieving its objectives and facilitating innovative solutions to global problems, delivered by budding Nigerian startups and techpreneurs. It becomes even more important that the various processes outlined in the Act to aid the growth of labelled Startups do not become unnecessarily bureaucratic as to impede the successful implementation of the Act.

**Culled from: PwC**

## ICAN and ICAEW sign Memorandum of Understanding and Pathway Agreement



The Institute of Chartered Accountants of Nigeria (ICAN) and the Institute of Chartered Accountants in England and Wales (ICAEW) on Friday, December 2nd, signed a memorandum of Understanding and a Pathway Agreement in United Kingdom (UK).

The MOU and Agreement will among other things explore opportunities to work together on matters of mutual inter-

est, share views on the accountancy profession both nationally and internationally with special emphasis on international standards and best practice as well as Consideration of the professional qualifications of both ICAEW and ICAN, including further recognition routes that may be available for members of one Institute towards membership of the other.

The 58th President, Mallam Tijjani Musa

Isa and the Registrar/ CEO, Prof. Ahmed M. Kumshe FCA signed on behalf of ICAN, while the ICAEW President, Julia Penny and Doug Withington, Senior Business Development Manager, signed on behalf of ICAEW.



*ICAN and ICAEW team after signing the agreement*

## Accountants are the Conscience of the Society



*President, Council members and Members of staff at the International Accounting day event, in November*

**T**he President of the Institute, Mallam Tijjani Musa Isa has described Accountants all over the world as the conscience of society.

He stated this in his speech at the 2022 International Accounting Day celebration held in Lagos on Thursday, November 10, 2022 adding that the unique responsibility has led Accountants into leading in entrenching responsible governance in the public and private sectors.

“We champion effective public financial management system as well as best practice in corporate governance, provide indispensable advisory functions to economic players and invaluable information to guide investors. Indeed, our expertise is central to the achievement of a prosperous and safe planet.”

“As we mark this special day, we recognize that economies across the world are facing one of the most trying times in history. The challenges are heightened with developments such as the Russia-Ukraine war, climate change, increasing consumer prices, contractions in Gross Domestic Products, trade wars, political tensions, among others”, he declared.

He disclosed that in Nigeria, several socio-economic imbalances are biting hard on citizens disclosing that inflation at the end of the third quarter of 2022 was 20.77 percent, the highest in seventeen years.

Speaking further, Mallam Isa stated that the inflation continues despite the declining purchasing power of citizens. He suggested that to successfully address the problems of inflation, Nigeria must adopt both short and long-term solutions.

He acknowledged the Central Bank of Nigeria's objectives in its recent initiative to redesign the Naira so as to discourage hoarding of bank notes by members of the public, and to address the worsening shortage of clean banknotes and reduce the increasing risk and ease of counterfeiting.

He called on the CBN to consider the views of the various stakeholders and ensure that critical issues (such as the cost of designing and printing the new currency notes, the timing of the policy, the policy's likely impact on inflation and exchange rates) are satisfactorily addressed.

On the issue of brain drain, the ICAN President claimed that he had noted on different fora, that the problem of



brain drain in Nigeria is worrisome. He maintained that though the phenomenon is not peculiar to our country, we must however take deliberate step as a nation to stem the tide.

He added that unfortunately, the quality of ICAN's certification has made the Institute's members more desirable for jobs outside Nigeria. He said the weak socio-economic environment of Nigeria has not made it easier to persuade the local talent to stay.

He called on the managers of the nation's economy to create an enabling business and regulatory environment that would elicit professionals' interests in staying back to build a better Nigeria.

## ICAN Signs MOU with the Indian Institute at the World Congress in Mumbai



**ICAN president, Mllam Tijjani Musa Isa and his team with the President of Institute of Chartered Accountants of India**

The Institute of Chartered Accountants of Nigeria (ICAN) and the Institute of Chartered Accountants in India (ICAI) have signed a Memorandum of Understanding (MOU) on mutual cooperation.

The MOU between ICAN and ICAI was signed by both the ICAN President, Mallam Tijjani Musa Isa, and the ICAI President, (Dr.) Debashis Mitra, at a ceremony which took place at Jio World Convention Centre, venue of the 21st World Congress of Accountants, on Monday, November 21.

The MOU is essentially to establish mutual cooperation in the areas of member management, professional ethics, technical research, continuing professional development, professional accountancy training, audit quality monitoring, advancement of accounting knowledge, professional and intellectual development.

ICAI President Dr. Debashis Mitra pledged the commitment of his Institute to the success of the MOU. According to him, "We will go the extra mile to ensure the partnership flowers".

The ICAN President was optimistic that MOU would be mutually gratifying to both Institutes and all stakeholders. He said: "The MOU is a beginning of beginnings and will cement the long standing cordial relationship between ICAI and ICAN".

The ceremony was witnessed by members of the ICAN Council, Past Presidents and other members of both ICAN and ICAI present at the World Congress of Accountants.

## Three Students Sanctioned for Examination Malpractices

In line with its discipline and zero tolerance for examination malpractices, the Institute has blacklisted three students caught cheating during the September 2022 diet of ATSWA examination.

The first student, ATS/20222/200037/A (AT/126347) was caught with GSM phone during Public Sector Accounting paper he was writing. After a thorough investigation, the Council of the Institute approved that the student be barred from continuing the particular paper; issued a written warning; cancellation of result relating to the particular paper and barred the student from the Institute's examinations for one year.

The second candidate, ATS/20222/102870/A (AT 133855) was caught with materials relating to the examinations during Basic Accounting paper. The Council approved that the candidate should be barred from all the Institute's examinations for five years. All the papers written by the candidate in that particular examination were also cancelled.

The third candidate, ATS/20222/201325/A (AT/130725) was caught with materials relating to the examination during Quantitative Analysis paper. The Council approved that she should be barred from all the Institute's examinations for five years and have all the papers written by her for the particular examination cancelled.



**ICAN Delegates at the World Congress of Accountants held in Mumbai, India**

## IFAC Names Asmaa Resmouki as President of IFAC



***IFAC President, Asmaa Resmouki***

The International Federation of Accountants (IFAC), the voice of the global accountancy profession, has announced the election of Asmaa Resmouki as its President. Mrs. Resmouki is the first IFAC President from the Africa-Middle East region and the third female President. She will serve a two-year term through November 2024, serving previously as IFAC Deputy President since November 2020.

"I am honored to have been elected IFAC's next president, and proud to be the organization's first president from the Africa – Middle East Region. This is a clear example of IFAC leading by example in the area of diversity," said Mrs. Resmouki.

"I look forward to continuing to work with IFAC's Board and management to deliver on our public interest mandate, and to progress our positive impacts on a strong and sustainable accountancy profession, strong and sustainable private and public sector organizations, and strong and sustainable financial markets and economies."

Mrs. Resmouki joined the IFAC Board in November 2017, originally nominated by the Ordre Des Experts Comptables—Morocco. She served as the Governance Committee Chair in 2020, before taking the role of the Planning and Finance Committee (PFC) Chair in 2021 and 2022. In addition to her work with IFAC, she was the first female President of the Pan African Federation of Accountants (PAFA), after serving on the PAFA Board for six years.

Mrs. Resmouki has over 30 years of experience in the profession, including as a Big-4 Audit partner at EY and Deloitte. In 2020, she started her consultancy practice where she has been assisting different organizations in projects relating to the profession and to advisory services.

### ***Jean Bouquot Named Deputy President***

IFAC also announced the election of Jean Bouquot as Deputy President. Mr. Bouquot joined the IFAC Board in November 2020, nominated by Compagnie Nationale des Commissaires aux Comptes (CNCC) and Conseil National de l'Ordre des Experts-Comptables. Mr. Bouquot served as president of the CNCC from 2017 to 2020 and was also a President and Deputy President of the Compagnie des Commissaires aux Comptes (CRCC) de Versailles from 2015 to 2017. He currently serves as a Board member of the Fédération Internationale des Experts Comptables et Commissaires aux Comptes Francophones (FIDEF).



**Reappointments:**

Mrs. Fiona Wilkinson (CCAB (ICAEW), UK)  
Mr. Yeong Kyun Ahn (KICPA, Korea, Republic of)  
Ms. Joan Curry (CAI, Ireland)  
Ms. Caroline Gardner (CIPFA, UK)  
Dr. Winnie Nyamute (ICPAK, Kenya)  
Mr. Ismaila Zakari (ICAN, Nigeria)  
New IFAC Member Organizations Admitted

In addition to the election of new Board members, the IFAC Council also approved a new member and new associate member organizations.

**New IFAC Member:**

Ordre National des Experts-Comptables et des Comptables Agréés du Burkina Faso  
New Associates:

Association of Professional Financial Managers (Azerbaijan)  
Ordre National des Experts Comptables et des Comptables Agréés du Mali  
Qatari Association of Certified Public Accountants  
Auditors' Chamber of Ukraine

The new appointments and membership decisions were approved at IFAC's 2022 Council meeting, held on November 15.



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## Olivia Kirtley, Edward Olowo-Okere Recognized with IFAC Global Leadership Award



**Olivia Kirtley**



**Edward Olowo-Okere**

The International Federation of Accountants (IFAC) has selected Mrs. Olivia Kirtley of the United States and Mr. Edward Olowo-Okere of Nigeria as the 2022 recipients of the IFAC Global Leadership Award, recognizing their contributions to the advancement of the global accountancy profession and capital markets.

### ***Mrs. Olivia Kirtley***

Mrs. Kirtley is an internationally known expert in accounting, risk management, and governance. She served as the first female Chair of the American Institute of CPAs (AICPA) and later became Chair of the AICPA Board of Examiners administering the U.S. CPA Exam.

While serving as the first female Deputy President and later President of IFAC, Mrs. Kirtley worked on important reforms to IFAC's constitution and support for Professional Accountants in Industry. As President, she focused on promoting diversity within the profession, capacity building, strong governance structures and public sector financial management.

Since leaving IFAC, Mrs. Kirtley has continued breaking the glass ceiling for women with ongoing service on corporate boards, including current service as Director of Papa John's International, Inc., a publicly traded company listed on the NASDAQ; Lead Independent Director of U.S. Bancorp, the parent company of US Bank, a NYSE and Fortune 500 company; and Director and Audit Committee Chair of Bexion Pharmaceuticals.

Mrs. Kirtley is a member of the Accounting Hall of Fame and an AICPA Gold Medal winner, which is the highest honor granted by the AICPA. In addition, in 2020, she was named the first recipient of the American Woman's Society of CPAs (AWSCPA) Lifetime Achievement Award, which recognizes women who have demonstrated leadership and a strong record of accomplishment in furthering the advancement of women in the accounting profession.

"It is a privilege to present this award to Olivia, IFAC's first female president," said President Alan Johnson. "Through her leadership of the AICPA and IFAC, and work on many corporate boards, Olivia has used her

expertise in accounting, risk management, and governance to lead the development of the profession across the world, including as a role model for aspiring female accountants, and has continually enhanced the reputation and trust of our profession. Her international reach and steadfast commitment to the public interest have been of immeasurable service to the profession.”

**Mr. Edward Olowo-Okere**

Mr. Olowo-Okere has over three decades of experience working on development issues around the world. He is Senior Adviser in the Equitable Growth, Finance, and Institutions (EFI) Vice Presidency at the World Bank.

Previously, Mr. Olowo-Okere was the Global Director for the Governance Global Practice where he led the Practice to support client countries in building accountable, transparent, and inclusive institutions to facilitate private-sector growth and build trust in governments. He joined the World Bank in 1998 and has held various positions in operations, including Director of Governance overseeing Africa, MENA and ECA regions, and Director of the Core Operational Services Department in the Africa region. Before joining the Bank, he worked in Nigeria, Britain, and New Zealand.

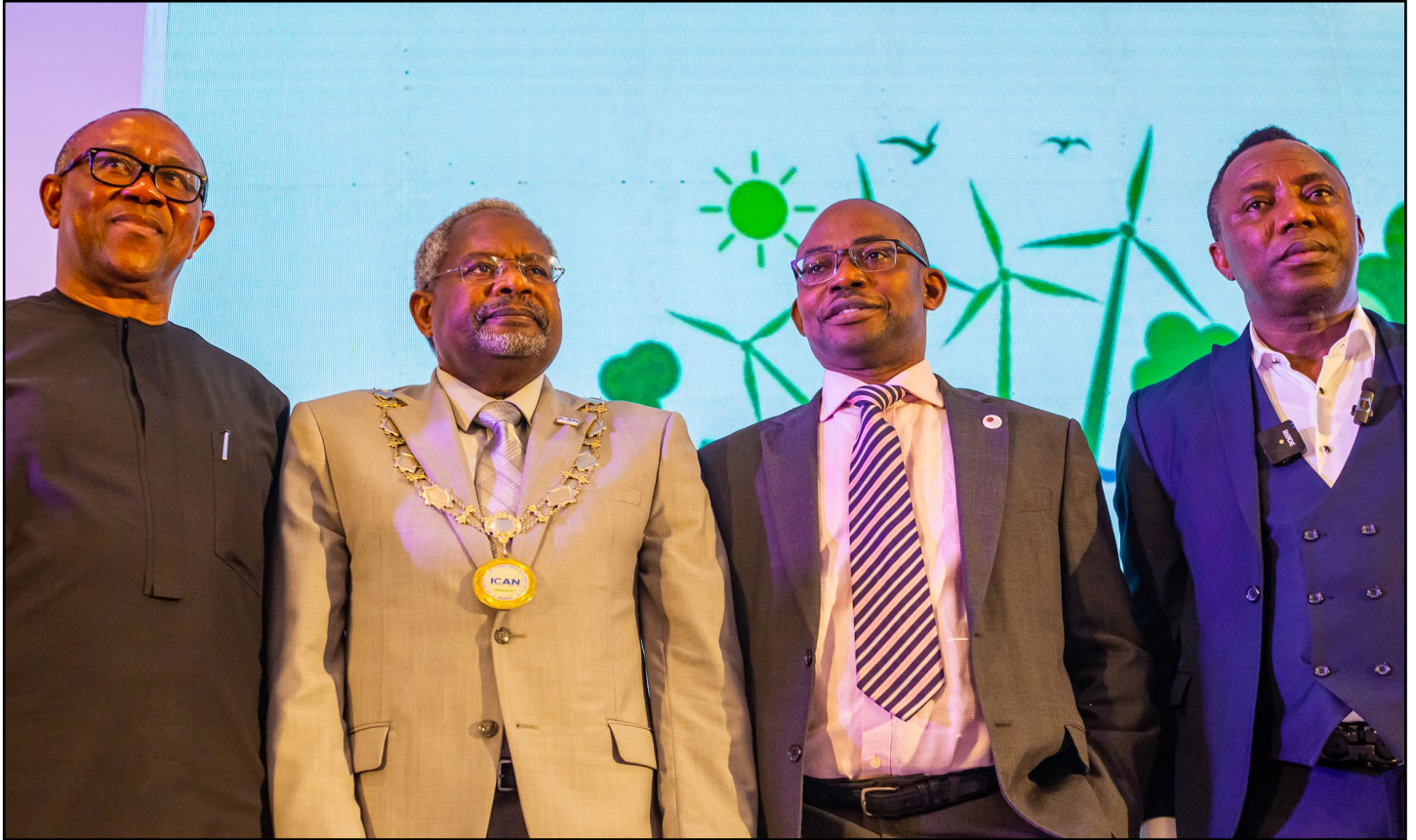
Mr. Olowo-Okere was instrumental in establishing Pan African Federation of Accountants, playing a crucial role in facilitating engagements amongst the key stakeholders that culminated in the organization’s launch in Senegal in May 2011. Specifically, he facilitated several conversations, provided guidance on drafting the PAFA constitution, and presided over the launch event. Over the years, Ed has actively supported PAFA, especially by speaking at various forums, providing advisory input to the Board and leadership, and, more recently, serving as a 10-year PAFA advisory committee member. PAFA currently has a membership of 56 Professional Accountancy Organizations from 45 countries. Amongst other contributions, Ed served on the IFAC’s Developing Nations Committee (DNC) and a Group that transformed DNC to Professional Accountancy Organization Development Committee (PAODC).

In 2021, Mr. Olowo-Okere was recognized by the World Economic Forum Global Future Council on Agile Governance as one of the world’s 50 most influential people driving agile initiatives to ensure governments can effectively navigate disruptions like COVID-19 and the climate crisis.

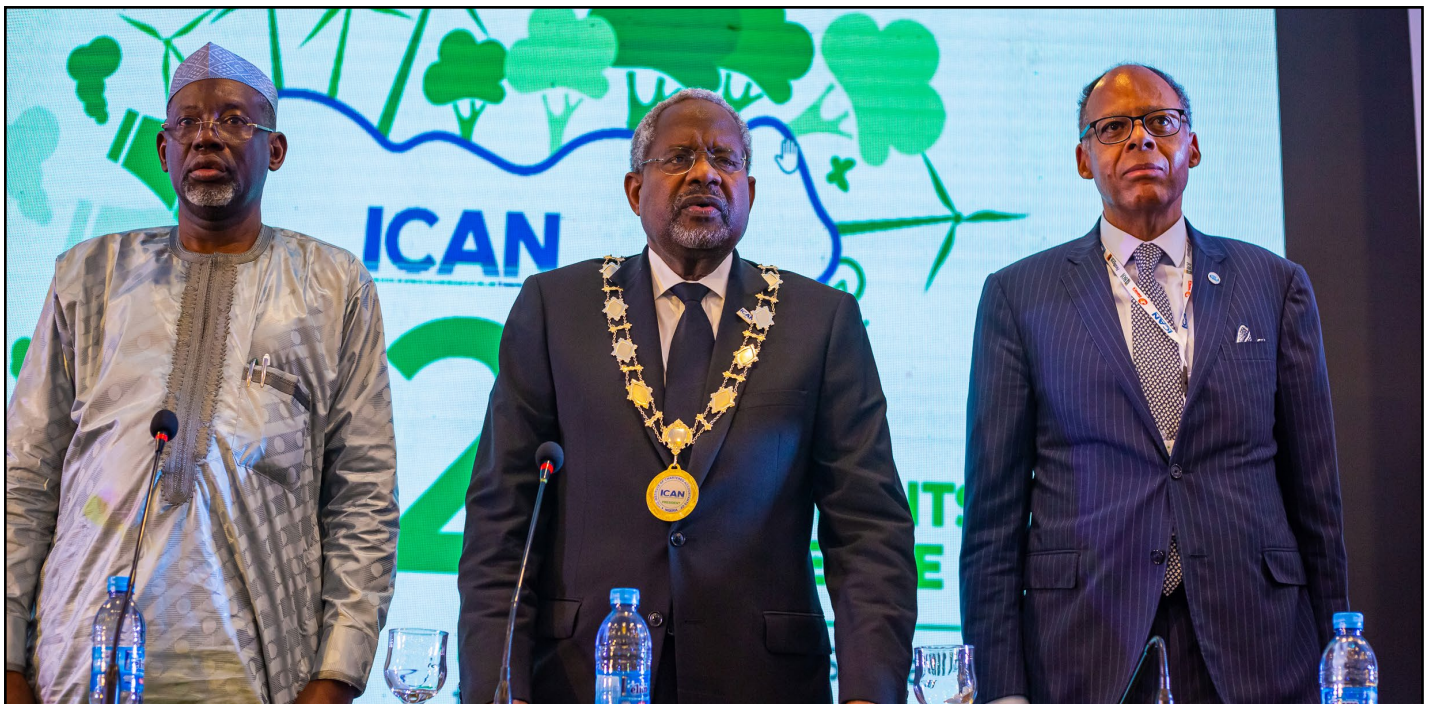
“I am honored to present this award to Ed, a passionate global leader with over thirty years of significant global contributions to the accountancy profession and the public sector,” said President Alan Johnson. “Ed was instrumental in the development of the Pan African Federation of Accountants (PAFA) in 2011 and has played a leading role in developing a strong accountancy profession across the world.”

Established in 2017 by the IFAC Board, the IFAC Global Leadership Award in Honor of Robert Sempier recognizes individuals who make outstanding contributions to the global accountancy profession. The award honors the contributions of Robert Sempier, IFAC’s first executive director who greatly contributed to the development of the profession worldwide. The Global Leadership Award was presented during IFAC’s Council meeting, held on November 15, 2022.





***L-R; Mr. Peter Obi, ICAN President Mallam Tijjani Musa Isa, Vice President Dr. Innocent Okwuosa and Mr. Omoyele Sowore during ICAN Engagement with presidential candidates at the conference***



***L-R; Jigawa state Deputy Governor Alhaji Umar Namadi, ICAN President Mallam Tijjani Musa Isa and IFAC President, Alan Johnson at the conference closing ceremony***





*Mmebers of the presidency, cutting the conference cake*



*Some conference resource persons in a grouo picture with the ICAN president*





***ICAN President and dignitaries at the conference***



***ICAN President presenting the star prize to the winner of the raffle draw, Mr. Ololade Ogini, FCA at the 52nd Annual Accountants conference gala night.***



## 52nd Annual Accountants' Conference: ICAN to Continue Interrogating Issues of National and Global Interests



The President of the Institute, Mallam Tijjani Musa Isa, FCA has disclosed that the Institute will not relent in its interrogation of topical issues of national and global interests.

Isa made the assertion in his welcome address at the 52nd Annual Accountants Conference of the Institute held at the Sheraton Abuja Hotels from October 10-14, 2022. The theme of the conference was ***“Nigeria: Adopting Sustainability for Economic Prosperity”***.

According to him, ICAN has over five decades provided unique platform for the intensive interrogation of topical issues that have been of immense contribution to national and global interests.

He said the deliberations in the past years have not only been diverse but have also delved deeply into critical social, economic, political and governance issues.

“The Institute’s public interest mandate should embolden chartered accountants to lead the innovations around sustainability and sustainability reporting. Accountants noted for their strong ethical foundations, robust qualifications framework, and extensive skills and experience in generating and assuring decision-useful information are best placed to deliver on this emerging need,” he maintained.

He emphasized that the Institute would

explore emerging issues such as sustainability reporting, sustainable energy, green economy, innovative tax, digital transformation and opportunities for entrepreneurially inclined chartered accountants.

In his speech while declaring the Conference open, President Muhammadu Buhari stated that the country was counting on Chartered Accountants’ professional support to achieve Nigeria’s financial sustainability agenda and make it become a culture.

Buhari who was represented by his Special Adviser on Finance and Economy, Dr. Sarah Alade said, a vital component of the sustainability agenda is financial stability.

“Nigeria is counting on your professional support to ensure economic sustainability becomes a national culture. The national development plan has advanced clear strategies to intensify the transition and drive towards financial sustainability,” she stressed.

He stated further that combating wastage and mismanagement is a crucial component of financial sustainability, adding that accounting profession has a sacred responsibility in this regard.

Delivering the lead paper entitled “Nigeria: Adopting Sustainability for Economic Prosperity”, the President of International Federation of Accountants (IFAC), Allan

Johnson disclosed that accounting as a global profession had benefitted from ICAN’s contributions both in Africa and across the globe, as many professional accountants who are ICAN members are currently in many countries outside Africa.

He said IFAC is a global convener of the profession’s stakeholders, a global forum for thought leadership on the most pressing issues facing the profession and an influential voice in critical international conversations about public interest issues.

He disclosed that for a country to adopt sustainability for economic prosperity, three perspectives have to be followed, which are: the reporting and assurance of sustainability information; the importance of sustainability for Small and Medium Enterprises (SMEs); and the need for strong public financial management.

His words: “We all know we are living in an unsustainable world. Whether it be consuming more than we can produce, our inability to provide adequate housing, education or health care for our citizens, or not properly addressing the growing inequality on society, we must change course – and do so urgently. We cannot behave as if we can continue with a strategy of “Business as Usual” and hope that someone else will address these critical and existential issues”.

“Sustainability means fairness in society,

reducing inequality, effective and efficient public services, and corporations that has a corporate purpose that meets the needs of all stakeholders. We have all seen the devastating impact of global warming across the world. It is especially acute in Africa, where agriculture has been severely affected, infrastructure has been damaged and livelihoods have been destroyed”.

He explained further that in response to a growing global demand for sustainability-related information and assurance, sustainability reporting is finally taking its rightful place within the corporate reporting ecosystem.

He concluded that undoubtedly, the global accountancy profession is well-placed and well-prepared to champion sustainability strategies and reporting.

Other papers delivered at the Conference include: “Building Nigeria’s Economy for Resilience and Sustainability Beyond Oil”; “Digital Trust: Prospects and Challenges”; “Trust in Governance”; “Trust in Tax Administration & Expanding the Tax Base”; “Public Financial Man-

agement Reforms: Impact on Transparency”; “Seed of Greatness: Becoming Outstanding in Life and Career”; “Transparency in Leadership”; Wealth Creation: Empowerment Tool for Multi-Faceted Professionals”; etc.

Apart from paper presentations, workshops and plenary sessions, there was a gala nite on Thursday during which hip-hop star, Wande Coal entertained the participants. There was also an open raffle draw in which a member of the Institute, Mr. Ololade Adedamola Oginni (FCA, MB 027962) won a brand new SUV car. Other prizes like LCD television, gas cookers, laptops, fridges, were also won during the nite. There were also sporting activities, excursions and exhibitions. Other programmes of the conference include District Societies’ parade and sporting activities.

Also, to add flavor to the conference, the Presidential candidates of the leading political parties such as All Progressives Congress (APC), Peoples Democratic Party (PDP) Labour Party (LP), African Democratic Congress (ADC) and Social Democratic Party (SDP) were invited to

share their manifestoes with the delegates, to serve as a guide to their choice of the President that would govern the country.

Declaring the conference closed, the Deputy Governor of Jigawa State, Alhaji Umar Namadi FCA expressed appreciation to those who took time out to attend the conference. He also commended the Institute for putting the conference in place. He posited that the theme of the conference was timely as the country was in need of economic sustainability and posterity. He urged the Institute to ensure that the communiqué of the conference gets to the appropriate authorities for implementation.

The conference was attended by a total number of 6,451 delegates including resource persons and invited guests, from countries like Benin Republic, Cameroon, Canada, Gambia, Ghana, Niger Republic, Sierra Leone, Togo, United Kingdom, United States of America and Nigeria, the host country.



**L-R; 1st Deputy Vice President, Chief Davidson Alaribe, Vice president, Dr. Innocent Okwuosa, Emir of Hadejia, HRH Ahmed Mohammed Sani, President, Mallam Tijjani Musa Isa, 2nd Deputy Vice President Mallam Haruna Yahaya at the conference**



# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

## POSITION PAPER ON THE CURRENCY REDESIGN POLICY

### Background

On 26 October 2022, Mr Godwin Emefiele, Governor of the Central Bank of Nigeria (CBN) addressed a press conference wherein he announced certain key changes to the nation's currency management scheme. In line with the provisions of Section 2(b), Section 18(a) and Section 19(a) and (b) of the CBN Act 2007, the CBN sought and obtained the approval of President Muhammadu Buhari to redesign, produce, release and circulate new series of banknotes at N200, N500 and N1,000. Circulation of the new notes is planned to commence on 15 December 2022. The existing and new banknotes will remain legal tender until 31 January 2023, when the existing banknotes shall cease to be legal tender.

### CBN's case for the currency redesign

CBN's action is predicated on a number of concerns expressed by the Governor regarding our currency management. These are:

1. Significant hoarding of banknotes by members of the public, resulting in N2.73 trillion out of N3.23 trillion (approximately 85%) of currency in circulation believed to be outside the bank vaults.
2. Worsening shortage of clean banknotes, resulting in negative perception of CBN and increased risk to financial system stability;
3. Increasing risk and ease of counterfeiting, largely due to recent developments in photographic technology and printing devices.

The move to redesign the Naira is therefore expected to strengthen the currency and increase the volume of currency within the banking system. Coupled with increased minting of eNaira, the currency redesign is also expected to promote a cashless economy.

### Challenges ahead of the currency

### redesign policy

The action of the CBN is indeed in keeping with its mandate as enshrined in CBN Act 2007. However, ICAN considers that there are several fundamental issues that the CBN needs to reconsider:

- 1) Firstly, CBN asserts that 85% of currency in circulation is outside the banking system. Given this background, ICAN would expect CBN to perform a thorough root-cause analysis of this statistic, as it appears inconsistent with recent initiatives to promote a cashless economy. Such initiatives include the eNaira, which was launched in October 2021. In addition, there are numerous payment solutions provided by fintech companies. It would be proper for CBN to understand why such schemes have not achieved the desired impact and link the underlying issues thereon to the currency redesign policy. That way, it would be possible to monitor and evaluate the impact of the policy on the volume of currency in circulation.

Coincidentally, CBN issued the Exposure Draft of the Guidelines for Contactless Payments in Nigeria, on 17 October 2022. ICAN, and indeed all stakeholders would require the assurances of CBN that the proposed guidelines on contactless payments would indeed make significant complementary impact to the cashless economy drive.

- 2) Secondly, the currency redesign policy would potentially negatively affect the exchange rate of the Naira. The official exchange rate remained relatively stable at a range of N437.66/\$1 to N443.26/\$1 between 26 October and 22 November 2022. This seeming appearance of stability does not provide much cheer, due to the significant illiquidity in the official FX channels.

However, and unsurprisingly, the impact on the parallel market has been more profound. The Naira has depreciated by

approximately 10.8% from N740/\$1 on 26 October 2022 to about N840/\$1 on 1 November 2022 and N880/\$1 on 14 November 2022. Two issues are plausibly responsible for this:

- (a) Businesses and individuals are reported to be searching unsuccessfully to access the US Dollar for genuine needs, including the importation of critical raw materials and machinery. Even where available, the high exchange rate is already leading to increased cost of production, and hence increase in prices of goods and services.

- (b) It is likely that perhaps, holders of the currency notes generated from illicit business and stored outside of the banking system are in a race to convert them to foreign currency in the parallel market. These will still avoid the banking system, but also put further pressure on the exchange rate.

- 3) Furthermore, year-on-year inflation rate has been on a steady rise since January 2022 to date. The all-item inflation rate rose from 15.6% in January 2022 to 20.77% as at September 2022. The food inflation rate similarly rose from 17.13% to 23.34% within the same period. ICAN is concerned about further rise in inflation rate and the cost of living.

- 4) We note that CBN is yet to disclose some pertinent details of the currency redesign policy, such as the cost of designing and printing the new currency notes. We acknowledge however that the CBN Governor has subsequently confirmed that the printing of the new currency notes will be done locally. In addition, we welcome the early launch of the redesigned currency notes by President Muhammadu Buhari on 23 November 2022.

- 5) Another area where Nigerians are apprehensive is the timing of the implementation of the policy. The existing currency notes cease to be legal tender by the end of January 2023, while the general elections are scheduled to hold in Feb-



ruary 2023. Considering the economics of our recent electoral cycles, money in circulation typically increases during the general elections. There is some level of uncertainty therefore, as to what impact, if any, the currency policy will have on liquidity during the general elections.

#### Recommendations and conclusion

ICAN acknowledges the authority of CBN to implement the policy based on the powers conferred on it by the CBN Act 2007 in managing the Naira.

In view of the challenges identified above, ICAN strongly recommends the following:

1) Strong monitoring of the implementation through the deposit money banks, in order to moderate the likely impacts on inflation and exchange rates.

2) In addition, we recommend closer collaboration between CBN, the fiscal authorities (i.e the Federal Ministry of Finance, Budget and National Planning) as well as law enforcement agencies (such as the Economic and Financial Crime Commission - EFCC) to preserve the integrity of our financial system. The re-

cent statement made by the Honourable Minister of Finance, Budget and National Planning to the House of Representatives indicating her non-awareness of the currency policy, indicates an urgent need for improved alignment among the relevant authorities.

3) We welcome the statement credited to the EFCC that it would monitor the process to ensure that unscrupulous players and currency speculators do not undermine the exercise. We recommend that any individuals and organisations found to be contravening our monetary and fiscal regulations should be prose-



cuted to the full extent of the law.

4) Pursue with renewed vigour, extant policies aimed at improving our foreign currency reserves (such as the RT200 Non-Oil Export Proceeds Repatriation Rebate Scheme). It should also continue to collaborate with deposit money banks and other economic players to reduce leakages in the system, improve our foreign currency reserves and shore up the exchange rate of the Naira.

5) CBN should be transparent in enlightening the public on the cost of the Naira redesign implementation policy.

6) Furthermore, we encourage CBN to adopt best-in-class printing and security technology in order to reduce the risk of counterfeiting.

7) CBN should pursue more vigorously the drive for a cashless economy. This can only be achieved through adequate sensitization of all strata of the society, and with active collaboration of deposit money banks, fintech organisations, mobile telephone networks and

other players outside of the formal sector, such as POS operators. For example, the Nigerian Interbank Settlement System (NIBSS) reported that customers in Nigeria transferred a total of N12.8 trillion over mobile devices between January and September 2022, compared to N8 trillion recorded throughout 2021. Furthermore, the volume of mobile inter-scheme transactions also rose by 133% year on year from 188 million recorded between January and September 2021 to 438 million in the same period this year.

8) CBN should extend the window for withdrawal of the old currency notes, given that out of the six weeks window, two weeks fall within the yuletide season in December when a lot of Nigerians will travel out of their stations, and some businesses will close.

In conclusion, ICAN commends the CBN for instructing banks to keep open their currency processing centres from Monday to Saturday in order to accommodate

all cash that will be returned by customers. We also commend the CBN for suspending bank charges related to cash deposits with immediate effect.

ICAN believes that these measures, along with our recommendations above, would minimize any potential negative impact of the policy, while enabling the CBN to more effectively carry out its core mandates of ensuring monetary and price stability, issuing currency, maintaining external reserves to safeguard the international value of the Naira.

**Mallam Tijjani Musa Isa, BSc, MloD, FCA**

56th President, ICAN

# Hypertension Epidemiology, Alcoholic and Salt Intake



## Introduction

In recent times hypertension has become one of the leading cause of death (mortality) and reduction in quality of life (morbidity) worldwide and more resources are being devoted to treatment of hypertension and its complication. It is of pertinent important and as a matter of urgency, everybody should know about this disease that is eating fast into our economy.

## Definition

Hypertension is elevated blood pressure of systolic >140 mmHg and diastolic >90 mmHg taken at two different times at least six hours interval.

Normal Systolic 120-139 mmHg

Normal Diastolic 80-89 mmHg

(mmHg = Millimeter of Mercury)

HT> 140/90 mmHg (i.e. Systolic / Diastolic)

Systolic BP means BP taken when heart contracts and pump blood to the peripheral vessel.

Diastolic BP means BP taking when heart relaxes to receive blood.

Category	SBP	DBP
Optimal	< 120	< 80
Normal	120 – 129	80 – 84
High Normal	130 – 139	85 – 89
Grade 1 HT (mild)	140 – 159	90 – 99

Category	SBP	DBP
Grade 2 HT (moderate)	160 – 179	100 – 109
Grade 3 HT (severe)	> 180	> 110
Isolated Systolic HT	> 140	< 90

NB: SBP = Systolic Blood Pressure  
DBP = Diastolic Blood Pressure  
HT = Hypertension

• When a patient's systolic and diastolic BP fall into different categories, the higher category should apply (e.g. Systolic of 136 and Diastolic of 82, grade for that patient is high normal or SBP of 140 and DBP of 110. The grade for the patient is grade 3 HT).

• Isolated systolic hypertension can also be graded (grade 1, 2 and 3) according to SBP value in the range indicated provided DBP values are < 90 mmHg.

## Definition and classification of Blood pressure level (mmHg) – JNC 7 Report

BP Classification	SBP	DBP
Normal	< 120	<80
Pre- HT	120 – 139	80 – 89
Stage 1 HT	140 – 159	90 – 99
Stage 2 HT	> 160	>100

**Note:** European society of Hypertension and JNC are two different bodies that have studied HT.

Patients with pre-HT are at risk for progression to Hypertension; those in the 130-139/80-89 mmHg range are at twice the risk to develop Hypertension as those with lower values.

This signals the need for increase educa-

tion of health care professionals and the public to reduce BP levels and prevent the development of Hypertension in the general population.

## Types of HT

- Primary/ essential HT: No known causes (>90% of cases)
- Secondary: there is a known cause (5-10 % of cases)

## Predisposing Factors to Primary Hypertension

1. Genetic / Familiar factors i.e. if somebody has it in the family. E.g.Father, Mother or Siblings.
2. Increasing age i.e. common in elderly
3. Increase sodium intake ( table salt)
4. Decrease potassium intake
5. Decrease calcium intake
6. Obesity
7. Lack of physical activity
8. Adverse Intrauterine events
9. Stress

## Genetic – Family History

Child of Hypertension parent has 40–60% chance

Siblings - monozygotictwin 80% chance

## Causes of secondary Hypertension

### Kidney Disease

- Glomerulonephritis
  - Acute
  - Chronic
- Chronic Kidney Failure

- Hypothyroidism
- Hyperthyroidism
- Pheochromocytoma
- Primary Hyperaldosteronism
- Coarctation of the aorta
- Cushing's syndrome
- Drugs – steroids, oral contraceptives, cyclosporine

### Epidemiology (Who, Where, When)

- 1 billion people affected worldwide
- affects all age groups
- if it occurs < 30 years of age, it is likely secondary (however, increasing number of people < 30 years are being seen with HT and no identifiable cause was detected on investigation)
- Males are more affected than females before menopause. Thereafter, sex difference is lost i.e. after menopause, it affects male and female equally.
- Prevalence of HT increases with age
- There are pockets of population whose BP does not increase with age; such population lives close to nature.
- Blacks are more affected than white.
- Blacks also develop more complication than whites

### The Nigerian HT programme: Data from the National population Survey, published in 1997.

- 4.33 million Nigerians (9.22% over 15 years of age have Hypertension; BP > 160/95mmHg)
- Borderline HT (DBP = 90 – 94 mmHg): 4.8 million (10.23%)
- Hypertension is more prevalence in urban than rural communities.
- The prevalence of hypertension seems higher as both extremes of the social economics status.

- A strong correlation exists between increasing body mass and hypertension.

- From the figure above, if the definition of Hypertension is based on 140/ 90 mmHg, it follows that the prevalence of HT in Nigeria will approach 20%.

- Other studies have shown that the prevalence of HT in Nigeria is between 15-20%.

### Patients' Evaluation

Evaluation of patients with HT has three objectives:

- To assess lifestyle and identify other cardiovascular risk factors or concomitant disorders that may affect prognosis and guide treatment.

- To reveal identifiable cause of high BP.

- To assess the presence or absence of target organs (kidney, eyes, brain) and cardiovascular disease.

**Note:** Cardiovascular means heart and blood vessels.

### Risk Factors for Cardiovascular Disease

- Levels of SBP and DBP
- Male > 55 years
- Females > 65 years
- Increase fat intake
- History of cardiovascular disease in first degree relative before age 50
- Physical inactivity
- Obesity
- Smoking

### Associated Clinical Conditions (Complications)

- Diabetics
- Cerebrovascular disease (Brain and its blood vessel disease)
  - Stroke
  - Cerebral haemorrhage (bleeding into brain)
  - Transient ischaemic attack (loss of consciousness for some times or parts of body functions usually < 24 hours)
- Renal disease
- Peripheral vascular disease
- Heart disease
  - Myocardial infarction – Heart attack

- Angina
- Heart failure

### Clinical History (Presentation)

It should be noted that most HT patients do not have any signs (that is why it is called silent killer). Most are detected during routine medical check up or examination for other disease condition. Therefore, it is advisable to check BP once in a while.

These signs may suggest severe cases or development of complication.

- Headache, blurring of vision, palpitation (i.e. awareness of once heart beat)
- Facial swollen, leg swollen, abdominal swollen, tiredness

### Patient Evaluation

Physical Examination  
Measure of BP  
Calculation of body mass index (BMI)

< 18.5 kg/m <sup>2</sup>	Under weight
18.5–24.9 kg/m <sup>2</sup>	Normal
25–29.9	Over weight
>30–39.9	Obesity
>40	Morbid (Severe) Obesity

### Waist Circumference

> 88 cm in women  
> 102 cm in men

This is a risk factor for cardiovascular disease, HT and DM.

### Awareness and Treatment Control Status

Less than 1/3 are aware they are Hypertensive

Less than 1/3 are receiving treatment

Less than 1/3 are adequately controlled

Complication of High BP

- High chance of heart attack
- High chance of heart failure
- High chance of stroke
- High chance of kidney disease
- High chance of sudden death



NB: Prevention of development of HT is more crucial(not just treatment)  
Benefits of Lowering BP

- Stroke incidence 35-40%
- Heart attack 20-25%
- Heart failure 50%

### GOAL OF TREATMENT

The primary goal is to achieve the maximum reduction in the long-term total risk of cardiovascular morbidity and mortality.

#### This requires:

- Treatment of all risk factors identified
- Appropriate management of associated condition
- Treatment of raised BP perse
- Target BP goals
  - o < 140/90 mmHg in people without diabetes and kidney disease
  - o < 130/80 mmHg in people with diabetes and in those with mild kidney disease
  - o < 125/75 mmHg in those with moderate to severe kidney disease

### TYPES OF TREATMENT

- Non-pharmacologic or lifestyle modification – most important, especially in prevention of HT

- Pharmacologic i.e. use of drugs

### LIFESTYLES MODIFICATION

Beneficial in Hypertensive and non-Hypertensive individual

- Hypertensive individuals – lifestyles modification
  - o Reduce BP
  - o Enhance anti-Hypertension drug efficacy
  - o Decrease cardiovascular risk
  - o May enhance drug step-down/with withdrawal in highly motivated individuals who achieve and sustain lifestyle changes
- Non- Hypertensive individuals
  - o Prevents the development of Hypertension
  - o Reduces BP and thereby lower the risk of BP related clinical complication in whole population.

**NB:** Apparently, small reductions in BP if applied to an entire population could have an enormous beneficial effect on

cardiovascular events. For instance, a 3mmHg reduction in SBP should lead to an 8% reduction in stroke mortality.

### HOW TO GO ABOUT LIFESTYLES MODIFICATION

(a) Physical activity (Exercise)

#### Benefits

- Reduce BP directly
- Lower BP by facilitating initial weight loss and promoting maintenance of weight loss
- Reduces percentage of total and abdominal fat
- Improve blood lipid levels
- Improve insulin sensitivity
- Improve endothelial vasodilator the function
- Improve LV distolic function.

#### (a) Form of Exercises

At least walking for >30minute, 3 – 4 times a week.

Others: football, lawn tennis, table tennis, swimming

**Note:** People with Hypertension, diabetes mellitus and heart disease should undergo evaluation by the cardiologist before embarking on exercise because it can lead to problem of sudden death if they are not fit or do vigorous exercise. Isometric exercise such as weight-lifting can have pressure effect and should be avoided.

#### (b) Reducing salt intake

#### Benefits

- Prevents HT (phase 2 of the trials of HT prevention documentation that sodium reduction alone or continued with weight loss can reduce the incidence of HT by approximate 20%.
- Facilitates HT control in order aged person on indication.
- Can potentially prevent cardiovascular events in overweight individuals.
- Current recommendation – limits such intake to 6g/day(100mm of sodium per day)

### (c) Alcohol Intake

• Population surveys have documented linear relationship between alcohol consumption, BP levels and the prevalence of Hypertension.

• Alcohol consumption has been associated with development and/or progression of chronic kidney disease.

• High level of alcohol consumption particularly binge drinking are associated with a high risk of disease.

• Alcohol attenuates the effects of anti-Hypertensive drug therapy.

• Reduction in alcohol intake can lower BP in normotensive and hypertensive men who are heavy drinkers.

• High level of alcohol consumption increases risk of liver disease.

**NB:** Allowable quality of alcohol

- o Men 20 – 30g/day
- o Women 10 – 20g/day.

### Increasing Potassium Intake

• High level of potassium intake is associated with low BP.

• On average, a typical dose of 60-120mmol/day of supplement potassium reduced SBP and DBP by 4.4and 2.5mmHg in hypertensive and by 1.8and 1.0mmHg in normotensive.

• Greater reduction from potassium in blacks compared to white.

• Greater BP reductions from potassium at high level of salt intake.

**Note:** Beans or high dietary intake of potassium can be achieved though diet rather than pills and because potassium derived from foods also comes with a variety of other nutrients, the preferred strategy is to consume foods rich in potassium rather than supplements.

**Food rich in potassium:** fruits and vegetables.

### (d) Consuming of Dash Diet

DASH (dietary Approach to stop hypertension) diet emphasizes fruits, vegeta-

ble, and low dairy products and includes whole grains Fish, nuts and is reduced in fat, red meat and sugar- containing beverages.

- The diet is rich in Potassium, Magnesium and Calcium

- Among non- hypertensive individuals, this diet reduced systolic and diastolic BP by 3.5 and 2.1mmHg respectively

- Corresponding BP reductions in hypertension were striking i.e. 11.4 and 5.5 mmHg

- The DASH diet reduced BP to a greater extent in African- Americans than non- African Americans.

#### (e) Avoiding Fast Food

- Eat less of fast food
- They contain a lot of fat that can predispose patient to cardiovascular disease and DM
- Linked to obesity.

#### (f) Maintaining a healthy body weight

**BMI:** 25.0 – 29.9 kg/m<sup>2</sup> = overweight

> 31kg/m<sup>2</sup> = obesity

#### Waist circumference as a measure of obesity

>102 in men

>88 cm in women

- obesity has been linked to:
  - o elevated BP and hypertension
  - o salt sensitivity
  - o glucose intolerance and obesity => DM
  - o Dyslipidemia
  - o High level of urinary protein excretion
  - o Glomerulosclerosis (kidney disease)

#### Drug Treatment

- In most hypertensive patients, therapy should be started gradually, and target BP value achieved progressively through several weeks.
- Most patients will require > 2 drugs to achieve target BP goal.
- Add another drug from different class if goal BP is not achieved.

• IF BP is 20/10 mmHg above goal, consider initiating therapy with 2 drugs.

• By using two drugs with different mechanism of action, it is more likely that BP and its complication will be controlled.

There are different classes of anti-hypertensive drugs. The benefits and choice of drugs depend on individual patient and the choice should be left to doctor decision.

In conclusion, prevention of HT can be achieved and the main stay is life-style modification, which everybody should embark upon. Both hypertensive and non-hypertensive individuals can benefit from it. True is the saying "prevention is better than cure" and it is less costly.

#### Hepatitis B

Hepatitis is a disease of the liver resulting from inflammation of the liver, which results in damage to hepatocytes (liver cells) with subsequent cell death. Hepatitis can be caused by many agents; when it is due to infection by Hepatitis B Virus (HBV), is referred to as hepatitis B.

#### Other causes of Hepatitis

- (1) Hepatitis A Virus (HAV)
- (2) Hepatitis C Virus (HCV)
- (3) Hepatitis D Virus (HDV)
- (4) Hepatitis E Virus (HEV)
- (5) Epstein Barr Virus (EBV)
- (6) Alcohol
- (7) Drugs e.g. methyldopa, etc.

#### Epidemiology

Hepatitis B Virus infection occurs worldwide. More than two billion people are infected. Most of the infections are in Africa and Melanesia, where between 70% to 90% of adults are positive for HBV antibody. Over 300 million people are carriers of the virus worldwide; the highest rate is found in Africa and Melanesia 12% to 20%. Primary liver carcinoma is endemic in region of high HBV antigen.

#### High Risk Group for HBV Transmission

- Sexually promiscuous individual (homosexual and heterosexual)
- Intravenous drug users
- Individuals that use unsterilized sharp objects
- Transfusion of infected blood or blood products

- From mother to child (during delivery or through breast feeding)

- Health workers are at risk because of exposure to blood and accident involving needle and other sharp objects.

Course of the disease

Most HBV infections are asymptomatic, but some result in acute, fulminant or chronic hepatitis.

**NB:** asymptomatic i.e. no clinical manifestation of the disease, patient will not be sick.

#### Acute Hepatitis

- o Clinical features (manifestation)
- o Acute hepatitis may be icteric (with jaundice) or anicteric (with no jaundice)

**NB:** Jaundice means yellowness of eyes. Acute hepatitis has an incubation period of 1 to 6 months

**NB:** Incubation period means time between when the person gets in contact (infected) with virus and clinical manifestation (get sick)

It usually presents with prodromal symptoms consisting of malaise, anorexia, nausea (feeling like vomiting), abdominal pain, weakness and myalgia (muscle pain).

It may also present with – fever (High body temperature), rash Arthralgia (joint pain).

Patients develop jaundice after 4 to 5 days of onset of symptoms, which is accompanied by voiding of dark urine and pale stools.

Patients with anicteric acute hepatitis do not have jaundice but have elevated serum transaminase levels (derangement in liver function).

#### Fulminant Hepatitis

o Occurs in 1%-2% of icteric hepatitis cases.

o It may develop early or late in the course of acute hepatitis

o It presents with signs of liver failure and encephalopathy (disturbance of brain function)

o It carries a fatality rate of 60% to 90%

Chronic hepatitis

• Chronic hepatitis usually develops after asymptomatic or mild acute hepatitis

• It occurs in about 10% of patients with HBV infection

• It is characterized by the presence of hepatitis B surface antigen (HBsAg), Hepatitis B envelop Antigen (HBeAg) and HBV DNA in the blood of the patients for more than 6 months.

### Two form of chronic hepatitis

o Chronic Persistent Hepatitis (CPH)

o Chronic Active Hepatitis (CAH)

CPH 80% of case of chronic liver damage is minimal

CAH- 20% of chronic liver damage is progressive

CAH presents with recurrent episode of jaundice, such cases often progress to cirrhosis and liver failure.

Patient at risk of fulminant hepatitis

Chronically infected person with activation of hepatitis is at risk for developing hepatocellular carcinoma HCC (liver cancer)

The incubation period may be as long as 40 years

The tumor is slow growing

Patients with HCC exhibit weight lost, right upper abdominal pain, abdominal mass, fever and intestinal bleeding.

### Laboratory Diagnosis

#### Biochemical tests

**Specimen:** Blood Serum

Presence of abnormalities of liver function test i.e. elevation of serum alanine transferase and serum aspartate transaminase, and bilirubin.

#### Serology

**Specimen:** Blood serum

Detection of HBsAg, HBeAg, anti-HBe, anti-HBs and anti-HBc

#### Treatment

No specific treatment

Main treatment is supportive and treatment of symptoms

Some drugs can be used but with only limited efficacy e.g. interferon 5 mega unit daily i.e. every day (5MU) or 10 mega unit 3 times in a week.

### Prevention and control

The objective of the control and prevention of HBV infection are:

Prevention of transmission by blood transfusion and use of contaminated needles and syringes

Prevention of sexual and perinatal transmission (mother to child)

The strategies for control and prevention are:

Proper blood donor selection and screening of donated blood for HBsAg; only HBsAg negative blood is suitable for transfusion

Wearing of protective clothing and gloves by health workers when handling infected blood and contaminated instrument used on infected patients.

Disinfection and sterilization of all reusable instrument and surface contaminated with HBV positive blood.

Passive immunization by administering hepatitis B immunoglobulin within a week of exposure and to new born infant of HBsAg positive mothers.

Active immunization of individuals with high risk for HBV infection and who are known to be seronegative (i.e. no evidence of infection) including children born, health workers, long terms travelers, homosexual and bisexual men, prostitute and intravenous drug abusers.

Practice of safe sex by use of condoms during sexual intercourse.

### Vaccination

Three doses of the vaccine are given; the first two doses are given 1 month apart and the third dose is given 6 months after

the first.

More than 95% of recipients develop antibody. The vaccine induces a long lasting immunity of more than 5 years.

The side effects of HBV vaccine include: Polyneuropathy, Uveitis, Polyarthritides, Erythema nodosum and glomerulonephritis (kidney diseases).

### Complication (later in life)

Liver cirrhosis (Terminal liver disease)

Hepatocellular carcinomal (liver cancer)

### Prognosis (outcome of disease)

Full recovery occurs in 90-95% of adults following acute HBV infection.

The remaining 5-10% develops a chronic infection, which usually continues for life; although later recovery occurs occasionally.

Infection passing from mother to child at birth leads to chronic infection in the child in 95% of cases and recovery is rare.

Chronic infection is also common in immunodeficient individual, such as HIV.

Recovery from acute HBV infection occurs within 6 months and is characterized by the appearance of antibody to viral antigens

Persistence of HBeAg beyond this time indicates chronic infection

Most patients with chronic hepatitis B are asymptomatic and develop complication such as cirrhosis and hepatocellular carcinoma only after many years.

Cirrhosis develops in 15-20% of patients with chronic HBV, over 5-20 years

This proportion is higher in those infected in childhood

In conclusion, HBV infection is a serious health problem in Nigeria. There is now increase incidence of HBV infection complication such as liver cirrhosis and hepatocellular carcinoma, which are terminal diseases.



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