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**May 30, 2013**

**LETTER TO ALL BANKS AND DISCOUNT HOUSES**

**EXTERNAL AUDITORS' RECOMMENDATIONS IN THE MANAGEMENT LETTERS IN BANKS AUDITED FINANCIAL STATEMENTS**

Pursuant to the provisions of Section 27 of the Banks and Other Financial Institutions Act of 1991 as amended, banks and discount houses are required to obtain the approval of the CBN prior to the publication of their audited financial statements. An integral part of the audited financial statements is the Management Letter, wherein the external auditors' concerns regarding the operations of a bank/discount house is enunciated. In recent times, our appraisal of the annual financial statements has shown that the recommendations by external auditors in the Management Letters are more often than not left unimplemented, and repeated along with new ones in subsequent audited financial statements. This practice of refusing/failing/neglecting to implement auditors' recommendations is a source of regulatory/supervisory concern, considering the critical nature of some of the recommendations to the operations of the banks/discount houses. Consequently, to forestall future occurrence of this adverse trend, banks and discount houses are invited to note that:

1. Henceforth, non-compliance with auditors' recommendations in the Management Letters will constitute a ground for the imposition of penalties in line with Section 60 of the BOFI Act 1991, as amended;
2. Banks/discount houses are now required to submit to the Central Bank of Nigeria, on quarterly basis, progress reports on the implementation of auditors' recommendations in the Management Letters; and
3. External auditors are now required, in line with the provisions of Section 63 of the Investment and Securities Act 2007, to "issue a statement as to the existence, adequacy and effectiveness or otherwise of the internal control system", in their audit reports.

Please, be guided accordingly.

**'TOKUNBO MARTINS (MRS)**  
**DIRECTOR OF BANKING SUPERVISION**