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# **An Empirical Analysis of Audit Expectation Gap in Nigeria**

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# **THE AUDIT EXPECTATION GAP IN NIGERIA: AN EMPIRICAL INVESTIGATION**

By

## **ABSTRACT**

The main objective of this paper is to establish whether or not the problem of audit expectation gap exist in Nigeria, and whether those areas of concern, (areas that brought about the misunderstanding between the public and the audit profession) could be identified and measures could be taken to either eliminate them or reduce them to the barest minimum. To achieve this, the paper developed questionnaire based on the method used in the literature. The process ensures that data is collected for the public's expectation on the issues of the expectation gap on the one hand, and then subsequently and side by side, we compared the issues with the audit authorities' required or expected perception. The data collected was analyzed using a five-point likert type scale anchored by a five scale from "strongly disagree" to "strongly agree". Furthermore, to test for the significant expectation gap between the two groups of respondents, both the parametric and non parametric statistical tests were used. The paper found that there is expectation gap in the country as evidenced in the views of the respondents. The first issue investigated reveals that there is wide expectation gap between the views of the auditors and non auditors in terms of the quality of audit report. The inferential statistics which tests whether there is significant difference in the opinion of auditors and non-auditors on the improvement of company audit in Nigeria shows that there is significant difference in the mean opinion of auditors and non- auditors on the issues of the expectation gap. The paper therefore concluded that there is wide gap on the understanding of the role of the auditors by the public. Based on the findings of the paper, we recommended that there is the need for continued sensitization of the public, by both the auditing profession and other stake holders on the role and duties of the auditor to avoid unreasonable expectation by the public.

**Keywords: Auditor's Perception, Public Perception & Audit Expectation Gap.**

## **INTRODUCTION**

Generally speaking, the word 'audit' is derived from the Latin word, 'audire,' which means 'to hear' (CED: 1988). Therefore at the beginning, the word 'audit' was meant 'to hear' and auditor literally meant a "hearer". The hearing function by the auditor was then aimed at declaring that the accounts prepared by the management and the financial statements published by them were 'true and correct'. The auditor's function was therefore, to give assurance against fraud and intentional mismanagement. With time, the hearing function of the auditor was transformed into the function of verification. This will mean that the principal purpose of independent auditing is to form an opinion on the accuracy, reliability and fairness of representations in the financial statements of organisations, and to make this information available to external users. Furthermore, the main objective of audit is also transformed, thus making the auditor declare that the accounts prepared by the companies as revealed by their financial statements were "true and fair." Littleton (1933) was of the view that early auditing was designed to verify the honesty of persons charged with fiscal, rather than managerial responsibilities. In the nineteenth century, the

roles of auditors was directly linked to management's stewardship function, with stewardship being regarded in the narrow sense of honesty and integrity (Flint, 1971). But the verifying function was on sampling basis because of the burgeoning volume of business activity. The International Auditing Practices Committee (IAPC: 1980) defines auditing as "... the independent examination of financial information of an entity, whether profit oriented or not, irrespective of its size or legal form, when such an examination is conducted with a view to expressing an opinion thereon." According to Chow (1982), controlling the conflict of interests among firm managers, shareholders and bondholders is a major reason for engaging auditors.

Lim (1993) asserts that the blame should not be placed on the auditors' shoulders alone as the nature and objectives of auditing are perceived differently by different parties. The real problem is related to the palpable gap between our own perception of auditing and that of the public whom we serve. .

The auditors' role is to facilitate investment, therefore if auditors underperform, investors will go away. Hence it is the responsibility of the regulators to examine the role played by the external auditors and to take speedy action to bring those faults to task. Due to the aforementioned litigations Lee *et al* (2009) observed that whatever will be the outcome of the litigations in court against the auditors, auditing professions' image has been dented. This can also be seen in the comment of Godsell (1992) who opined that the phenomenon of increasing litigation against the auditor and the auditing profession may be due to common beliefs that the stakeholders of the company should be able to rely more on its audited accounts as a guarantee of its solvency, propriety and business viability. Therefore, the understanding of the nature and objective of what auditing is all about may have been misconstrued.

It should be noted that, the role of the auditor is generally understood by the general public to be the detection of fraud and error in the financial statements. This is because it is the auditor that comes to light in any matter that affects the investigation of fraud or misappropriation in companies. Not until 1989 when the LJ Lopes of the appeal court stated in the case of *Re Kingdom cotton mills* (1896) that the auditor was a watchdog not a bloodhound. Clearly, this decision brought to light the primary role of the auditor to exclude the decision of fraud detection. Therefore, the definition of what an audit is by the user's of financial statements, the general public and the auditors, is what cumulates to bring about the term "audit expectation gap". The concept can better be understood when we have a close look at the following issues: The audit profession's expectation of an audit; the auditor's perception of an audit; and the general public/user's of financial statements perception of the audit

Marianne (2007) observes that, if users of financial statements and the general public were educated to think that the auditor's role embraces the detection and prevention of fraud, especially in relation to material items, the fraud and error detection role of an audit could be relatively objective. However, absolute objectivity cannot be guaranteed since "materiality" and "material significance" are subjective concepts which require further clarification by the Auditing Practices Board. A return to the primary role of detection and prevention would also be welcomed since there are at present, not sufficient measures to hold the auditor liable for negative consequences of his actions. Some sources of academic literature assume that the

meaning of an audit is not 'objective' that is not 'fixed' whilst other sources such as contents of audit reports assume that the meaning of an audit is 'fixed'. In relation to the latter assumption, there is the belief that the expectations gap could be significantly reduced, if not possible to eliminate.

Pierce and Kilcommins (1996) using the external auditors as their bench mark as against the bench mark of the audit profession tried to define the audit expectation gap. To them when the external auditors' understanding of their role and duties is compared against the expectations of user groups and the general public then we expect to see audit expectation gap. Liggio (1974), on the other hand, defined the audit expectation gap as the difference between the levels of expected performance as interpreted by the independent accountant and the user of financial statements. On the other hand, where we try to look at the expectation gap with the audit profession in mind or as bench mark, there will be less subjectivity in the understanding and definition of the expectation gap and which will narrow the expectation gap.

Much has been written about the possibility of an audit expectations gap. The attempt to address the problem especially has to do with the role and responsibilities of auditors, have led to the establishment of several government and professional investigations, which form an important part of the expectation gap literature. These include the Cohen Commission (1978); Metcalf Committee (1976); and Treadway Commission (1987); in the United States, the Cross Committee (1977); and Greenside Committee (1978); in the United Kingdom and the Adams Committee (1977) and MacDonald Commission (1988) in Canada. While Cohen Commission in 1978 considered whether a gap might exist between what the public expected and what auditors could reasonably expect to accomplish, Poter (1993), in his empirical study of the audit expectation gap, sees the definition of the gap as failing to mention the possibility of sub-standard performance by auditors. It is against this backdrop that it is imperative to study the issue of expectation gap in Nigeria. Next section provides the literature review and the methodology used in carrying out the research. The paper concluded by presenting, and analyzing the data generated from the field investigation and making recommendations.

## **LITERATURE REVIEW**

Some sources of academic literature assume that the meaning of an audit is objective or fixed. Whilst others, see it as not 'objective' that is not 'fixed'. In other words, audit is recognized as a social phenomenon which constantly changes, depending on the interaction between the audit profession and the public (Flint, 1988; Power, 1997; Sikka *et al.*, 1998). Many have recognized the changes in the audit function as an effort by the auditing profession to ensure that the profession remain relevant to its constantly changing environment. Flint (1988), Geiger (1994), Power (1994, 2000), Epstein and Petland (2000) share that view as they are of the opinion that the progression in the practice of auditing was basically in response to a perceived need of the public who seek information or reassurance about their conduct or performance of their business that they have placed on the stewardship of the management. However, Fogarty *et al.* (1991), Sikka (1992; 2002), Humphrey *et al.* (1993), Lee (1995) and, Sikka *et al.* (1998) are of the opinion that the progression of the audit function was a direct result of the 'political games' of the audit profession to ensure it maintains the power of self-regulation. In this context, the audit

profession seeks to shift 'the preferred meanings about the nature, practice and/or outcomes of auditing', in other words leading to the varying definition and perception of the function of the auditor thereby resulting to a gap between the services received versus the expected services provided by the auditors, which is generally termed the audit expectation gap in the literature.

There are several attempts to account for why is the audit expectation gap among researchers in the auditing profession. Humphrey *et al.* (1993) and Porter and Gowthorpe (2004), for example, have argued that the gap exists due to a deficiency in auditor's performance and auditing standards. Pierce and Kilcommins (1996), Boyd *et al.*, (2001) and; McEnroe and Martens (2001), argue that the gap exists due to misinterpretations and misunderstanding of the meaning of auditing by the users. These studies suggest that the users do not understand the audit functions and the role of auditors. Consequently, they have unrealistic expectations of auditors. Earlier, research by the Canadian Institute of Chartered Accountants (CICA, 1988) and Porter (1993) established the deficient performance, deficient standards and unreasonable expectations as the components of the audit expectations gap. However, a recent empirical study conducted by Porter and Gowthorpe (2004) has shown that these components have changed over time although the perceptions of pessimism as to the audit functions have not been eliminated.

The audit expectations gap centres on several issues, most notable among them are; the auditor's roles and responsibilities as opined by Porter, (1993); Fadzly and Ahmad, (2004); and Dixon *et al.*, (2006). The nature and meaning of audit report messages opined by Monroe and Woodliff, (1994); and Gay *et al.*, (1998). Audit independence as opined by Sweeney, (1997); Lin and Chen, (2004); and Alleyne *et al.*, (2006). Furthermore, Humphrey (1997) classified the issues on the audit expectations gap into four main areas: audit assurance, audit reporting, audit independence and audit regulation.

While most of the researches conducted in the area of the expectation gap are based on the private sector, the research in the public sector has received little attention by researchers. Hence, the desire of this paper to make contributions in this regard. Pendlebury and Shreim (1991), Chowdhury and Innes (1998) and Chowdhury *et al.* (2005) are some of the prominent researches conducted in the area of public sector. Just as the private sector, research has indicated that the audit function in the public sector also changes over time. Although studies have been documented in the area of expectation gap for both the public and private sectors in the developed economies, there is the absolute scantiness and inadequacy of such literature documented for the developing economies.

Additionally, researchers also claim cultural factors of one country could have implications on the attitudes and perceptions towards accounting and auditing systems. Agacer and Douppnik (1991); and Patel *et al.* (2002), among others, argued that the adoption of accounting and auditing systems of developed countries in developing countries might face many cultural obstacles such as in the interpretation of standards, audit procedures and codes of conduct. Among the possible cultural factors are the level of transparency (Gray, 1988), conservatism and collectivism (Gray, 1988; Schwartz, 1994) and power distance (Hofstede, 2001; Ding *et al.*, 2005; Ali, 1999). In a high power distance society, for example, researchers such as Patel *et al.* (2002), Hofstede, (2001) and Ding *et al.* (2005) suggest that individuals would respect and value

the views or orders of elders, superiors and authority. Consequently, they would 'accept a hierarchical order in which everybody has a place which needs no further justification' (Salter and Frederick, 1995). Thus, it is possible this factor will significantly influence the perceptions of the users and auditors on the functions of performance audit and auditors work.

All these factors can certainly change the outcome of research conducted in the developed economies as compared to the developing economies like Nigeria. Apart from the scantiness of the research in the area of audit expectation gap in the developing countries, the term as it is may be detrimental to the financial reporting and auditing process. Lee and Ali (2008) opined that audit expectation gap is detrimental to the financial reporting and auditing process, as the public may perceive the work performed by external auditors as unsatisfactory. Therefore, the audit expectation gap is crucial to the audit profession as they determine the value of auditing and the reputation of auditors in modern society.

In Nigeria, few studies attempted to document the problem of the expectation gap, for instance, the study of chukwunedu (2009). The study presented the opinion of a small number of the members of the institute of chartered accountants of Nigeria on the problem of expectation gap. Unfortunately the study used a small size number as the sample size, apart from the restriction of the sampled respondents to only one part of the stakeholders on the problem, the study also used a weak tool for the analysis of the data collected. The impact of this on the study is that the small sample size will be very restrictive and will not allow for wider generalization. Okoye and Okaro (2011) studied the accounting academics on the issue of whether the injection of forensic accounting techniques, on a cost/benefit basis, in an audit is capable of increasing the ability of the auditor to discover fraud and thus help in bridging the audit expectation gap in Nigeria. The study confirmed that forensic accounting increases the ability of the auditor to detect fraud and thus earn the public confidence which in turn diminishes the audit expectation gap. Again the analysis in the study was weak and restricted to only accounting academics. The weakness of this study lies with the use of only academics to the exclusion of practitioners coupled with the fact that the sample was restricted to tertiary institutions in the eastern part of the country. Akinbuli (2010) provided an x-ray as to the literature on the problem of expectation gap. The study centres on providing theoretical explanation of the term and the implication of the problem of the expectation gap, such as the high rate of litigation that awaits the audit profession and an alarming increase to the liability against the auditor. The study finally recommended that the auditor improve his performance to reduce the audit expectation gap. Finally, Adeyemi and Uadiale (2011) investigated the audit expectation gap using Lagos state as the base for the respondents. The study found out that audit expectation gap do indeed exist in Nigeria and that there were significant differences on the perception of respondents' groups on the existence of audit expectation gap. Apart from the restriction of the study to the Lagos state as the base for the sample selection, the respondents used were very few and do not cover the major stakeholders of the expectation gap. It is important to point out that while the observed weaknesses of previous studies may not invalidate their findings; a more holistic study will reduce the level of bias of previous studies and add to existing literature for future studies. Therefore, it is against this backdrop that this research work has been undertaken with the aim of documenting whether or not the audit expectation gap exists in the Nigerian society with the

perception of diverse views of the various stakeholders in the area of the audit expectation gap. The next section provides the methodology for the research.

## **METHODOLOGY**

The primary source of data for this study is adopted through the use of questionnaire method of data collection. The questionnaire has incorporated a series of statements on various sub-headings that elicited the opinion of the respondents on the role and nature of auditing to establish whether or not the audit expectation gap exists in the country. The sub-headings include: Personal details of respondents; auditors and auditing process; auditors' role with respect to audited financial statement of companies; the auditors' role with respect to the audited company; the auditor's perceived responsibility; an audit firm's responsibility; auditor's fair view and audit process.

This followed the format adopted in testing for opinion surveys in other environments where the research has been documented. Therefore, the findings of this research are mainly the feedback established from the respondents and the outcome of the analysis of the questionnaire. As the research is meant for generalization, various occupational groups have been covered in the distribution of the questionnaire and the extent to which the various groups differ significantly in their interpretation on matters relating to the auditors performance, and the standard of the auditing profession.. The implication of this is that opinions still differ on the roles and performance as well as auditing standards even among professionals.

A user group was developed and by which the questionnaire was distributed. The user group included in the research comprises the chartered accountants in practice and those not in practice, and other user group that are non-chartered accountants but work in the areas of financial expertise and related fields. In all, we have a population of 32,000 chartered accountants and a corresponding sample of non-chartered accountants were taken to complement the number, each number of non-chartered accountants approximately corresponding to the number of the chartered accountants chosen in the sample. The distribution of the questionnaire covered the following respondents that comprised of several groups within the user group that we first established of the chartered accountants in practice and those not in practice; they included the bankers, financial directors, credit managers, investment analysts, fund managers, students of accountancy, shareholders and government employees. The sample respondents therefore covers almost all the facets of the expected users of the financial statements that contribute to the area of the audit expectation gap. To ensure spread in the distribution of the questionnaire, annual conference, zonal conferences held at Sheraton Hotel Abuja, mandatory continuing professional education conferences held in Lagos, Abuja and Port Harcourt and induction ceremony of new members were utilized for the distribution of the questionnaire. A stratified random sampling technique with optimum allocation was used in the selection of those that filled the questionnaire and it was distributed using the face to face method of questionnaire distribution. Furthermore, and for the non-chartered accountants, we distributed the questionnaire based on the face to face method and targeting the areas covered in the profession of the respondents.

The sample size was arrived at bearing in mind' the assertion of Nwana (1981) that the larger the sample, the more representative of the population it becomes. A formula for selecting the sample size for a research problem based on a level of significance and a set error margin was proposed by Cochran (1977). In order to obtain the most efficient, representative sample, for our paper, we use the following Cochran's formula for sample size determination:

$$n = \left( \frac{Z_{\alpha/2} \sqrt{pq}}{\delta} \right)^2 = \frac{Z_{\alpha/2}^2 pq}{\delta^2}$$

$n$  = sample size to be determined

Where; The value of the standard normal ordinate at  $\alpha\%$  level of significance or  $(1 - \alpha)\%$  Confidence level is  $Z_{\alpha/2}$ .

At the 5% level of significance,  $Z_{\alpha/2} = Z_{0.025} = 1.96$

$\delta = 0.03$  ( the chosen margin of error for the survey)

$\hat{p} = 0.5$  (Proportion of chartered accountants in the sample)

$\hat{q} = 1 - \hat{p} = 0.5$  (Proportion of non-chartered accountants in the sample)

The sample size is finally determined as follows:

$$n = \left( \frac{Z_{\alpha/2} \sqrt{pq}}{\delta} \right)^2 = \frac{Z_{\alpha/2}^2 pq}{\delta^2} = \frac{1.96^2 \times 0.5 \times 0.5}{0.02145^2} \approx 2088$$

Using a confidence level of 95% and error margin of 2.145% in the sample model developed by Cochran (1977) and Macorr (2004) we arrived at a sample size of 2088. This implies that, we need a sample size of at least 2088 to arrive at a sample with a sampling error of at most 2.145%. The sample size was split between chartered and non-chartered accountants. In this case, 1,076 questionnaires were administered to chartered and 1,012 non-chartered accountants. The sample size of 2,088 we used is believed to be adequate and robust to achieve the desired research objectives.

**Table 1: Sample sizes in each Stratum**

S/No	Strata	Sample Size
1	Audit Partner	135
2	Financial Director	90
3	Bankers (Credit section)	60
4	Government Employee	70
5	Financial Analyst	100
6	Credit manager	55
7	Undergraduate	105
8	Offered Auditing course	60
9	Private Shareholder	100
10	Member of Professional body	206
11	Audit staff / Manager	350
12	Executive Director	29

13	Bankers (Non-credit section)	70
14	Non-Government Employees	80
15	Financial Journalist	60
16	Fund Manager	50
17	Postgraduate student	90
18	Yet to offer Auditing course	50
19	Institutional investor	75
20	Members in Practice	253
Total		2,088

The tools used in the analysis include the Chi-square test of independence, One-way Analysis of Variance (ANOVA), t-test and Correlation analysis. The Chi-square test as a non-parametric statistical tool, which is considered appropriate for ordinal measurement was used. Furthermore, the Kendall's coefficient of concordance and Cronbach's alpha was used to test the validity and reliability of the questionnaire respectively.

Furthermore, we investigated the underlying relationship between the improvement in the quality of company audit and the need for more improvements in the contents of auditor's report. The Karl-Pearson correlation coefficient was employed for the analyses while the significance of the correlation coefficients was tested using the *correlation t-test*, at the 5% level of significance. Correlation is the measure of the degree and direction of linear relationship existing between two or more variables capable of quantitative measurement. The degree of linear relationship existing between pairs of audit variables can be measured by means of the following Karl-Pearson's, product-moment coefficient of correlation given below:

Karl-Pearson's, product-moment coefficient of correlation between two quantitative variables  $X$  and  $Y$  is computed using the following formula:

$$r = \frac{n \sum xy - \sum x \sum y}{\sqrt{[n \sum x^2 - (\sum x)^2][n \sum y^2 - (\sum y)^2]}}$$

## DATA PRESENTATION AND ANALYSIS

The first issue investigated as to whether there audit expectation gap exists or not in Nigerian reveals that there is wide audit expectation gap between the views of the auditors and non auditors in terms of the quality of audit report. The result of the chi-square test statistic also gives  $p=0.000 < 0.05$ , which shows that the perception on the improvements of quality of audit depends on the chartered status of the respondent. In other words, chartered accountants seem to have stronger view than non-chartered accountants on the matter. When the same result was investigated using the t-test the results shows that chartered accountants have viewed more improvements in the quality of company audit more than the non-chartered accountants. Hence, chartered accountants have seen more improvements in this respect depicting the existence of audit expectation gap.

The inferential statistics which tests whether there is significant difference in the opinion of auditors and non-auditors on the improvement of company audit in Nigeria shows that there is significant difference in the mean opinion of auditors and non- auditors on the improvement of company audit quality. This therefore lead us to the conclusion that auditors have viewed more improvements in the quality of company audit more than the non- auditors.

**Table 2: Correlation by strata, between the recent improvement in the quality of company audit and the need for more improvements in the contents of auditor’s report**

Respondent's category	N	R	t	Df	Sig.
Audit Partner	135	0.951	35.550	133	0.000
Financial Director	90	0.866	16.220	88	0.000
Bankers (Credit section)	60	0.946	22.319	58	0.000
Government Employee	70	0.920	19.411	68	0.000
Financial Analyst	100	0.882	18.552	98	0.000
Credit manager	55	0.869	12.805	53	0.000
Undergraduate	105	0.936	27.098	103	0.000
Offered Auditing course	60	0.771	9.208	58	0.000
Private Shareholder	100	0.886	18.897	98	0.000
Member of Professional body	206	0.793	18.587	204	0.000
Audit staff / Manager	350	0.719	19.283	348	0.000
Executive Director	29	0.887	9.967	27	0.000
Bankers (Non-credit section)	70	0.908	17.879	68	0.000
Non-Government Employees	80	0.881	16.431	78	0.000
Financial Journalist	60	0.860	12.816	58	0.000
Fund Manager	50	0.791	8.956	48	0.000
Postgraduate student	90	0.805	12.738	88	0.000
Yet to offer Auditing course	50	0.892	13.649	48	0.000

Institutional investor	75	0.773	10.414	73	0.000
Members in Practice	253	0.779	4.611	251	0.000

From the correlation table above, the correlation coefficient between the recent improvement in the quality of company audit and the need for more improvements in the contents of auditor's report are all strong positive across the twenty strata of respondents. Again, from the same table, since  $p=0.000$ , across the twenty strata of respondents, we conclude that all the correlation coefficients between the recent improvement in the quality of company audit and the need for more improvements in the contents of auditor's report are significant. Hence, we infer that there is an underlying linear relationship between the recent improvement in the quality of company audit and the need for more improvements in the contents of auditor's report. In other words, recent improvement in the quality of company audit has prompted for the need for more improvements in the contents of auditor's report.

We use the procedures of ANOVA test as follows:

**Table 3: ANOVA table**

Source of variation	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	243.142	19	12.797	9.901	0.000
Within Groups	2672.764	2068	1.292		
Total	2915.906	2087			

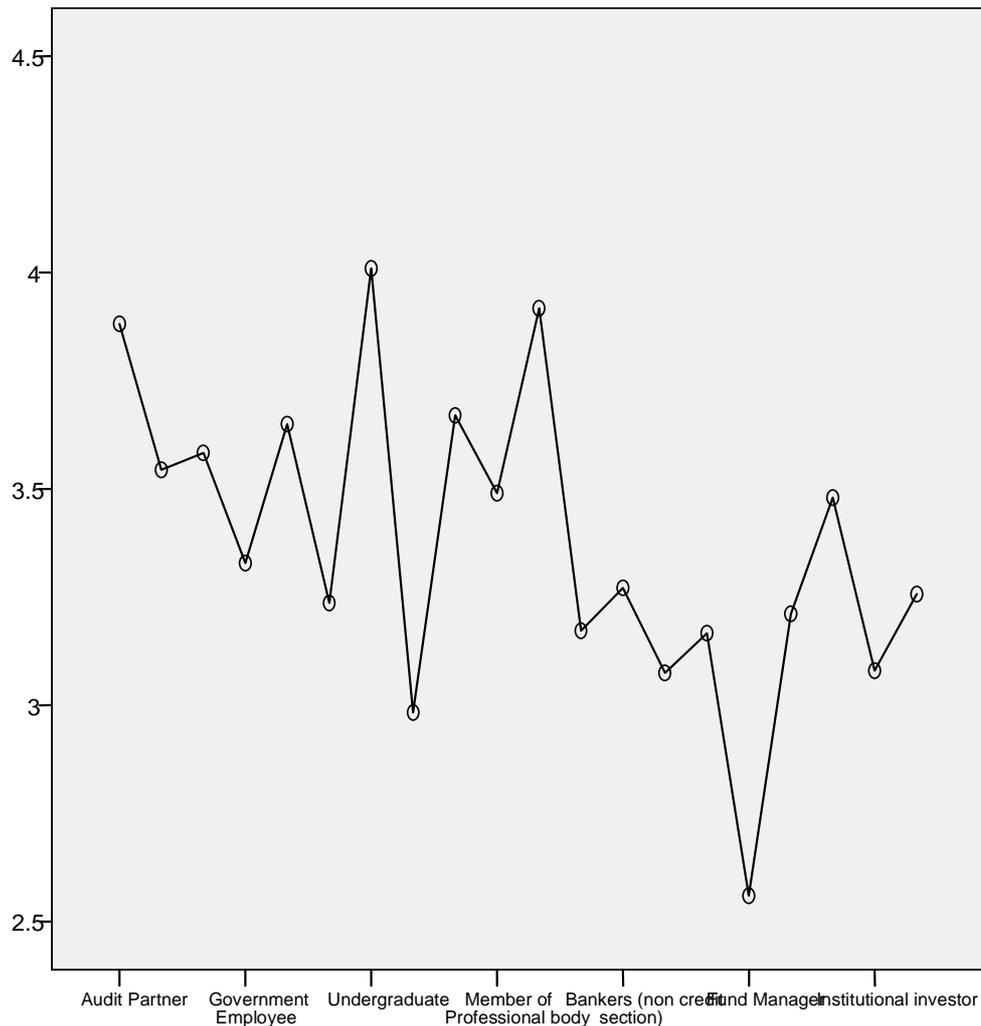
From the table above,  $p=0.000 < 0.05$ , we therefore conclude that there is significant difference in the mean opinion of the twenty categories of respondents on whether the auditing process is seriously weakened by imprecise accounting standard. Some categories have stronger views on the issue than others. The real differences can further be investigated by the following Duncan multiple range test.

**Table 4: Duncan Test on whether the auditing process is seriously weakened by imprecise accounting standard**

Respondent's category	N	Subset for alpha = 0.05			
		1	2	3	4
Fund Manager	50	2.56			
Offered Auditing course	60		2.98		

Non-Government Employees	80		3.08	
Institutional investor	75		3.08	
Financial Journalist	60		3.17	
Executive Director	29		3.17	
Postgraduate student	90		3.21	
Credit manager	55		3.24	
Member in Practice	253		3.26	
Bankers (non credit section)	70		3.27	
Government Employee	70		3.33	
Yet to offer Auditing course	50			3.48
Member of Professional body	206			3.49
Financial Director	90			3.54
Bankers (Credit section)	60			3.58
Financial Analyst	100			3.65
Private Shareholder	100			3.67
Audit Partner	135			3.88
Audit staff / Manager	350			3.92
Undergraduate	105			4.01
Means for groups in homogeneous subsets are displayed.				

From the Duncan table above, where homogeneous subsets are grouped, fund managers have the least view on whether the auditing process is seriously weakened by imprecise accounting standard. Followed by those that offered Auditing course and non-Government employees, among others, in the second homogeneous subset. Then, in the third homogeneous subsets, we have Members of Professional body and Financial Director, among others. In the fourth homogeneous subsets we have the strongest view on the issue shared by Audit Partners, Audit staff, among others. This is depicted in the mean plot below.



**Fig. 1: Respondent's category**

## CONCLUSION

The findings of the research on the auditor's fair view by the respondents reveal that the perception on the auditor's fair view in diagnosing problem depends on the auditor's status of the respondent. In other words, auditors seem to have stronger view on the capability of the auditor's fair view than non-auditors. This was further investigated using t-test and the outcome reveal that there is significant difference in the mean opinion of auditors and non-auditors on auditor's fair view in diagnosing problem. Furthermore, the analysis from the chi-square statistic reveal that the perception on the auditor's fair view in diagnosing problem depends on offering auditing courses of the respondent. In other words, those that offered auditing courses seem to have a stronger feeling than those who did not on the issue. This means that there is significant

difference in the mean opinion of those that offered auditing courses and those who did not offered the courses on auditor's fair view in diagnosing problem.

On the issue of the content of the auditor's report, based on the outcome of the chi-square statistic reveal that the perception on whether the content of the auditors' report needs improvements depends on the chartered status of the respondent. In other words, chartered accountants seem to have stronger view than non-chartered accountants on the issue. Furthermore, the outcome of the t-test statistics shows that there is significant difference in the mean opinion of chartered and non-chartered accountants on the improvement of company audit quality. Chartered accountants viewed more improvements in the quality of company audit than non-chartered accountants. While the chi-square reveals that the perception on the improvements of the quality of audit depends on his status as an auditor. In other words, auditors seem to have stronger view on the matter than non- auditors or vice versa. Furthermore, from the t-test we conclude that there is significant difference in the mean opinion of auditors and non- auditors on the improvement of company audit quality. We therefore, deduce that auditors have viewed more improvements in the quality of company audit more than non- auditors. Hence, auditors have seen more improvements in this respect. Furthermore, the perception on the improvements of quality of audit depends on offering audit courses. In other words, those that offered auditing courses seem to have stronger view on the matter than those who did not. We furthermore, investigated the situation using t-test and from which we found that there is significant difference in the mean opinion of those that offered auditing courses and those that did not on the improvement of company audit quality. Also, from the outcome of the descriptive statistics, using the mean, we found that those that offered auditing courses have viewed more improvements in the quality of company audit than those that did not. Hence, those that offered auditing courses have seen more improvements in this respect.

Finally, we investigated the underlying relationship between the improvements in the quality of company audit and the need for more improvements in the contents of auditor's report. The Karl-Pearson correlation coefficient was used in the analyses, with the significance of the correlation coefficients tested using the correlation t-test, at the 5% level of significance. Correlation is the measure of the degree and direction of linear relationship existing between two or more variables capable of quantitative measurement. The degree of linear relationship existing between pairs of audit variables measured by means of the Karl-Pearson's, product-moment coefficient of correlation and the correlation coefficient between the two issues of recent improvement in the quality of company audit and the need for more improvements in the contents of auditor's report are all strong positive across the twenty strata of respondents. Again, from the same table, since the p value equals 0.000, across the twenty strata of respondents, we conclude that all the correlation coefficients between the recent improvement in the quality of company audit and the need for more improvements in the contents of auditor's report are significant. Hence, we infer that there is an underlying linear relationship between the recent improvement in the quality of company audit and the need for more improvements in the contents of auditor's report. In other words, recent improvement in the quality of company audit has prompted for the need for more improvements in the contents of auditor's report. The Analysis of variance that tested whether there is significant difference in the opinion of various groups on the auditing process is seriously weakened by imprecise accounting standard. Hence, we used the procedures of ANOVA test. The findings show that since p value is equal to 0.000

which is less than 0.05, we conclude that there is significant difference in the mean opinion of the twenty categories of respondents as to whether the auditing process is seriously weakened by imprecise accounting standard. Some categories have stronger views on the issue than others. The real differences were further investigated using the Duncan multiple range test. In general, we found that imprecise accounting standard to have greater impact on contributing to the issue of the audit expectation gap.

Based on the findings of this study, the following recommendations were made: There is the need for continued sensitization of the public, by both the auditing profession and other stake holders on the role and duties of the auditor to avoid unreasonable expectation by the public. The study found auditing education to be highly correlated to reducing the expectation gap, as such; the course should be expanded to all levels and across disciplines to have wider coverage. Attributed to the expectation gap, is the issue of the content of the audit report. The tax authorities could reduce the expectation gap by expanding the content of the audit report to have an elongated audit report. A system of monitoring the performance of the auditors in their audit work should be encouraged by the professional firms. Although there is mandatory professional training and points are earned by the auditors and professional members, there seems to be no enforcement or sanction on the part of the professional bodies on those members that do not comply. There should be improved communication and feedback system by the auditing profession on how the public view its activities. Specifically, the communication between and within the auditing environment will greatly assist in monitoring and reducing the possibilities of the audit expectation gap created by the deficient performance audit. The professional bodies can also monitor the reduction of the expectation gap through its licensing procedures. As auditors apply for license to practice, the professional bodies could ensure their competence and possibly organized a workshop for them to help explain and educate them on gray areas and procedures in the audit that possibly have direct impact and or cause the expectation gap. The shareholders association also has a role to play in educating its members on the role of the auditor and the expectation and coverage of the audit report. What the shareholders or investing public should expect from the audit report and possibly its bounds on the extent of its reliability. The judiciary also should be sensitized as to the role of the audit and the responsibility of the auditor in terms of the coverage of his audit report and his liability to third party. This will go a long way in reducing the gap created by the outcome of court cases on the issue of the expectation gap between the public and the auditor. There should be minimum standard on the charges that clients pay for audit; as this will help to control the action of the auditor for accepting low rate that may result to deficient audit performance.

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