THE AUDIT EXPECTATION GAP IN PUBLIC FIRMS IN NIGERIA: A FOCUS ON SELECTED FIRMS IN NASARAWA STATE

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ABSTRACT: Audit expectation gap (AEG) is the deference between what the public expects from an audit function and what the audit profession accepts the objective of auditing to be. The existence of an audit expectation gap is likely to be detrimental to the value of auditing and the well-being of the auditing profession. This has stirred a number of professional and regulatory reforms aimed at protecting shareholders who rely on the financial statements for decision purposes. Despite the existence of research elucidating the difference between what the public expects from audit and what the audit profession accepts as the objectives of auditing, there appears to be few researches on how to address this issue in Nigeria. This study was conducted with the primary aim of contributing to knowledge towards narrowing the apparent expectation gap between the users of financial statements on one hand and the auditors on the other hand. This research investigates whether Audit expectation gap exists in public firms in Nigeria with focus on Nasarawa State. Respondents view was also sought on how to narrow the gap. Four hypotheses were formulated and tested using descriptive and Kolmogorov – Smirnov (K-S) test. The study reveals that an audit expectation gap exists in Nigeria, specifically on issues relating to auditor’s responsibility. Therefore, the study recommends educating the public about the objects of an audit, auditors’ role and responsibilities, to narrow the audit expectation gab.

KEYWORDS: Audit, Audit Expectation Gap, Public Expectation, audit Function, Nigeria.

INTRODUCTION

Auditors and the public hold different beliefs about the duties, responsibilities and the messages conveyed by audit reports: and similarly, that the existence of this expectation gap may cause the end users to in the longrun lose their trust in audit reports. The existence of an audit expectation gap signifies that the auditees and audit beneficiaries are dissatisfied with the performances of auditors (Koh and Woo, 1998). It was common knowledge before now that firms with certified financial statements are always seen as been economically efficient, but after a year or two; a sudden collapse follows (for instance Worldcom and Enron in USA, intercontinental Bank, Oceanic Bank, Fidelity Bank and Sky Bank in Nigeria). These sudden failures of finance companies turned the heat on accounting firms and accountants generally and hence the public sought for someone to blame.

It can therefore be asserted that the auditing profession, which at a time was highly regarded and whose members were among the most credible professionals, has now become clouded by mistrust and skepticism (Salehi, 2007). In a similar vein, Best et al (2001) claim that society’s trust is the heart-beat of a profession. Hence, if such trust disappears in any way, the result is likely to involve doubt and the depletion of value attributed to such profession.
Clearly, public misconceptions are a major cause of the legal liability crisis facing the accounting profession (Maccarrone, 1993, Lee et al, 2007). The level of significance accorded the expectation gap, has left no one in doubt that the expectation problem (Humphrey et al, 1993); Koh et al, 1998).

Liggio (1974) was the first to introduce the term “audit expectation gap (AEG)” to audit literature, he defines the AEG as the difference between the levels of expected performance envisaged by users of a financial statement and the independent accountant. Similarly, Monroe and woodcliff (1993) defined audit expectation gap as the difference in belief between auditors and the public about the duties and responsibilities assumed by auditors and the message conveyed by audit reports.

Jennings et al, (1993) on the use of audit decision that it aids to improve auditor adherence to a “standard”, are of the opinion that the audit expectation gap is the variance between what the public expects from the auditing profession and what the profession actually provides. Porter (1993) empirically reviewed the audit expectation – performance gap in his work. He defines the expectation gap as the gap between society’s expectations of auditors and auditor’s performance, as perceived by society.

Despite the significance of the AEG to the auditing profession, there is paucity of research on how to address this issue in Nigeria. Therefore, this study seeks to empirically establish the perceptions of auditors, auditees (management and accountants) and audit beneficiaries, investors, customers, employees and the general public), on the existence of audit expectation gap in Nasarawa State and how the gap could be narrowed.

**Objectives of the Study**

The broad objective of this study is to investigate the expectation of the public on auditors as they discharge their professional duties in Nigeria. In order to achieve these objectives, the study seeks to:

i. Investigate if auditors have direct bearing with a fraud committed in organizations in Nasarawa State.

ii. Investigate if auditor’s independence has direct relationship with management control in Nasarawa State.

iii. Examine whether auditors collect gratification from management of any form as they prepare their final reports.

iv. Investigate if auditors have direct duty of care to anyone who relies upon his opinion for judgement for investment purposes.

**Research questions**

The study is designed to provide answers to the following research questions in order to achieve the aforesaid objectives:

i. To what extend does auditors have direct bearing with frauds committed in organizations in Nasarawa State?
ii. To what extent does auditor’s independence have direct relationship with management control in Nasarawa State?

iii. To what extent does auditors collect gratification from management as they prepare their final reports?

iv. To what extent does auditors have direct duty of care to anyone who relies upon his opinion for judgement for investment purposes?

Research Hypotheses

The following null hypotheses were tested in order to provide answers to the aforementioned research questions:

Ho1: Auditors have no direct bearing with frauds committed in organizations in Nasarawa State.

Ho2: Auditors independence has no direct relationship with management control in Nasarawa State.

Ho3: Auditors collecting gratification from management of any form has no direct bearing on their final reports.

Ho4: Auditors have no direct duty of care to anyone who relies upon his opinion for judgement for investment purposes.

Significance of the Study

The auditing profession in Nigeria has been under intense pressure due to rising public expectations. The purpose of this study therefore is to investigate the expectation of the public on auditors as they discharge their professional duties. It was common knowledge before now that firms with certified financial statement are always seen as being economically efficient, but after some years, then sudden collapse follows. The sudden failures of financial companies, insurance companies, banks and other companies turned the heat on accounting firms and accountants generally and hence the public seek for someone to hold onto, it then follows that the general opinion of the public was that the focus must be on the Auditor. The confidence of the people or the public in the accounting profession that defects and prevents corporate abuse was well undermined. The widespread news of financial scandal, unauthorized securities trading and falsified financial reporting has cast doubts on organizational controls and Auditors.

The empirical investigation of the audit expectation gap in therefore a significant contribution to existing literature. Furthermore, the study provides evidence on the extent to which audit expectation gap exists in Nigeria and the perception of respondent groups on existing duties and responsibilities of auditors.

Adeyemi and Uadiale (2011) investigated audit expectation gap in Nigeria. These studies confirmed the existence of expectation gaps in the nature of the audit function; the perceived performance of auditors, their duties and role, their independence, and the non-audit services.

Hence, an empirical investigation of the audit expectation gap in Nasarawa State is an effort towards narrowing the gap and gaining investors’ confidence in the auditing profession. The finding of this study would serve as reference point for further research works relating to the audit expectation gap in Nigeria.

**Scope of the Study**

The current state of the auditing profession in Nigeria as a result of recent financial scandals has motivated this study. Consequently, the perceptions of selected stakeholders were sought in providing answers to the questions raised in the study. For the purpose of this study. Only the auditor’s duties and responsibilities as defined by schedule 6 of the companies and Allied Matters Act (CAMA) 1990 and section 359 Matters to be expressly stated in Auditor’s Report were taken into consideration (meaning, their duties as defined by other regulatory bodies were not considered). The focus on the research in terms of study of groups includes (private accountants and management), (investors, customers and employees) the general public (external auditors, auditees), and audit beneficiaries in Nasarawa State.

**LITERATURE REVIEW**

**An overview of audit expectation gap**

The issue of “audit expectation gap (AEG)” has been very significant to the accounting profession since the mid-1970s and continues to be debated on till today (Liggio, 1974; Lee et al., 2010). In the 1970s and 1980s, massive corporate failures resulted in the accounting profession being severely criticized by the public. The audit expectation gap has become a topic of considerable interest worldwide, for research in general, and in the advanced countries like the U.S (Frank et al., 2001), the U.K (Innes et al., 1997), Australia (Gay et al., 1997), Denmark (Hojskov, 1998), New Zealand (Porter, 1993), and Singapore (Best et al., 2001). This is due to the occurrence of series of corporate failures, financial scandals and audit failures in these advanced countries and their subsequent impact on other countries’ audit profession. The major corporate financial irregularity and related fraud which occurred in Nigeria in recent times, such as is reported in relation to Wema Bank, NAMPAK, Finbank, Sky Bank, Cadbury and Springbank have captured the attention of investors and regulators alike. The search for mechanisms to ensure reliable, high quality financial reporting has largely focused on narrowing the audit expectation gap. The auditing profession has been proactive in attempting to improve audit quality by issuing standards focused on discovery and independence. As a result, there has been a concerted effort to devise ways of enhancing auditors’ independence (Corporate Governance Code of Nigeria, 2005). The foundations for research in audit expectation gap were laid down in the seminar works of Lee (1970) and Beck (1974), who investigated the duties which auditors were expected to perform.

These studies ascertain the auditors’ and the public’s view of the roles and responsibilities of auditors through the use of questionnaire surveys. Liggio (1974) visualized the changing role of auditors at the initial stages and pioneered the concept of audit expectation gap.
The AEG refers to the difference between what the public and other financial statement users perceive auditors’ responsibilities to be and what auditors believe their responsibilities to entail (McEnroe and Martens, 2001). It is assumed that auditors and users of financial statements have a different perception of the term “external audit” (Beelde et al., 2005). Reiter and Williams (2000) are of the view that the expectation gap refers to the public’s expectation that companies with “unqualified” audit opinion, hence a true and fair view of the financial statements, should be free of financial fraud and shortterm risks of business failure. These misconceptions of the public contribute to the legal liability crisis facing the accounting profession (Maccarone, 1993).

The term ‘expectation gap’ is commonly used to describe the situation whereby a difference in expectation exists between a group with a certain expertise and a group, which relies upon that expertise. The public perception of an auditor’s responsibility differs from that of the profession and this difference is referred to as the expectation gap. The term has been used not only in the accounting literature, but also in other fields, for example, to describe the perceptions of the information systems industry relating to the academic preparation of graduates (Trauth et al., 1993); difference in expectations of advertising agencies and their clients with respect to campaign values (Murphy and Maynard, 1996); differences in relation to various issues associated with corporate environmental reporting on one hand and the clash between auditors and the public over preferred meanings of the nature, objectives and outcomes of an audit (Sikka et al., 1998).

Theoretical framework

A theoretical that provides an explanation for the existence of an audit expectation gap is the Role theory. Based on role theory, an auditor can be viewed as occupying a status or position as a professioned in the social system. Due to the ‘position’ of a ‘profession’, auditors are required to comply with the prescriptions ascribed to them by the society. ‘Failure to conform to the ascribed role or to meet role expectations creates the risk of social action to enforce conformity and to penalize nonconformity’ (Davidson, 1975).

According to Davidson (1975), ‘the role of the auditor is subject to the interactions of the normative expectations of the various interest groups in the society (that is, different role senders) having some direct or indirect relationship to the role position.’ He noted that these different groups (for example, management, the securities and exchange commission, institutional investors, analysts, auditors, accountants, etc.) may hold varying expectations of the auditor and these expectations may change from time to time depending on the re-specification of their own role requirements and the interaction of other forces in the society. Hence, the auditors are placed in multi-role and multi expectation situations. For the purpose of the study, stock brokers, investors, private accountants and management were used as role senders of the auditors.

Empirical Review

Empirical studies on audit expectation gap are extensive in developed economies. These studies (Adeyemi et al, 2011, Frank et al., 2001; Innes et al., 1997; Gay et al., 1997; Hojskov, 1998; Porter, 1993; Best et al., 2001, Ahmed et al, 2010) mostly use survey questionnaires to identify the nature of the gap or where the gaps are, impacts of the gap, and how to reduce the gap. Different respondents have been used in the literature to elicit their opinion, for example,

Low (1980) examined the expectation gap in Australia. The extent of auditors’ detection and disclosure responsibilities concerning errors, irregularities and illegal acts as perceived by auditors and non-auditor groups was investigated. It was found that both groups differed significantly in their perceptions of the extent of auditors’ detection and disclosure responsibilities, and that an expectation gap existed between the two groups.

Humphrey et al. (1993) examined the expectation gap by ascertaining the perceptions of individuals of audit expectations issues through the use of a questionnaire survey comprising a series of mini-cases. The respondents included chartered accountants in public practice, corporate finance directors, investment analysts, bank lending officers and financial journalists. The survey revealed a significant difference between auditors and the respondents (represented by some of the main participants in the company financial report process) in their views on the nature of auditing. The results confirmed that an audit expectation gap exists, specifically in areas such as the nature of the audit function and the perceived performance of auditors.

Mohamed and Muhamad-Sori (2002) revealed that the audit expectation gap exists in Malaysia. The existence of the gap is due to a number of contributing factors such as, uncertainties concerning the actual role of auditor; the satisfaction of clients with services provided by the auditors; and the audit firm’s lack of independence and objectivity. A more comprehensive study was conducted by Fadzly and Ahmad (2004) to examine the audit expectation gap among auditors and major users of financial statements: bankers, investors, and stockbrokers. The study focused on the positive view of the expectation gap, which compared auditors’ and users’ perceptions on the duties of auditors.

To complement the findings of Fadzly et al. (2004), Lee and Palaniappan (2006) and Lee et al. (2007) conducted a survey on audit expectation gap in Malaysia to examine whether an expectation gap existed in Malaysia among the auditors, auditees and audit beneficiaries in relation to auditors’ duties. The study analyzed the nature of the gap using Porter’s framework. The results proved the existence of an audit expectation gap in Malaysia.

Dixon et al. (2006) investigated the expectation gap between auditors and financial statement users in Egypt. The study confirmed the existence of an expectation gap in the nature of the audit function, the perceived performance of auditors, their duties and role, their independence and the non-audit services. In a more recent study, Lee et al. (2010) analyzed the nature of the audit expectation gap in Thailand using Porter’s (1993) framework. The study revealed that the auditees and audit beneficiaries have an expectation of auditors’ duties that is far in excess of that of the auditors themselves. Their results confirm those of the previous study by Boonyanet and Ongthammakul (2006) that the audit expectation gap exists in Thailand. An empirical study of the audit expectation gap in a developing country like Nigeria is a step taken in the right direction, since most of the studies available on this issue are from the developed economies.
METHODOLOGY

Survey research design was used in this study. This design is found appropriate because of its ability to view the major questions raised in the study. The study surveyed the opinions of customers to the firms investigated, investors, employees and some members of the general public.

The purposive sampling technique was employed in this study. A sample consisting of respondents in Lafia was considered a good representation of the respondent group since the ultimate test of a sample design is how well it represents the characteristic of the population it intends to represent (Emory and Cooper, 2003).

The study used a representative sample of 36 customers, 8 investors, 10 employees, 10 management staff and 20 members of the general public with a view to assessing their views on the role of Auditors and what is expected of them by the users of the financial statements. The primary data was obtained from the target respondents through a carefully constructed questionnaire which was divided into two (2) sections. Section A was designed to obtain information on the number of responses in the study, while section B consisted of questions measuring the perception of respondent groups on audit expectation gap in Nasarawa State. The data collected were analysed using both descriptive and inferential statistics. The descriptive method used for participants were described using percentages while kolmogorov Smirrov (K-S) test were used for Hypotheses that were formulated. The research design satisfies the interpretation of the data collected from respondents. It is worthy of note that the K-S test's calculation has a power of between 85 and 90 percent in rejecting a false null hypothesis and easy to analyze.

The sampled population drawn above covered five firms namely:

a. UBA Plc
b. Total Plc
c. First Bank Ltd
d. Mobile Oil Plc
e. Orlami Processing Company Ltd.

The researchers employed a stratified random sampling technique which made it easy to get the entire population to respond to the questionnaire administered to them.

Data Analysis and Interpretation of Results

Respondents were grouped into five, customers, investors, employees, management and General (Public). Out of the one Hundred (100) copies of questionnaire administered, a total of ninety (90) copies were returned and used for analysis. This represents an overall response rate of ninety percent (90%) for all the groups. These responses were used in providing answers to the questions raised in the study.
Statistical Procedure for Data Analysis

After the collection of the various raw data, the statistical procedure chosen for data analysis were largely percentages, descriptive and Kolmogorov-Smirnov (K-S) test. Using percentages and descriptive approaches brought out the result more clearly and also provided a simple interpretation of data collected from respondents. The research design satisfies these requirements and that is why it has been selected it is of importance to note that the K-S test’s calculation is easy and has a power of between 85 and 90 percent in rejecting a false null hypothesis.

Presentation of Data

The variables put under focus in this study were the Auditors role in frauds committed, Auditors independence, and the effects of gratification on Auditors report and Auditors duty of care to people who rely on their reports.

Table 1.1: Summary of Responses in the Study

<table>
<thead>
<tr>
<th>S/No</th>
<th>Category of participants</th>
<th>No. of participants</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Customer</td>
<td>36</td>
<td>40.00</td>
</tr>
<tr>
<td>2</td>
<td>Investors</td>
<td>8</td>
<td>8.89</td>
</tr>
<tr>
<td>3</td>
<td>Employees</td>
<td>16</td>
<td>17.78</td>
</tr>
<tr>
<td>4</td>
<td>Management</td>
<td>10</td>
<td>11.11</td>
</tr>
<tr>
<td>5</td>
<td>General</td>
<td>20</td>
<td>22.22</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>90</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Analysis of survey data (2018)

Question by Question Analysis

1. As to whether Auditors have no direct bearing with frauds committed in any organization.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Customer</th>
<th>Investors</th>
<th>Employees</th>
<th>Management</th>
<th>General public</th>
</tr>
</thead>
<tbody>
<tr>
<td>SA</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>A</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>UD</td>
<td>12</td>
<td>-</td>
<td>4</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>D</td>
<td>4</td>
<td>4</td>
<td>6</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>SD</td>
<td>16</td>
<td>4</td>
<td>6</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>TOTAL</td>
<td>36</td>
<td>8</td>
<td>16</td>
<td>10</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: Analysis of survey data (2018)
2. As to whether Auditors independence has no direct relationship with management control.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Customer</th>
<th>Investors</th>
<th>Employees</th>
<th>Management</th>
<th>General public</th>
</tr>
</thead>
<tbody>
<tr>
<td>SA</td>
<td>8</td>
<td>4</td>
<td>10</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td>A</td>
<td>16</td>
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<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>D</td>
<td>8</td>
<td>-</td>
<td>2</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>SD</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>36</td>
<td>8</td>
<td>16</td>
<td>10</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: Analysis of survey data (2018)

3. As to whether collecting gratification from the management of any form has no bearing on their final report.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Customer</th>
<th>Investors</th>
<th>Employees</th>
<th>Management</th>
<th>General public</th>
</tr>
</thead>
<tbody>
<tr>
<td>SA</td>
<td>-</td>
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<td>8</td>
<td>-</td>
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<tr>
<td>A</td>
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<td>4</td>
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<td>UD</td>
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<td>-</td>
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<tr>
<td>D</td>
<td>8</td>
<td>2</td>
<td>6</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>SD</td>
<td>20</td>
<td>6</td>
<td>6</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td>TOTAL</td>
<td>36</td>
<td>8</td>
<td>16</td>
<td>10</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: Analysis of survey data (2018)

4. As to whether Auditors have no direct duty of care on anyone who relies upon his opinion for judgment.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Customer</th>
<th>Investors</th>
<th>Employees</th>
<th>Management</th>
<th>General public</th>
</tr>
</thead>
<tbody>
<tr>
<td>SA</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A</td>
<td>2</td>
<td>-</td>
<td>4</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>UD</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>D</td>
<td>6</td>
<td>2</td>
<td>6</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>SD</td>
<td>24</td>
<td>6</td>
<td>2</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>TOTAL</td>
<td>36</td>
<td>8</td>
<td>16</td>
<td>10</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: Analysis of survey data (2018)
HYPOTHESIS 1: Auditors have no direct bearing with frauds committed in any organization

TABLE 1:

<table>
<thead>
<tr>
<th>S/N</th>
<th>Observations</th>
<th>SA</th>
<th>A</th>
<th>UD</th>
<th>D</th>
<th>SD</th>
<th>AV. TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Auditors have no direct bearing with frauds committed in any organization</td>
<td>0.8</td>
<td>1.0</td>
<td>2.0</td>
<td>1.8</td>
<td>3.4</td>
<td>9.0</td>
</tr>
<tr>
<td>2</td>
<td>Expect Number in each Category</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>9.0</td>
</tr>
<tr>
<td>3</td>
<td>Cumulative frequency observed for Row 1 (FO)</td>
<td>0.8</td>
<td>1.8</td>
<td>3.8</td>
<td>5.6</td>
<td>9.0</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Cumulative freq. Expected for Row 2 (FE)</td>
<td>1.8</td>
<td>3.6</td>
<td>5.4</td>
<td>7.2</td>
<td>9.0</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Absolute Diff b/w cum/ distribution in Row 3 &amp; 4</td>
<td>1.0</td>
<td>1.8</td>
<td>1.6</td>
<td>1.6</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

PROPORTIONS

0.01 0.02 0.018 0.018 0

Source: Analysis of survey data (2018)

**KEY:** SA = Strongly Agreed, A= Agreed, UD = Undecided D= Disagreed, SD, Strongly Disagreed.

Highest Proportional difference (D) Calculated = 0.02, probability level = 0.05

Therefore, the critical value (D) = 1.36

i.e.

\[
\frac{D}{\sqrt{45}} = \frac{1.36}{\sqrt{45}} = \frac{1.36}{6.70820} = 0.2027 \text{ since the theoretical value } 0 = 0.203 > 0 = 0.022\\
\]

we reject our hypothesis 1.

HYPOTHESIS II: Auditors independence has no direct relationship with Management

<table>
<thead>
<tr>
<th>S/N</th>
<th>Observations</th>
<th>SA</th>
<th>A</th>
<th>UD</th>
<th>D</th>
<th>SD</th>
<th>AV. TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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<td>3.4</td>
<td>2.8</td>
<td>0.4</td>
<td>1.8</td>
<td>0.6</td>
<td>9.0</td>
</tr>
<tr>
<td>2</td>
<td>Expect Number in each Category</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>9.0</td>
</tr>
<tr>
<td>3</td>
<td>Cumulative frequency observed for Row 1 (FO)</td>
<td>3.4</td>
<td>6.2</td>
<td>6.6</td>
<td>8.4</td>
<td>9.0</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Cumulative freq. Expected for Row 2 (FE)</td>
<td>1.8</td>
<td>3.6</td>
<td>5.4</td>
<td>7.2</td>
<td>9.0</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Absolute Diff b/w cum/</td>
<td>1.6</td>
<td>2.6</td>
<td>1.2</td>
<td>1.6</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>
distribution in Row 3 & 4

| PROPORTIONS | 0.018 | 0.029 | 0.013 | 0.013 | 0 |

*Source: Analysis of survey data (2018)*

Highest Proportional difference (D) Calculated = 0.029, probability level = 0.05

\[
D = \sqrt{\frac{1.36}{45}} = \frac{1.36}{6.70820} = 0.2027
\]

\[0 = 0.2027 > 0 = 0.029\] we again reject the null hypothesis II.

**HYPOTHESIS III:** Auditors independence has no direct relationship with Management

<table>
<thead>
<tr>
<th>S/N</th>
<th>SA</th>
<th>A</th>
<th>UD</th>
<th>D</th>
<th>SD</th>
<th>AV. TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.8</td>
<td>1.6</td>
<td>0</td>
<td>2.2</td>
<td>4.4</td>
<td>9.0</td>
</tr>
<tr>
<td>2</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>9.0</td>
</tr>
<tr>
<td>3</td>
<td>0.8</td>
<td>2.4</td>
<td>2.4</td>
<td>4.6</td>
<td>9.0</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>1.8</td>
<td>3.6</td>
<td>5.4</td>
<td>7.2</td>
<td>9.0</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>1.0</td>
<td>1.2</td>
<td>3.0</td>
<td>2.6</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

| PROPORTIONS | 0.011 | 0.013 | 0.03  | 0.029 | 0  |

*Source: Analysis of survey data (2018)*

Highest Proportional difference (D) Calculated = 0.029, probability level = 0.05

\[
D = \sqrt{\frac{1.36}{45}} = \frac{1.36}{6.70820} = 0.2027
\]

\[0 = 0.2027 > 0 = 0.029\] we again reject the null hypothesis III.

**HYPOTHESIS IV:** Auditors have no direct duty of care on anyone who relies upon his opinion for judgement

<table>
<thead>
<tr>
<th>S/N</th>
<th>SA</th>
<th>A</th>
<th>UD</th>
<th>D</th>
<th>SD</th>
<th>AV. TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.4</td>
<td>1.2</td>
<td>0.4</td>
<td>2.2</td>
<td>4.8</td>
<td>9.0</td>
</tr>
<tr>
<td>2</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>9.0</td>
</tr>
<tr>
<td>3</td>
<td>0.4</td>
<td>1.6</td>
<td>2.0</td>
<td>4.2</td>
<td>9.0</td>
<td></td>
</tr>
</tbody>
</table>
A careful look at the data presented and analyzed shows that

1. The auditors have direct knowledge of any fraud committed in an organization
2. The Auditors independence has direct effect on management control i.e. if the auditor does not have independence then certainly not much will be expected.
3. The Auditor agreeing to collect any form of gratification will certainly affect his sense of judgment and activities and finally.
4. The Auditors indeed have direct duty of care on anyone who relies upon his opinion for judgment.

CONCLUSION AND RECOMMENDATIONS

The concept of an audit expectation gap suggests that the public expects auditors to act in ways which are different from what auditors themselves would expect to act, in other words, the role senders are dissatisfied with the information from audit reports. The increase in litigation against and criticism of the auditor has left little room for doubt that the auditors are facing a liability and credibility crisis. (Russell 1986). Lim (1993) and Woolf (1985) assert that the blame should not be placed on the auditors totally as the nature and objectives of auditing are perceived differently among the auditors, auditees and audit beneficiaries. These differences in perception caused the existence of the audit expectation gap.

This study empirically examines the existence of expectation gap in Nigeria by evaluating the perceptions of auditors, auditees (accountants and management) and audit beneficiaries (stockbrokers and investors). It also considers respondents’ perception on the existing duties and responsibilities of auditors. In addition, the study explores respondents’ perception of the quality and usefulness of the auditors’ report which reflects the effectiveness of an auditors' report as a communication

In the light of the research findings, the following recommendations are made:
i. The existing duties and responsibilities of auditors should be clearly defined and widened to include fraud detection.

ii. The public (users of financial statements) should be educated about the objects of an audit, auditors’ role and responsibilities.

iii. Quality control in audit firms should be implemented to ensure quality performance of the auditors thereby ensuring investors’ confidence.

To be able to narrow the audit expectation gap, the following recommendations of immense relevance:

1. The financial statements users should have elementary knowledge of accounting so that they can appreciate the constraints of an auditor assigned to audit a firm.

2. That it is not the duty of the auditor to prevent fraud, or detect it or other irregularities or errors, but that the responsibility of such lies squarely on the management, as such users of financial statement should seek for more legislations that will compel management to make all relevant disclosure available.

3. The auditors should to large extent properly plan, perform and evaluate their audit work so as to have reasonable expectations of detecting material misstatements in the financial statement.

4. Users of the financial statement should be aware that the audit opinion is simply an expression of professional judgment that the financial statement taken as a whole, presents a true and fair view of the company’s affairs for the period and in accordance with companies act and auditing standards as the case maybe.

REFERENCES


Woolf E (1985). We Must Stern the Tide of Litigation, Accountant, pp.18-19.