

## BUSINESS CORPORATIONS AND EFFECTIVE CORPORATE GOVERNANCE\*

### Abstract

*Prior to the global economic and financial crisis which started in 2008, evidence from various surveys had indicated that corporate governance lapses were significantly responsible for the collapse of over 70% of companies in Nigeria in the preceding two decades. Corporate failures cut across sectors and include banks, insurance, textiles, communications, airways etc. Executive management and boards of these institutions were alleged to have been reckless with investors funds, neglected due processes and took biased decision, conducts which negate principles of good corporate governance. Transparency, accountability, responsibility, fairness, independence and social responsibility are the principles of good governance. And this principle should be reflected in the culture, style and issues of an organisation. Companies in Nigeria need to continue or start to adapt and redefine their governance practices within the framework of evolving rules and codes especially the new 2018 corporate governance code. Corporate governance codes and ethics are both needed for enterprises development. Company executives can no longer afford to pretend that business is only bound by ethics, more effort should be on abiding by the law.*

**Keywords:** Corporate Governance, Business Corporation, Company, Finance, Nigeria.

### 1. Introduction

Good corporate governance is foundational for a healthy company. It sets the tone as to how the organisation operates both internally and externally. It defines the relationship between the Board of Directors, management and the rest of the organisation.<sup>1</sup> A company is a business structure that operates as a separate and distinct legal entity. It is owned by shareholders and managed by a board of directors who appoint officers to oversee the business's daily operations.<sup>2</sup> Legally, a company has many of the same rights and responsibilities as a person. It may buy, sell, and own property; enter into leases and contracts; sue and be sued. The chief advantages are that it can exist indefinitely, beyond the lifetime of any one member or founder, and that it offers its owners the protection of limited personal liability.<sup>3</sup> A corporate entity is created when incorporated by a group of subscribers represented by their shareholdings of common stock, to pursue a common goal. The entity's goal may be aimed at making profit or not, as with charities.<sup>4</sup> The Company and Allied Matters Act (CAMA) Cap C20 LFN 2004, regulates the incorporation and affairs of incorporated companies in Nigeria. The Act states that there are different types of Companies in Nigeria, it provides for the incorporation of companies, limited liability partnerships, limited partnerships, business names and incorporated trustees.<sup>5</sup> Incorporated companies usually appoint directors to direct and manage the business of the company.<sup>6</sup> The management of corporations is usually under the control of a board of directors elected by the shareholders.<sup>7</sup>

Corporate governance essentially forms part of a wider business context in which companies operate. It is a key driver of corporate accountability and business prosperity. Business corporations need effective corporate governance because well-run companies are more likely to attract greater investment opportunities, which enables them to innovate and expand, and to generate wealth and jobs for the

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<sup>1</sup> www.corpgov.law.harvard.edu. Principles of Corporate Governance. Retrieved 10<sup>th</sup> March 2020

<sup>2</sup> <https://www.upcounsel.com/what-is-business-corporation>, accessed 8/2/2021.

<sup>3</sup> <https://www.inc.com/articles/1999/10/14108.html>, accessed 8/2/2021.

<sup>4</sup> <http://www.berkeleylegal.com.ng/2019/04/16/different-corporate-entities-under-the-nigeria-law/>.

<sup>5</sup> The provision of CAMA under Part A are for registered companies, Part B for Business names and Part C for incorporated trustees

<sup>6</sup> Section 269, Companies and Allied Matters Act, 2020.

<sup>7</sup> Business Law and the Legal Environment, Anderson, Fox and Twomey. Comprehensive Volume, Fourteenth Edition. Page 964

economies in which they are based. Likewise, badly run companies not only deter foreign investment in their own businesses, they also discourage foreign investment within their jurisdictions and restrict economic growth. The initial capital contributed by company founders and the capitalization of profits is enough to start up the business and to fund some expansion. Ultimately, company success may depend on the ability to access external funding. The more a company grows, the greater the need for additional capital. Company leaders frequently cite the need to access capital as the main reason to initiate corporate governance improvements. Good corporate governance practices can influence the ways in which companies are able to access additional funding. Much attention to corporate governance issues in emerging markets has focused on the role good governance can play in improving access to global financing sources. Investors need to feel secure in the knowledge that their rights are being properly protected by controlling owners and management. And they need to know that the company has set up minimum governance mechanisms to reduce the risk of the company's controlling group abusing their powers.

## 2. Definition of Corporate Governance

Governance is the overall management approach board members and senior executives use to control and direct an organisation. It ensures that important information is communicated to appropriate organisational levels completely and accurately. Governance attempts to balance the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and community at large.<sup>8</sup> A major definition extracted from the Cadbury Report views Corporate Governance as the 'system by which companies are directed and controlled'.<sup>9</sup> The Organisation for Economic Corporation and Development principles proffered a broader definition; this definition sees corporate governance as a part of a larger economic context in which firms operate, the principles describe corporate governance as the totality of relationship between shareholders, management as well as stakeholders<sup>10</sup>. Also, the Organisation for Economic Co-operation and Development (OECD)<sup>11</sup> (2004) defines corporate governance as a concept that 'involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders and should facilitate effective monitoring.'<sup>12</sup> Corporate governance is intended to increase accountability and to facilitate prudent management.

## 3. Corporate Governance and Company's Growth

Corporate governance is paramount and of necessity for organisations, as it leads to increased access to financing. It brings about increased access to external financing by firms and can lead in turn, to larger investment, higher growth, and greater employment creation. The quality of the corporate governance framework affects not only the access to and amount of external financing, but also the cost of capital and firm valuation. Outsiders are less willing to provide financing and are more likely to charge higher rates if they are less assured that they will get an adequate rate of return. Good corporate governance can mean generally better relationships with all stakeholders, which helps improve social and labour relationships, help address such issues as environmental protection, and can help further reduce poverty and inequality. Good corporate governance demands that companies operate in a safe and sound

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<sup>8</sup> [www.insights.diligent.com](http://www.insights.diligent.com). The Correlation Between Corporate Governance and Compliance. Retrieved 4<sup>th</sup> March 2020.

<sup>9</sup> The Committee on the Financial Aspects of Corporate Governance & Gee and Co. (1992). The Financial Aspects of Corporate Governance. <http://www.ecgi.org/codes/documents/cadbury.pdf>. Retrieved 2<sup>ND</sup> March, 2020.

<sup>10</sup> simisola I. Akintoye, Sunday K. Iyaniwura. (2017). The Impact of Corporate Governance Regulation in the Nigerian Banking Sector. *International Journal of Social, Behavioural, Educational, Economic, Business and Ind*, Vol.11, 4.

<sup>11</sup> The OECD is a unique forum where the governments of 30 democracies work together to address the economic, social and environmental challenges of globalisation.

The OECD member countries are: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

<sup>12</sup> Supra.

manner, and comply with applicable laws and regulations and protect the interests of shareholder. It lowers the cost of capital and associated higher firm valuation makes more investments attractive to investors, also leading to growth and more employment. Corporate governance creates better operational performance through better allocation of resources and better management creates wealth more generally. Good corporate governance can be associated with a reduced risk of financial crises, which is particularly important given that financial crises can have large economic and social costs. A better-governed corporate framework benefits firms through better firm performance, and more favourable treatment of all stakeholders. Another area where corporate governance affects firms and their valuation is mergers and acquisitions (M&A). This indicates that an active M&A market (an important component of a corporate governance regime) arises only in countries with better investor protection.

#### **4. Corporate Governance Legislation and Codes in Nigeria**

The regulatory framework of corporate governance is a global phenomenon. While there are universal codes for regulating the practice of corporate governance, there also exists national codes based on local needs and the unique characteristic of each country. There are a number of corporate governance provision in the Companies and Allied Matters Act, 2020, issues relating to the regulation, control and governance of business enterprises in Nigeria are largely contained within the provisions of company legislation. Other legislations include the Bank and other Financial Institutions Act, 1991 (as amended), the Investment and Securities Act, 1999 (as amended), the Securities and Exchange Commission Act, 1988 (as amended). These laws which place the responsibility for regulating corporate governance on the CAC, SEC and CBN reflect some of the OECD principles of corporate governance.<sup>13</sup> In response to challenges in respective sectors, a number of industry regulators developed corporate governance codes for companies operating in their sectors. The sectoral codes are<sup>14</sup>:

1. Code of Corporate Governance for the Telecommunication Industry 2016, issued by the Nigerian Communications Commission (replaced 2014 NCC Code);
2. Code of Corporate Governance for Banks and Discount Houses in Nigeria 2014 issued by the Central Bank of Nigeria (replaced 2006 CBN Code);
3. Code of Corporate Governance for Public Companies in Nigeria 2011 issued by the Securities and Exchange Commission (replaced 2003 SEC Code);
4. Code of Good Corporate Governance for Insurance Industry in Nigeria 2009 issued by the National Insurance Commission; and
5. Code of Corporate Governance for Licensed Pension Fund Operators 2008 issued by the National Pension Commission.
6. The Nigerian Code of Corporate Governance 2018

#### **5. Review of the New Corporate Governance Code (2018)**

The Financial Reporting Council (FRC) of Nigeria recently released the Nigerian Code of Corporate Governance ('the Code') on January 15, 2019. The Code called, the Nigerian Code of Corporate Governance 2018 seeks to institutionalise corporate governance best practices in Nigerian companies. The Code is also to promote public awareness of essential corporate values and ethical practices that will enhance the integrity of the business environment. The Code applies to stakeholder, according to the code; 'stakeholder' includes shareholders, employees, analysts, creditors, customers, regulators, vendors, host community, non-governmental organisations and government.<sup>15</sup> The Code highlights twenty-eight principles together with practices recommended for the implementation of each principle. However, this study highlights essential principles of the code necessary for company growth.

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<sup>13</sup> Stephen. A. Ejubekpokpo, Benjamin. U. Esuiké. (2013 ). Corporate governance issues and its implementation: The Nigerian experience. *Journal of Research in International Business Management (ISSN: 2251-0028) Vol. 3(2) online* @<http://www.interestjournals.org/JRIBM>, 53-57.

<sup>14</sup> The Nigeria Corporate Governance Code 2018 document

<sup>15</sup> The Nigerian Code of Corporate Governance 2018 document

### **Board of Directors**

A successful Company is headed by an effective Board which is responsible for providing entrepreneurial and strategic leadership as well as promoting ethical culture and responsible corporate citizenship. The principle entails that as a link between stakeholders and the Company, the Board is to exercise oversight and control to ensure that management acts in the best interest of the shareholders and other stakeholders while sustaining the prosperity of the Company.<sup>16</sup> The Board, being central in corporate governance and the highest governing body in the Company, should have a charter setting out its responsibilities. Responsibility which may include ensuring that the Board and its committees act in the best interest of the Company at all times; ensuring compliance with the laws of the Federal Republic of Nigeria and other applicable regulations; the Board should consider and approve the long-term and short-term strategies for the business of the Company and monitoring their implementation by management. The Board is to ensure the establishment and implementation of a succession plan, appointment process, training mechanism and remuneration structure for both the Board and senior management of the Company, just as the UK 2018 corporate governance code. By the Code the Board is accountable to the Company, it should identify and manage the relationship with shareholders and other stakeholders.

### **Board Structure and Composition**

The board of directors leads and controls a company. Hence an effective board is fundamental to the success of the company. Like the UK, Nigeria has a unitary board structure. Whilst the law specifies a minimum number of two directors on the board, there appears to be no upper limit. However, the 2018 code<sup>17</sup> provides that effective discharge of the responsibilities of the Board and its committees should be assured by an appropriate balance of skills and diversity (including experience and gender) without compromising competence, independence and integrity. By this, companies are now granted the autonomy to determine the size and composition of their Boards, within the confines of the requirements set out by their sectoral regulators. This flexibility gives the users of the Code significant control over their cost of governance. The principle among other things recommends that the Board should assume responsibility for its composition by setting the direction and approving the processes for it to attain the appropriate diversity and independence to objectively and effectively discharge its governance role and responsibilities.

### **Independent Non-Executive Directors**

Independent Non-Executive Directors bring a high degree of objectivity to the Board for sustaining stakeholder trust and confidence.<sup>18</sup> An Independent Non-Executive Director (INED) should represent a strong independent voice on the Board, be independent in character and judgment and accordingly be free from such relationships or circumstances with the Company, its management, or substantial shareholders as may, or appear to, impair his ability to make independent judgment. According to the code, an INED is a NED who does not possess a shareholding in the Company the value of which is material to the holder such as will impair his independence or in excess of 0.01% of the paid up capital of the Company; is not a representative of a shareholder that has the ability to control or significantly influence Management is not, or has not been an employee of the Company or group within the last five years; is not a close family member of any of the Company's advisers, Directors, senior employees, consultants, auditors, creditors, suppliers, customers or substantial shareholders; does not have, and has not had within the last five years, a material business relationship with the Company either directly, or as a partner, shareholder, Director or senior employee of a body that has, or has had, such a relationship with the Company; has not served at directorate level or above at the Company's regulator within the last three years.

### **Company Secretary**

The Company Secretary plays an important role in supporting the effectiveness of the Board by assisting the Board and management to develop good corporate governance practices and culture

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<sup>16</sup> Principles 1-4, The Nigerian Code of Corporate Governance 2018

<sup>17</sup> Principles

<sup>18</sup> Ibid Principles 7, The Nigerian Code of Corporate Governance 2018

within the Company.<sup>19</sup> Without prejudice to the provisions of extant laws, the Company Secretary should be a person with relevant qualifications and competence necessary to effectively discharge the duties of his office. The Board should ensure that the person appointed has the gravitas and objectivity to provide independent guidance and support at the highest level of decision-making in the Company. Where the Company Secretary is an employee of the Company, he should be a member of senior management and should be appointed through a rigorous selection process similar to that of new Directors. The Company Secretary should be properly empowered by the Board to discharge his duties and responsibilities. The Company Secretary should have both functional and administrative responsibilities. The functional responsibility is to the Board through the Chairman, while administratively, he reports to the MD/CEO.

### **Business Conduct with Ethics**

The principle on the establishment of professional business and ethical standards underscores the values for the protection and enhancement of the reputation of the Company while promoting good conduct and investor confidence.<sup>20</sup> The establishment of policies and mechanisms for monitoring insider trading, related party transactions, conflict of interest and other corrupt activities, mitigates the adverse effects of these abuses on the Company and promotes good ethical conduct and investor confidence.

### **Sustainability Principle**

Paying adequate attention to sustainability issues including environment, social, occupational and community health and safety ensures successful long term business performance and projects the Company as a responsible corporate citizen contributing to economic development.<sup>21</sup>

This principle ensures that boards formalize approach to sustainability issues within the organisation by articulating strategic initiatives. And to implement a framework for reporting activities using globally accepted reporting standards.

### **Transparency Principle**

Communication and interaction with stakeholders keeps them conversant with the activities of the Company and assists them in making informed decisions.<sup>22</sup> Full and comprehensive disclosure of all matters material to investors and stakeholders, and of matters set out in this Code, ensures proper monitoring of its implementation which engenders good corporate governance practice.

The Board should adopt and implement a stakeholder management and communication policy. The Board should ensure that the reports and other communication issued to stakeholders are in clear and easily understood language and are posted on the Company's web portal. This information may include description of structures of the Board and management among others, frameworks, policies and other material information about the Company.

### **Disclosures**

Full and comprehensive disclosure of all matters material to investors and stakeholders, ensures proper monitoring of its implementation which engenders good corporate governance practice.<sup>23</sup> The Board should ensure that the Company's annual report includes a corporate governance report that provides clear information on the Company's governance structures, policies and practices as well as environmental and social risks and opportunities. The increased level of disclosure required by the Code helps to promote a more transparent and uniform reporting process and enables accountability to stakeholders.

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<sup>19</sup> Principles 8 The Nigerian Code of Corporate Governance 2018

<sup>20</sup> Part D, Principles 24

<sup>21</sup> Principles 26

<sup>22</sup> Principles 27

<sup>23</sup> Principle 28

### **Corporate Governance Evaluation**

Establishing a system for evaluating the Company's corporate governance practices ensures that its governance standards, practices and processes are adequate and effective.<sup>24</sup> The Board should ensure that an annual corporate governance evaluation, including the extent of application of this Code, is carried out. The evaluation should be facilitated by an independent external consultant at least once in three years. The summary of the report of this evaluation should be included in the Company's annual report and on the investors' portal of the Company.

### **Internal Audit Function**

An effective internal audit function provides assurance to the Board on the effectiveness of the governance, risk management and internal control systems.<sup>25</sup> The purpose, authority and responsibility of the internal audit function should be clearly and formally defined in an internal audit charter approved by the Board. Where the Board decides not to establish such a function, internally or outsourced, sufficient reasons should be disclosed in the Company's annual report with an explanation as to how the Board has obtained adequate assurance on the effectiveness of the internal processes and systems such as risk management and internal control.

### **External Auditors**

An external auditor is appointed to provide an independent opinion on the true and fair view of the financial statements of the Company to give assurance to stakeholders on the reliability of the financial statements<sup>26</sup>. External audit firms may be retained for no longer than ten years continuously. External audit firms disengaged after ten years continuous service may not be considered for reappointment until seven years after their disengagement. Where an external auditor's aggregate or cumulative tenure has already exceeded ten years at the date of commencement of the Code, such auditor should cease to hold office as an auditor of the Company at the Annual General.

### **Whistle-Blowing**

An effective whistle-blowing framework for reporting any illegal or unethical behaviour minimises the Company's exposure and prevents recurrence. The Board should establish a whistle-blowing framework to encourage stakeholders to bring unethical conduct and violations of laws and regulations to the attention of an internal and/or external authority so that action can be taken to verify the allegation and apply appropriate sanctions or take remedial action to correct any harm done. This framework should be known to employees and external stakeholders.

### **Relationship with Shareholders**

General Meetings are important platforms for the Board to engage shareholders to facilitate greater understanding of the Company's business, governance and performance. They provide shareholders with an opportunity to exercise their ownership rights and express their views to the Board on any areas of interest.<sup>27</sup> Equitable treatment of shareholders and the protection of their statutory and general rights, particularly the interest of minority shareholders, promote good governance. The Board should ensure that shareholders at annual general meetings preserve their effective powers to appoint and remove Directors of the Company; All shareholders are treated fairly and equitably. No shareholder, however large his shareholding or whether institutional or otherwise, should be given preferential treatment or superior access to information or other materials; minority shareholders are adequately protected from abusive actions by controlling shareholders.

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<sup>24</sup> Principles 15, The Nigerian Code of Corporate Governance 2018

<sup>25</sup> Principles 18

<sup>26</sup> Principles 20

<sup>27</sup> Part C, Principles 21 - 23

## 6. International Structure Corporate Governance

Nigerian code of corporate governance contains elements of international best practices as specified in the International Finance Corporation (IFC)<sup>28</sup>, and the Global Corporate Governance Forum (GCGF) documents. Governance of corporations has become a matter of great concern worldwide and bodies like the Organisation for Economic Co-operation and Development (OECD) have developed core principles of corporate governance which are viewed as representing the moral consensus of the international community<sup>29</sup>. IFC fosters sustainable economic growth in developing countries by financing private sector investment, mobilizing capital in the international financial markets, and providing advisory services to businesses and governments. IFC helps companies and financial institutions in emerging markets create jobs, generate tax revenues, improve corporate governance and environmental performance, and contribute to their local communities. The Organisation for Economic Co-operation and Development (OECD) is a unique forum where the governments of 30 democracies work together to address the economic, social and environmental challenges of globalisation, in close co-operation with many other economies. One of these challenges is corporate governance, a topic on which the OECD has developed inter-nationally agreed Principles of Corporate Governance, which have served as a basis for regional policy dialogue programmes throughout the world. The Global Corporate Governance Forum<sup>30</sup> is an International Finance Corporation (IFC) multi-donor trust fund facility located within IFC Advisory Services. The Forum was co-founded by the World Bank and the Organisation for Economic Co-operation and Development (OECD) in 1999. Through its activities the Forum aims to promote the private sector as an engine of growth, reduce the vulnerability of developing and transition economies to financial crisis, and provide incentives for corporations to invest and perform efficiently in a socially responsible manner. The Forum sponsors regional and local initiatives that address the corporate governance weaknesses of middle- and low-income countries in the context of broader national or regional economic reform programs.

## 7. The United Kingdom 2018 Code

The United Kingdom' Financial Reporting Council (FRC) published its new 2018 UK Corporate Governance Code on July 16,2018. The code was designed to set higher standards of corporate governance in the UK so as to promote transparency and integrity in business and at the same time attract investment in the UK in the long-term, benefitting the economy and wider society. The definition of governance was broadened in the 2018 Code to emphasise the importance of positive relationships between companies, shareholders and stakeholders, a clear purpose and strategy aligned with healthy corporate culture, high quality board composition and a focus on diversity. The Code retains the 'comply or explain' approach. The principles contained, and explained in the code include; leadership and purpose, composition, succession and evaluation, Audit, risk and internal control.<sup>31</sup> In drafting the 2018 Code, the FRC's aim has been to improve corporate governance practice, stimulate constructive challenge in the boardroom and improve governance reporting. The 2018 Code's emphasis on the importance of corporate culture and diversity, the need for companies to engage with all their key stakeholders, including their workforce, and the requirement for executive remuneration and workforce policies to be aligned with the company's strategy and values is a welcome and a forward looking approach.

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<sup>28</sup> The International Finance Corporation (IFC) is part of the World Bank Group and was established in 1956 to encourage private sector-led growth in developing countries.

<sup>29</sup> Omankhanlen Alex Ehimare, PhD, Taiwo Niyan Joseph PhD, Okorie Uche. (2013 ). The Role of Corporate Governance in the Growth of Nigerian Banks. *Journal of Business Law and Ethics, Vol. 1 No. 1.*

<sup>30</sup> In addition to the IFC, the Forum is currently funded by the governments of France, Luxembourg, The Netherlands, Norway and Switzerland.

<sup>31</sup> [www.nortonrosefulbright.com](http://www.nortonrosefulbright.com). The new shorter and sharper 2018 UK Corporate Governance Code. Retrieved 12<sup>th</sup> April 2020.

## 8. The New Companies and Allied Matters Act (CAMA) 2020

With respect to corporate governance, the new CAMA 2020 made some emphasis on the importance of corporate composition, audit transparency and financial accountability.<sup>32</sup> Section 265 (6) of the Act prohibits an individual from concurrently holding the offices of Chairman and Chief Executive Officer of a public company. While this requirement is already contained in the Financial Reporting Council's Nigerian Code of Corporate Governance and other sectoral codes, its inclusion in the Act gives further backing to these subsidiary regulations, as it compels compliance by public companies. There is a further requirement under Section 275 for public companies to have at least three independent directors on their boards. These independent directors are expected to act as strong, separate objective voices on the board, with the goal of improving transparency in the decision-making process for public companies. The Act also imposes a limitation on the number of board memberships that an individual can hold. Section 307 (1) limits directorships to no more than five public companies at a time. Directors contribute the most towards creating value in companies when they limit their managerial involvement to fewer companies, since conflicting interests are diminished. Financial statements are required to comply with the accounting standards issued by the Financial Reporting Council of Nigeria, provided such accounting standards do not conflict with the provisions of the Act. This provision, like many other provisions in the Act has tended to strengthen corporate governance processes and procedures in the administration of companies. Every member of the company is also entitled to be furnished on demand and without charge with a copy of company's last financial statements.<sup>33</sup>

The Act imposes corporate responsibility for financial reports<sup>34</sup>; The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of a company (except a Small Company) are required to certify the Audited Financial Statement (AFS) stating that the officer who signed the AFS has reviewed it and based on her knowledge, there are no untrue statements or omission of material facts which would make the AFS misleading, and that the information contained in the AFS fairly represents the financial condition and results of the operation of the company for the period under review. This will undoubtedly increase public trust and participation and also foster investment in these companies. The Act mandates that directors also have the duty to lay and deliver financial statements 18 months after incorporation of the company and at least every year before the company in general meeting<sup>35</sup>. This provision will promote public interest. And encourage transparency in corporate governance. Where dividends paid by a company remain unclaimed, the company is required to publish a list of the unclaimed dividends and the names of the persons entitled to the dividends in two national newspapers, and this list should be attached to the notice sent to the members of the company for each subsequent annual general meeting of the company. The company may invest the unclaimed dividend for its own benefit in investments outside the company within three months after the publication has been made and the notices sent, and no interest shall accrue on the dividends against the company. Where it is the case that dividends have been paid to members and there is an omission, due to the fault of the company, to pay dividend to other members, the dividends shall earn interest at the current bank rate from three months after the date on which they ought to have been posted. For the purpose of liability, the date of posting the dividend warrant is deemed to be the date of payment<sup>36</sup>.

## 9. Conclusion and Recommendations

The implementation of the 2018 Code is monitored by the Financial Reporting Council through the sectoral regulators and registered exchanges that are empowered to impose appropriate sanctions based on the specific deviation noted and the company in question. Additionally, the FRC may conduct reviews on the implementation of the Code where deviations from the Code recur. In consonance with the relevant regulatory agencies of the Federal Government of Nigeria, the Council will subsequently issue corporate governance guidelines to assist implementation as may be required to respond to prudential considerations in different sectors of the economy. Companies with best

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<sup>32</sup>See Ikenga K. E. Oraegbunam & C. J. Ubanyionwu, 'Examining Some Gains and Pitfalls of Nigeria's Companies and Allied Matters Act: Urgent Need for Review', *International Review of Law and Jurisprudence*, 1(2) (2019), 48-57.

<sup>33</sup> Section 392 of the CAMA 2020

<sup>34</sup> Section 405 of the CAMA 2020

<sup>35</sup> Section 388 of the CAMA 2020

<sup>36</sup> Section 429 (1) – (4) of the CAMA 2020



corporate governance in the world promotes financial reporting and securities markets system. These systems work because they give public companies not only a framework of laws and regulations that establish minimum requirements but also the flexibility to implement customized practices that suit the companies' needs and to modify those practices in light of changing conditions and standards. Though efforts are continuously being made to strengthen laws and regulations about corporate governance, conscious efforts should also be made to instil high ethical standards. The thinking that business should make as much profit within the framework of the legal system cannot stand in the face of several business failures where directors are paying lip service to technical compliance with regulations. For the success and the utilisation of the numerous profits of governance, there is the need to actual implementation of corporate governance regulations by the governing body of a company. Companies' adoption of corporate governance best practice alone will not guarantee progress. Many other factors dictate the success of firms and the economies in which they operate. Well-functioning legal and judicial systems are also necessary for improving financial markets, securing external financing, and ensuring that economic development.