

EXTERNAL AUDITORS AND FINANCIAL TRANSPARENCY IN NIGERIAN BANKS A CASE STUDY OF UBA NIGERIA PLC

Dr. Kelechi Margaret AMASIATU¹

**Department of Accounting, Faculty of Arts, Management & Social sciences, University of
Agriculture and Environmental Sciences Umuagwo Imo State, Nigeria.**

Kelechi.amasiatu@uaes.edu.ng

Dr. Chinedu Blessing-Mike OBIALOR²

**Department of Taxation/Banking & Finance,
Faculty of Arts, Management & Social sciences,
University of Agriculture and Environmental Sciences Umuagwo Imo State, Nigeria.**

E-mail bbbilors@gmail.com or chinedu.obialor@uaes.edu.ng

**Dr. Chikaodi Josephine Michael ANUMAKA³, Department of Accounting, Faculty of
Arts, Management & Social sciences, University of Agriculture and Environmental
Sciences Umuagwo Imo State, Nigeria.**

chikaodi.anumaka@uaes.edu.ng

Abstract

This paper has discussed how external auditors can improve financial transparency in Nigerian banks (A Study of UBA Nigeria PLC). The principal aim of the research was to investigate how the external auditors can improve financial transparency in the Nigerian banks. Other objectives were; to; Assess the effectiveness of external audits in detecting fraudulent financial activities in the Nigerian Banks. Test the effect of auditors independence on the transparency of the financial reporting in the Nigeria banks and to determine the effect of the auditors rotation on level of disclosure of financial reporting in the Nigerian Banks. The study used descriptive research design and the primary and secondary sources of data were used. Primary data were gathered by direct interaction with the respondents using structured questionnaires and secondary data was obtained mainly through journal articles, books and industry reports.

The results indicated that external auditors played a significant role in uncovering the discrepancies, imposing the ability to comply with the financial reporting standards, and promoting greater financial transparency. The research thus suggested inter alia that the regulatory agencies like the Central Bank of Nigeria (CBN) and the Financial Reporting Council (FRC) should require the continuous professional development programs by the auditors in order to make them to be at par with emerging trends and complexities in the financial sector.

Keywords: External Auditors, Financial Transparency, Nigerian Banks, Uba Nigeria Plc

Introduction

The importance of external auditors to increase financial transparency within the banking sector in Nigeria has come under new focus due to the latest cases of corporate scandals and the increase in the regulatory expectations. With changing financial environment, empirical research indicates that independent and high quality external audits are critical tools in either ensuring correct financial reports, making it difficult to manipulate or investor confidence. Transparency has also been highlighted by the implementation of the IFRS and the Central Bank of Nigeria (CBN) directives, and the auditors should embrace more stringent risk-based methods and use of technology in their audits, like data analytics. These developments indicate a larger trend in enhancing corporate governance and responsibility with external auditors taking the central role of ensuring the integrity of the Nigerian banking system.

To ensure that the banking institutions comply with the accounting standards and regulation stipulations, external auditors are charged with the responsibility of conducting independent audit and verification of the financial accounts of the banks in Nigeria. Their evaluations justify the truthfulness of the financial statements as well as acts as a protection against fraudulent financial transactions and financial misappropriations (Nworie and Obi, 2024). Through intensive auditing, the external auditors can assist in identifying and preventing cases of financial anomalies thus enhancing transparency and accountability in the banking industry (Oyedokun, 2020).

Moreover, the effectiveness of the external auditors in the Nigerian banks is strengthened by the fact that it strengthens the practices of corporate governance. They can give insights through their audits into the internal controls and risk management structures that banks had implemented that are important in ensuring financial stability. In addition to making sure that regulatory frameworks (including the Central Bank of Nigeria (CBN)) are adhered to, such proactive policy will enable the stakeholders to make informed decisions and create investor confidence.

Nonetheless, the usefulness of external auditors in the banking industry of Nigeria is not without problems. Such problems like independence of audit, regulatory control and sufficiency of audit procedures are still relevant. Regardless of the regulatory attempts to improve the quality and transparency of auditing, the problem of the ability of auditors to respond to the emerging risks in a dynamically changing financial environment remains (Izedonmi & Enofe, 2022). Nevertheless, with the continuous reforms and improvement of the auditing standards, the role played by the external auditors in the Nigerian banks is likely to be strengthened going forward, and it will continue to play the role of guiding the financial integrity and transparency (Owolabi, 2023).

The external auditors are supposed to be independent, objective, and professionally meticulous in order to maintain the accuracy and reliability of the financial statements and this will result in transparency and responsibility in the banking industry. Auditors play an important role in a properly functioning financial system that can impose a check and balance on the management

and therefore, they help to prevent misstatements, fraud, and other financial misbehaviors. Nonetheless, the current state on the Nigerian situation indicates certain apprehensions about the efficiency of external audits in the realization of these objectives. Even though audited, there are examples of financial irregularities and governance failures in several banks, which begs the question of the quality of audit, its independence, and adhering to international standards. Although steps like usage of IFRS and other regulatory interventions by Central Bank of Nigeria (CBN) have been put in place, how well these interventions have helped in improving audit effectiveness and financial transparency has not been sufficiently studied. In addition, empirical investigations have been broadly geared towards audit quality in broad sense, and few studies have been done on how external auditors in particular affect the transparency in the Nigerian banks, in the context of new technological tools and new regulatory environment. This paper will thus aim at bridging this gap and discussing the present role, problems, and efficiency of external auditors in improving financial transparency of banks in Nigeria, which will be important in policy and practice.

Objectives of the Study

The main aim of the research is to investigate the Role of External Auditors in Promoting Financial Transparency in Nigerian Banks. The study has specific objectives, which are to:

1. Determine the effectiveness of external audit in identifying fraud within Nigerian banks.
2. Test how auditors independence influences financial reporting transparency in the Nigerian banks.
3. Determine that there is auditors rotation on level of disclosure of financial reporting in the Nigerian Banks.

1. 2 Research Hypotheses

H₀₁: Effective external audits do not produce a significant impact on fraud detection.

H₀₂: There is no significant impact of auditor independence on financial transparency.

H₀₃: There is no significant impact of auditor rotation on disclosure levels.

2.0 Review of Related Literature

2.1 Conceptual Review

2.1.1 External Auditing

External auditing is defined as an independent examination of the financial statements of an entity in order to provide compliance, reliability, and fairness. It increases accountability and eliminates possibilities of misstatements and fraud.

2.1.2 Financial Transparency

Financial transparency is the disclosure of financial information in an accurate, complete and in time fashion that allows stockholders to make informed decisions.

Banks Transparency and External Audits.

The external audit in banking institutions enhances internal controls, regulatory compliance, as well as confidence among stakeholders. Independent audits minimize the information asymmetry and enhance the quality of governance.

2.2 Theoretical Framework

2.2.1 Agency Theory

The agency theory describes the conflicts between shareholders and managers brought about by information asymmetry. External auditors can be considered as control systems that coordinate the actions of the management with those of the shareholders.

Stakeholder Theory

According to the stakeholder theory, organizations have to meet the interests of several stakeholders. Clear reporting on financial matters with independent audit augments confidence and permanence.

2.3 Empirical Review

Using panel regression, Samuel and Alade (2025) studied the independence of audit and financial reporting quality of 14 Nigerian listed banks (2016-2023). They established that audit fees and size of audit firms play a significant negative influence in reporting quality whereas audit tenure does not have a significant influence and thus, enhancement of auditor independence should be considered.

In the same manner, Onaolapo and Oyeloye (2024) identify that the transparency and credibility of financial reporting based on external audit opinions is much increased in Nigerian banks, but this research lacks the breadth of the one under investigation at the moment.

Wobo, Odoemelum, and Panguru (2024) found that there is a positive but insignificant correlation between audit fees and reporting quality, and negative but insignificant correlation between audit firm size and auditor independence, which is contrary to the common beliefs.

According to Ojo and Babatunde, (2022) there is a general agreement that external audits improve financial performance, decrease the information asymmetry, and certify regulatory compliance, although such problems as weak independence and ineffective enforcement remain.

Also, empirical data from Eze et al., (2023); Okafor et al (2020) prove the fact that the quality of audit, competence, and compliance with standards enhances transparency, but regulatory and consistency issues persist.

2.3.1 Gap in the Literature

Past studies indicate positive correlations between the quality of the audit and transparency of the financial reporting. The majority of them however use secondary data or multi-bank panel analysis having little organization-specific information. Very little of the research employs the primary survey evidence in a single bank environment. This research paper fills this methodological and contextual gap.

3.0 Methodology

3.1 Research Design

A descriptive survey design was adopted.

3.2 Population and Sample

The population comprised UBA staff involved in auditing, finance, and compliance. Using purposive sampling, 50 knowledgeable respondents were selected.

3.3 Data Collection

Primary data: Structured questionnaire

Secondary data: Annual reports, audit reports, and academic literature

3.4 Validity and Reliability

Content validity was established through expert review. Reliability was tested using Cronbach's Alpha (≥ 0.70 threshold).

3.5 Method of Data Analysis

Descriptive statistics (frequencies, percentages)

Chi-square inferential analysis

4.0 Data Presentation, Analysis and Discussion of Results

This section presents the analysis of data gotten from 50 valid questionnaires using descriptive statistics and inferential analysis. Although frequencies and percentages review respondents' views, Chi-square tests were employed to examine the study hypotheses.

Respondents' Demographic Characteristics

Table 1: Demographic Profile of Respondents (N = 50)

Variable	Category	Frequency	Percentage (%)
Gender	Male	22	44.0
	Female	28	56.0
Qualification	OND/NCE	5	10.0
	HND/B.Sc	18	36.0
	M.Sc./MBA	16	32.0
	Ph.D.	11	22.0
Experience	1–5 years	16	32.0
	6–10 years	18	36.0
	11+ years	16	32.0
Position	Audit Staff	14	28.0
	Financial Analyst	15	30.0
	Management Staff	17	34.0
	Others	4	8.0

The respondents are sufficiently qualified and experienced, providing reliable insights into auditing practices in Nigerian banks.

External Auditors and Financial Transparency

Table 2: Summary of Responses with Mean Scores and Ranking

Variables / Statements	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	Rank
External auditors identify financial risks	52.0	30.0	8.0	6.0	4.0	4.20	1
Audit rotation increases user confidence	56.0	22.0	8.0	6.0	8.0	4.12	2

Variables / Statements	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	Rank
------------------------	--------	-------	-------	-------	--------	------	------

Auditor independence improves transparency	46.0	34.0	10.0	6.0	4.0	4.12	2
--------------------------------------------	------	------	------	-----	-----	-------------	---

External auditors enhance transparency	50.0	24.0	8.0	6.0	12.0	3.94	4
----------------------------------------	------	------	-----	-----	------	-------------	---

External audits detect fraud effectively	42.0	30.0	14.0	6.0	8.0	3.92	5
------------------------------------------	------	------	------	-----	-----	-------------	---

Audit rotation improves compliance	42.0	26.0	16.0	6.0	10.0	3.84	6
------------------------------------	------	------	------	-----	------	-------------	---

Independent auditors reduce misstatements	40.0	26.0	18.0	6.0	10.0	3.80	7
-------------------------------------------	------	------	------	-----	------	-------------	---

Audit quality enhances transparency	40.0	28.0	10.0	12.0	10.0	3.76	8
-------------------------------------	------	------	------	------	------	-------------	---

Audit disclosure increases confidence	36.0	26.0	14.0	12.0	12.0	3.62	9
---------------------------------------	------	------	------	------	------	-------------	---

Note: SA = Strongly Agree, A = Agree, N = Neutral, D = Disagree, SD = Strongly Disagree. Mean ≥ 3.0 indicates agreement.

Test of Hypotheses

Table 3: Summary of Hypotheses Testing

Hypothesis	Variables Tested	Statistical Tool	Decision	Remark
H ₁	Audit effectiveness & fraud detection	Chi-square	Reject H ₀	Significant (p < 0.05)
H ₂	Auditor independence & transparency	Chi-square	Reject H ₀	Significant (p < 0.05)
H ₃	Auditor rotation & disclosure	Chi-square	Reject H ₀	Significant (p < 0.05)

The findings show that the effectiveness of external auditing is a significant contributor to fraudulent financial reporting discovery in the Nigerian banks. The independence of the auditors was also found to positively impact the financial reporting transparency, which minimizes chances of misstatements.

Moreover, financial disclosure is highly enhanced by auditor rotation, hence leading to accountability and transparency. All these findings show that the quality of audit, independence, and rotation are essential factors in providing credible financial reporting in the banking industry.

4.1 Discussion of Findings

The results prove that the role of external auditors is crucial towards enhancing financial transparency, fraud detection and risk identification within the Nigerian banks. Mean scores are high on major variables and this shows that respondents have a strong agreement on the significance of audit practices.

These outcomes are further supported by the hypothesis tests that developed statistically significant relationships between audit effectiveness, independence, rotation and financial reporting outcomes.

In general, the research adds to the existing empirical evidence that a good external audit improves the reliability of the financial statements and increases confidence among the stakeholders but further revision of audit procedures and regulatory implementation is still required.

5.0 Findings, Conclusion and Recommendation

5.1 Conclusion

The paper concludes that external auditors are imperative in improving financial transparency within the banks in Nigeria. Their operations enhance the accuracy, credibility, and compliance of the financial statements, which contributes to the increase of investor confidence and facilitates the informed decision-making.

Nevertheless, external auditors have to rely on their independence, audit rotation after a given time period, and continuing to enhance their professional competence to meet the newly arising financial challenges. In its absence, the integrity of the audit process can be tampered with.

5.2 Recommendations

From the results, the study advises that:

There should be stricter policies on auditors independence, especially in terms of non-audit services being provided to audit clients.

There should be an increased emphasis on continuous professional development of auditors to increase their ability to cope with the changing financial reporting issues.

To enhance efficiency, accuracy, and transparency of audits, banks and audit firms are expected to implement more sophisticated audit technologies (e.g., AI-based tools).

The regulators ought to have mandatory cyclical rotation of audit firms to keep the familiarity threats to a minimum and to boost objectivity.

5.3 Contribution to Knowledge

The study provides an addition to the body of literature by developing empirical research on the ultimate impact of audit effectiveness, auditor independence, and audit rotation on transparency of finances held by Nigerian banks. The research incorporates different factors of the audit, unlike other previous studies that concentrate on one aspect of the audit and shows the combined importance of these factors in enhancing the credibility of financial reporting.

The paper also presents a pragmatic view of the study by emphasizing the importance of emerging audit technologies in improving transparency and thus provides policy-relevant information to regulators, financial institutions, and audit practitioners in Nigeria and other emerging economies.

REFERENCES

- Akerlof, G. A. (1970). The market for “lemons”: Quality uncertainty and the market mechanism. *Quarterly Journal of Economics*, 84(3), 488–500.
- Izedonmi, F., & Enofe, A. O. (2013). Audit quality and financial performance of firms in Nigeria. *Journal of Economics and Sustainable Development*, 4(10), 222–231.
- Eze, P. (2020). External auditing and corporate governance in Nigeria. *International Journal of Accounting and Finance*, 8(3), 123–137.
- Nworie, G. O., & Onwuka, E. M. (2023). Influence of training and personnel development on organizational productivity of manufacturing firms: Perspective study of business management academics. *International Journal of Academic Management Science Research*, 7(4), 18–28.
- Nworie, G. O., & Obi, G. U. (2024). Audit firm characteristics as a contrivance for mitigating corporate failures in listed consumer goods firms in Nigeria. *IIARD International Journal of Economics, Business and Management*, 10(5), 185–203.
- Ojo, O. (2022). Transparency in the Nigerian banking sector: Challenges and prospects. *African Journal of Business and Economics*, 10(3), 112–128.
- Ojo, O., & Oladejo, O. (2022). Auditor independence and financial transparency. *Journal of Contemporary Nigerian Finance*, 11(2), 33–50.
- Onaolapo, A. R., & Oyeleye, K. W. (2024). *Effect of external audit opinion on the transparency of financial reporting quality of selected Nigerian deposit money banks. International Journal of Business Economics and Management Science*, 6(7), 51–??.
<https://doi.org/10.70382/hijbems.v06i7.004>
- Owolabi, O. (2023). Enhancing financial reporting through audit quality: A case study of Nigerian banks. *International Journal of Business and Management*, 11(4), 88–97.
<https://doi.org/10.5539/ijbm.v11n4p88>
- Oyedokun, G. O. (2020). External auditors’ independence and audit quality: A conceptual analysis. *International Journal of Finance and Accounting Studies*, 8(2), 78–89.
<https://doi.org/10.32479/ijfas.9812>
- Samuel, S. O., & Alade, O. J. (2025). *Effect of audit independence on the financial reporting quality of listed deposit money banks in Nigeria. International Journal of Research and Innovation in Social Science*, 9(6), 4197–4218. <https://doi.org/10.47772/IJRISS.2025.906000318>
- Wobo, H. O., Odoemelum, N., & Panguru, J. R. (2024). *Audit quality and financial reporting quality: Evidence from quoted deposit money banks in Nigeria. Journal of Management Sciences*, 25(2), 9–21.