



CENTRAL BANK OF NIGERIA
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LETTER TO ALL OTHER FINANCIAL INSTITUTIONS (OFIs)

**IMMEDIATE ADOPTION OF EXAMINERS' RECOMMENDED PROVISION
AND AUDIT ADJUSTMENTS BY THE OFIs**

Upon the receipt of the Routine Examination Report from the Central bank of Nigeria (CBN) or the Nigeria Deposit Insurance Corporation (NDIC) by the OFI, it is required that the board of each OFI deliberates upon the Report and give an undertaking that the recommendations therein will be implemented. A similar treatment is expected for audit adjustments emanating from annual audit exercise following consideration and approval of the Audited Accounts by the Board.

We have, however, observed that most of the OFIs neither adopt the Examiners' recommended provision for loan losses and other known losses nor pass the audit adjustments in their books, thus causing a discrepancy between the provision in the Examination Report, the Monthly/Quarterly Returns rendered to the CBN and the Audited Accounts.

The major effect of this practice is that data is distorted as the shareholders' funds unimpaired by losses in the Returns are consequently higher than the computed figure in the Examination Report and the approved Audited Accounts giving a misleading impression of the true state of affairs of the OFI.

Furthermore, reliance on this inaccurate data inhibits the ability of the Central Bank in effective policy formulation and decision making for the OFI sector.

To address this unwholesome practice, all OFIs are directed to:

1. Immediately pass all necessary entries i.e. audit adjustments and/or Examiners' recommended provision in the latest Examination Report. These entries should be passed into their ledgers and should also be reflected in the next monthly returns to be sent to the CBN.
2. Ensure that subsequent audit adjustments (if any) and Examiners' recommended provisions in future Examination Reports are adopted immediately the Reports are received and deliberated upon by the board of the OFI and reflected in the next Returns after the receipt of the Report.

Note that failure to comply with the above directives will attract appropriate sanction as applicable to the type of the OFI.

Please be guided accordingly.



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