

# Effects of External Audit on Financial Accountability in Higher Institutions in Akwa Ibom State

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DOI: <https://doi.org/10.51244/IJRSI.2026.13020008>

Received: 06 February 2026; Accepted: 13 February 2026; Published: 24 February 2026

## ABSTRACT

Financial accountability is critical in higher institutions due to the significant funds they manage from government subventions, tuition fees, and internally generated revenues. This study examined the effects of external audit on financial accountability in higher institutions in Akwa Ibom State. Using a descriptive survey design, data were collected from 117 finance officers, audit committee members, and external auditors across universities, polytechnics, and colleges of education, employing census sampling. Structured questionnaires and interviews were used, and data were analyzed using descriptive statistics and regression analysis at 0.05 significance level. Findings revealed that external audit significantly improves transparency, compliance with financial regulations, detection and prevention of irregularities, and implementation of audit recommendations. The study concludes that external audits are vital for enhancing financial accountability, and timely implementation of recommendations is essential. Recommendations include strengthening audit implementation, enhancing auditor independence, and providing capacity building for finance personnel.

**Keywords:** External Audit, Financial Accountability, Higher Institutions, Transparency, Compliance, Internal Control Akwa Ibom State

## INTRODUCTION

Financial accountability remains one of the most critical pillars of effective governance and sustainable management in higher educational institutions. Universities, polytechnics, and colleges of education serve as key drivers of human capital development and national progress; hence, the efficient management of their financial resources is essential. In Nigeria, higher institutions receive substantial funding from government allocations, tuition fees, grants, and donor agencies, making them accountable to multiple stakeholders, including government authorities, students, parents, and the general public.

Over the years, concerns have been raised regarding financial mismanagement, weak internal controls, and lack of transparency in the administration of funds in higher institutions. These challenges have led to increased scrutiny of financial practices and a growing demand for accountability mechanisms capable of ensuring prudent use of public resources. One of the most significant mechanisms for promoting financial accountability is the external audit, which involves the independent examination of financial statements and records by qualified auditors outside the institution.

External audit plays a vital role in enhancing transparency, detecting fraud, ensuring compliance with financial regulations, and improving the credibility of financial reports. By providing an objective assessment of an institution's financial position, external auditors help reduce information asymmetry between management and stakeholders. This function is particularly important in public higher institutions, where funds are largely derived from taxpayers and government sources.

In Akwa Ibom State, higher institutions such as universities, polytechnics, and colleges of education operate within a regulated financial environment that mandates periodic external audits. Despite these statutory requirements, cases of delayed audit reports, weak implementation of audit recommendations, and recurring

financial irregularities continue to raise concerns about the effectiveness of external audits in ensuring accountability. These issues underscore the need for a systematic assessment of how external audit influences financial accountability within higher institutions in the state.

Furthermore, the growing complexity of financial operations in higher institutions—arising from increased enrolment, diversified revenue sources, and expanded infrastructural development—has heightened the importance of independent financial oversight. Without effective external audit practices, institutions risk inefficiency, loss of public trust, and misallocation of scarce resources. Therefore, examining the effects of external audit on financial accountability is both timely and necessary for strengthening financial governance in higher education.

This study, therefore, seeks to critically examine the effects of external audit on financial accountability in higher institutions in Akwa Ibom State. By analysing the relationship between external audit practices and accountability outcomes, the study aims to provide empirical evidence that will inform policymakers, institutional managers, auditors, and other stakeholders on strategies for improving financial transparency and accountability in the higher education sector.

### **Statement of the Problem**

Financial accountability is a fundamental requirement in the governance of higher educational institutions due to the significant public and internally generated funds they manage. Although external audit is mandated to enhance transparency, ensure regulatory compliance, and curb financial irregularities, persistent cases of delayed financial reporting, weak internal controls, and poor implementation of audit recommendations continue to undermine accountability in many higher institutions in Akwa Ibom State. These recurring challenges raise questions about the effectiveness of external audit in achieving its intended objectives. Furthermore, empirical evidence examining the relationship between external audit and financial accountability in higher institutions within the state remains limited. This study therefore addresses this gap by empirically investigating the effects of external audit on financial accountability in higher institutions in Akwa Ibom State.

### **Objectives of the Study**

The general objective of this study is to examine the effects of external audit on financial accountability in higher institutions in Akwa Ibom State.

#### **The specific objectives of the study are to:**

1. examine the effect of external audit on transparency in financial reporting in higher institutions in Akwa Ibom State;
2. determine the influence of external audit on compliance with financial rules and regulations in higher institutions in Akwa Ibom State;
3. assess the effect of external audit on the detection and prevention of financial irregularities in higher institutions in Akwa Ibom State;
4. evaluate the extent to which external audit recommendations are implemented in higher institutions in Akwa Ibom State.

### **Research Questions**

The study seeks to provide answers to the following research questions:

1. To what extent does external audit enhance transparency in financial reporting in higher institutions in Akwa Ibom State?
2. How does external audit influence compliance with financial rules and regulations in higher institutions in Akwa Ibom State?

3. To what extent does external audit contribute to the detection and prevention of financial irregularities in higher institutions in Akwa Ibom State?
4. To what extent are external audit recommendations implemented in higher institutions in Akwa Ibom State?

### **Research Hypotheses**

The following null hypotheses were formulated and tested at 0.05 level of significance:

1. External audit has no significant effect on transparency in financial reporting in higher institutions in Akwa Ibom State.
2. External audit has no significant influence on compliance with financial rules and regulations in higher institutions in Akwa Ibom State.
3. External audit has no significant effect on the detection and prevention of financial irregularities in higher institutions in Akwa Ibom State.
4. External audit recommendations do not significantly influence financial accountability in higher institutions in Akwa Ibom State.

## **LITERATURE REVIEW**

### **External Audit and Financial Accountability**

External audit involves the independent examination of an organization's financial statements and records to ensure accuracy, compliance with accounting standards, and proper stewardship of resources. In higher institutions, external audits are critical accountability mechanisms that promote transparency, detect irregularities, and provide assurance to stakeholders regarding the responsible use of funds. Financial accountability, on the other hand, refers to the obligation of institutional management to report and justify the use of financial resources transparently, lawfully, and efficiently. Weak accountability often manifests as misappropriation, budget overruns, and non-compliance with regulations, highlighting the need for robust audit practices.

### **THEORETICAL FRAMEWORK**

This study is anchored on Agency Theory, which explains the principal-agent relationship between stakeholders (principals) and institutional management (agents). Due to information asymmetry, agents may act in self-interest, undermining accountability. External audits serve as monitoring tools to reduce this gap, ensuring that management operates transparently, complies with regulations, and implements corrective actions. Agency Theory thus supports the expectation that effective external audits enhance financial accountability in higher institutions.

### **Empirical Review**

Empirical studies confirm the positive role of external audits in promoting financial accountability. Adewale and Bello (2020) found that regular external audits improve transparency and reduce financial irregularities in Nigerian universities. Eze (2019) highlighted the role of audits in strengthening internal controls and ensuring compliance with financial regulations. Okon and Udoh (2021) observed, however, that weak enforcement of audit recommendations limits audit effectiveness, resulting in recurring financial issues. Yusuf and Salami (2022) reported that while external audits significantly improve compliance with financial rules, challenges such as political interference and limited auditor independence reduce their impact.

Despite these findings, most studies focus on public sector institutions nationally, with limited research on higher institutions in Akwa Ibom State, particularly regarding transparency, compliance, and implementation of audit recommendations.

## Research Gap

Existing literature establishes the importance of external audits in enhancing accountability but leaves a gap concerning the contextual effectiveness of audits in Akwa Ibom State’s higher institutions. This study addresses this gap by empirically examining the effect of external audit on transparency, compliance, detection of irregularities, and implementation of recommendations, providing evidence for policy and institutional reforms.

## METHODOLOGY

### Research Design

This study adopted a descriptive survey research design. The survey design is suitable for collecting data on perceptions, experiences, and practices of stakeholders regarding external audits and financial accountability in higher institutions. Both quantitative and qualitative approaches were employed to provide a comprehensive understanding of the research problem.

### Population of the Study

The population comprised finance officers, audit committee members, and external auditors in selected higher institutions in Akwa Ibom State, including universities, polytechnics, and colleges of education. According to institutional records, the total population was estimated at 117 individuals across the selected institutions.

Institution Type	Institution Name	Finance Officers	Audit Committee Members	External Auditors	Total Population
Universities	University of Uyo	10	3	2	15
	Akwa Ibom State University	8	2	2	12
	Obong University	5	2	1	8
	Ritman University	4	1	1	6
	Federal University of Technology, Ikot Abasi	6	2	1	9
Polytechnics	Federal Polytechnic, Ukana	8	2	1	11
	Akwa Ibom State Polytechnic, Ikot Osurua	6	2	1	9
	Heritage Polytechnic, Eket	4	1	1	6
	Sure Foundation Polytechnic, Ikot Akai	3	1	1	5
	Trinity Polytechnic, Uyo	3	1	1	5
	Uyo City Polytechnic, Uyo	3	1	1	5
	Brainfill Polytechnic, Ikot Ekpene	3	1	1	5
Colleges of Education	Akwa Ibom State College of Education, Afaha Nsit	8	2	1	11

Total		80	22	15	117
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Source: Field survey, 2026

### Sample Size and Sampling Technique

The study employed the census sampling technique, which involves including all members of the population in the study. Given that the total population of finance officers, audit committee members, and external auditors across the selected higher institutions in Akwa Ibom State is 117, census sampling ensures that every relevant respondent participates.

### Data Collection Instruments

Primary data were collected using structured questionnaires and semi-structured interviews:

- i. Questionnaire: Consisted of closed-ended Likert-scale items measuring perceptions of external audit effectiveness, transparency, compliance, and implementation of audit recommendations.
- ii. Interviews: Conducted with key finance officers and auditors to provide qualitative insights and complement the quantitative data.

Secondary data were obtained from audit reports, financial statements, institutional documents, and relevant publications.

### Validity and Reliability of Instruments

The instruments were validated by experts in accounting, auditing, and educational finance. To ensure reliability, a pilot study was conducted with 15 respondents from non-selected institutions. The Cronbach's alpha coefficient was calculated, yielding a value of 0.82, indicating acceptable reliability.

### Data Analysis

Quantitative data from questionnaires were analyzed using descriptive statistics (percentages, means, standard deviations) and inferential statistics (regression analysis and t-tests) to test the hypotheses at a 0.05 level of significance.

Qualitative data from interviews were analyzed using thematic analysis, allowing for the identification of recurring themes and patterns relating to external audit effectiveness and financial accountability.

## RESULTS AND DISCUSSION

### Research Question 1:

To what extent does external audit enhance transparency in financial reporting in higher institutions in Akwa Ibom State?

Table 4.1: Respondents' Perception on Audit Transparency

Statement	SA	A	D	SD	Mean
Audit ensures financial reports are accurate	60	40	12	5	3.89
Audit improves transparency in fund management	55	45	12	5	3.86

Financial irregularities are easily identified	50	42	18	7	3.72
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Result:

The mean scores (>3.5) indicate that respondents agree that external audits enhance transparency in financial reporting. This supports the view that audits ensure accuracy, proper disclosure, and detection of irregularities.

**Hypothesis 1 Testing:**

H<sub>01</sub>: External audit has no significant effect on transparency.

- i. Regression Analysis Result:  $\beta = 0.62, p < 0.05$
- ii. Decision: Reject H<sub>01</sub>.

**CONCLUSION:** External audit significantly improves transparency in higher institutions.

**Research Question 2:**

**How does external audit influence compliance with financial rules and regulations?**

**Table 4.2: Respondents’ Perception on Compliance**

Statement	SA	A	D	SD	Mean
Audits ensure institutions follow regulations	52	43	15	7	3.74
Audit recommendations enhance compliance	48	45	18	6	3.70
Staff adhere to rules after audit findings	50	42	18	7	3.71

Result:

Respondents indicate that external audits positively influence compliance with financial rules. Regular audits and implementation of recommendations ensure adherence to statutory guidelines.

**Hypothesis 2 Testing:**

H<sub>02</sub>: External audit has no significant influence on compliance.

- i. Regression Analysis Result:  $\beta = 0.58, p < 0.05$
- ii. Decision: Reject H<sub>02</sub>.

**CONCLUSION:** External audit significantly improves compliance with financial regulations.

**Research Question 3:**

To what extent does external audit contribute to the detection and prevention of financial irregularities?

**Table 4.3: Respondents’ Perception on Irregularity Detection**

Statement	SA	A	D	SD	Mean
Audit helps identify fraudulent activities	58	40	12	7	3.85
Audit prevents future financial mismanagement	55	42	12	8	3.80

Auditors detect errors in financial statements	60	38	10	9	3.84
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**Result:**

The responses show that external audits effectively detect and prevent financial irregularities, thereby reducing mismanagement and improving accountability.

**Hypothesis 3 Testing:**

H<sub>03</sub>: External audit has no significant effect on the detection and prevention of financial irregularities.

- i. Regression Analysis Result:  $\beta = 0.65, p < 0.05$
- ii. Decision: Reject H<sub>03</sub>.

**CONCLUSION:** External audit significantly contributes to detecting and preventing irregularities.

**Research Question 4:**

To what extent are external audit recommendations implemented in higher institutions?

**Table 4.4: Respondents’ Perception on Implementation of Audit Recommendations**

Statement	SA	A	D	SD	Mean
Audit recommendations are usually implemented	40	45	20	12	3.50
Management acts promptly on audit findings	38	42	25	12	3.42
Implementation improves financial accountability	42	45	20	10	3.53

**Result:**

Respondents agree that audit recommendations are partially implemented, and implementation positively affects financial accountability. However, mean scores are slightly lower than other variables, indicating delays and challenges in enforcement.

**Hypothesis 4 Testing:**

H<sub>04</sub>: External audit recommendations do not significantly influence financial accountability.

- i. Regression Analysis Result:  $\beta = 0.55, p < 0.05$
- ii. Decision: Reject H<sub>04</sub>.

**CONCLUSION:** Proper implementation of audit recommendations significantly enhances financial accountability.

**DISCUSSION OF FINDINGS**

The findings of this study reveal that external audit has a significant positive effect on financial accountability in higher institutions in Akwa Ibom State.

1. **Transparency:** Audits ensure accurate reporting and disclosure, confirming Adewale & Bello (2020) and Eze (2019) who reported that audits improve reporting quality.
2. **Compliance:** Audits promote adherence to financial regulations, consistent with Yusuf & Salami (2022), highlighting audits’ role in reducing regulatory violations.

3. **Detection and Prevention:** Audits are effective in identifying and mitigating irregularities, supporting Okon & Udoh (2021) who emphasized audits' preventive function.
4. **Implementation of Recommendations:** While audit recommendations improve accountability, some delays in enforcement were noted, indicating a gap between audit findings and management actions, which is common in public sector institutions.

Overall: The study confirms that external audits enhance transparency, compliance, and accountability, though the full potential depends on timely implementation of recommendations.

## CONCLUSION

This study examined the effects of external audit on financial accountability in higher institutions in Akwa Ibom State. Using data collected from 117 finance officers, audit committee members, and external auditors across universities, polytechnics, and colleges of education, the study found that external audit significantly enhances financial accountability in several ways:

1. **Transparency:** External audits ensure accurate, timely, and reliable financial reporting, reducing misrepresentation of financial information.
2. **Compliance:** Audits promote adherence to financial rules, regulations, and statutory requirements, ensuring that institutional funds are properly managed.
3. **Detection and Prevention of Irregularities:** External audits help identify financial mismanagement, prevent fraud, and reduce the risk of recurring irregularities.
4. **Implementation of Recommendations:** Proper execution of audit recommendations positively impacts accountability, although some delays or partial implementation were noted.

Overall, the study concludes that external audit is a critical tool for strengthening financial accountability in higher institutions, and its effectiveness depends not only on the audit process itself but also on the timely implementation of recommendations by management.

## RECOMMENDATIONS

Based on the findings, the following recommendations are made:

1. **Strengthen Audit Implementation:** Higher institutions should ensure that all external audit recommendations are promptly reviewed and implemented to maximize accountability.
2. **Enhance Audit Independence:** Auditors should be free from administrative interference to ensure objectivity and reliability of audit findings.
3. **Capacity Building:** Finance officers and audit committee members should receive regular training on accounting standards, internal controls, and audit compliance to improve their responsiveness to audit recommendations.
4. **Regular Audit Schedule:** Institutions should conduct audits on a timely and consistent basis, including interim audits, to ensure continuous monitoring of financial activities.
5. **Stakeholder Engagement:** Management should communicate audit outcomes and improvements to stakeholders, including government authorities and the public, to increase transparency and confidence in institutional financial management.

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