

Bridging The Expectation Gap In Auditing: The Role Of The Accounting Profession In Nigeria

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ABSTRACT: The rise in public expectations in Nigeria especially with the series of financial failures that occurred during the recessionary years of late 1980's and 1990's when banks were certified as being profitable and within a year or two recorded sudden collapse. Members of the public queried the role auditors played when these banks were presenting healthy financial statements when they were in serious liquidity and profitability crises. These questions arose as a result of the wrong perception of the main audit objective by the public. These leads to auditors being very cautious about accepting absolute reporting responsibilities while the users of account statements on the otherhand become afraid of information risk. This study revealed and identified that there has been an existing gap between the assurances auditors provide on management-complied financial information and the expectations of investor and other financial statement users. Recent efforts to close the expectation gap have focused on influencing public opinion on the role auditors should play and changing professional standards to ensure an audit designed to provide reasonable assurance so that material errors, irregularities and misstatement in financial statements will be detected and not absolute assurance as desired by the investors. Investors views should serve as a reminder to the profession and individual auditors that professional audit standard of absolute do not dictate public opinion.

Keywords : Accounting; Auditing; Expectation gap; Financial statement; Investors; Misstatement

1 INTRODUCTION

The frequency with which the credibility of external auditors is being called into question in many countries around the world is quite shocking. This is evidenced by widespread criticisms and litigations directed against auditors. [1], reported that in the recent past, the world has experienced a rise in corporate failures, financial scandals and audit failures. Investors and financial statement users long have agreed on the usefulness of the audit of financial reporting but over the years auditors have been expected to provide assurance in varying degrees and for different purposes. There has been difference in the perception especially regarding assurances provided between users and auditors; this is termed expectation gap. This has stimulated firm debate among the accounting profession regulators and the public about the audit expectations gap. This is because the accounting information users often ask the stand point of auditor when the scandals were taking place. Some accounting information users therefore seem to partly blame the auditors for corporate failures. The phrase "Audit Expectation Gap" was first made known into literature over twenty years ago (see [2]). He defined audit expectation gap as the difference between the levels of expected performance as envisioned by independent accountants and users of financial statements. [3], set out the extent of the audit expectation gap problem as follows: the public appears to require –

- (a) A burgular alarm system (protection against fraud)
- (b) A radio station (early warning of futue insovelncy)
- (c) A safety net (general re-assurance of financial well being)
- (d) An independent auditor (safeguards for auditor indepenence)

Expectation gap can be defined as the gap between the auditor's actual standard of performance and the various public expectations of required standard of performance (as opposed to their required standard of performance). According to [4], expectation gap is the difference between what the public as well as financial statement users believe auditors are responsible for and what auditors actually believe their responsibilities are. Independent audit of financial statements has long been associated with the role of assurance, from which the

credibility of information presented by the management is, to a certain extent, guaranteed. This distinctive role of audit however, has led to varying perceptions over the level of assurance that may be expected from auditors [5]. Majority of the public expect that auditors should accept prime responsibilities for the financial statement and certification of financial statements. A clean opinion guarantess the accuracy of financial statements while auditors' performing a 100% check on the financial statement. The public argue that auditors should give early warning about the possibility of business failure and fraud detection. These public expectations of auditors which go superior to the actual standard of performance by auditors led to the term expectation gap. Auditing profession in the early years (from 1850 to early 1900) engaged in providing almost absolute assurance against fraud and intentional mismanagement. But as corporate America grew and the auditing profession developed, the early 1900 witnessed a drift from verifying all transactions and amounts for purposes of fraud detection to determining fairness in financial statement reporting, that is from "true and correct" to "true and fair" reporting ([6]; [7]). This drift was a response to the burgeoning volume of business activity (making fraud detection less feasible) and the appearance and increased importance of a new business player, the shareholders. [7], explained that the primary objective of an audit in the pre-1920's phase was to uncover fraud. This objective however varied by the 1930's, whereby the primary objective of an audit changed to verification of accounts. This was perhaps due to the increase in size and volume of companies' transactions which in turn made it difficult for auditors to examine all transactions. As a result, the auditing profession began to assert that the responsibilities of fraud detection rested with the management. Further, management should also implement appropriate internal control systems to avert fraud in their companies. Most of the users of accounting information may not have adjusted to the changed role of the auditors, hence the existence of an audit expectation gap. The audit expectation gap has two components, the first one being the difference between what the society expects auditors to achieve and what they can reasonably expect to accomplish, known as the "reasonableness gap"; and the second one being the difference between the responsibilities society reason-

ably expects of auditors and auditors' actual performance, known as the "performance gap" [8]. Current practices in the profession still uphold primary audit focus on financial statement reasonableness. Current audit standard also reflects the material misstatement focus and increasingly have relied on the concept of reasonable assurance in depicting the level of reliance to be placed on audited information. According to the auditing profession, the fact is that- (a) management is solely responsible for the financial statement which they prepared; (b) an audit is no guarantee of solvency or financial performance; (c) audit only provides reasonable assurance that financial statements are free of material misstatement and not absolute assurance against fraud and international mismanagement; (d) auditors are only required to test selected transactions; (e) although auditors plan and conduct an audit engagement with an attitude of professional scepticism recognizing that circumstances such as fraud may exist which can cause the financial statements to be materially misstated, an audit does not guarantee that fraud will be detected. However, the professional standards notwithstanding an important question for the profession is what assurance does the public currently expect auditors to provide as a profession? The profession must continually assess public reaction to their stated role in financial reporting as well as determine the public's perception of the level of assurances believed or desired to be provided by auditors. Investors seek very high levels of financial statement assurance. The litigious environment in which the profession operates mandates that auditors, individually and as a profession, monitor public opinion and attitudes toward the level of services and assurance provided. Hence, auditors should not only be interested in but also be aware of shareholders' perceptions. The Canadian Institute of Chartered Accountants established the MacDonald to study public expectation of audits. The final report presented in 1988 revealed that the public is largely ignorant of the extent of the responsibilities entrusted to auditors and that some of the most knowledgeable segments of the public feel that their expectations are not being fulfilled. [9] explained that difference of perception about auditors is caused by various factors, such as institutional and cultural factors that affect user expectations of the auditor; unnecessarily complex information in audit reports which make them less understandable; a lack of understanding about the audit process, and, audit reports are only used as a symbol rather than to be understood. Furthermore, [9] highlighted the existence of this gap, which can lead to the decision-making errors. There is a widespread recognition within the profession of the existence of a significant audit expectation gap which is the difference between (a) what the public and other financial statement users perceive auditors' responsibilities to be and (b) what the auditors believe their responsibilities entail. [10], explained that audit expectation gap is the gap between the role of an auditor as understood by the auditor and the users of financial statements. It is a gap between what the auditor is doing and what the society expects him to do creating the impression that the statutory objective of audit is not meeting the social needs of the populace. The functions performed by the accounting profession are vital to the growth and stability of the financial market, whether at the global level or at the local level. Speaking on the role of accounting educators on bridging the audit expectation gap, [11] explained that accounting educators are expected to play an important role in reducing audit expectation gap by improving the understanding of audited financial state-

ment from prospective users of information, suggested by the existence of a special certification that the profession can be responsible for the accounting educators in the field of auditing education as well as the education and training of adequate management, especially for users of audit reports, employee / loan officer and credit analyst, and certify an understanding of audit reports carried out continuously. It is in the interest of both the public at large and the auditing profession to take urgent and effective action to address the existing gap. The audit expectation gap needs to be addressed from a number of perspectives in order to eliminate deficient performance by auditors, widen the scope to encompass reasonable expectations and reduce expectations where they are deemed to be unreasonable. However, it is not the intention of this paper to form judgement on the adequacy of the existing audit regulations or on the culpability of the profession for failure to widen the scope of the audit and thereby encompass to a greater extent the expectation of the users. This paper thus, recognizes that the only permanent thing is "change". The principal agent of change in this regards are the public on the one hand and the Accounting Profession on the other. However, the observation that the gap which has plagued the accounting profession almost from inception and the failure of the profession to widen the scope of the audit and thereby encompass to a greater extent, the expectation of users. How then would the users of financial statement be sure that what they are relying on is not misleading as what might not be material to the auditors might be material to the user of the financial statement? Should the accounting profession fold hands and watch the public confidence in them erode ungracefully? Shouldn't something be done about these incessant business failures which are as a result of the misleading financial statement arising from management fraud? The trillion Naria question is: how much of these irregular financial transactions could have been avoided or palliated by carefully articulated and professionally executed control schemes of an accounting, auditing and investigative nature? In the twilight of the 20th century, fraud was described as "the crime of the future". That future is already here with us and one thing is certain though the traditional policeman and the traditional dyed-in-the-wool accountant have been inadequate in the handling of this new face of crime in the land. [12], noted that there is need to educate the society in general in order for them to form a reasonable expectation of the auditors' duties and responsibilities. According to [13], the auditors are required to carry out their work with a certain level of professional scepticism. He further explains that expectation gap which can be referred as the performance gap is motivated by two variables which are: the auditor's ability to detect fraud where an auditor might use a variety of techniques, but lack the experience to effectively uncover red flags and the auditor's efforts to detect fraud where the auditor may possess the skills to detect fraud, but might choose to take shortcuts or disregard obvious signs of potential fraud. [14], explained that it has been suggested that given the rapid changes occurring in the business environment and the increasing sophistication of the average consumer of financial services, that the subsisting audit performance has proven inadequate. It is also argued that the rise of consumerism demands that audit procedures be reviewed to make it more responsive to the needs of the multiplicity of users of financial statements. This has to do with audit objectivity and effectiveness. It has also been suggested that auditors can no longer hide behind professional excuses to cover their inefficiencies.

Accounting is without doubt a business language and any language that fails to grow with its people inevitably loses relevance. The business world and its systems are very unique and dynamic and for accountancy to fit into the system, it must change with the changing world. This study seeks to excite players in the Accounting profession to arise to the challenges of our time in order to remain relevant in the present generation.

2 AUDITING DEFINED

An audit is a careful and unbiased examination of an inquiry into any statement of account relating to money worth, the underlying documents and the physical assets where possible and all other available evidence as will enable the auditor to form an opinion thereon and to report accordingly. [14], defined auditing as the systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions established and established criteria and communicating the results to interested users. [16], argued that auditing is a profession that plays vital roles in fostering public integrity, transforming the economy of a nation thereby ensuring sustainable economic growth and development. However, for such role to be effectively and efficiently played by auditors, they must be given free hands to operate, so that opinions can be expressed with objectivity and independence. They suggested compulsory rotation of audit firm as a way of improving the quality of audit practice, stressing the need for establishing the maximum number of years for statutory auditors to avoid prolonged audit tenure. However, minimum years can also be encouraged to discourage intimidation. Also, they suggested that constant training and professional education on the subject of independence should be promoted. [17], explained that there are three audit types: (a) *The Court Model* which involves a collegiate court of auditors or tribunals of accountants with quasi-judicial powers in administrative matters Examples are found in France, Italy, Spain, Portugal, Brazil or El Salvador; (b) *The Board Model* which involves a collegiate decision making agency but without jurisdictional authority as in Germany, Netherlands, Sweden, Argentina, or Nicaragua; and (c) *The Monocratic Model* which involves a uninominal audit agency headed by a single auditor-general often acting as an auxiliary institution to the legislature, as in US, UK, Canada, Chile, Colombia, Mexico, Peru and Nigeria. [14] stated the following to be incidental objectives of an audit;

- (a) The detection of errors and fraud through the moral effect of regular audit visits upon the conduct of the client staff. Each time an auditor used the term "true and fair view" in his report, he is saying; (review numbering)
- (b) As to his examination, that independence is unquestionable; no limitation has reduced the scope of his audit below the level considered minimal, all records required by him were made available to and utilized by him, and he had exercised every professional care and skill throughout his examination.
- (c) As to the client's internal control and accounting methods, that they are adequate, accounting principles and procedures have been found acceptable, accounting policies and their application have been con-

sistent, and the books of account have been brought into agreement with the financial statements;

- (d) As to the financial statements and appended notes that proper terminology had been employed, the statements are comparable in form and content with those of similar organizations, all major post-balance sheet events and unusual large-scale transactions are disclosed, no misstatement or misrepresentation is reflected in the statement, all facts and conditions are included without which the statement might be interpreted as misleading, and any material departure from accepted accounting principles is identified in the auditor's report.
- (e) As to statutory requirement, that the financial statements conform to the requirements of all existing statutes and regulations, and all disclosures required by law are made.

In addition, [17], defined internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Study by [18], revealed that the audit function is crucial in providing users with assurance about the information provided by management in the financial statements and users expect this information to be free from management bias and correct, true and fair with respect to the enterprise resource. The audit expectation gap is associated with the independent audit function. Some of the causes of an audit expectation gap may be traced to audit objectives, auditor's obligation to detect and report fraud, auditor independence, and the third party liability of auditors, quality of profession's performance, its objectives and results and that which the society expects. The Accounting profession should seek to reduce the number of years an auditor can provide auditing services to a client. This is because the independence of an auditor is threatened when engaged in providing audit services for a long time. Users of audited financial statements are encouraged to seek professional advice before investing in a company. This will further assure them of the safety of their investments than merely interpreting that an unqualified audit report is a clean bill of health of the company. Auditors are encouraged to exercise due diligence and care in handling the accounts of companies. This is because failure to do so may abruptly end the business and increase the blame on the accounting profession. [19], concurred with the argument that the primary objective of audit is to provide a report by the auditors of their opinions of the truth and fairness of financial statements so that any person reading and using them can have belief in them. They added that other secondary objectives of audit arisen from the performance of the primary objective include disclosure of weaknesses in the accounting system, detection and prevention of errors and frauds. Meanwhile, in order to achieve these objectives, auditors must possess the following qualities: independence, competence and integrity. [20], explained that the major reason behind the audit practice is to enable auditors express professional opinion as to whether the financial statements presented, portray a true and fair view. The purpose of an audit is to ensure that the financial records on which the auditor is reporting shows a true and fair view and are not misleading. The general public however seems to have a high expectation that

the auditor will detect or prevent all frauds, this implies that financial information users expect and believe that auditors should assume a responsibility past examining and attesting to the fairness of financial statements and shoulder a direct responsibility to protect the interest of the audit beneficiary through detecting and reporting frauds as irregularities.

2.1 Who then is an Auditor?

An auditor is one whose duty is to conscientiously and objectively examine and inquire into any statement of accounts and other documents and the physical assets where possible in order to ascertain or form an opinion as to:

- (a) Whether the accounting records have been properly kept and whether they present a true and complete record of all the financial transactions of the organization during the period.
- (b) Whether the statement of account presents a true and fair view of whatever it purports to represent and to report therein.

The primary objective of audit can be derived from the definition of audit which is to examine all available and relevant evidence that relate to a financial statement with the intent of reporting whether in their opinion and to the best of their information and according to the explanation given to them, the account gives the information statutorily required in the manner so required and gives a true and fair view-

1. In case of the balance sheet of the state of the company's affairs as at the end of its financial year end.
2. In the case of the profit and loss account of the profit or loss for the financial year.

[21], argued that auditors are required to carry out procedures to provide them with assurance that the going concern basis used in the preparation of the financial statements is appropriate and there are adequate disclosures regarding that basis in the financial statements in order that they give a true and fair view. [22], noted that the key role of the auditor is to provide objective assurance as to whether the books of accounts and the resulting financial statements represent a true and fair view of the state of affairs of the organization. In other words, auditors are expected to confirm to the shareholders and other users of accounting information that the financial statements presented by the management are free from any material misstatements. The Public and in particular, users of accounting information however have high expectations from auditors as compared to their actual role thus giving rise to audit expectation gap. He defined expectation gap as the difference between what the public as well as financial statement users believe auditors are responsible for and what auditors actually believe their responsibilities are. He concluded that audit expectation gap exists in Kenya where there is difference between the public expectation about the auditor's role and the actual performance by auditors. He stated that auditors' efforts as well as auditors' skills to detect fraud are some of the determinants of performance expectation gap. He equally observed that performance expectation gap is the difference between the public expectation about the auditor's performance and the actual performance. Public knowledge and users needs are some of the determinants of reasonableness expectation gap. Reasonableness gap is a component of audit expectation gap that is expressed as the difference between what the society expects auditors to achieve and what they can reasonably expect to accomplish. [17], stated that the in-

ternal auditor must have a prioritized list of risks to address as part of his audit mission to support the organisation's governance. A risk-based integrated framework will allow an organization to identify, assess, address, and monitor the risks that could prevent it from achieving its objectives, with improved cost efficiency and maximized business value. It will enhance governance by providing management with consolidated, comprehensive, and detailed -but risk-centric - reporting and recommendations. The internal auditor must take a leadership role in assessing and managing risk, applying continuous quality initiatives, bench-marking and migrating best practices, and identifying opportunities. He must maximise value and aid the organisation's competitive advantage by managing business and operational risks and identifying growth drivers. [17], concluded that good financial governance has its roots in the quality of the institutions that regulate tax, public financial management systems, audit processes, oversight functions of government and legislature, and the budget system. *It is only as priority is assigned to various governance elements, and the appropriate framework put in place, will the vast resources of Nigeria be applied judiciously to the needs of the citizen.* According to [23], the auditors also believed that they had a higher level of responsibility and accountability than what is attributed to them by users of accounting information and/or financial statement preparers. These auditors' beliefs were dependent on the type of report issued whereby negative assurance opinion for an audit could confuse users and hence not meet the demands of the market. A study by [24], revealed that Accounting Academics perceive Forensic Accounting techniques included in an audit as capable of increasing the ability of the Auditor to detect fraud and as a result aid in bridging the audit expectation gap in Nigeria. [25], in their study considered four categories for expanded disclosure by auditors in their reports which are: audit; the quality of the financial statements; the quality of the financial reporting system; and sustainability of the business. [26], empirically assessed the legal effect of the increasing use of audit decision aids and structured audit approaches in the audit environment. Their findings revealed that decision aids are used as substitute standards of the auditors by jurists, this implies that jurists do accept and use audit decision aids as a method to increase or at least maintain auditing standards. According to [27], the role of accountants and auditors in Nigeria can be evaluated by the extent to which they fulfil their expected statutory duties and responsibilities as imposed on them by not only the statute and the professional bodies they belong, but also the expectations of the larger society consisting of public and private users of the financial information generated and attested to by the auditors. The role the profession and education has recognized the expectation gap as an issue of fundamental importance. Study by [28], on the role of education on audit expectation gap revealed that audit education significantly reduces the expectation gap, therefore confirming that lack of proper knowledge among the company's stakeholders as the cause of audit expectation gap generally. Their study however did not explore other causes of audit expectation gap other than the knowledge gap between auditors and stakeholders. [29], identified two components of the audit expectation gap as communication gap and performance gap. Communication gap has to do with what the auditors think is their role and what the members of the public perceive should be the role of auditors. Performance gap, on the other hand, occurs when public expectations are reasonable but the auditor's performance does not

fulfil them. This implies a short fall in the auditor's performance. Speaking on the role of directors and management on the performance of auditors, [22], explained that a climate where directors act with responsibility and with a spirit of openness and highest integrity when dealing with auditors may be one sure way of reducing the conflicts of interests between auditors and directors. The point has well been made that in this increasingly complex world it is impossible for the auditors to unearth problems if the management and board are intent on hiding them. Prescription of stiff penalties for boards that mislead their auditors may well serve as a deterrent for recalcitrant directors. [30], suggested that the provision of non-audit services among other issues caused the auditors not to produce a fair report. They therefore concluded that "auditor independence is a key element of the audit expectation gap" meaning that auditors who are independent help in reducing the audit expectation gap. Speaking on the attribution theory [31] proffered reasons why auditors are often blamed when an accounting fraud occurs. The attribution theory holds that, users of audit report (as an evaluator), become naïve scientists as they attempt to assign causation by observing traits of consistency, distinctiveness, and consensus. According to [32], the global financial meltdown was made possible because there was a failure on the part of gate keepers including the auditors. This has brought the indisperable corporate accountant into disrepute, ridicule and a crisis hour for the accountancy profession. Can this new face of crime be mitigated by a well articulated and professionally executed central scheme of an investigative, auditing and accounting nature? Of course, this led to the development of regulatory landscape for accountancy profession with new emphasis on forensic accounting. Accounting procedure simply makes historic reporting or recording while auditing verifies and validates the fairness of such recording. The auditor by the scope of his work cannot pontificate with any level of finality that fraud has occurred or not. Forensic accounting combines strong auditing procedure with sophisticated investigative techniques in verifying the accuracy and legitimacy of financial reporting. This drive towards a new type of "corporate cop" aimed at detecting and deterring occupational frauds and creative accounting practices demands a change in scope, emphasis, method and operational culture, if they are to contend with complex financial crime.

3 AUDITING CONCEPT

There are three concepts of auditing which include:

- (a) Independence
- (b) Materiality
- (c) Confidentiality

3.1 Concept of Independence

To maintain an independent mental attitude means to be free from the influence of clients or other interested parties that might attempt to exert pressure on the auditor to report in a manner which is to their advantage. Explaining some of the factors facing auditors' independence in Nigeria, [33] posited that the size of audit fee is a major explanatory factor for the ability of the auditor to resist the pressure of management, regardless of the provision of advisory services. In addition, the large size of audit fees is associated with a higher risk of losing the auditor's independence. In a situation where the size of audit fees forms a greater proportion of the total audit revenue, audit fees will be a threat to audit independence. For

an auditor to be regarded as independent, it means he does not subordinate his professional judgement to that of his client or anyone else. The auditor is expected to be straight forward, honest and sincere in his approach towards his professional work. He must be fair and must not allow prejudice or bias override his objectivity. He must maintain an impartial attitude and appear to be free of any interest which might be regarded whatever its actual effect as being incompatible with integrity and objectivity. [18], explained the three types of auditor independence which include programming, investigative and reporting independence. Programming independence has been described as the ability of an auditor to plan his or her audit work properly and obtain all necessary information during the carry out of an audit exercise based on the planned audit without undue influence either within or outside the organization. He noted that reporting independence is the ability of an auditor to report fearlessly to shareholders without the management or any other outsider influencing the audit opinion. In addition, he stated that there should be no influence by the management or any third party in all the discussed types of auditor's independence. [34], stated that opinions seem to suggest that Nigerian auditors may not be truly independent. He noted that most auditors in Nigeria are unable to distance themselves from overbearing board or management so as not to incur their wrath and put their appointment at risk. [35], observed that the Nigerian auditor is not psychologically free since the distinction between shareholders and management has often become so blurred that the appointment, remuneration and dismissal of auditors is effectively decided by management, who are the very people auditors may wish to criticize in the course of their duties. [36], explained that findings in his study revealed that auditors agree that the techniques they use in modern audits are capable of detecting material fraud. If that is the case the endorsement of the suggestion that the auditor's legal responsibility should be widened to include detection of material fraud will serve to legitimize what is already the reality in practice. He stated the need for government to create an enabling macroeconomic and socio political environment that extols the virtues of integrity in all aspects of national life. This will have a positive impact on attempts at finding solution to the audit expectation gap problem. An auditor cannot act with integrity and objectivity and maintain a professional attitude in the performance of his responsibilities if the element of independence is not in existence.

3.2 Concept of Materiality

A matter is judged material if knowledge of the matter is likely to influence the user of the financial statement. Material is anything significant in relation to the prevailing circumstances of each company. One of the qualities of an auditor is to keep good sense of proportion with the primary objective to express an opinion on fair presentation of financial statement. It is quite rational to assume that the users of financial statement will not be influenced by trifles but can be influenced by something that is material. The auditor will have to make judgement decision on whether some events, items or group of items are material or not. If he considers any item as material, he will insist on not only the disclosure of such item but also on the right disclosure and right representation. It is in the eye of an auditor to decide on what is material and what is not material and it is expected of a competent auditor to know what material is and what is not, considering the prevailing circumstance of each company. This is in line with the three concepts of disclo-

sure recognized by [37] as (a) adequacy, (b) fairness, (c) fullness.

3.3 Concept of Confidentiality

The auditor is required to respect the confidentiality of the information he gathered in the course of his audit exercise. Since he stands in a position of trust with his client, he should not divulge any such information to a third party without specific authority from his client or unless there is a legal or professional duty to disclose.

4 COMPONENTS OF THE EXPECTATION GAP

[38], recognized two components of the expectation gap as (1) Requirement Gap, (2) Feasibility Gap. The requirement gap was further decomposed into (a) Performance Gap, (b) Standard Gap

1. Requirement Gap

The requirement was identified by [38] as the gap between auditor's actual standard of performance and the performance required of them by the current standards of society. The standard of performance set out both professional standards and statutes, the later being subject to interpretation through courts of law is the required standard of performance.

(a) Performance Gap

This is the gap between the standard of performance set out by the professional standard and statutes and how the auditors' are by themselves actually performing.

(b) Standard Gap

This is the gap between the society's requirement standard of performance on one hand and the standard of performance as determined by reference to professional standard and statute on the other hand. Society's required standard of performance is the standard of performance set out in the statutes professional standards augmented by the decisions handed down in the court of law.

2. Feasibility Gap

The feasibility gap is the gap between society's required standard of performance and various public expectations (i.e. expected standard of performance).

5 THE ROLE PLAYED BY THE ACCOUNTING PROFESSION IN BRIDGING THE GAP

The accounting profession has recognized the expectation gap as an issue of fundamental relevance. It is in the best interest of both the public at large and the auditing profession that the expectation gap be narrowed as much practicable. In 1988, the American Institute of Certified Public Accountants (AICPA) committee and the Auditing Standard Board tried to reduce the expectation gap by issuing series of statement of accounting standard. Both the AICPA and General Accounting Office in 1996 reported that expectation gap still exists and no empirical evidence was however offered to that effect. Investors and other users of financial statement seek for absolute assurance but the auditing profession has relied on the concept of reasonable assurance. Current auditing standards still reflect material mismanagement focus or financial statement reasonable assurance. Even the Statement of Auditing Standards (SASs)

No. 53 (the auditor's responsibility to detect and report errors and irregularities) which is one of the expectation gap SASs rely on the concept of reasonable assurance. The profession in further attempts to narrow the expectation gap issued new (SASs) statement of Auditing Standards, partly to address public criticism of the auditing profession and partly to increase level of service to audit clients and the public. SAS No. 53 increases the auditors' responsibility to design an audit, to provide reasonable assurance that all material misstatements will be detected, former standards had required auditors to plan an audit to search for material errors and irregularities. The litigious environment in which the accounting profession operates calls for good monitoring of public opinion and attitudes towards the level of services and assurance provided by the auditors individually and as a profession. **Where investors expect and counts begin to uphold a standard of absolute assurance, audit liability inevitably will increase substantially.** It is necessary therefore that from both societal and professional perspective that the profession should try to narrow the expectation gap. To achieve this both groups need to become active agents or players for positive change.

6 CONCLUSIONS

This study revealed and identified that there has been an existing gap between the assurances auditors provide on management-complied financial information and the expectations of investor and other financial statement users. Recent efforts to close the expectation gap have focused on influencing public opinion on the role auditors should play and changing professional standards to ensure an audit designed to provide reasonable assurance that material errors, irregularities and misstatement in financial statements will be detected and not absolute assurance as desired by the investors. Investors views should serve as a reminder to the profession and individual auditors that professional **audit standards of absolute** do not dictate public opinion. Misconceptions and differences in expectations and more litigation will increase and persist unless the present issue of GAP is effectively and timely addressed. The call to keep educating the society for them to form a reasonable expectation of the auditors' responsibilities and task as advocated by [12] and other researchers should not be overlooked if this profession will remain relevant to our generation. The audit expectation gap needs to be addressed from a number of different perspectives in order to eliminate deficient performance by auditors', widen the scope to encompass reasonable expectations and reduce expectations where they are deemed to be unreasonable. To move towards bridging the gap in the long term, the audit profession will have to expand services and undergo a fundamental change in attitude from self-defense-self-preservation to meeting society's expectation. This orientation will mean an expansion of services including more work to detect fraud and more internal control audits and disclosure. It will also mean increasing scope of services provided and firm's revenue, increasing the quality and diversity of audits and decreasing liability exposure due to not meeting existing user demands. Fraud audit or forensic audit should be legislated just as financial audit is legislated or routine as part of the services package offered by auditor. Auditors could offer a range of audit services including fraud audit with various levels of audit services including fraud audit with various levels of assurance. Investors could be offered an array of applicable services and approximate cost at the shareholders meeting where they can decide the level of assurance

that they are willing to pay for each year. From the arguments raised in this study, it was deduced that the gap may be narrowed partly through increased public enlightenment of what audit is, its nature and inherent limitations. This could be achieved at the shareholders meeting, professional and civic organisation.

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