

**A KEYNOTE ADDRESS BY CHIEF (DR.) J. O. SANUSI  
(CON), GOVERNOR, CENTRAL BANK OF NIGERIA AT  
THE CONFERENCE FOR REGULATORS AND  
EXTERNAL AUDITORS OF FINANCIAL INSTITUTIONS  
HELD AT THE CBN CONFERENCE HALL, ABUJA,  
BETWEEN 16<sup>TH</sup> AND 17<sup>TH</sup> FEBRUARY 2004**

The Managing Director, NDIC,  
Deputy Governors, Central Bank of Nigeria,  
Chief Executive Officers of Banks and  
Other Financial Institutions,  
Distinguished Resource Persons,  
Distinguished Ladies and Gentlemen.

It is my pleasure to be here today to address you all at this most auspicious workshop on “Enhancing Transparency of Financial Reporting in the Financial Services Industry”. The theme of the workshop should be of great interest to us all because of the importance of ensuring the credibility of financial services industry reports that can be relied upon by all stakeholders. As we all know, the banking industry plays a central role in mobilising resources for the promotion of economic growth and development in any nation. This underscores the

need for effective regulation and supervision to ensure its soundness and stability. The rendition of accurate and timely returns to the regulatory/supervisory authorities is very vital to the achievement of this goal.

2. In Nigeria, the Central Bank and other supervisory agencies are primarily responsible for the regulation and supervision of banks and other financial institutions. The external auditors, on their part, are saddled with the role of reviewing the institutions' records, and preparing the financial statement from where opinion is formed on the accuracy and correctness of the financial statement.

3. There is, therefore, the need for the auditors to ensure that a system that engenders accurate and reliable record keeping is put in place. The adverse consequences of the recent inaccurate and unreliable reporting of the financial condition of Enron Corporation in the United States of America (USA) is common knowledge world-wide. The scandal did not only result in the collapse of the company but it also led to the disintegration of its

auditors. The recently introduced Statement of Accounting Standards (SAS) 99 in the USA arose out of the collapse of Enron and other victims of the audit failure. This accounting standard sought to determine the responsibilities and liabilities of auditors, especially when fraud was later established in the accounts on which they had earlier certified as clean.

4. Ladies and Gentlemen, there is therefore the need for collaborative efforts between regulators and external auditors in order to stem the falling relationship between the two parties since they need each other to be effective and efficient in reviewing/determining the financial soundness of banks. It is, indeed, necessary to have a framework for coordinating the complementary roles of the regulators and the auditors of the financial institutions for the promotion of a sound financial system. In this context, the provisions of Section 29(1) to (10) of BOFIA 1991 as amended, Section 38(2) NDIC Act (as amended) and Section 260 of the International Standards of Auditing

(ISA) make it mandatory for closer cooperation between the regulators and the auditors.

5. The need for better communication between the regulatory authorities and the external auditors in Nigeria in line with global best practices, informed the decision to hold the maiden meeting between the two parties in June 2001. The meeting, which has metamorphosed into a quarterly forum, has come up with far-reaching decisions that are of mutual interest to both the supervisors and auditors and has assisted in promoting healthy and orderly developments in the financial sector. Some of the decisions reached at those meetings include:

- Direct transmission of all circular letters emanating from the regulatory authorities to external auditors.
- Allowing auditors to be present at bank examiners' exit meetings with the banks, to acquaint them with developments in the bank before the release of the examination report.

- Meeting between regulators and external auditors before the commencement of audit work in order to update the auditors with relevant information on the developments in the institutions, since the last audit.
- Transmission of examination reports to the external auditors.
- Inviting auditors to the presentation of examination reports to the boards of the banks by the regulatory authorities.
- Co-operating with the auditors in enforcing the contingency plans for systemic distress.

I have also been informed that other topical issues of great concern such as the rotation of audit functions, audit/examination functions in a computerised environment are being deliberated upon in the quarterly meetings.

6. Ladies and Gentlemen, I consider this workshop an important forum for articulating the practical problems

encountered by both the regulators and the auditors in the discharge of their duties and for seeking ways of resolving them. A review of the programme of events at both the plenary and syndicate sessions of this workshop reveals that issues to be examined are very comprehensive.

7. I therefore challenge all participants to identify the constraints militating against accurate and transparent reporting of financial services industry operations and proffer implementable recommendations for resolving them.

8. It is my privilege to declare this workshop open and I wish you fruitful deliberation.

9. Thank you.

**Governor's Office Department,  
Central Bank of Nigeria,  
Abuja.**

**16<sup>th</sup> February, 2004.**