

THE IMPACT OF THE 2023 FRCN REGULATORY AMENDMENT ON THE QUALITY OF CORPORATE REPORTING IN NIGERIA

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ABSTRACT

This study investigates the effects of the Financial Reporting Council of Nigeria (FRCN) regulatory amendment on the quality of corporate reporting in Nigeria. The amendment introduced significant changes, including tougher penalties for non-compliance, improved guidance on internal control over financial reporting (ICFR), and reforms to corporate governance, intended to improve the quantitative aspects of corporate reporting, particularly the faithful representation of financial statements. Faithful representation is a fundamental qualitative characteristic of financial reporting, requiring that information be complete, neutral, and free from error. The study calls for an evaluation of whether the 2023 amendment actually enhanced corporate reporting reliability and whether further amendments are needed. Structured questionnaires were used as primary data collection methods to people involved in preparing the financial statements and included auditors, accountants, and compliance officers. Descriptive statistics, correlation, and multiple regression analysis were used to determine the relationship that exists between the reforms and the reliability of corporate reporting. Results indicated the amendment has positively and significantly influenced the faithful representation of financial statements with sanctions and ICFR demonstrating the strongest impact, and governance reforms with a moderate, yet positive impact. This paper concludes that the FRCN amendment 2023 has enhanced the quality of corporate reporting and thus increased the trust of stakeholders in financial reporting. It suggests that compliance should be enforced more strongly by regulatory bodies, organisations should enhance internal controls and additional reforms should be reviewed to deal with existing gaps. Further studies ought to be conducted on the analysis of other industries and the long-term impact of the amendment.

Keywords: 2023 FRCN regulatory amendment, corporate reporting, sanctions on non-compliance, internal control, corporate governance, quality

1. INTRODUCTION

Corporate reporting is the process of providing the summary of the financial activities and position of an entity in a given period of time (Welch, 2022). They are an effective medium through which organisations communicate financial information to both their internal and external stakeholders (Brennan & Merkl-Davies, 2020). Corporate reporting is a tool which assists in making sound financial decisions, allocating resources, assessing the risks of an organisation and developing policies that will ensure the stability of organisations (Olayinka, 2022). Corporate reporting is a very important tool; however, how useful it will be to stakeholders largely depends on how reliable they are (Matkar & Ranjan, 2023). When the information provided by a corporate report are accurate, consistent, and presented in a manner that is clear and understandable, it builds confidence between stakeholders and the organisation, boosts the reputation of such organisation, and enhances efficiency (Zakaria, 2025). However, when the information contained in a corporate report are inaccurate and unreliable, it could lead to huge financial loss for stakeholders, loss of stakeholders' confidence and trust, and ultimately the collapse of such organisation (Zakaria, 2025).

In the banking industry, corporate reporting quality is very important, due to how sensitive and high-risk their operations are. Deposit money banks play the financial intermediary role by mobilising deposits and extending it as credit or loans to various sectors in the economy where it is needed, thereby driving economic growth and development (Brennan & Merkl-Davies, 2020). Due to the fact that deposit money banks carry out their operations with a large amount of public funds (deposits and investments), any misrepresentation or inaccuracies that occurs in their financial statement might negatively impact their stakeholders. As a result of this, deposit money banks, particularly those listed on the stock exchange are intensely monitored by regulatory bodies such as Central Bank of Nigeria (CBN) and Financial Reporting Council of Nigeria (FRCN) and their corporate reports are closely and constantly scrutinised to ensure that they are transparent, fair, and an accurate representation of their financial health (Ogbeide, Ogiugo, & Adesuyi, 2021). FRCN is a regulatory body whose role is to develop financial reporting standards and enforce them in every organisation in Nigeria (Adegbe & Fakile, 2021). They ensure that public entities produce high-quality financial reports that comply with both national and international financial reporting standards, thereby enhancing the reliability of the financial information which these entities publish in their financial statements (Tsegba, Semberfam, & Tyokoso, 2023).

FRCN set accounting, auditing, and corporate governance guidelines which public interest entities must follow, particularly those listed on the Nigeria Exchange Group including listed deposit money banks (Atoyebi & Asuquo, 2021). In May 2023, the president of Nigeria, Bola Ahmed Tinubu, signed into law the Financial Reporting Council of Nigeria Amendment Act 2023 (PricewaterhouseCoopers, 2023). This is to improve transparency, accountability and financial reporting practices of all public interest entities (Banwo & Ighodalo, 2023). Some of the reforms which this amendment introduced are stricter sanctions, guidance on internal control over financial reporting (ICFR), and corporate governance reforms (Adegbe & Fakile, 2021). Collectively, these reforms were designed to close any loopholes that may lead to inefficiencies, enhance the reliability of the financial statements, and protect the interest of the stakeholders of public companies including listed deposit money banks (Okpuzor & Okorie, 2025). In June 2024, the operating license of heritage bank was revoked by the CBN due to a severe case of financial deterioration characterised by an alarming non-performing loan of over 81% (which is way higher

than the limit of 5%) and their continued inability to maintain adequate capital (Bala-Gbogbo, 2024). If the corporate reports which Heritage Bank have been publishing to its stakeholders had been reliable, regulatory bodies would have been able to detect the risk of insolvency earlier, thereby allowing them to intervene before the bank reached the point of liquidation. This event raised a question about whether the 2023 FRCN amendments effectively ensure that the released corporate reports of deposit money banks are reliable. This calls for an evaluation of whether the 2023 amendment actually enhanced corporate reporting reliability or not, and if there is a need for further amendments. This research is geared towards identifying how the 2023 FRCN regulatory amendment has affected the quality of corporate reporting of listed deposit money banks in Nigeria with the following objectives: (i) To determine whether the provisions of amendments on sanctions for noncompliance impacts the faithful representation of financial statements, (ii) To examine what impact the guidance on internal control over financial reporting (ICFR) have on faithful representation of financial statements, and (iii) To determine if reforms in the corporate governance (simplified board designs and improved monitoring systems) impacts faithful representations of financial statements.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Financial Reporting Council of Nigeria (FRCN) Amendment Act 2023

The Financial Reporting Council of Nigeria (FRCN) Amendment Act 2023 is a reform that was put in place to improve how credible, accountable, and transparent financial reporting is in Nigeria through a variety of regulations which public interest entities are meant to abide by during the preparation of financial statements (Eshiet, Adanma, Akpan, & Asuquo, 2023). Prior to this act, there was the 2011 FRCN act that regulates how various sectors engage in financial reporting, accounting, auditing, and valuation of assets and liabilities (Olojede & Erin, 2021). Although the 2011 FRCN Act was a great step towards improving financial reporting practices in Nigeria, it showed so many severe weaknesses overtime which countered its effectiveness. Some of these weaknesses are a lack of a strong enforcement mechanism, outdated definitions of PIEs, and unalignment with global modern financial reporting practices (Adetunji & Adeyemi, 2022). The 2023 FRCN Act was developed in reaction to the problems with the 2011 Act. This act gave the FRCN more power to enforce compliance, punish violations, and conduct its activities more efficiently (Adeyemi & Olowookere, 2021). It also broadened the definition of PIEs to include: listed companies, non-listed companies, pension fund managers, and other organisations that affect the masses and economy broadly (KPMG, 2023). To discourage financial statement fraud and misrepresentation of the financial health of companies, the amended 2023 FRCN Act introduced reforms such as stricter sanctions for non-compliance to regulations, internal control oversight, and corporate governance reforms (Iheanetu & Roberts, 2024). These reforms were introduced to better scrutinise how companies disclose transactions in their financial statements, and thus minimise the possibilities of publishing false and misleading financial reports (Gideon & Thompson, 2024).

2.1.2 Sanctions for Non-Compliance

Under the previous 2011 Act, no penalties were enforced for organisations who did not comply with the regulations established for reporting (Chidiebere & Logan, 2024). As a result of this lack of structure, many PIEs got away with violating regulatory requirements with little to no consequences, which led to weak enforcement, inefficient regulatory oversight, and a heightened increase in questionable financial statements (Lawrence & Egbetunde, 2023). Over time, the loopholes created by the 2011 FRCN act led to a decline in the trust of investors, depositors, regulatory bodies, and the general public in the financial statements of companies, including deposit money banks, which was detrimental as their existence and operations largely depends on public trust (Lawrence & Egbetunde, 2023). The amended 2023 FRCN Act resolved this by introducing stricter disciplinary actions for firms that go against the council's regulations. The 2023 Act now gives FRCN the power to impose penalties on firms who default such as financial fines, public warnings, suspension of key officers (such as CFOs or board members), and even withdrawal of operating licenses (Mensah & Ogundele, 2024). Knowing that violating regulation will attract severe consequences contributes to pushing PIEs to take their financial reporting obligations very seriously. This reform is not just about punishment; it also includes preventive measures. By stipulating the sanctions for violation, this reform creates a deterrent effect across companies by discouraging them from engaging in unethical financial reporting (Regulus & Adeniran, 2023). It drives companies to pay more attention to their financial reporting practices, strengthen their internal control systems (in order to ensure that no activity that could implicate them goes unnoticed), and pay more attention to the accuracy and transparency of their financial statements before they are released in order to avoid sanctions that could result from misstatements (Tamara & Ochieng, 2023). The sanctions for non-compliance reform create a reporting environment that is more disciplined, which enhances the confidence of stakeholders and leads to better regulatory oversight and enforcement with fines ranging from N10m to N25m as well as possible imprisonment of key officers.

2.1.3 Guidance on Internal Control Over Financial Reporting (ICFR)

Internal controls are the processes, procedures, and activities that organisations put in place to ensure that they carry out their operations in compliance with laws and regulations, produce accurate and reliable financial reports, safeguard assets from loss, fraud, or misuse, and ensure that their operations are effective and efficient (Briggs & Tamba, 2022). The amended 2023 act introduced a new and improved guidance on internal control over financial reporting (ICFR) which aimed to improve the internal control activities that directly affects the reliability of financial statements (Okot & Sola, 2024). The previous act did not make much reference to internal control, which left many organisations with no proper guidance on how to establish, monitor, and evaluate the system they use in preparing financial reports (Regulus & Adeniran, 2023). This implied that weaknesses within their operations were not detected and they consequently resulted in mistakes, fraud, or misstatements thus significantly lowering the reliability of their financial report and the confidence of stakeholders. This has now been made a requirement in the 2023 FRCN act as companies are expected to establish an effective system of internal control over their financial reporting. This involves the establishment of an internal control process that will ensure that all transactions are correctly and accurately documented, that financial records are complete and that reporting is done in accordance with relevant standards (Ademoye et al., 2025). The ICFR law

also imposes on the CEOs and CFOs the duty to conduct a yearly clarification and assessment of the effectiveness of their internal control systems and procedures (Olojede & Erin, 2021). Through this FRCN will ensure that there is reduced misleading financial reporting as the top management will be held accountable to any weaknesses or failures of the control environment.

2.1.4 Corporate Governance Reforms

Corporate governance refers to the rules, process, and practices that guides how an organisation is operated and controlled (Ozili, 2020). These rules, process, and practices define how an organisation relates with its management, board of directors, shareholders, and other stakeholders, and dictates how decisions should be made to ensure that they are fair, accountable, and transparent (Solomon, 2024). The amended 2023 FRCN act made a reform to strengthen corporate governance and it was targeted specifically at strengthening the internal structures and improving the oversight mechanisms of PIEs (Shaba & Idris, 2024). In the 2011 FRCN Act, there were loopholes in the corporate governance regulations which allowed board-level misconduct without enforceable preventive measures (Akparanta & Mran, 2024). There were also no enforceable measures to ensure that board members of companies are held accountable for their misconduct (Akparanta & Mran, 2024). One of the improvements to corporate governance that was brought about by the 2023 amendment is the change in the composition of board members and emphasis on their independence. The amendment encourages companies to include non-executive and independent directors on their board in order to reduce conflicts of interest and ensure that decisions are made without bias (Adebayo et al., 2024). The amendment also stipulated that the roles of the Chief Executive Officer (CEO) and the Chairman of the Board should be separated to allow oversight functions (Bello et al., 2024). These reforms ensure that all the decisions made by management are independent, constantly evaluated, free from risks, and in alignment with the interests of all stakeholders (Adegbite, Nakajima & Dike, 2023).

2.1.5 Quality of Corporate Reporting

Quality of corporate reporting in the financial world is how trusted and dependable the information in a financial statement is (Quoc, Dewi, & Akgun, 2023). It refers to whether or not the information in a corporate report is true and fair and if they are an accurate representation of the financial performance and position of the company (Sheng & Liu, 2020). When corporate reporting is regarded as accurate, it means that its content is accurate, complete, consistent, and free from material misstatements or bias (Kimani, 2024). Creditors assess corporate reports before deciding on whether or not to lend out funds. If they make this decision using unreliable corporate reports, they could be misled to lend funds to organisation who do not have the capacity to pay back, thereby resulting in significant financial loss for them. Similarly, depositors depend on quality corporate reporting to determine if deposit money banks are financially stable enough to secure their deposits and fulfill their demands when they seek withdrawal. Using unreliable corporate reports to base this decision could result in depositing funds into deposit money banks that that are facing severe financial crisis and do not have the ability to manage deposits properly, thereby leading to financial loss for the depositors.

In the 2011 FRCN Act, there were several loopholes that permitted unreliable corporate reporting by companies. There were no strong enforcement mechanisms and penalties and this allowed so

many companies to engage in manipulation, fraud, or omission which further allowed them to publish annual reports that were not verified, not in alignment with the approved reporting standards, and not properly reviewed by an independent board (Lawuyi, 2020). However, the provisions of the 2023 amendment aim to address this through its numerous reforms and provisions, thereby ensuring that all corporate reports are accurate, transparent, consistent, and can be relied on by stakeholders for decision-making.

2.2 Empirical Review

Several studies have looked into the impact of the 2023 FRCN amended act. Mensah and Ogundele (2024) examined the role of legislative reform in strengthening regulatory enforcement, reviewing Nigeria's 2023 FRCN Amendment Act using strict regulatory enforcement mechanisms and sanctions. Employing descriptive research design and a population comprising staff of financial regulatory agencies and compliance officers in Nigeria. 150 participants were selected using purposive sampling technique. The findings of the regression analysis showed that the 2023 FRCN Amendment had a positive and significant impact on the ability of regulatory agencies to enforce compliance in public interest entities. Okot and Sola (2024) on their part examined the role of the internal control over financial reporting (ICFR) reform under the 2023 FRCN Amendment in enhancing the reliability of financial reporting in listed manufacturing companies in Nigeria. Employing ex-post facto research design, secondary data were collected from the annual financial reports of 30 firms who were selected using stratified sampling technique. Panel data regression was used to analyse data and from the findings it was found that the improved ICFR guidelines enhanced the accuracy of financial statements, which in turn led to better audit outcome and stakeholder's trust. Corporate governance reforms under the 2023 FRCN Act and its role in strengthening the financial integrity of financial institutions listed on the Nigerian Stock Exchange was the focus of Chidiebere and Logan (2024). A correlational research design was adopted, while the population comprised of 43 financial institutions listed on the NGX. Secondary data were collected from the annual financial reports of 25 listed banks who were selected using convenience sampling technique. Pearson correlation and multiple regression were employed during data analysis and the results showed that the corporate governance reform improve board independence, transparency, and also reduced the level of manipulation among the board of directors.

Regulatory enforcement and the credibility of financial reporting in Nigeria was analysed by Lawrence and Egbetunde (2023). Exploratory qualitative research design was utilised in the study. The population of the study was made up of key stakeholders of financial institutions (investors and analysts), while the sample chosen using purposive sampling technique consisted of 20 respondents. Primary data collected through interviews were analysed using thematic analysis and the findings revealed that the stakeholders of financial institutions were of the opinion that since the enactment of the 2023 FRCN Amendment, regulatory enforcement had been more effective as seen by the frequent oversight and penalties for non-compliance, which enhanced the credibility of the financial statements they rely on. Tamara and Ochieng (2023) investigated the impact of regulatory reforms on internal controls and financial disclosure in Nigeria's corporate sector. The cross-sectional research design was adopted where the population was composed of internal auditors and compliance managers in the listed companies with a sample of 200 participants that was sampled using cluster sampling method. Structured questionnaires were used to collect primary data and the data was analysed with the help of ANOVA and regression. The results

showed that FRCN Amendment 2023 resulted in a more precise internal control framework and improved disclosures in sectors.

While several studies have mostly looked into just one of the 2023 FRCN amendments at a time, this study filled the gap of assessing the impact of sanctions, ICFR and corporate governance reforms individually and together on faithful representation of financial statements. This study therefore hypothesised that:

H₀₁: The amendments of the sanctions on non-compliance do not significantly impact faithful representation of financial statements.

H₀₂: The FRCN's 2023 guidance on internal control over financial reporting (ICFR) does not significantly impact the faithful representation of financial statements.

H₀₃: The corporate governance reforms in the 2023 Amendment (streamlined board structures and enhanced monitoring frameworks) do not significantly impact faithful representation of financial statements.

2.3 Theoretical Framework

This study is anchored on Agency Theory and supported by Stakeholder Theory.

2.3.1 Agency Theory

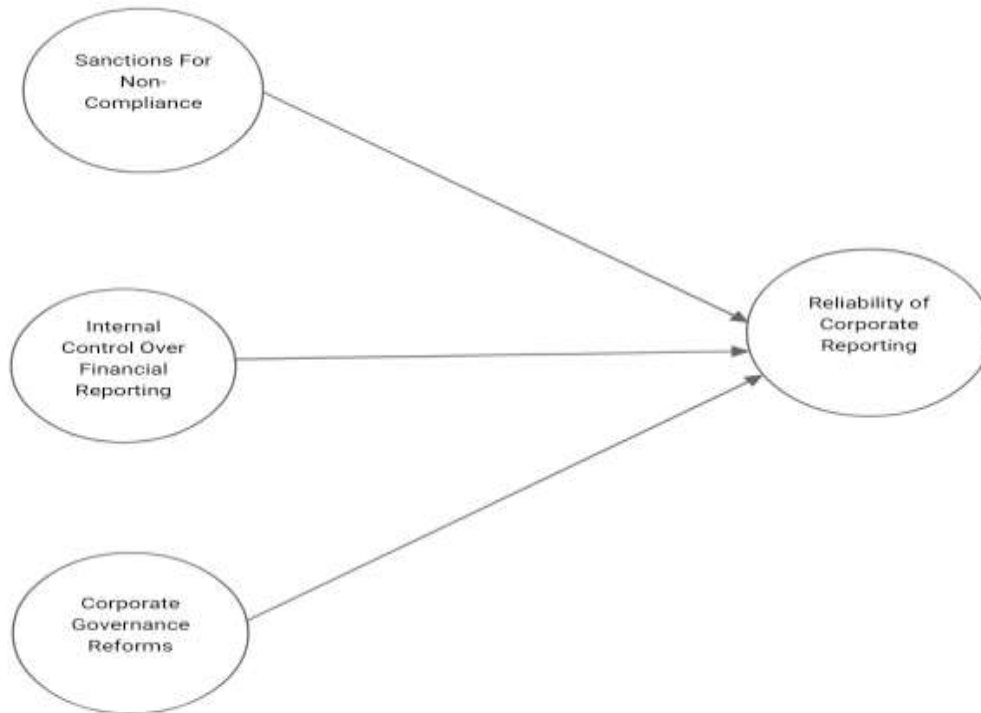
Agency Theory was propounded by Michael C. Jensen and William H. Meckling in 1976 and it explains the relationship between principals and agents. In this relationship, the principal delegates his authority to the agent and the agent is expected to act on behalf of the principal and in his best interest. However, often times, the agent begins to act in his own selfish interest rather than that of the principal, especially when there is no monitoring or oversight mechanism. This creates agency problems. In the context of this study, the shareholders of deposit money banks are the principals, while the agents are banks staff and executives including the CEO, CFO, as well as the board of directors. Bank staff and executives are hired by shareholders to act in their best interest which involves generating profits, ensuring efficient operations, and meeting the demands and expectations of stakeholders. However, due to lack of proper oversight, these staff and executives begin to engage in selfish activities such as fraud, financial misreporting, and error resulting from lack of diligence, all of which reduces the reliability of corporate reporting.

2.3.2 Stakeholders Theory

Stakeholder Theory was introduced by Edward Freeman in 1984. It explains that organisations are not only responsible to their shareholders, but also, they have a responsibility towards other stakeholders such as employees, customers, suppliers, creditors, regulators, and the general public. According to Stakeholders Theory, organisations should not be only focused on making profit (maximising shareholders wealth), but they should also seek ways to add values to their stakeholders, as they are also affected by their operations. By so doing, this theory argues that it enhances the success and sustainability of such organisation. In relation to this study, Stakeholders

Theory suggests that deposit money banks are not only accountable to their shareholders. Rather than focusing only on making profits, they should also seek ways to provide value to their stakeholders which includes investors, depositors, and regulatory bodies by providing reliable corporate reporting, as the stakeholders of deposit money banks are also affected by the content of financial statements.

2.4 Conceptual Model of the Study



Impact of the 2023 FRCN Amendment on the Reliability of Corporate Reporting

Source: Researcher (2025)

3. METHODOLOGY

Explanatory research design was adopted for this research as it enables the examination of cause and effect between variables using quantitative data. The population of the study consists of preparers of financial statements such as auditors, accountants, and financial analysts. There is presently no statistically proven estimated number of financial statements preparers in Nigeria due to poor data gathering and analysis, hence no figure can be attributed to the population. Due to this, the sample size could not be calculated hence convenience sampling was used to arrive at a sample size of 200, this is to allow for quick insights, high accessibility as the cost of probabilistic sampling for this study outweighs the need for high generalisability.

The independent variable is the 2023 FRCN Amendment and it was proxied by amendment for sanctions for non-compliance, guidance on internal control over financial reporting, and corporate governance reforms. The dependent variable is reliability of corporate reporting and it was assessed using the qualitative characteristic of corporate reporting namely faithful representation. All the study's variables are measured using a five-point Likert scale questionnaire. Primary data was collected using the survey method with structured questionnaires distributed to preparers of financial statements. Expert review was done to ensure the validity of the research instrument. The reliability of the research instrument was ensured through Chronbach's Alpha test, which is used to test for internal consistency of questionnaire items. A Chronbach's Alpha value of 0.7 and above, indicates high reliability of the questionnaire. Descriptive statistics and multiple regression analysis were used to analyse the study's responses. Low response rate by respondents due to hectic schedules is the major limitation of this study.

4. RESULTS

4.1 Frequency Distribution of Respondent’s Demographics

TABLE 1: FREQUENCY DISTRIBUTION OF RESPONDENTS DEMOGRAPHICS

GENDER			AGE GROUP			YEARS OF EXPERIENCE		
ITEM	FREQUENCY	PERCENTAGE (%)	ITEM	FREQUENCY	PERCENTAGE (%)	ITEM	FREQUENCY	PERCENTAGE %
MALE	94	52.22	UNDER 25	145	80.56	LESS THAN 1 YEAR	139	77.22
FEMALE	86	47.78	25-34	33	18.33	1 - 5 YEARS	36	20.00
TOTAL	180	100	35-44	1	0.56	6 - 10 YEARS	4	2.22
			45-54	0	0.00	OVER 10 YEARS	1	0.56
			55 AND ABOVE	1	0.56	TOTAL	180	100.00
			TOTAL	180	100.00			

Researchers computation on SPSS (2025)

Of the 200 questionnaires distributed amongst preparers of financial statements, 180 responses were recorded. Out of 180 respondents, 94 (52.2%) were male, while 86 (47.8%) were female. This near-equal distribution reflects a balanced gender representation in the sample. Majority of respondents 145 (80.6%), were under 25 years old. This indicates that the sample is largely dominated by younger accountants, particularly those in their early career stages. With respect to professional experience, the data shows that 139 respondents (77.2%) had less than one year of accounting practice experience, while 36 (20%) had between one and five years of experience. The dominance of respondents with less than one year of professional experience is consistent with the youthful age profile of the sample which was intended so as to have a sample who have only worked with the 2023 FRCN amendment.

4.2 Reliability Test

Table 2: Reliability Test on Variables

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlatio n	Cronbach's Alpha if Item Deleted
Sanctions for Non-Compliance	12.17	2.56	0.67	0.84
Guidance on ICFR	12.17	2.44	0.76	0.8
Corporate Governance Reforms	12.26	2.54	0.73	0.81
Faithful Representation	12.16	2.7	0.66	0.84
Cronbach's Alpha	0.86	N of Items	4	

Researcher's Computation on SPSS (2025)

The analysis of the four key constructs of the research; Sanctions for Non-Compliance, Guidance on Internal Control over Financial Reporting (ICFR), Corporate Governance Reforms, and Faithful Representation, yielded the total Cronbachs Alpha of 0.86. This finding shows that the items have a high degree of internal consistency. The item-level findings also indicated that all the corrected item-total correlations were within the range of 0.66 to 0.76 which is much higher than the operational range of 0.30 thus proving that each construct played a significant role in the total scale.

4.3 Descriptive Statistics

4.3.1 Summary of Descriptive Analysis on all Variables

Table 3: Summary of Descriptive Statistics

	Mean	Std Dev	Minimum	Maximum
Dependent Variable				
Faithful Representation	4.1	0.6	Strongly Disagree	Strongly Agree
Independent Variables				
Sanctions For Non-Compliance	4.08	0.64	Strongly Disagree	Strongly Agree
Guidance On Internal Control Over Financial Reporting (ICFR)	4.08	0.63	Strongly Disagree	Strongly Agree
Corporate Governance Reforms	3.99	0.62	Strongly Disagree	Strongly Agree

Researcher's Computation on SPSS (2025)

The descriptive statistics from the four key variables, Faithful Representation, Sanctions for Non-Compliance, Guidance on Internal Control over Financial Reporting (ICFR), and Corporate Governance Reforms of the study show a relatively high level of agreement in view on the effect of 2023 FRCN regulatory amendment in financial reporting practices. Respondents gave the highest average score (mean = 4.10, SD = 0.60) to Faithful Representation, Sanctions for Non-Compliance (M = 4.08, SD = 0.64) and ICFR Guidance (M = 4.08, SD = 0.63). Corporate Governance Reforms score was the lowest; its mean was 3.99 (SD = 0.62), but still relatively close to "agree" for responses' response scale. Taken as a whole, the findings benefit that the 2023 amendment to FRCN has been largely effective in encouraging compliance and improving the quality of reporting for corporations. These results are consistent with recent empirical studies which show that faithful representation, more effective sanctions mechanisms, internal controls, and governance reforms together enhance the financial reporting credibility and transparency of emerging markets (Agyei-Mensah, 2023; Okafor & Egbunike, 2024; Bello & Yusuf, 2024).

4.4 Correlation Analysis

Table 4: Pearson Correlation Analysis

Pearson Correlation Sig. (2-tailed) N	Faithful Representation	Sanctions For Non-Compliance	Guidance On Internal Control Over Financial Reporting (ICFR)	Corporate Governance Reforms
Faithful Representation	1 0 180	0.544 0 180	0.593 0 180	0.588 0 180
Sanctions For Non-Compliance	0.544 0 180	1 0 180	0.632 0 180	0.572 0 180
Guidance On Internal Control Over Financial Reporting (ICFR)	0.593 0 180	0.632 0 180	1 0 180	0.702 0 180
Corporate Governance Reforms	0.588 0 180	0.572 0 180	0.702 0 180	1 0 180

Researcher’s Computation on SPSS (2025)

To analyse the relationships between the variables in the study, a Pearson Product-Moment Correlation analysis was performed. The results (see Table) show that all four constructs (Faithful Representation, Sanctions for Non-Compliance, Guidance on Internal Control over Financial Reporting (ICFR), and corporate governance Reforms) are positively and significantly correlated

at $p < 0.01$ level. This means the improvements in one construct are related to improvements in the other(s).

4.5 Regression Analysis

The regression model reveals how well the independent variables (Sanctions for Non-Compliance, Guidance on Internal Control over Financial Reporting and Corporate Governance Reforms) and the dependent variable (Faithful Representation) are correlated. When added together, the predictors account for 44% of the variance in faithful representation, indicating that the quality of financial reporting is due to these predictions by almost half.

Table 5: ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	27.84	3	9.28	45.73	0
Residual	35.72	176	0.2		
Total	63.56	179			

Researcher's Computation on SPSS (2025)

The results of the analysis of variance (ANOVA) confirm that the overall regression model is statistically significant, i.e. at the 5% level of significance. This means that the combination of sanctions with ICFR and corporate governance reforms has a meaningful impact on faithful representation and this model is not by blind chance.

Table 6: Coefficients

	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
Constant	1.19	0.25	0	4.71	0
Sanctions For Non-Compliance	0.21	0.07	0.22	2.96	0.003
Guidance On Internal Control Over Financial Reporting (ICFR)	0.24	0.08	0.25	2.95	0.004
Corporate Governance Reforms	0.27	0.08	0.28	3.46	0.001

Researcher's Computation on SPSS (2025)

The coefficient of the constant term ($B = 1.19$, $t = 4.71$, $p < 0.001$) is statistically significant which indicates that, to some degree, even without the independent variables, there was a basic level of faithful representation in financial reporting as a result of sanctions for non-compliance, ICFR guidance and corporate governance changes. This means that there are other factors outside the

model that may also be important in terms of ensuring accuracy and reliability of financial statements.

4.6 Hypotheses Testing

The results of the hypothesis tests are stated in terms of the specific aims of the study. Each hypothesis is posed in its null form and then the appropriate regression output and interpretation is presented.

H₀₁: The amendments for sanctions for non-compliance do not significantly enhance the faithful representation of financial statements.

Table 7: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.54	0.3	0.29	0.5

Researcher’s Computation on SPSS (2025)

The model produced an R value of 0.54, indicating a moderate positive correlation between sanctions for non-compliance and faithful representation. The R² value of 0.30 shows that sanctions for non-compliance explain 30% of the variance in faithful representation. After adjusting for sample size, the Adjusted R² is 0.29, confirming that the model maintains a fair level of explanatory power. The standard error of the estimate (0.50) suggests a moderate degree of variability around the regression line.

Table 8: ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	18.84	1	18.84	74.96	0
Residual	44.73	178	0.25		
Total	63.56	179			

Researcher’s Computation on SPSS (2025)

The ANOVA results demonstrate that the regression model is statistically significant, with F (1,178) = 74.96, p < 0.001. This confirms that sanctions for non-compliance significantly predict faithful representation and that the model provides a better fit than a null model without predictors.

Table 9: Coefficients

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Constant	2.03	0.24	0	8.4	0
Sanctions For Non-Compliance	0.51	0.06	0.54	8.66	0

Researcher’s Computation on SPSS (2025)

The regression coefficients further reveal the strength of the relationship. The constant ($B = 2.03$, $t = 8.40$, $p < 0.001$) is significant, suggesting that even without the effect of sanctions, there is a baseline level of faithful representation. More importantly, sanctions for non-compliance ($B = 0.51$, $\beta = 0.54$, $t = 8.66$, $p < 0.001$) have a strong, positive, and statistically significant effect on faithful representation. This indicates that stricter penalties and enforcement mechanisms substantially increase the likelihood that accountants prepare financial statements that are accurate, reliable, and free from misstatements. In essence, sanctions act as a powerful motivator for compliance with reporting standards.

H_{02} : The FRCN’s 2023 guidance on internal control over financial reporting (ICFR) does not significantly impact the faithful representation of financial statements.

Table 10: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.59	0.35	0.35	0.48

Researcher’s Computation on SPSS (2025)

The model reports an R value of 0.59, indicating a moderately strong positive correlation between ICFR guidance and faithful representation. The R^2 value of 0.35 suggests that ICFR guidance explains 35% of the variance in faithful representation, which is higher than the explanatory power of sanctions alone. The Adjusted R^2 (0.35) confirms the robustness of the model, and the standard error of the estimate (0.48) reflects relatively low variability in prediction errors.

Table 11: ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	22.37	1	22.37	96.63	0
Residual	41.2	178	0.23		
Total	63.56	179			

Researcher’s Computation on SPSS (2025)

The ANOVA results show that the model is highly significant, with $F(1,178) = 96.63, p < 0.001$. This indicates that ICFR guidance provides a statistically meaningful improvement in explaining faithful representation, compared to a model with no predictors.

Table 12: Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	1.82	0.24	0	7.72	0
Guidance On Internal Control Over Financial Reporting (ICFR)	0.56	0.06	0.59	9.83	0

Researcher’s Computation on SPSS (2025)

The coefficient analysis reveals that the constant ($B = 1.82, t = 7.72, p < 0.001$) is significant, suggesting a baseline level of faithful representation even without ICFR guidance. More importantly, ICFR guidance ($B = 0.56, \beta = 0.59, t = 9.83, p < 0.001$) has a strong and statistically significant positive effect on faithful representation. This means that effective implementation of internal control systems substantially enhances the accuracy, reliability, and credibility of financial reporting. Accountants working under stronger ICFR frameworks are more likely to produce financial statements that faithfully represent their organisation’s financial position.

H₀₃: The corporate governance reforms in the 2023 Amendment, including streamlined board structures and enhanced monitoring frameworks, do not significantly affect the faithful representation of financial statements.

Table 13: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.59	0.35	0.34	0.48

Researcher’s Computation on SPSS (2025)

The model reveals an R value of 0.59, indicating a moderately strong positive relationship between corporate governance reforms and faithful representation. The R² value of 0.35 suggests that governance reforms account for 35% of the variance in faithful representation, which is equal in explanatory power to ICFR guidance and stronger than sanctions alone. The Adjusted R² of 0.34 further confirms the stability of the model. The standard error of the estimate (0.48) indicates relatively low variability around the regression line, implying consistent predictive ability.

Table 14: ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	21.99	1	21.99	94.16	0
Residual	41.57	178	0.23		
Total	63.56	179			

Researcher’s Computation on SPSS (2025)

The ANOVA results confirm that the regression model is statistically significant, with $F(1,178) = 94.16$, $p < 0.001$. This demonstrates that corporate governance reforms contribute meaningfully to explaining variations in faithful representation and are unlikely to be due to chance.

Table 15: Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	1.83	0.24	0	7.73	0
Corporate Governance Reforms	0.57	0.06	0.59	9.7	0

Researcher’s Computation on SPSS (2025)

The coefficient analysis shows that the constant ($B = 1.83$, $t = 7.73$, $p < 0.001$) is significant, indicating a baseline level of faithful representation even without governance reforms. More importantly, corporate governance reforms ($B = 0.57$, $\beta = 0.59$, $t = 9.70$, $p < 0.001$) exert a strong and statistically significant positive influence on faithful representation. This finding suggests that mechanisms such as streamlined board structures, strengthened oversight, and the inclusion of independent directors greatly improve the quality of financial reporting.

5. DISCUSSION OF FINDINGS

The findings of this study provide strong evidence that the 2023 FRCN regulatory amendment has had a significant impact on the faithful representation of financial statements in Nigerian banks. The results show that sanctions for non-compliance exert a positive and statistically significant influence on financial reporting quality. Specifically, sanctions explained about 30% of the variance in faithful representation when tested in isolation, with a strong standardised effect. This implies that penalties are an effective deterrent, and that they convince accountants to be more cautious and work harder to avoid mistakes or misstatements and omissions in the financial report.

This result is in conformity with earlier research work by Mensah and Ogundele (2024) who found out that provision of enforcement measures in the 2023 Act increased compliance by public interest entities and Regulus and Adeniran (2023) who stated that a penalty deters unethical practices. Moreover, it is also consistent with Agency Theory because sanctions are an external monitoring system that ensures that the interests of accountants and managers are in accord with the interests of shareholders and regulators.

Further the study found out that the ICFR guidance has a strong and significant influence on faithful representation. By itself, when mutually independently examined, ICFR accounted for 35% of the variance in faithful representation, which can be understood as the efficiency of control mechanisms (reconciliation, approvals and monitoring) in reducing errors in the preparation of financial reports and improving accountability. This finding is supported by Okot and Sola (2024), who, in one of their studies, presented that good internal control systems improve the quality of reports, and Tamara and Ochieng (2023) that stated that good internal controls increase disclosure quality. The results are also consistent with Stakeholder Theory, which argues that effective internal control not only protects shareholders, but also other stakeholders including depositors and regulators by ensuring financial statements are presented fairly and reflect a true picture of an organisation's financial position.

There was also a significant increase in responsible representation after corporate governance reforms. Like ICFR, governance reforms accounted for 35% of variation in the dependent variable and had the highest single effect of all the predictors. This reaffirms the importance of board structures, independence and oversight in improving transparency and reducing conflicts of interest. The finding supports the arguments of Chidiebere and Logan (2024) that governance reforms make governance more accountable since company reports should show accountability, and also Eshiet et al. (2023) that board independence enhances reporting credibility. Adegbite, Nakajima and Dike (2023) also emphasised that reforming governance structure would minimise managerial self-interest and increase accountability. These findings are also in line with Stakeholder Theory, which stresses upon governance for fair treatment of all stakeholders through unbiased and transparent reporting.

When the three predictors were combined in a multiple regression model, the three factors at once accounted for 44% of the variance of faithful representation, confirming the importance, taken together, of sanctions, ICFR, and governance reforms in shaping reporting outcomes. However, the reforms of corporate governance were the most significant predictor, followed by ICFR and sanctions. This implies that although enforcement and internal control are important, governance reforms are the best solution to ensure the most sustainability to ensure faithful representation of financial statements. This finding is in line with Shaba and Idris (2024) who stated that governance was the foundation of transparency in Nigerian firms and Iheanetu and Roberts (2024) who stated that the 2023 amendment was aimed at incorporation of the sanctions, internal control and governance reforms to enhance overall reporting quality. The findings of this study affirm that the 2023 FRCN regulatory amendment has accomplished its goal to improve corporate reporting compliance, accountability and transparency.

6. CONCLUSION

The study concludes by stating that the 2023 FRCN amendment has served its intended purpose of improving compliance, accountability and transparency in the corporate reporting environment in Nigeria. By tightening sanctions, increasing internal control and instilling behavioural changes in governance, the amendment has established a stronger financial reporting framework. The findings support the Roosevelt's agency and stakeholder theories which collectively clarify the constraints on managerial behavior through external monitoring and governance mechanisms by aligning managerial behavior with the condition of shareholders, regulators as well as the public at large. In essence, the amendment is considered as a seminal step to resurrecting credibility in financial reporting in Nigeria.

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