

## THE LEGAL FRAMEWORK FOR CORPORATE GOVERNANCE IN NIGERIA

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### Abstract

*Organizational oversight denotes the framework of rules, procedures, and mechanisms through which firms are managed and overseen. In Nigeria, the regulatory structure for organizational oversight has progressed notably, influenced by international standards and the nation's specific socio-economic context. This study explores the key statutory tools and bodies that influence organizational oversight in Nigeria, such as the Companies and Allied Matters Act (CAMA) 2020, the Securities and Exchange Commission (SEC) Managerial oversight Code 2011, and the Nigerian Code of Managerial oversight (NCCG) 2018, and other sector-specific regulations. CAMA 2020, as the principal legislation, outlines the duties of company directors, shareholders' rights, disclosure obligations, and mechanisms for accountability and transparency. The SEC Code and the NCCG 2018 serve to supplement CAMA by providing guidelines that promote ethical leadership, stakeholder engagement, risk management, and sustainability. These codes are not only aimed at listed companies but also applicable to other entities to enhance investor confidence and corporate integrity. However, despite the existence of a robust legal framework, challenges such as weak enforcement, regulatory overlaps, corruption, and inadequate judicial capacity continue to impede effective managerial oversight in Nigeria. The paper advocates for stronger regulatory synergy, improved enforcement mechanisms, and greater awareness among corporate stakeholders. A sound legal framework, backed by consistent implementation, is crucial for promoting corporate responsibility, economic growth, and investor trust in Nigeria's corporate sector.*

**Keywords: Allied Matters, Companies, Company Law, Corporate Affairs, Corporate Oversight, Managerial Oversight.**

### 1. Introduction

Corporate oversight refers to the framework through which businesses are guided, regulated, and made answerable to their stakeholders. It includes the structures, procedures, and relationships employed by different entities to manage and operate companies. In Nigeria, the advancement and implementation of corporate oversight have become increasingly critical due to the country's emerging economy, systemic corruption, and fragile institutional framework.<sup>1</sup>

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<sup>1</sup> E. Okike, Managerial oversight in Nigeria: (2007). The status quo. *Corporate Governance: An International Review*, 15(2), 173–193.

As businesses grow in size and complexity, the legal framework supporting managerial oversight must evolve to ensure transparency, accountability, and investor protection. Corporate failures both globally and domestically, such as the collapse of Enron and the distress of several Nigerian banks, have further spotlighted the need for robust managerial oversight practices supported by an effective legal framework.<sup>2</sup>

The legal basis for business oversight in Nigeria consists of a combination of legislative statutes, regulatory guidelines, and court rulings. At the core of this structure is the Nigeria Company Act, first enacted in 1990 and substantially revised in 2020. The Act serves as the main law governing the creation, management, and closure of companies in Nigeria, outlining the legal obligations of directors, shareholders, and other major stakeholders. The 2020 revision introduced major changes designed to improve the ease of conducting business, promoting transparency, and aligning Nigeria's managerial oversight practices with global standards.<sup>3</sup> These reforms include provisions for single-member companies, the introduction of Statement of Compliance in place of statutory declaration of compliance, and provisions for enhanced minority shareholder protection.

Beyond CAMA, Nigeria has several regulatory bodies and sector-specific governance codes that shape corporate conduct. The Securities and Exchange Commission (SEC) holds a crucial position by introducing the Nigerian Code of Business Ethics and Leadership 2018<sup>4</sup>. This framework promotes best practices and outlines principles covering board structure, audit committee responsibilities, risk management, and stakeholder engagement. Though largely principle-based and not mandatory for all companies, the SEC Code serves as a benchmark for managerial oversight standards, particularly for publicly listed entities. It is part of Nigeria's broader effort to attract foreign investment and instill confidence in the capital markets.<sup>5</sup>

An additional key body is the Financial Reporting Council of Nigeria (FRCN), created pursuant to the Financial Reporting Council of Nigeria Act of 2011. The FRCN regulates financial reporting and corporate disclosures, and it enforces compliance with codes of conduct. Its oversight functions are critical in ensuring that companies adhere to ethical standards and accounting best practices.<sup>6</sup> Additionally, specific sectors such as banking and insurance are regulated by industry-specific bodies like the Central Bank of Nigeria (CBN)<sup>7</sup> and the National Insurance Commission (NAICOM), both of which have issued sectoral governance codes tailored to address unique risks and operational dynamics within those industries.

In spite of these legal provisions, the application and enforcement of corporate oversight in Nigeria continue to face significant hurdles. Elements such as weak institutional capacity, political interference, poor enforcement of laws, and a culture of impunity have hindered the effectiveness of the legal framework. Moreover, while legal provisions exist on paper,

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<sup>2</sup> E. Adebite, Managerial oversight regulation in Nigeria. (2012). *Corporate Governance: The International Journal of Business in Society*, 12(2), 257–276.

<sup>3</sup> W. K. Olayiwola. The Companies and Allied Matters Act 2020: (2021). Enhancing managerial oversight in Nigeria. *Nigerian Journal of Commercial Law*, 15(1), 1–18.

<sup>4</sup> *ibid.*

<sup>5</sup> S. C. Okaro, and G. O. Okafor. Managerial oversight and the performance of selected commercial banks in Nigeria. (2013). *Journal of Business and Management*, 14(5), 34–45

<sup>6</sup> FRCN *Financial Reporting Council of Nigeria Act*. Federal Government of Nigeria. (2011).

<sup>7</sup> CBN *Code of Managerial oversight for Banks and Discount Houses in Nigeria*. Central Bank of Nigeria (2014).

compliance by firm's especially non-listed companies is inconsistent due to lack of awareness, cost concerns, and the perceived non-compulsory nature of some governance codes.<sup>8</sup>

Reforms aimed at improving this landscape have included judicial interventions, regulatory penalties, and international collaborations. Nigeria's membership in global institutions including bodies like the International Organization of Securities Commissions (IOSCO) and its participation in the African Peer Review Mechanism (APRM) indicate a growing commitment to uphold international managerial oversight norms. However, for these reforms to be effective there must be a synergistic relationship between the legal framework and practical enforcement mechanisms, including improved judicial efficiency and regulatory autonomy<sup>9</sup>

In conclusion, the regulatory structure guiding corporate oversight in Nigeria is complex, dynamic, and increasingly aligned with global standards. While notable improvements have been made through legislative reforms and regulatory initiatives, persistent challenges remain in the areas of enforcement, compliance, and institutional capacity. Strengthening these areas is essential for fostering corporate accountability, protecting investors, and sustaining economic growth in Nigeria.

## 2. Conceptual Clarification

Business oversight is a complex concept that encompasses the structures, values, and procedures through which organizations are directed and managed. It establishes a system that defines the roles, duties, and interests of various stakeholders within a company, such as investors, board members, staff, regulatory bodies, and the wider community. As stated by the Organisation for Economic Co-operation and Development (OECD), business oversight is described as “a set of relationships between a company's management, its board, its shareholders and other stakeholders. Managerial oversight 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.”<sup>10</sup> This definition emphasizes the importance of structures and processes for corporate accountability and strategic direction.

Likewise, the International Finance Corporation (IFC), part of the World Bank Group defines managerial oversight as “the structures and processes by which companies are directed and controlled,” focusing on how a company's leadership ensures transparency, accountability, and fair treatment of stakeholders.<sup>11</sup> These definitions highlight both the internal mechanisms (e.g., board composition, risk management, and compliance structures) and external controls (such as regulatory oversight and market discipline) that support ethical and sustainable corporate behavior.

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<sup>8</sup> C. Uche, and J. Atkins, Accounting for corporate governance: (2015). A case study of Nigeria. *Research in Accounting in Emerging Economies*, 15, 311–342.

<sup>9</sup> E. Adegbite, and C. Nakajima, Institutional determinants of good corporate governance: (2011). The case of Nigeria. *Journal of Management & Governance*, 15(4), 459–482.

<sup>10</sup>OECD (2015). *G20/OECD Principles of Corporate Governance*. OECD Publishing. <https://www.oecd.org/corporate/principles-corporate-governance.htm>

<sup>11</sup> IFC (2021). *Managerial oversight Methodology*. International Finance Corporation. <https://www.ifc.org>

In the Nigerian context, managerial oversight is legally established under the Act, which outlines the legal duties and responsibilities of company directors, shareholders, and officers.<sup>12</sup> While CAMA does not provide a standalone definition of corporate governance, its provisions collectively form the legal foundation for governance in corporate entities. The Nigerian Code of Managerial oversight 2018, issued by the Securities and Exchange Commission (SEC), complements this framework by providing guiding principles, including board independence, transparency in reporting, and the establishment of audit committees.<sup>13</sup>

The core principles<sup>14</sup> of managerial oversight are widely accepted and include:

- a) Openness: Providing stakeholders with prompt and precise financial and operational information.
- b) Accountability: Holding management accountable to the board and, by extension, the shareholders.
- c) Fairness: Treating all stakeholders, including minority shareholders and employees, equitably.
- d) Responsibility: Ensuring that companies act responsibly in the pursuit of corporate objectives, particularly in legal and environmental matters.<sup>15</sup>

These principles are designed to ensure that businesses operate not only in the interest of shareholders but also with due regard for other stakeholders and the broader society.

The significance of managerial oversight lies in its role in maintaining integrity and efficiency in business operations, strong organizational oversight guarantees that companies operate ethically, compliant with regulations, and aligned with long-term stakeholder interests.

Firstly, governance frameworks safeguard the rights and interests of shareholders and other involved parties. Shareholders, particularly minority ones, require assurance that their investments are safeguarded from managerial misappropriation or abuse. Good governance frameworks such as those requiring independent directors, audit committees, and internal control systems reduce the risk of corporate fraud and mismanagement.<sup>16</sup> Moreover, governance principles safeguard the concerns of additional parties, including employees, customers, lenders, and the wider community at large, by promoting responsible corporate citizenship.

Secondly, managerial oversight promotes ethical conduct and long-term sustainability. Companies that prioritize governance are more likely to adhere to environmental, social, and governance (ESG) criteria, which are becoming increasingly important in today's global business environment. Ethical governance discourages short-termism and encourages strategic

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<sup>12</sup> Elvira Salleras + Associates. (2020). *Key Features of the Companies and Allied Matters Act, 2020*. Retrieved from <https://www.elvirasallerasandassociates.com/2020/09/22/key-features-of-the-companies-and-allied-matters-act-2020>

<sup>13</sup> Securities and Exchange Commission (SEC) Nigeria (2018). *Nigerian Code of Managerial oversight 2018*. Abuja: SEC Nigeria.

<sup>14</sup> *ibid.*

<sup>15</sup> B. Tricker, (2019). *Corporate Governance: Principles, Policies, and Practices*. Oxford University Press.

<sup>16</sup> E. Adegbite, (2012). Managerial oversight regulation in Nigeria. *Corporate Governance: The International Journal of Business in Society*, 12(2), 257–276.

decisions that account for long-term consequences, thereby enhancing corporate resilience and reputation.<sup>17</sup>

Thirdly, effective managerial oversight helps attract foreign investment and enhances a country's competitiveness. International investors often assess governance structures before investing in foreign markets. Strong legal and regulatory environments, along with transparent governance practices, reduce investment risk and signal corporate stability. In Nigeria, the move to strengthen governance through reforms like the enactment of CAMA 2020 and the SEC Code 2018 has been part of the broader strategy to enhance the nation's business-friendly reputation and draw in foreign direct investment (FDI).<sup>18</sup>

In conclusion, the foundational principles of managerial oversight are crucial for ensuring efficiency, openness, and ethical conduct in businesses. Within the Nigerian setting, while statutory reforms have improved the legal landscape, continuous effort is required to build a governance culture that is not only compliant but also value-driven.

Corporate oversight in Nigeria is regulated by an intricate legal structure, mainly embodied in the Act<sup>19</sup>, which replaced the 1990 legislation, introduced significant reforms aimed at enhancing transparency, accountability, and efficiency in corporate operations.<sup>20</sup> However, the practical application of these provisions has been subject to judicial scrutiny, leading to landmark decisions that have shaped the current managerial oversight landscape.<sup>21</sup>

In a landmark decision on July 30, 2024, the Federal High Court in Abuja addressed the applicability of Section 18(2) of CAMA 2020. The case involved *Primetech Design and Engineering Nigeria Limited and Julius Berger Nigeria PLC v Corporate Affairs Commission (CAC)*,<sup>22</sup> where Primetech aimed to assign all its shares to Julius Berger, thereby making it the exclusive shareholder. The CAC argued that the clause applied only to companies incorporated post-CAMA 2020 enactment. The court ruled that Section 18(2) is applicable to all private companies, regardless of their date of incorporation, thereby validating the single shareholder structure for existing companies.<sup>23</sup>

The Act introduced guidelines on shareholder derivative actions, allowing shareholders to initiate legal actions initiated in the company's name against directors or other executives. A notable scholarly analysis by Wiseman Ubochioma highlights the Act's advancements in

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<sup>17</sup> Uche, C. and Atkins, J. (2015). Accounting for corporate governance: A case study of Nigeria. *Research in Accounting in Emerging Economies*, 15, 311–342.

<sup>18</sup> Olayiwola, W.K. (2021). The Companies and Allied Matters Act 2020: Enhancing managerial oversight in Nigeria. *Nigerian Journal of Commercial Law*, 15(1), 1–18.

<sup>19</sup> Companies and Allied Matters Act (CAMA) 2020.

<sup>20</sup> CLG Global. *Impact of the Federal High Court's Judgment: Single Shareholder Companies and the Future of Nigerian Corporate Law* (2024). Retrieved from <https://clgglobal.com/impact-of-the-federal-high-courts-judgment-single-shareholder-companies-and-the-future-of-nigerian-corporate-law/developments.html/>

<sup>21</sup> Helar Law. *Legal Framework of Corporate Governance, Directors, and Secretary*. (2025), Retrieved from <https://www.helar.law/summaries/nls-summaries/corporate-law-practice/legal-framework-of-corporate-governance-directors-and-secretary>.

<sup>22</sup> The Nation Newspaper. *Action-Packed Year for Judiciary*. (2023). Retrieved from <https://thenationonlineng.net/2023-action-packed-year-for-judiciary/>.

<sup>23</sup> *ibid*.

enhancing minority shareholders' rights and the judiciary's role in derivative litigation.<sup>24</sup> However, it also identifies potential gaps that may affect the efficacy of such actions.<sup>25</sup> In *Bernard Longe v. First Bank of Nigeria PLC (2010)*,<sup>26</sup> the Supreme Court emphasized the necessity of adhering to statutory procedures in the removal of directors. The Court held that failure to notify a director of a meeting where their removal is discussed renders the decision invalid,<sup>27</sup> underscoring the importance of due process in corporate governance.<sup>28</sup>

The case of *Seplat Energy PLC*<sup>29</sup> in 2023 exemplifies the judiciary's role in resolving managerial oversight disputes. Shareholders accused the CEO of discriminatory practices and sought judicial intervention. The Federal High Court initially granted an injunction against the CEO's participation in company affairs, but later vacated the order, highlighting the court's balanced approach in handling such matters.<sup>30</sup>

Despite the progressive nature of CAMA 2020, several challenges persist:

- a) **Enforcement of Provisions:** The effectiveness of CAMA 2020 is contingent on robust enforcement mechanisms, which are currently underdeveloped.
- b) **Judicial Capacity:** The judiciary's capacity to handle complex managerial oversight cases promptly is limited, leading to delays in legal proceedings.
- c) **Awareness and Compliance:** There is a need for increased awareness and training among corporate entities regarding the new provisions of CAMA 2020 to ensure compliance.<sup>31</sup>

The judicial interpretations of CAMA 2020 have significantly influenced the managerial oversight landscape in Nigeria. While the legal framework provides a solid foundation, its success hinges on effective enforcement, judicial efficiency, and corporate adherence to the established norms. Continued judicial oversight and legislative support are essential to tackle current issues and foster a strong culture of corporate oversight in Nigeria.

### 3. Growth and Transformation of Corporate Administration in Nigeria

The foundation of corporate oversight in Nigeria can be traced to the colonial period. Before independence in 1960, the Companies Ordinance of 1922 modelled after the British Companies

<sup>24</sup> W. Ubochioma, *A Commentary on Shareholder Derivative Litigation under the Companies and Allied Matters Act of Nigeria 2020*. (2022). *African Journal of International and Comparative Law*. Retrieved from <https://www.eupublishing.com/doi/10.3366/ajicl.2022.0426>.

<sup>25</sup> Premium Times. *Judiciary in 2024: Leadership Transition, Conflicting Decisions, Landmark Judgements, Other Defining Developments*. (2024). Retrieved from <https://www.premiumtimesng.com/news/769596-judiciary-in-2024-leadership-transition-conflicting-decisions-landmark-judgements-other-defining->

<sup>26</sup> The Firma Advisory. *Bernard Longe v. First Bank of Nigeria PLC (2010)*. (2025). Retrieved from <https://thefirmaadvisory.com/new-blog>.

<sup>27</sup> CLG Global. *The Impact of the Companies and Allied Matters Act 2020 on Managerial oversight in Nigeria*. (2025). *African Journal of Law, Political Research and Administration (AJLPR)*. Retrieved from <https://abjournals.org/ajlpra/papers/volume-7/issue-3/the-impact-of-the-companies-and-allied-matters-act-2020-on-corporate-governance-in-nigeria>.

<sup>28</sup> CLG Global. *Assessing Managerial oversight Through Judicial Decisions*. (2025). Retrieved from <https://thegovernanceplatform.org/assessing-corporate-governance-through-judicial-decisions/>

<sup>29</sup> CLG Global. (2025). *The Repeal and Re-Enactment of The Companies and Allied Matters Act- A Bold Step Towards Business Reform*. Retrieved from <https://clgglobal.com/the-repeal-and-re-enactment-of-the-companies-and-allied-matters-act-a-bold-step-towards-business-reform/>

<sup>30</sup> CLG Global. (2025). *Corporate Affairs Commission, Nigeria*. Wikipedia. Retrieved from [https://en.wikipedia.org/wiki/Corporate\\_Affairs\\_Commission%2C\\_Nigeria](https://en.wikipedia.org/wiki/Corporate_Affairs_Commission%2C_Nigeria)

<sup>31</sup> CLG Global. (2025). *KENNA*. Wikipedia. Retrieved from <https://en.wikipedia.org/wiki/KENNA>

Act of 1908 was in effect, governed company operations in Nigeria. This ordinance was initially applicable to the Colony of Lagos and later extended to other parts of the country. It laid the foundation for company registration and operations but lacked comprehensive provisions for governance structures and accountability mechanisms.<sup>32</sup>

Post-independence, the Nigerian business environment was characterized by informal governance practices. Indigenous businesses, often family-owned, operated with minimal regulatory oversight. The absence of a robust legal framework meant that managerial oversight was largely at the discretion of business owners, leading to practices that sometimes lacked transparency and accountability.<sup>33</sup>

In 1968, the Companies Act was enacted, replacing the 1922 ordinance. Modeled after the UK's Companies Act of 1948, this legislation introduced more structured governance mechanisms, including provisions for company registration, directors' duties, and shareholder rights. However, the Act was largely a replication of British laws and did not adequately take into account Nigeria's distinct social, economic, and cultural characteristics.<sup>34</sup>

The 1968 Act mandated the preparation of annual financial statements and required companies to hold annual general meetings. While these provisions aimed to enhance transparency, the enforcement mechanisms were weak, and compliance was often inconsistent. Moreover, the Act did not establish independent regulatory bodies to oversee corporate governance, relying instead on the judiciary, which was often under-resourced and overburdened.

In 1972, the Nigerian introduced the Nigerian Enterprises Promotion Decree (NEPD), also known as the indigenization policy, to promote local ownership of businesses. The decree mandated that foreign-owned companies divest a significant portion of their equity to Nigerian citizens.<sup>35</sup> While the policy aimed to empower indigenous entrepreneurs, it also highlighted the need for a more robust managerial oversight framework to manage the increased participation of local stakeholders.<sup>36</sup>

Recognizing the limitations of the Companies Act 1968, the Nigerian government enacted the Act. This legislation represented a significant overhaul of corporate law in Nigeria, introducing several key concepts to enhance corporate governance:<sup>37</sup>

- a) Incorporation and Registration: Simplified the process for company registration, making it more accessible for entrepreneurs.
- b) Directors' Duties and Responsibilities: Clearly defined the roles and responsibilities of directors, emphasizing accountability and fiduciary duties.
- c) Shareholder Rights: Strengthened the rights of shareholders, including provisions for minority shareholder protection.

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<sup>32</sup> E. Okike, (2007). *Managerial oversight in Nigeria: The Status Quo*. Corporate Governance: An International Review, 15(2), 173–193.

<sup>33</sup> *ibid.*

<sup>34</sup> SplashDict (2021). *Overview of Companies and Allied Matters Act (CAMA) 2020*. Retrieved from <https://splashdict.com/overview-of-cama-2020/>

<sup>35</sup> *ibid.*

<sup>36</sup> *ibid.*

<sup>37</sup> E. Okike, (2007). *Managerial oversight in Nigeria: The Status Quo*. Corporate Governance: An International Review, 15(2), 173–193.

- d) Corporate Reporting: Established requirements for financial reporting and auditing, aiming to improve transparency.

CAMA 1990 was designed to align more closely with Nigerian realities, moving away from the purely British model and incorporating elements that addressed local economic and cultural contexts.<sup>38</sup> A pivotal development under CAMA 1990 was the establishment of the Corporate Affairs Commission (CAC).<sup>39</sup> The CAC was tasked with the regulation and supervision of companies in Nigeria, providing a centralized body to oversee corporate activities.<sup>40</sup> Its responsibilities included:

- a) Company Registration: Facilitating the incorporation of companies and business names.
- b) Regulatory Oversight: Ensuring compliance with corporate laws and regulations.
- c) Public Awareness: Educating the public and businesses about managerial oversight standards.

The creation of the CAC marked a significant step towards institutionalizing managerial oversight in Nigeria, providing a mechanism for enforcement and compliance. In the years following the enactment of CAMA 1990, Nigeria's business environment continued to evolve. The government recognized the need for continuous reforms to address emerging challenges and align with global best practices. Key reform efforts included:

- a) Privatization and Commercialization Act 1988: Aimed at reducing government ownership in businesses and promoting efficiency in the public sector.
- b) Investment and Securities Act 1999: Established the Securities and Exchange Commission (SEC) and provided a framework for the regulation of the capital market.
- c) Financial Reporting Council of Nigeria (FRCN) Act 2011: Created the FRCN to oversee financial reporting and managerial oversight practices.<sup>41</sup>

These reforms were part of a broader strategy to enhance the business climate, attract foreign investment, and improve managerial oversight standards.

The need to update corporate law culminated in the enactment of the Companies and Allied Matters Act (CAMA) 2020 marked the replacement of the earlier CAMA 1990. CAMA 2020 introduced several significant reforms:

- a) Introduction of New Corporate Structures: Introduced Limited Liability Partnerships (LLPs), Limited Partnerships (LPs), and One-Person Companies (OPCs), providing more flexible business structures.
- b) Digitalization of Processes: Allowed for electronic filing of documents and virtual meetings, modernizing corporate operations.
- c) Enhanced Shareholder Protection: Strengthened provisions for minority shareholder rights and introduced measures to curb multiple directorships.

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<sup>38</sup> C. Uche, (2012). *British Government, British Businesses, and the Indigenization Exercise in Post-Independence Nigeria*. In *The Political Economy of Nigeria* (pp. 123–145). Praeger.

<sup>39</sup> Corporate Affairs Commission (2023). *About Us*. Retrieved from <https://www.cac.gov.ng/about-us>

<sup>40</sup> Financial Reporting Council of Nigeria (2011). *Financial Reporting Council of Nigeria Act*. Retrieved from <https://www.financialreportingcouncil.gov.ng/>

<sup>41</sup> *ibid.*

- d) **Audit Exemptions:** Provided exemptions for small companies from mandatory audits, reducing the regulatory burden.

These reforms aimed to create a more conducive environment for business operations, enhance transparency, and align Nigeria's managerial oversight framework with international standards.

The development of managerial oversight in Nigeria has progressed from informal methods to a well-defined legal structure designed to promote transparency, accountability, and corporate responsibility. Although notable progress has been achieved, on-going efforts are essential to tackle new challenges and stay aligned with international standards. The enactment of CAMA 2020 marks a significant milestone in this journey, providing a modern legal framework to support sustainable business practices in Nigeria.

#### **4. Legal Instruments Regulating Managerial oversight in Nigeria**

Managerial oversight in Nigeria is governed by a multifaceted legal framework that encompasses general corporate laws, sector-specific regulations, and ethical standards. This framework is designed to promote transparency, accountability, and ethical conduct among companies operating within the country. The main tools guiding managerial oversight consist of statutory bodies and regulatory frameworks established to enforce governance standards, ensure compliance, and promote ethical business practices across various sectors

##### **4.1 Companies and Allied Matters Act 2020**

The Companies and Allied Matters Act 2020 (CAMA 2020) is a comprehensive legislation that governs the incorporation, regulation, and dissolution of companies in Nigeria. It replaced the Act of 1990, marking an important reform in Nigeria's corporate legal landscape.<sup>42</sup> Sections 305 to 312 of CAMA 2020 delineate the duties and responsibilities of directors, emphasizing their fiduciary obligations to the company. Directors must perform their duties with honesty, demonstrate careful judgment, and steer clear of any conflicting interests. Section 310 specifically prohibits directors from entering into arrangements that conflict with the interests of the company, and Section 312 outlines the liabilities arising from contravention of this provision.<sup>43</sup> Directors found in breach may be held liable to account for any gain made and any loss suffered by the company due to such contravention.<sup>44</sup>

CAMA 2020 introduces provisions aimed at protecting minority shareholders. These encompass improved access to information and greater involvement in decision-making activities, and mechanisms to challenge oppressive actions by majority shareholders. The Act also provides for the establishment of a Shareholders' Rights Protection Committee to address grievances and ensure fair treatment of all shareholders.

In response to technological advancements and the need for flexibility, CAMA 2020 permits the conduct of virtual meetings for companies, facilitating participation without physical presence.<sup>45</sup> The Act also introduces provisions for the establishment of single-member companies, thereby encouraging entrepreneurship and simplifying the process for individual business owners. Additionally, small companies are granted certain exemptions from statutory

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<sup>42</sup>Companies and Allied Matters Act 2020, Sections 305–312.

<sup>43</sup> *ibid.*

<sup>44</sup> Duties and Responsibilities of Directors (Sections 305–312)

<sup>45</sup> *ibid.*

requirements, such as the mandatory appointment of auditors, to reduce the regulatory burden on them.<sup>46</sup>

CAMA 2020 mandates the Public companies are mandated to appoint a company secretary, a key position responsible for ensuring adherence to legal obligations and serving as a communication link between the board and shareholders. Additionally, the Act requires the formation of audit committees, made up of both executive and non-executive directors, to supervise the company's financial reporting processes and auditing processes.<sup>47</sup>

#### **4.2 Securities and Exchange Commission (SEC) and Managerial oversight Code 2018**

The Securities and Exchange Commission (SEC) is the main regulatory body overseeing Nigeria's capital market. In 2018, it launched the Nigerian Code of Corporate Governance (NCCG), which provides a standardized framework for managerial oversight applicable to multiple sectors.<sup>48</sup>

The SEC Code highlights the need for a well-rounded and skilled board, requiring companies to appoint a minimum of five directors, including at least one independent member. It also mandates comprehensive disclosure of financial and non-financial data to stakeholders to enhance transparency. Moreover, the Code stresses the importance of robust risk management frameworks to identify, assess, and manage risks that could impact the company's operations.<sup>49</sup> The SEC Code follows a "comply or explain" principle, requiring companies to either follow its rules or provide reasons for any deviations. This method allows for flexibility while maintaining strong corporate governance standards. Failure to comply can result in penalties such as fines and other sanctions.<sup>50</sup>

The SEC Code is applicable to all public companies, including those listed on the Nigerian Stock Exchange (NSE), which are required to comply with its provisions. Listed companies must report their compliance status in their annual reports and explain any deviations with valid reasons. The Code also requires the establishment of board committees such as audit, risk, and nomination committees to strengthen governance practices.<sup>51</sup>

#### **4.3 Financial Reporting Council of Nigeria (FRCN)**

The establishment of a national council to oversee accounting and financial reporting standards in Nigeria was formalized in 2011. This body was created to provide oversight and direction in the formulation and application of financial reporting practices across the country. Its responsibilities include setting clear objectives, defining roles, and granting the authority necessary to regulate financial reporting effectively.

One of the Council's core mandates is to ensure the adoption and consistent application of international financial reporting standards (IFRS) throughout Nigeria. By doing so, it aims to

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<sup>46</sup> *ibid.*

<sup>47</sup> *ibid.*

<sup>48</sup> Securities and Exchange Commission, "SEC Managerial oversight Guideline and Revised FORM 01," 2020. Financial Reporting Council of Nigeria, "About FRCN," accessed April 2025.

<sup>49</sup> *ibid.*

<sup>50</sup> *ibid.*

<sup>51</sup> *ibid.*

raise the quality and reliability of financial information, thereby improving transparency and aligning local practices with global expectations.<sup>52</sup>

A key function of the Financial Reporting Council is to develop and implement regulatory standards that reflect internationally recognized best practices. The Council is also committed to encouraging ethical behavior among professionals engaged in financial reporting, such as auditors, accountants, and actuaries. Through the establishment of rigorous standards, it works to strengthen the integrity of financial statements and protect the interests of investors and other relevant stakeholders.

Beyond the overarching corporate governance frameworks, Nigeria also adopts industry-specific codes tailored to the particular needs and complexities of different sectors. These specialized guidelines are designed to address distinct operational challenges while ensuring that each sector aligns with broader principles of transparency, accountability, and sound managerial oversight.<sup>53</sup>

#### **4.4 CBN Code of Managerial oversight for Banks**

A managerial oversight code specifically designed for Banks and Discount Houses was introduced in 2014, setting out clear directives regarding board structure, risk oversight, and internal control systems within the banking sector. This code aims to strengthen governance frameworks by aligning practices with industry-specific needs and regulatory expectations.

The code mandates the establishment of key board committees, including audit, risk, and credit committees, to support effective decision-making and supervision. It also highlights the critical role of independent directors in promoting objective oversight and minimizing potential conflicts of interest within the board..<sup>54</sup>

#### **4.5 NAICOM Guidelines for Insurance Companies**

Guidelines have been issued for the governance of insurance companies in Nigeria, covering areas such as board composition, risk management, and internal controls. These guidelines require insurance companies to maintain a minimum number of directors and set up board committees.<sup>55</sup> These guidelines cover areas such as board composition, risk management, and internal controls.<sup>56</sup>

Compliance with managerial oversight standards varies across sectors in Nigeria. While companies in the banking sector, regulated by the CBN,<sup>57</sup> generally exhibit higher levels of compliance due to stringent regulations, companies in other sectors may face challenges in adhering to governance standards. Factors such as resource constraints, lack of awareness, and weak enforcement mechanisms contribute to these disparities. However, ongoing reforms and

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<sup>52</sup> Financial Reporting Council of Nigeria, "About FRC," accessed April 2025.

<sup>53</sup> *ibid.*

<sup>54</sup> Central Bank of Nigeria, "Key Highlights of the CBN's Code of Managerial oversight Guidelines for Banks and Financial Holding Companies," accessed April 2025

<sup>55</sup> National Insurance Commission, "A Review of Managerial oversight Codes in 2014," accessed April 2025.

<sup>56</sup> *ibid.*

<sup>57</sup> Central Bank of Nigeria, "Key Highlights of the CBN's Code of Managerial oversight Guidelines for Banks and Financial Holding Companies," accessed April 2025.

increased regulatory oversight aim to bridge these gaps and promote uniform compliance across all sectors.<sup>58</sup>

The legal instruments regulating managerial oversight in Nigeria provide a comprehensive framework to ensure that companies operate transparently, responsibly, and ethically. While significant progress has been made, continuous efforts are required to address challenges such as enforcement gaps and sectoral disparities in compliance. Strengthening these legal instruments and promoting a culture of good governance are essential for fostering investor confidence and sustainable economic development in Nigeria.

## **5. Institutional and Regulatory Framework of Managerial oversight in Nigeria**

Managerial oversight in Nigeria is structured around a comprehensive institutional and regulatory framework that ensures transparency, accountability, and ethical business practices. This framework comprises several key regulatory bodies, each with distinct mandates that collectively oversee the operations of companies across various sectors. The principal institutions include the Corporate Affairs Commission (CAC), the Securities and Exchange Commission (SEC), the Financial Reporting Council of Nigeria (FRC), the Central Bank of Nigeria (CBN), and the National Insurance Commission (NAICOM).<sup>59</sup> Together, these bodies establish a governance structure that aligns with international standards and addresses the unique challenges of the Nigerian business environment.<sup>60</sup>

### **5.1 Corporate Affairs Commission (CAC)**

The Corporate Affairs Commission (CAC)<sup>61</sup> is Nigeria's corporate registry and regulatory body plays a central role in the creation and oversight of companies within the country. Its responsibilities include supervising the incorporation, regulation, and dissolution of businesses. It also ensures that accurate and up-to-date company information is maintained and made accessible to the public. This includes overseeing the submission of required documents such as annual returns and financial statements to ensure statutory compliance.

Beyond its core function of company registration, the agency serves as a guardian of corporate information and a key enforcer of regulatory standards. It plays a vital part in promoting transparency, legal compliance, and accountability within the corporate sector. By supporting the proper establishment and monitoring of companies, it helps create a more reliable and investor-friendly business environment in Nigeria.

### **5.2 Securities and Exchange Commission (SEC)**

The Securities and Exchange Commission (SEC)<sup>62</sup> is the apex regulatory authority for Nigeria's capital market. Established in 1979 and operating under the Investments and Securities Act (ISA) 2007, the SEC's mandate includes:

- a) **Market Regulation:** Regulating and supervising the activities of capital market operators to ensure fair and efficient markets.

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<sup>58</sup> *ibid.*

<sup>59</sup> National Insurance Commission, "About NAICOM," accessed April 2025. <https://www.naicom.gov.ng/about-naicom>

<sup>60</sup> *ibid.*

<sup>61</sup> Corporate Affairs Commission, "Who We Are," accessed April 2025. <https://www.cac.gov.ng/about>

<sup>62</sup> Securities and Exchange Commission, "What We Do," accessed April 2025. <https://sec.gov.ng/about>

- b) **Investor Protection:** Safeguarding investors' interests by enforcing compliance with securities laws and regulations.
- c) **Market Development:** Promoting the development of the capital market through policy initiatives and reforms.

A critical component of the SEC's regulatory framework is the Nigerian Code of Managerial oversight (NCCG), introduced in 2018. This code provides a comprehensive set of guidelines aimed at enhancing managerial oversight practices across all sectors of the Nigerian economy. The SEC Managerial oversight Guidelines, developed in conjunction with the NCCG, offer sector-specific recommendations to address the unique challenges faced by different industries. These guidelines emphasize principles such as board composition, transparency, and accountability, and are mandatory for public companies to comply with. The SEC's oversight ensures that companies adhere to these standards, thereby promoting investor confidence and market integrity.

### **5.3 Financial Reporting Council of Nigeria (FRC)**

A federal government agency operates under the supervision of the Federal Ministry of Industry, Trade, and Investment, tasked with overseeing the development and regulation of accounting and financial reporting standards. Its role is to ensure the accuracy, transparency, and reliability of financial information presented by organizations, promoting consistency and trust in financial reporting. By setting and enforcing these standards, the agency helps improve corporate governance, protect investor interests, and enhance overall confidence in the country's financial markets. The Council's primary objectives include:

- a) **Development of Standards:** Formulating and issuing accounting and financial reporting guidelines for public entities in Nigeria.
- b) **Managerial oversight:** Providing guidance on financial reporting and managerial supervision for professional, institutional, and regulatory organizations.
- c) **Quality Assurance:** Ensuring the correctness and dependability of financial statements and corporate communications

In 2023, the National Assembly enacted an amendment to the Financial Reporting Council of Nigeria Act that introduced enhanced supervisory, governance, regulatory, compliance, enforcement, and penalty provisions to reinforce the existing framework financial reporting and managerial oversight regimes. This amendment underscores the FRC's commitment to enhancing transparency and accountability in financial reporting, thereby fostering investor confidence and economic stability.

### **5.4 Central Bank of Nigeria (CBN)**

The CBN is fully responsible and vested with the regulating power to oversee managerial oversight in the banking sector, which is central to Nigeria's financial system. Established in 1958,<sup>63</sup> the CBN's functions include:

- a) **Monetary Policy Formulation:** Designing and carrying out monetary policies to maintain a balanced macroeconomic environment
- b) **Financial System Regulation:** Overseeing and monitoring banks and other financial institutions to maintain a healthy and reliable financial system

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<sup>63</sup> Central Bank of Nigeria, "About Us," accessed April 2025. <https://www.cbn.gov.ng/AboutCBN/index.html>

- c) **Coommercial Development:** Promoting economic development through the provision of credit and other financial services.

In 2014, the CBN issued the Code of Managerial oversight for Banks and Discount Houses in Nigeria, which provides guidelines on board composition, risk management, and internal controls specific to the banking sector. This code mandates the establishment of board committees such as audit, risk, and credit committees, and emphasizes the importance of independent directors in ensuring effective oversight. The CBN's regulatory framework aims to enhance the governance practices of banks, thereby promoting financial stability and protecting depositors' interests.

### **5.5 National Insurance Commission (NAICOM)**

The Commission is vested with the supervisory power to legislate on the Nigeria's insurance industry. Established in 1997<sup>64</sup>, NAICOM's responsibilities include:

- a) **Insurance Market Regulation:** Regulating and supervising insurance companies to ensure their financial soundness and compliance with statutory requirements.
- b) **Consumer Protection:** Protecting policyholders' interests by ensuring that insurance companies honor their obligations.
- c) **Industry Development:** Promoting the development of the insurance industry through policy initiatives and reforms.

NAICOM has issued guidelines for the governance of insurance companies in Nigeria, covering areas such as aspects like board structure, risk management, and internal controls. These guidelines mandate that insurance companies maintain a minimum number of directors, establish board committees, and ensure that directors possess the necessary qualifications and experience to oversee the company's operations effectively. NAICOM's regulatory framework aims to enhance the governance practices of insurance companies, thereby fostering trust and confidence in the insurance sector.

The law governing managerial oversight in Nigeria is multifaceted and dynamic, comprising various agencies with distinct mandates that collectively ensure the integrity of corporate operations. The Corporate Affairs Commission (CAC), SEC, FRC, CBN, and NAICOM each play pivotal roles in regulating and overseeing corporate activities within their respective sectors. Through their concerted efforts, these institutions contribute to creating a business environment characterized by openness, responsibility, and ethical behavior, which in turn build investor trust and support long-term economic growth in Nigeria.

## **6. Challenges Facing Managerial oversight in Nigeria**

Despite the establishment of various legal frameworks and regulatory bodies aimed at promoting managerial oversight in Nigeria, several challenges persist, undermining the effectiveness of these institutions. These challenges encompass weak enforcement mechanisms, corruption and political interference, a low compliance culture, and judicial bottlenecks. Addressing these issues is crucial for fostering a business environment characterized by transparency, accountability, and ethical conduct.

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<sup>64</sup> National Insurance Commission, "A Review of Managerial oversight Codes in 2014," accessed April 2025

- a. **Limited Enforcement Strength:** A major obstacle to effective managerial oversight in Nigeria is the inadequate enforcement of regulations by regulatory agencies like the Securities and Exchange Commission (SEC), the Corporate Affairs Commission (CAC), and the Financial Reporting Council of Nigeria often face limitations in their capacity to enforce compliance with governance standards. This weakness is attributed to factors such as inadequate funding, insufficient staffing, and lack of political will. As a result, companies may flout regulations with little fear of repercussions, leading to a culture of impunity.<sup>65</sup> For instance, the SEC's code of corporate governance, introduced in 2003, lacked enforceable sanctions, rendering it largely ineffective in compelling compliance. Similarly, the FRC's National Code of Corporate Governance, introduced in 2016, has faced challenges in enforcement, with many companies failing to adhere to its provisions.
- b. **Corruption and Political Interference:** Corruption continues to be a widespread problem in Nigeria, greatly affecting the effectiveness of managerial oversight. The close connection between business and politics has led to instances where board appointments and regulatory decisions are influenced by political elites, undermining the independence of corporate boards and regulatory bodies<sup>66</sup>. This phenomenon, known as regulatory capture, occurs when regulatory agencies act in the interest of the industries they are supposed to regulate, rather than in the public interest. Such interference compromises the effectiveness of governance frameworks and erodes public trust in corporate institutions.
- c. **Low Compliance Culture:** A significant barrier to effective managerial oversight in Nigeria is the prevalent low compliance culture among businesses, especially among small and medium-sized enterprises (SMEs). Numerous SMEs are often unaware of governance principles or deliberately neglect them due to perceived costs and complexities. This attitude is exacerbated by a perception that governance is merely a box-checking exercise rather than a fundamental aspect of business operations. Consequently, issues such as poor financial reporting, lack of transparency, and inadequate internal controls are common, undermining the integrity of managerial oversight practices.
- d. **Judicial Bottlenecks:** The Nigerian judiciary faces significant challenges that impede the timely resolution of corporate disputes. Delays in case adjudication, a backlog of cases, and procedural inefficiencies contribute to a slow justice system. For example, as of the first quarter of 2024, Nigeria's judiciary faced a backlog of over 243,253 cases, with litigants often waiting years for justice.<sup>67</sup> These delays not only frustrate businesses seeking legal redress but also deter potential investors who perceive the legal environment as unreliable. Additionally, issues such as judicial corruption and lack of accountability further erode confidence in the judicial system's ability to uphold the rule of law.<sup>68</sup>

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<sup>65</sup> Corporate Finance, "The Power of Managerial oversight in Reducing Fraud in Nigerian Corporations," accessed April 2025. <https://corporatefinance.ng/corporate-governance-reducing-fraud>

<sup>66</sup> Premium Times, "Nigeria's Struggle Against Corruption: Bridging the Gap Between Laws and Practice," accessed April 2025. [<https://www.premiumtimesng.com/opinion/767644-nigerias-struggle-against-corruption-bridging-the-gap>].

<sup>67</sup> The Jurist Newspaper, "Justice in Jeopardy: 2024 EICS Report and the Nigerian Judiciary," accessed April 2025. <https://thejuristng.com/2025/01/06/justice-in-jeopardy-2024-eics-report-and-the-nigerian-judiciary>

<sup>68</sup> *ibid.*

## 7. Comparative Perspectives and International Best Practices

The United Kingdom's managerial oversight framework, particularly the UK Managerial oversight Code, serves as a model for many countries, including Nigeria.<sup>69</sup> The UK code emphasizes principles such as board independence, transparency, and accountability,<sup>70</sup> with clear guidelines for board composition and executive remuneration.<sup>71</sup> In contrast, Nigeria's managerial oversight codes,<sup>72</sup> while comprehensive, often lack enforceable sanctions, leading to inconsistent application and compliance. Moreover, the UK's laws<sup>73</sup> possess greater autonomy and resources to enforce governance standards, a capacity that Nigerian regulators often lack.

The OECD Principles of Managerial Oversight offer an internationally accepted framework to foster strong corporate governance. These guidelines emphasize safeguarding shareholder rights, ensuring fair treatment for all shareholders, and recognizing the importance of stakeholders in governance. While Nigeria's managerial oversight codes align with many of these principles, challenges such as weak enforcement mechanisms, corruption, and low compliance culture hinder their effective implementation<sup>74</sup>. For instance, the lack of independent regulatory oversight and the prevalence of political interference in corporate affairs undermine the application of OECD principles in Nigeria.

In recent years, Nigeria has undertaken several reforms aimed at strengthening corporate governance. The enactment of the Act introduced provisions for virtual meetings, enhanced minority shareholder protection, and mandated the appointment of company secretaries and audit committees.<sup>75</sup> Additionally, the Securities and Exchange Commission (SEC) has initiated monitoring programs to ensure compliance with governance codes.<sup>76</sup> The digitization of the Corporate Affairs Commission's (CAC) processes also improved efficiency of company registration and filing systems.

## 8. Recommendations for Strengthening Corporate Governance

To enhance managerial oversight in Nigeria, several measures are recommended:

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<sup>69</sup> Financial Reporting Council of Nigeria, "National Code of Corporate Governance," accessed April 2025. <https://frcnigeria.gov.ng/national-code-of-corporate-governance>

<sup>70</sup>Project MUSE, "Managerial oversight in Nigeria," accessed April 2025. <https://muse.jhu.edu/pub/400/monograph/chapter/3643413>

<sup>71</sup> Chaman Law Firm, "Comprehensive Understanding Of The Managerial oversight Framework In Nigeria: Ensuring Accountability And Growth," accessed April 2025. <https://www.chamanlawfirm.com/understanding-of-the-corporate-governance>

<sup>72</sup> Independent Corrupt Practices and Other Related Offences Commission, "2024 Ethics and Integrity Compliance Scorecard," accessed April 2025. <https://icpc.gov.ng/eics-2024>

<sup>73</sup> LawPavilion Blog, "Assessing The Implementation And Impact Of Anti-Corruption Laws In Nigeria," accessed April 2025. <https://lawpavilion.com/blog/assessing-the-implementation-and-impact-of-anti-corruption-laws-in-nigeria>

<sup>74</sup> Omaplex Law Firm, "Navigating Managerial oversight Challenges in Nigerian Organisations: A Comparative Analysis of Local and International Standards," accessed April 2025. <https://omaplex.com.ng/navigating-corporate-governance-challenges-in-nigerian-organisations-a-comparative-analysis-of-local-and-international-standards>

<sup>75</sup> The Guardian Nigeria, "Managerial oversight Challenges in Nigeria: The Way Forward," accessed April 2025. <https://guardian.ng/features/law/corporate-governance-challenges-in-nigeria-the-way-forward>

<sup>76</sup> Securities and Exchange Commission, "Managerial oversight Codes in Nigeria," accessed April 2025. <https://sec.gov.ng/corporate-governance-codes>

- a) **Strengthening Enforcement Mechanisms:** Regulatory bodies must be equipped with sufficient resources and independence to enforce compliance efficiently.
- b) **Combating Corruption:** Implementing stricter anti-corruption measures and ensuring the independence of regulatory agencies can mitigate the impact of political interference.
- c) **Promoting a Compliance Culture:** Educating businesses, especially SMEs, about the significance of managerial oversight and offering rewards for adherence can foster a culture of good governance.
- d) **Judicial Reforms:** Addressing issues such as case backlog, procedural inefficiencies, and judicial corruption through reforms can expedite the resolution of corporate disputes.

## **9. Conclusion**

While Nigeria has made strides in establishing legal and institutional frameworks for corporate governance, significant challenges remain. Weak enforcement mechanisms, corruption, low compliance culture, and judicial bottlenecks continue to undermine the effectiveness of these frameworks. Addressing these challenges through comprehensive reforms and adherence to international best practices is essential for fostering a business environment characterized by transparency, accountability, and ethical conduct. Such efforts will help boost investor trust while also supporting long-term economic growth in Nigeria