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# Revised Nigerian Company Law 2020: Matters Arising on Audit Issues

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*Abstract-* Global businesses and economic activities have gone digital and nations are shifting rapidly, fast adjusting all legal and regulatory frameworks to keep pace with realities. This is as true for the corporate bodies doing business in Nigeria as it is for audit-related issues. Consequently, the Companies and Allied Matter Act (CAMA) was revised to provide a more robust framework for restructuring identified legal, regulatory, and observed administrative bottlenecks. On this basis, this study examined revised Nigerian Company Law 2020, matter arising from audit issues. In carrying out this objective, exploratory research approach was adopted, as write-ups, journals, periodicals, and material related to this study were reviewed.

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REVISEDNIGERIANCOMPANYLAW2020MATTERSARISINGONAUDITISSUES

*Strictly as per the compliance and regulations of:*

# Revised Nigerian Company Law 2020: Matters Arising on Audit Issues

Owolabi, Sunday Ajao [α] & Kassim, Shamusideen Kehinde [σ]

*Abstract-* Global businesses and economic activities have gone digital and nations are shifting rapidly, fast adjusting all legal and regulatory frameworks to keep pace with realities. This is as true for the corporate bodies doing business in Nigeria as it is for audit-related issues. Consequently, the Companies and Allied Matter Act (CAMA) was revised to provide a more robust framework for restructuring identified legal, regulatory, and observed administrative bottlenecks. On this basis, this study examined revised Nigerian Company Law 2020, matter arising from audit issues. In carrying out this objective, exploratory research approach was adopted, as write-ups, journals, periodicals, and material related to this study were reviewed. The study revealed that the revised CAMA was an all-inclusive exercise involving mergers, acquisition, and business combination, financing, transaction, and creation of securities, companies registration, restructuring of distributable profits, shareholding, board meetings, and secretariats matters, directors and company secretary, medium and small enterprises, nongovernmental organizations incorporated and trustee, and many others including matters relating to audit issues needed to enhance audit independence, and integrity and to strengthen corporate governance. The study recommended that corporate bodies and all stakeholders should comply with the new revised CAMA in order to improve ease of doing business in Nigeria.

*Keywords: appointment, audit, CAMA, corporate responsibility, remuneration, resignation.*

## I. Introduction

The world and business activities are fast evolving and to remain relevant, the regulatory and legal frame must be up to speed to meet and handle possible complexities. In addition, the digitalization of businesses and global trends, as the business environment is dynamic and as expected, amendments were anticipated as a necessity to bring the legal framework in tune with global business realities that have been created by changes in both internal and external environments (Ferine, Ermiaty & Muda, 2017). This was evident in the ranking of Nigeria at 169 of 190 economies in the World Bank Doing Business Ranking Index (World Bank Group, 2017). It is therefore not surprising that CAMA 1990 (as amended) was totally repealed and replaced with CAMA 2020. The Companies and Allied Matter Act (CAMA) has passed through various stages of review, was promulgated in 1990, and repealed the Companies Act of 1968. Subsequently the amended Companies and Allied Matters Act, CAP 20 Law of the Federation of Nigeria 2004, and the CAMA 2020 provide the needed legal framework for critical areas bothering on corporate governance best practices issues and corporate regulatory framework for business activities in Nigeria.

Governments globally aim at capital formation to grow the economy and to achieve this, the legal framework for the regulation of companies and its activities must cater for the interest of players within the economy as the government asserts efforts to achieve "ease of doing business" in Nigeria. However, for any government to attain the above, Investor protection must be guaranteed. Owolabi and Dada (2011) recognized that fraudulent practices in companies have led to erosion of stakeholders' confidence in the credibility of financial statements. In its drive to maintain Audit Integrity, for instance, the United Kingdom has progressed with its plan to replace its Financial Reporting Council with a new regulator to be known as Audit Reporting and Governance Authority, though hampered by lack of legislation due to non-availability of parliamentary time. The authority will be expected to provide more robust scrutiny to auditors, in response to recent scandals (the collapse of Carillion and Thomas Cook shortly after the auditors issued a clean bill of health to them) which have tainted the integrity of audit in the view of the public. CAMA 2020 is one of the many responses from the Nigerian government to ensure that Audit Integrity is maintained by improving the quality of the audit, enhancing the independence of auditors and, strengthening the governance structure to ensure that credibility of the financial statements is continuously achieved (Olojede, Olayinka, Asiriwa & Usman, 2020).

### a) Statement of the Problem

The world is on the move and the legal and regulatory structures in Nigeria must be updated, for effective conduct of business activities and corporate governance practices to comply with digital economic realities. The Nigerian company laws as contained in Companies and Allied Matters Act (CAMA) is gradually losing its contextual relevance to such extent that its contents are no longer appropriate to apply to the contemporary business dictates regulations. The complexities of reclassification of directors from old CAMA 2019 and the consequent lacuna in corporate governance code became a challenge, as it created regulatory compliance problem. Furthermore, the

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obsoleteness and old-fashioned laws in the Nigerian company laws made it quite challenging, problematic relating to current economic and underlying business activities with the rest of the world (Solola & Akpama, 2020).

In consideration of this concern, it became eminent that the Nigerian company law required an urgent review to handle the complexities and obsoleteness. Consequently, the main key objectives of this study were to examine the revised Nigerian Company Law 2020, and the provisions of the original Acts that provided the legal framework on how companies operate in Nigeria; review the legislative reforms and changes that have taken place to date; and comment on the implications as they portend to a business environment and matters arising on audit issues (Olojede *et al.,* 2020). The rest of the study is structured in this manner: In section 2, the extant literature was presented from the perspectives of conceptual, and theoretical underpinning. Section 3, the study considered methodology and finally in section 4, conclusion and recommendations were carried out.

## II. Methodological Approach

To achieve the objective of this study, an exploratory research design is adopted as previous literature, journal, periodical, and other related material in Accounting, Finance, and business were reviewed. A comprehensive and comparative review of prior and new Acts were systematically carried out.

## III. Literature Review

### a) *Brief Historical Background of Company Law in Nigeria*

Company law is alien to Nigeria's traditional system of law, and it was only systematically introduced into Nigeria during the colonial era as part of the English common law, the doctrines of equity and the statutes of general application in England after the promulgation of the Supreme Court Ordinance in 1876. It was initially limited to Lagos Colony but thereafter applicable to the whole of Nigeria after the Southern Protectorate and the Northern protectorates were amalgamated and the subsequent promulgation of the Supreme Court Ordinance of 1914.

The statute of general application included the Companies' Act, 1862 and, by implication, was applicable in Nigeria. However, it was impracticable to apply its provisions in Nigeria as local conditions and settings were not fit for such application.

In 1912, the first companies' statute of Nigeria was enacted. It was heavily modelled after the Companies' (Consolidation) Act, 1908 and also had a limited application to Lagos Colony alone. However, after necessary amendments, it was made applicable to the whole of Nigeria in 1917. This gave birth to the Companies (Amendment and Extension) Ordinance, 1917.

The Companies (Amendment and Extension) Ordinance, 1917 was further amended in order to reflect commercial developments and economic realities in modern times and this led to the enactment of the Companies Ordinance, 1922.

The growth and rapid development of companies in Nigeria necessitated further amendments. Provisions of the 1922 Act were becoming obsolete and inadequate and this was addressed in the Companies Act, 1968. The 1968 Act was also subsequently modified by the Companies and Allied Matters (Amendment) Decree. 1990 and the Companies and Allied Matters (Amendment) Decree, 1991.

#### i. *Nigerian Company Law and Reclassifications*

The code made provision for a possible reclassification of independent non-executive directors to non-executive directors of the entity on the passage of time. The companies and Allied Matters Act (CAMA) now require the discretion of corporate bodies to decide that after expiration of the approved and allowed three terms of three years for the independent non-executive directors, the incumbent independent non-executive directors could at the expiration of his or her tenure start new tenure as a non-executive director on a fresh tenue. Accordingly, the code did not make a clear provision or restriction requiring a cooling period for the independent non-executive director before taking up any new role inside the board (Olojede, Olayinka, Asiriwa & Usman, 2020).

#### ii. *Revised Company Law 2020 Matters Arising*

*Corporate Responsibility for the financial report:* Section 405 Corporate responsibility for the financial report is an entirely new insertion into the Act as there was no requirement in the CAMA 1990 (as amended). In the Act, the major responsibility for the credibility of the financial statements was placed on the Chief Executive Officer and Chief Financial Officer of the company, who are responsible for the certification of the audited financial statement after it has been reviewed based on their knowledge. Drawing from the above, the responsibility for the maintenance of internal control is that of the aforementioned officers. It also specified that a thorough evaluation on the effectiveness of internal control must have been done within 90days prior to the date of the audited financial statement. The officers are also mandated to disclose with the company's auditors; significant weakness in the design and operations of the internal control system including fraud and where they fail to discuss the same will suffered appropriate penalty as the commission may specify. Nevertheless, small companies are excluded from compliance with this provision (Owolabi, Adegbie & Oyetunji, 2020; Bambang, Kot, Adiati & Nur, 2018).

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Ideally, this provision should have been discussed in Chapter 2 of this ACT as it relates to the responsibilities of directors for financial reporting. The only area that concerns the auditor is the right to receive the directors' disclosure with regards to significant weaknesses in the design and operations as mentioned above.

*Improper influence on the conduct of audit:* S.406 of CAMA 2020 introduce a provision that made it an offense for any officer, insider, director, or any other person to take action to influence, coerce, manipulate or mislead an external auditor engaged in the performance of an audit for the purpose of rendering such financial statements misleading. The penalty for non-compliance shall be as specified in the regulation of the commission on conviction. It also adopted the definition of "insider" as stated under the Investments and Securities Act. This provision is very protective of the auditor and serve as a deterrent to anyone who might have the motive to influence the conduct of an audit.

iii. *Audit Issues*

The demand and supply for audit services has necessitated the incorporation of audit issues in the new amended Companies and Allied matters Act of 2020. Evidently, audit issues arise consequent to agency theory postulations as mangers (agents)' attitudes and operational activities are unobservable to the shareholders (share holders), who are faced with the risk that the managers may likely act contrary to what shareholders expect resulting in moral hazards and therefore cannot verify the skills and capabilities of the managers resulting in adverse selection (Bratten, Gaynor, Mc Daniel, Montague & Sierra, 2013). Consequent, audit issues must arise because of corporate governance issues between managers and shareholders involved, requiring audit-related matters as prescribed in the new code and Companies and Allied Matter Act. Apparently, resulting from the flaws observed in the old CAMA. The new CAMA 2020 is technically a brand-new Act because of the numerous revisions and introductions which make it practically difficult to amend within the same Act, as a significant number of re-numbering and reordering occurred to arrive at this amended act

iv. *Nigerian Company Law 2020 and Matters Arising on Audit Issues*

*Appointment of Auditors:* S.401 of CAMA 2020 retained the provisions of S.357 of CAMA 1990 (as amended) and address the issue of auditors appointment and reappointment; powers of the company to appoint or remove auditors at the annual general meeting; the directors' power to appoint in specific circumstances i.e. in cases where the company is yet to commence business and where the general meeting fails to appoint or reappoint auditors. Also stated in this section is that a retiring auditor shall automatically qualify for reappointment without a resolution except a resolution has been passed at that meeting, appointing another person or there is a notice from the auditor signifying its intention not to continue in office. However, while we may be tempted to say that there are no changes, technically a change has occurred as the S.402 (1) of the Act exempt certain companies from the requirement of audit whereas S. 401(1) specifically states that "every company at each annual general meeting shall appoint an auditor or auditors..". The implication is that the word "every" shall no longer apply in its entirety and as such the companies that qualify for exemption from the audit requirement will not be compelled to appoint auditors in years where it qualifies for such exemption. This should have been specifically stated in the provision of this section, S.401 (Ighodalo, 2020).

*Exemption from Audit Requirement:* S. 402 is a new insertion in the Act as there was no such provision in CAMA 1990 (as amended). The section provides that a company is relieved from the dictates of this Act with regards to the audit of accounts for the reporting period - if it has not carried on any business since incorporation; or it is a small company within the meaning of S.394: A company shall be deemed to be qualified as small in the first year if the qualifying conditions are met in that year; and in relation to a subsequent financial year if the criteria: are met in that year and the preceding financial year; are met in that year and the company meet the requirements in the preceding financial year; were met in the prior fiscal year and the company qualifies in relation to that year. However, the meaning of small companies as defined in S.394 will only affect the application of S.402 to the extent that such small companies, at any the time within the financial year is not a bank, insurance or any other company as the Commission may prescribe.

As good as the intention of the government to reduce the cost of business operations to the small companies, this provision will inadvertently create confusion in its implementation as it conflicts with other regulatory ACTs. The roots of the conflicts can be attributed to the differences in the criteria used for defining 'small companies' in the respective regulatory legal framework and the cardinal objective of the respective agency. Stakeholders are bound to lean towards the ACT that serves their interest at that moment. For instance, the Finance ACT 2019, in its amendment of S.23 of CITA, exempt the profits of 'small companies' in a particular year of assessment from companies' income tax (Obayomi, 2020).

The FIRS in its information circular no. 2020/04 went on to define the criteria for qualification as 'small company' which is different from the criteria stated in S.394 of CAMA 2020. FIRS, in its circular under reference states that 'the exemption is applicable only to companies with gross turnover of N25m and below' among other conditions. In addition, the S. 402 of CAMA 2020 is in conflict with S.55 of CITA which made it mandatory for all limited liability companies to file their annual tax returns along with the audited accounts with the revenue authority. It is also worth mentioning that tax clearance certificates are a requirement for qualification for award of government contracts and non-procurement of which will disqualify the company irrespective of size. There is no evidence that this requirement have been waived for any category of company. Also, the CAMA provision for exemption of small companies from audit, if it were to supersede the CITA provision that demand that audited account is filed with the annual returns, will deal a heavy blow on the small and medium-size audit firms who provide audit services to the companies in this delineated category, considering that they form a significant portion of the companies operating in the country.

On another front, small businesses also aspire to grow and the audited financial statements serve as the information set that investors, lenders, and other stakeholders rely on in taking a decision on how they want to facilitate such growth. Therefore, it may serve more harm than good for a small company to take advantage of the exemption from audit requirements. Overall, the Act creates room for subjectivity by reserving the right to prescribe any other company that may not benefit from the exemption from audit requirements in addition to bank and insurance companies as mentioned above. Beyond the above, it is rational to posit that the CAMA and CITA are different legal documents which should be taken as independent of each other as each basically defined its own requirements. Therefore, except the government issues a directive on this, a company that qualifies for audit exemption is not exempted from fulfilling its statutory responsibility for filing of tax returns, as even the companies that qualify as 'small' under the S.23 of CITA (as amended) must fulfil other conditions, including the filing of returns accompanied by audited financial statements to qualify for exemption from companies' income tax. (CAMA, 2004; Onulaka, Sany, 2020).

*Qualification of Auditors:* 358(1) states that the provisions of the Institute of Chartered Accountants of Nigeria Act shall have effect in relation to any investigation or Audit for the purpose of this Act. An employee or agent of a company; a partner or employee of an employee or agent of a company; and corporate entity are disqualified from engagement as auditor. It further clarified that a reference to an officer or servant shall not be construed as including references to an auditor. S. 2 to S.6 went further to expatiate on the provision of subsection 1 as it relates to qualification and disqualification of auditors as well as the penalty in acting contrary to the provision of the section.

Section 403 is not different in respect of the above but for the expansion of persons who do not qualify for appointment as an auditor of a company. The insertions were done in S.403 (4) to expand the old S.358 (3) of CAMA 1990 (as amended). Persons who are not qualified for the appointment now include: a debtor to the company or any company deemed to be related to the company by virtue of shareholding in excess of N500,000; a shareholder or spouse of a shareholder of a company whose employees is an officer of the company; a person who is or whose partner is responsible for the custody of register of debentures of the company; or consultant to the company who has been responsible for maintenance of any of the company's financial records or preparation of its financial statements for over one year; or under subsection 6 (subsection 5 in the old Act) prohibited for selection as auditors of any other incorporated body in which it has holding interest or holding company or a subsidiary of that company's holding company, or would be so disqualified if the body corporate were to be a company (Oyayomi, 2020).

There are two notable issues to discuss in this section: first is the expansion of the professional accounting bodies whose ACT shall have effect with regards to the qualification of auditors, and second is the expansion of persons who are not qualified to be appointed as auditors. With regards to the first, this section of CAMA is very brief and not as extensive when compared with similar ACT in the United Kingdom. The U.K Companies Act (2006, Chapter 2) extensively made provisions with regards to Individuals/firms eligible for appointment; Independence requirement; Effect of appointment on partnership; Supervisory bodies; appropriate qualifications and Qualifying; and recognized professional qualifications. A vital question that might be asked, however, is the implication of the provision that disqualifies a debtor from being appointed as auditor, for instance an auditor who has accessed credit facility from his client who is a banking or other financial institution, at arm's length and in non-default position. While it may be tempting to condemn the provision of the law in favour of the audit firm in the picture painted, it will nevertheless not remove the fact that such a relationship has the potential to taint the independence of the auditor in the view of the public. Irrespective of the above gap, it is good to mention that the significance of spelling out the qualification of auditors is to ensure that the individual/firm appointed as auditor possess the requisite qualification, association, competence, and character to function as an auditor and this will no doubt enhance audit quality as well as the independence of auditor (Olojede *et al.,* 2020).

*Auditors Report and Audit Committee:* The issues relating to audit report and audit committee was enunciated in S. 404 of CAMA 2020. It built on the provision of CAMA 1990 (as amended). Both address the presentation of audit reports to the members of the company and the audit committee. The provisions for audit reports in CAMA are not extensive even when considered with the content of the fifth schedule. Considering that the business environment has turned into a global village, our provisions should mirror the drafting in more advanced countries to put the audit report requirements on the same pedestal.

S. 359(4) of CAMA 1990 (as amended) dwells on the membership of the audit committee specifying a maximum number of 6 (with equal representation of the representative from the shareholders and the Directors). Other issues addressed include remuneration of the audit committee, nomination for audit committee positions, objectives, and functions of the audit committee which is primarily aimed at ensuring the effectiveness of internal control, independence of auditors and quality of audit. While the provisions of the old Act as highlighted above were subsumed in the similar provision in S.404 of CAMA 2020, there are significant changes that are worth mentioning (Ighadalo, 2020).

S.404 in addition to the above introduced new provisions in subsection 4 and 5 which gave effect to specify the qualification that must be possessed by the audit committee members; and that all members of the committee shall be financially literate, with at least one of them a member of a professional accounting body in Nigeria established by an Act of the National Assembly. The new Act also reduced the composition of the audit committee to 5 at a ratio of 3:2 to members of the company and non-executive directors respectively.

The implication of the above changes is that the audit committee should be more effective with the requirement for financial literacy and membership of professional accounting body by at least one of them, thus aligning with the requirement of International Standard on Auditing. However, the provision with regards to the composition of the audit committee should have replaced the two non-executive directors with independent non-executive directors as that is the global practice which is aimed at making the committee more effective in its duties. Mallin (2007, pg.132) made reference to Cadbury report (1992, para 4.12) where it was stated 'that Non-Executive Directors should be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment'. In addition, the odd number composition of the audit committee will also make it easy to reach an effective decision where there is a need to vote and prevent a situation where there would be a tie in votes. Also, the new provision in CAMA 2020 relating to nomination of audit committee member at least 21days before the annual general meeting implies that such nomination will be invalidated unless received not later than 21days prior to the annual general meeting (CAMA, 2020).

*Auditors' duties and powers:* S.407 of CAMA 2020 did not bring any change to S.360 of CAMA 1990 as amended as they both enumerated the duties and powers of auditors. The auditors have the duty to investigate and form an opinion regarding the maintenance of proper accounting records and that financial statements are in consonance with those records. The section grants the auditors right of access to the company's books, documents and other information necessary to perform the audit judiciously, failure of which they are expected to disclose in the audit report. The provision reinforces the importance of information to the quality of audit as well as provide the resources for the auditor to form an opinion on the 'true and fair view' of the financial statement that has been audited.

*Remuneration of auditors:* Section 408 gives effect to the definition and responsibility to fix the auditors remuneration either by the directors, where the appointment was made by them or the company in a general meeting. Remuneration was defined as "sums paid by the company in respect of the auditors' expenses". There are no changes whatsoever from S.361 of CAMA 1990 (as amended). The ACT is realistic in circumstances that directors are allowed to fix the remuneration where appointment is made prior to commencement of business or the company is yet to hold its general meeting. However, retaining the power to fix the remuneration at the general meeting in other circumstances as well as in cases of re-appointment will not put the auditor in a position of compromise and thus entrench his independence (CAMA, 2020).

*Removal of Auditors:* S.409 of CAMA 2020 is in tune with the provision of S.362 of CAMA 1990 (as amended) and relates to the power to remove an auditor at a general meeting of a company by an ordinary resolution before the expiration of his term. This is however subject to a notice being given to the commission of such removal within 14 days; the only departure being the penalization of the company and every responsible officer(s) who shall be guilty of an offense and liable to pay penalty as the commission may specify in its regulation as against a penalty of N100 in the old Act. This provision stands to give the assurance that the auditor would not be thrown out without adherence to appropriate procedure and this serves as a boost to auditors' independence.

*Auditors' right to attend company's meetings:* The provision of S.410 of CAMA 2020 is not different from S.363 of CAMA 1990 (as amended), and it's mainly to assert the rights of the auditors and ensure they are heard on matters pertaining to their duties to the company. An auditor is entitled to attend all general meeting, including the meetings where the vacuum caused by his removal or retirement is to be filled, receive all notices and corespondences in respect of those meetings and also, be heard on the part of the business that concerns him as the auditor or former auditor. It is inevitable that this provision is retained otherwise the auditor would be deprived of the opportunity to be represented at the forum where issues that might touch on his removal would be discussed.

*Supplementary provisions relating to auditors:* S.411(1) states that a special notification of a resolution to be made at a general meeting must be sent to auditors to be appointed, re-appointed, removed, retiring, and resigning whenever there is to be a resolution for appointing, reappointing, or removing an auditor.

S.411 (2) also states that the representation can be made by the retiring auditor or auditor to be terminated with regards to the resolution to be made. The representation must be sent by the company to all members who received the notice unless it's too late (in which case it shall be read at the meeting) or there is a court order disallowing same to be sent or read based on the complaint of the company or an aggrieved party that the auditor just wants to cause mischief.

There is no material difference between this section and section 364 of the old Act and it only ensures that auditors to be removed or appointed are given notice of such and to enable auditors to state any objection or varying opinion with respect their appointment of removal. This is in line with the principle of natural justice (CAMA, 2020.

*Resignation of auditors:* Section 412 gives the condition for an auditor's resignation to be valid. It shall not be valid until it is in writing, delivered to the registered office of the company, and contain a statement stating his resignation is not influenced by any situations that should be brought to the knowledge of the company. The company must send the notice of resignation to CAC or people who are required to be sent financial statements (where the auditor states that there are circumstances that the company should be aware). This notice might not be sent to people required to receive financial statements where the court is satisfied that the auditor intends to cause mischief.

Just as the auditors require notice for their appointment or removal, they are also to give the company notice of their resignation. This is important for the purpose of enabling the company to decide on the appointment of new auditors as well as making the shareholders understand the reasons the auditor is retiring. The auditor might have been intimidated by senior members of the company who engage in unscrupulous activities that would be discovered by the auditors. This process of resignation will allow the auditor to make the company aware of such acts. This is substantially the same provision as the old Act of 1990.

*Entitlement of outgoing auditor to call company meeting:* Furtherance to S.412, S413, the auditor can send a notice of requisition signed by him, calling the directors to convene an extraordinary general meeting in order to give explanation of the said circumstances the company needs to be aware of. If the directors do not convene such meeting after 21days, they shall be penalized unless there is a court order disallowing it because the auditor intends to cause mischief. This will help reinforce the independence and integrity of the auditor as he has the privilege of presenting his case, should there be circumstances that call for it.

*Powers of auditors in relation to subsidiaries:* The provision of S.414 of CAMA 2020 requires that a subsidiary incorporated in Nigeria and its auditors must furnish the auditors of its holding company all information and explanation reasonably required for carrying their duties as auditors for the holding and can require the holding company to take all steps practically available to it to acquire such material from the subsidiary, failure of which the subsidiary and the holding company will be penalized according to the regulation of CAC.

This is the replica of section 367 of the old Act. This purports to give the auditors of a holding company a higher responsibility for the auditors of a subsidiary in auditing the holding company. This is reasonable for the purpose of allowing the auditor to properly audit the holding holistically and avoid any frustration from the subsidiary.

*Liability of auditors for negligence:* S.415 states that auditors would be liable for loss due to their failure in their fiduciary duty and can be sued for negligence by the directors or a member of the company, if the directors fail to sue after the expiry of 30 days' notice of intention to sue. This is a standard practice in the law of a contract between professionals and clients. Professionals such as Accountants are presumed to be experts who will exercise due diligence and competence when handling clients' matters; failure to exercise such skills in dealing with client's matters will be actionable in courts (PCAOB, 2014).

*False statements to auditors:* S.416 of CAMA 2020 is similar to S.369 of CAMA 1990 (as amended) Act. The Act is designed to prevent intentional oral or written dissemination of false information to the auditors by officers of the company. The minor difference in both Acts is that the latter specifies that the offense is criminal and punishable with one-year imprisonment or a fine or both. The new Act, however, decriminalize the offense and reserve the penalty to the Commission. The implication of this is that companies or their officers may be motivated to present false statements to auditors. Punishment is an important mechanism to deter fraud and as such, it is unimaginable that the measure has been expunged from the Act (PCAOB, 2015).

*b) Theoretical Underpinning*

*i. Theory of Inspired Confidence*

The essence of audit exercise is to instill confidence in outside stakeholders who are not part of the management of an entity. Consequently, the theory of inspired confidence posits that stakeholders demand accountability from the management. The theory was proposed by Limperg in the year 1932 (Limperg, 1932; Muda & Hutapea, 2018; Niyonzima & Soetan, 2018). The theory suggested that confidence and assurance arose to assure the owners of the business and other stakeholders the reliability and accuracy of the state of affairs of underlying economic activities for a period of time being reported (Lubis, Torong & Muda, 2016; Erwin, Abubakar & Nuda, 2017). The demand for audit issues arose in the Companies and Allied Matter Act (CAMA) as a consequence of divergences of interests between the managers and stakeholders resulting to conflicts of interests. It is normal that since the managers who run the activities of the company are the same that prepares the financial statement, it becomes very imperatives that auditors who are independent umpires be involved to verify through audit exercise to enable them to express an opinion of certification and true and fairness of the financial state of the company for the period covered in the reported financial statement (Deegan, 2000; Handoko, Sunnnaryo & Muda, 2017; Lutfi, Nazwar & Muda, 2016; Marhayanie, Ismail & Muda, 2017).

The audit issue arose in response to financial users of financial statement otherwise called interested third parties in the affairs of companies, who desire accuracy and accountability from the mangers saddled with the responsibility of managing the operational activities of the company in return for their investments and also to ensure that the report prepared by the managers reflect the true position of the affairs and health condition of the companies (Daily, Dalton & Canella, 2003). Theory of inspired confidence suggests that auditors' certification in its expression of opinion after audit exercise give the shareholders and other stakeholders confidence regarding the credibility and reliability of the financial statement of companies (Griffith, Hammersley & Kadous, 2015; Hasan, Gusnardi, Muda, 2017). Issuance of routine financial statement of the company gives investors and interested parties the needful resources to make informed investment decisions.

Fama (1965) documented that possibilities abound that managers could prepare and present a biased financial statement since they are on the other the divide, of conflict of interests' contenders. Since the managers have privileged information not available to the shareholders, it is rather natural and proper that a third party and independent auditors be brought in to vouch the credibility and true position of the financial report prepared by the management. Limperg (1932) further stressed that auditors should endeavor to meet the growing demands of audit services to enable user to make investment and portfolio diversifications decisions.

*ii. Institutional Theory of Audit*

The institutional theory was proposed by Max Weber (Thornton, Ocasio & Lounsbury, 2012). Max Weber's institutional theory suggested that establishment are expected to follow and adhere to rules, regulations, and structures otherwise, the objective of that establishment may not be achieved. The institutional theory of audit further suggested that in every establishment or institution, there are rules, regulations, social and cultural influence that promote survival and legitimacy of that establishment rather than mere efficiency of its employees. Therefore, corporate organizations should ensure that financial rules and auditing guidelines are strictly adhered to when preparing financial statements, ever before the arrival of statutory auditors (Kogut & Zander, 2003).

Some of the assumptions of institutional theory include that institutions are non-static, hence should adapt to regulatory changes and that every institution should be interactive with the rest of its internal and external environment to give and receive useful information. The theory considered three basic dimensions of institutions, the institutional change, institutional historical settings, rationality choices of institutions, and sociological institutionalism (Zheng, Chen, Huang & Zhang, 2013). According to Meyer and Hollerer (2014), the theory submitted that the influence of institutions or corporate organizations lead to such corporation's management to take some actions that are not inimical but beneficial to the growth of the organization, improve the good relationship with its stakeholders, the employees and the government, those symbiotic relationships are capable of keeping the good image of the corporation.

*iii. Lending Credibility Theory*

The theory was proposed by Watts and Zimmerman in the year 1979 (Watts & Zimmerman, 1979). Watts and Zimmerman posited that the financial statement users expect that auditors will add credence to the value of financial report prepared by the agents (managers) since there are likelihoods that managers' interest may be protected better than that of the shareholders in the reported financial statement prepared by the managers. For this reason, it becomes apparent for a need for an umpire independent auditors (Nonaka & Toyama, 2003). It is believed that audit services will add integrity and expected credibility to financial statement and at the same time reduce information asymmetry created by the separation of ownership and management of the productive resources of the company. The demand and supply of audit services is a universal issue, and considered expedient in nations' legal and regulatory framework and the Nigeria CAMA 2020 is not an exceptional.

The CAMA 2020 of the Nigerian legal framework considered the need for a credible and dependable financial statement and mandated that every incorporated entity operating in Nigeria produce a statutory audited financial statement periodically as required by the Nigerian Stock Exchange.

Consequently, audit services are required to spice up confidentiality and trust in the financial statement to enable financial statement user make a reliable and credible investment decisions. As such, the above theories are considered relevant and suitable to support this study.

## IV. Conclusion and Recommendation

*a) Conclusion*

This study examined the revised Nigerian Company Law 2020 and matters arising from audit issues. In an effort for the government of Nigeria to improve regulatory compliance and information disclosure, protect the interest of local and international investors, shareholders, and other stakeholders, the review of CAMA became significantly vital to fairness and transparency in doing business in Nigeria. , as it relates to audit issues, the government demonstrated the will to promote investors and other stakeholders' confidence by taking steps that should enhance Audit Integrity. Nevertheless, there are areas that call to questioning the intention of the government for instance the decriminalization of offense for filing of false statements to auditors remains a misery. This, no doubt, could become a motivating factor for violation of the section, especially considering the fact that the system lacks other mechanism that would ensure that such will not occur.

*b) Recommendations*

While the study believed that the amendments of the old Act that culminated into CAMA 2020 is very thoughtful and truly designed to facilitate the ease of doing businesses and most importantly will align doing business in Nigeria with international best practice, however, the government should create a conducive environment to enhance the effective operation of businesses in Nigeria. The government should demonstrate its pro-activeness steps, taking cue from COVID 19 pandemic, allow enabling provision for the virtual annual general meeting, provisions that will facilitate electronic filing, electronic share transfer and e-meetings for private companies. These steps will ensure that such occurrences in the future will not bring business to a halt. Finally, while corporate establishments are encouraged to engage in voluntary compliance, the government should sensitize the business community of the new amendments, and give them time to adjust to the new realities, by embarking on deserved publicity to engender voluntary compliance.

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