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The Audit Expectation Gap Problem In Nigeria "The Perception Of Some Selected Stake-Holder Groups"

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Abstract

The purpose of this study is to highlight factors contributing to audit expectation gap problem in Nigeria. The audit expectation gap is the difference in perception between auditors and users of audited financial statement concerning the nature of auditing. Unfortunately, there have been criticisms of the auditor by the public from which opinions have emerged over the years due to business failures. It seems the users have a different idea of what auditing should be. This is what has led to the audit expectation gap. The factors contributing to this gap that are of particular concern to the researcher in this study are uncertainty about the responsibilities of external auditors, uncertainty about the extent to which audit report may be used in making investment decisions, audit report messages and independent of auditors. This study adopts a survey research design. Even though the study covers the business landscape of Nigeria, a sample size of two hundred (200) persons made up of fifty (50) persons each of auditors, accountant in business, banker and investors/shareholder were selected conveniently as time permitted from some accounting firms, bank, investment houses and companies in Lagos, Enugu and Abuja. The research instrument used was the questionnaire. The data collected were analyzed using cross-sectional chi-square analysis and analysis of variance (ANOVA). The significant factors that create expectation gap in Nigeria and other findings will be presented.

Keywords: Audit expectation gap, communication gap, Nigerian problem.

1.0 Introduction

Audit is a formal examination, correction, and official endorsing of financial accounts, especially those of a business, undertaken annually by an Accountant. 'The accounting profession in Nigeria has been under intense pressure due to rising public expectations which is as a result of series of financial failures that occurred during the recessionary years of the late 80's and the early 90's (Ekwueme, 2000:14). These financial failures happened too quickly after an 'unqualified' audit report was issued by the external auditors. Koh and Woo (1998), noted that in recent years, some spectacular and well-publicized corporate collapses and the subsequent implication of the reporting auditors have highlighted the audit expectation gap. In reality, the unqualified opinion is wrongly seen as a certification that the firm or enterprise is solvent, liquid and has the capacity to adapt to the dynamics of the environment. Any subsequent failure of business resulting from management misjudgment, fraudulent practice, economic instability, inconsistency in micro and macroeconomic policies etc are viewed as failures of auditors (Adeniji, 2004:510).

The role of external audit is crucial in today's corporate world. This is especially due to the separation of ownership from management as a result of numerous shareholders in companies. The external auditors are usually perceived as independent and as a result users rely on audit reports because they expect auditors are unbiased (Nagy, 2001:4).

The Auditor's role is carried out to add credibility to the financial information released after the end of a company's financial year. This credibility is, however, called into question after some spectacular and well-publicized corporations (for example Enron and WorldCom in USA) collapsed shortly after an unqualified (in other words "clean") audit report had been issued (Lee, Gloeck and Palaniappan, 2007:1).

These events have thrown the accounting profession into a spotlight. Ekwueme (2000) explained that shareholders and most of the general public feel that as a result of the collapse of banks and firms, the auditor's safeguard are worthless. These perceptions draw a line that needs to define the role of the auditor in protecting the interest of shareholders and ensuring that there is good corporate governance. Owners of business need auditors, more than ever, to detect and prevent fraud. Perhaps, this is due to the expanding nature of modern day businesses. Clients need value added and not an auditor that will vouch and does the normal trade test (Nwokolo, 1998:25). Additionally, auditors have been known for high integrity and objectivity as well as their commitment to public interest. In relation to this view, Hillier (2000) stated that diverse clients now expect them to provide more services than just performing statutory audit and attesting to the credibility of financial statements. The society wants their franchise to include detection of fraud and exposure of all corrupt practices that are likely to vitiate the fortunes of corporate entities. The difference between the actual nature and objective of an audit and that perceived by the users of audited financial statements has led to the concept of "audit expectation gap".

Simply put, 'audit expectation gap' is the difference between what auditors know auditing to be and what the users of audited statements expect.

The current study aims to complement the study of Lee, Gloeck and Palaniappan (2007), Schelluch and Gay (2006), Saha and Baruah (2008) in the following ways. First, the study examines the opinion of auditors, clients and users of audited financial statements on their understanding of the statutory role of external auditors in Nigeria. Secondly, this study confirms the components of the audit expectation gap in Nigeria. The components are divided into four factors. Two factors namely responsibility and reliability are adapted from the study of best, Buckby and Tan (2001). Nature and meaning of audit report messages factor is adapted from Schelluch and Gay (2006). This study however moves the study by the above researchers by looking into the independence factor. For details, these factors are expounded upon in the literature review.

1.1 Statement of Research Problems

Some of the potential and inevitable consequences we perceive may arise from the audit expectation gap problem in Nigeria, considering her fragile democracy and corruption level are as follows;

We perceive that if users of audited statements continue to view Auditors as puppets in the hands of business organizations, there will be continuous decline in the confidence level of the public. This lack of confidence would in time destroy the fundamental nature of auditing, which is ensuring the integrity and reliability of financial information.

The criticism of auditors in Nigeria by users of audited financial statements has stirred many a response both from the profession and statutes. It seems the users have a different idea of what auditing should be. This is what has led to the audit expectation gap. The existence of this gap has been caused by many factors [communication factors and audit failures]. In this changing world, business environment requires that auditor's responsibilities be increased to include fraud detection/prevention. Also, users want to be able to rely on audited financial statements for investment decision making. They also desire the absolute independence of the auditor because absence of it may reduce performance. Users also may have a different interpretation of the nature and meaning of audit report. This study will therefore attempt to elicit the perceptions of auditors, clients and users of financial statement on their various understanding of the statutory role of external auditors or audit reports in Nigeria as well as their perceptions of the components of the expectation gap problem.

1.2 Purpose of the Study

The general objective of this study is to elicit the opinion of auditors and audit beneficiaries on the factors contributing to the audit expectation gap problem in Nigeria. From this general objective, the following specific objectives are drawn:

To investigate;

1. The opinion of auditors and audit beneficiaries on the statutory role of external auditors in Nigeria:
2. Whether responsibility and reliability factors contribute to the audit expectation gap problem in Nigeria.
3. If the independence factors contribute to the audit expectation gap problem in Nigeria.

1.3 Research Hypotheses

Hypothesis 1

H_0: There is no difference among the opinions of auditors, bankers, investors and accountants in Nigeria on the statutory role of external auditors in Nigeria.

H_1: There is a difference among the opinions of auditors, bankers, investors and accountants in Nigeria on the statutory role of external auditors in Nigeria.

Hypothesis 2

H_0: There is no difference in reliability scores among auditors, bankers, investors and accountants in Nigeria.

H_1: There is difference in reliability scores among auditors, bankers, investors and accountants in Nigeria.

Hypothesis 3

H_0: There is no difference in independence scores among auditors, bankers, investors and accountants in Nigeria.

H_1: There is difference in independence scores among auditors, bankers, investors and accountants in Nigeria.

1.4 Significance of the Study

The motivation for carrying out this study in Nigeria is that auditors are blamed for business failure, perhaps as a result of misunderstanding of the nature of auditing. This study will be beneficial to the following:

1. External audit clients: who form part of the audit beneficiaries will benefit from the results of this study. They will have a better understanding of the statutory objectives of external audit in order to reduce any unreasonable expectations of the external auditor.
2. Auditors: who help to maintain public confidence in financial statements will understand the expectation of the society in view of protecting their interests and remaining relevant.
3. The Accounting Profession: may need to redefine the role of external auditors because of the changing nature of the business environment.

4. Scholars in Auditing, Forensic Accounting and Related Areas: who push the frontiers of knowledge will benefit from this study by developing research interests from the findings of this study. Also, they will have a broader understanding of the audit expectation gap in the Nigerian context.

1.5 Definition of Terms

Audit: In this study 'audit' refers to statutory audit carried out by external auditors. It is an independent examination of the financial statements of a company.

Expectation: This word refers to the purpose of audit as perceived by the users of financial statements.

Gap: This is the inability of auditors to meet the expectation of the users. In this study, the gap is a result of misunderstanding of the auditor's role and responsibilities, inadequate understanding of the message passed by the audit report and expectations about auditor's independence.

Responsibility factor: this covers the duties and statutory responsibilities of external auditors as they contribute to the Audit expectation gap.

Reliability factor: it elicits the extent to which Auditors' work or audited statements can be relied on.

Independence factor: this shows the extent to which independence of auditors affect the Audit Expectation Gap.

Score: the aggregate response of individual groups of Audit Beneficiaries.

2.0 Literature Review

The following literature review entails an examination of the factors contributing to an audit expectation gap in Nigeria. Following this introductory section, a conceptual framework of the audit expectation gap is established. This is followed by a theoretical framework. This chapter reviews previous literature associated with the history of auditing, role of the auditor, reasons for audit in Nigeria, development of the expectation gap concept, factors contributing to the audit expectation gap in Nigeria and approaches for narrowing the gap. The factors that are reviewed in this study are responsibility, reliability, nature and meaning of audit report messages and independence of auditors.

2.1 The Audit Expectation Gap

The criticism of auditors by society reflects in (lie litigious environment which characterizes auditing today and can be traced to the audit expectation-performance gap (Boyd et al 2001:56). The failure of business corporations and the subsequent financial loss borne by the shareholders of the same has resulted in these criticisms. In the '80s, the profession defined the concept of the "audit expectation gap" and focused public criticism on that concept. This gap exists between the expectations of the capital market investors who don't doubt the financial reports audited by accountants, and the nature of the auditor's task, which is concomitant with the responsibility delegated to them by set auditing standards and the law (Eden, Ovadia and Zuckerman (2003:32).

This gap is related to issues such as responsibilities, independence, third party liability of the auditor, reliance on the audit report by users, meaning of the audit report as perceived by users. Lin and Chen (2004:93) identified the audit expectation gap to be a crucial issue associated with the independent auditing function and have significant implications on the development of accounting standards and practices. A major cause of this gap is that users have high expectations of the auditor's responsibility in relation to fraud (Best, Buckby and Tan, 2001:2). Consequently, when a company faces problems as a result of undiscovered illegal acts either perpetrated by management, other insiders or third parties, the external auditor is blamed.

Other reasons for this gap are inadequate audit standards, deficient performance of auditors, unreasonable expectations of users of audited financial statements, perception that the audit profession can be trusted to serve public interest, inadequate education of the public about auditing, structure and regulation of the profession and misinterpretation of the audit report. The findings of Humphrey et al (1993), Albrecht (2003), Lee, Gloeck and Palaniappan (2007), Best et al (2001), Lin and Chen (2004), Saha and Baruah (2008), Ekwueme (2000), Lee and Ah (2008), Siddiqui and Nasreen (2004), Haniffa and Hudaib (2007) and Ojo (2006) have supported this view.

Basically, this gap has been described to be a result of the shift in the objectives of statutory audit over the years from mere detection of fraud and technical errors to determining whether financial statements give a fair picture of the financial position of a company (Ekwueme, 2000:14).

2.2 Role of the 21st Century Auditor to Detect and Prevent Fraud

The role of audit in this era is to refocus on public interest, redefine the audit relationship, and ensure the integrity of financial reports, separate non-audit functions and other advisory services. Also, audit methods need to be focused on risk attention, fraud awareness, objectivity and independence, increased attention to the needs of financial statement users (Lee and Ali, 2008:23). Since the primary purpose of external audit is not to detect fraud, investigating fraud requires the combined skills of a well-trained auditor and a criminal investigator. Fraud auditing is a relatively new discipline that emerged from the criminal and regulatory statutes involving business, financial crimes ranging from embezzlement, investment fraud, giving and accepting bribe and computer fraud

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to mention a few. Auditing for fraud and statutory audit are parallel in nature. The former is a means of identifying irregularities in accounting practices, procedures and controls. However, the latter is a means by which auditors uncover material deviations and variances from standards of acceptable accounting and auditing practice. Auditing for fraud involves looking beyond the transaction figures even though a statutory auditor is likely to become suspicious of an attempt made to disguise or cover up a transaction (Bologna and Lindquist, 1995:27-33).

There may be some cases where the auditor's work will lead to the detection of fraud. In such a situation the auditor is responsible for considering the potential effect on the financial information. In addition, the auditor should perform more procedures bearing in mind the type of fraud, other irregularities or errors, risk of their occurrences and likelihood that a particular type of fraud or error could have a material effect on the financial statements.

2.2.1 The Role of an Auditor in Ascertaining the" Going Concern Status of a Company

The bane of criticism by the public when a company fails usually stems from the fact that an unqualified audit report was issued by external auditors shortly before the failure occurred. It is no surprise that corporate failure is synonymous to audit failure (Asein, 1999:12). Until recently, it was often taken for granted that the accounts of a company could be prepared on a going concern basis unless there were obvious indications to the contrary (Adeniji, 2004:275). 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 (Adeniji, 2004:276). Users however perceive that a clean audit report is a going concern (Manson and Zaman, 2000:18). In their study, the ability of a company to remain a going concern is linked with the value of their investment. On the part of auditors, it seems to avoid litigation, they are careful to explicitly disclose the going concern position of a company.

2.2.2 Reliability Factor

The main purpose of audited financial statements is to ensure that information provided to investors is accurate (Colley, Doyle, Logan and Stettinius, 2003:233). Also, the opinion given by an auditor is expected to be constant throughout (Adeniji, 2004:510). However, this may not hold given some circumstances surrounding the issuance of an audit opinion. These communication assumptions may make the user more expectant than is needed. Some of these assumptions are an unqualified audit opinion is a clean bill of health, auditors guarantee the continuing existence of firms, auditors issue financial statements after the audit exercise and all fraud should be discovered by statutory audit (Adeniji, 2004:511).

Financial statements are used by a variety of persons for different purposes which are share valuation and acquisition, divestment, mergers, dividend policy, diversification of portfolios, assessment of the worth of the firm, credit worthiness, etc. However, there is need for detailed analysis of any data provided in financial statements before they are relied upon. Audit is carried out to examine the financial books of a company and establish that they conform to Generally Accepted Accounting Principles (GAAP), present a true and fair view of the company's financial position, ensure that the financial statements are free from material misstatements and conform to statutory regulations. This infers that the audit report is not a financial analysis upon which investment decisions should be predicated, (Asein, 1999:13).

2.2.3 Independence Factor

Recent corporate scandals and presumed audit failures have brought auditor independence, and consequently, audit quality, into the forefront (Brandon, 2003:2). Auditors are expected to be independent of management. However, in reality auditors may not be so objective when they carry out non-audit services and engage in audit for a long period of time in a company. Izedonmi (2000:83) described independence as a state of the mind which reflects in the objectivity and integrity of the auditor. Precisely, it means the auditor carries out his or her work without bias and undue influence.

The independence factor has been looked into by previous researchers such as in the study of audit expectation gap. However, Brandon (2003:11) affirmed that no formal theory of auditor independence currently exists. Izedonmi (2000:83) discussed the three types of auditor independence which are 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 an audit exercise based on the planned audit without undue influence either within or outside the organization. Finally, reporting independence is the ability of an auditor to report fearlessly to shareholders without the management or any other outsider influencing the audit opinion. Similarly, there should be no influence by the management or any third party in all these types of independence.

In addition, Adeniji (2004:60-61) identified some of the threats to auditor independence which are self-interest, self-review, advocacy, familiarity and intimidation threat. Due to the negative effects these threats have on the performance of an auditor's responsibilities, the Institute of Chartered Accountants of Nigeria

(1CAN) and the Company and Allied Matters Act (1990) as amended have made provisions to ensure that an auditor is independent. The CAMA (1990) as amended specifies the process of appointing, disqualifying, remunerating, removing, resignation and rights of an auditor. In appointing an auditor, statutorily shareholders are responsible. However, the management may recommend and then allow shareholders to ratify. This is to ensure that management does not appoint persons they can easily manipulate. In reality however, it is the management that appoints auditors. Even though the selection of independent auditors for public liability companies is at the annual general meetings, it has been argued that the choice of which firm to promote is usually made by the board well in advance of the meeting. The shareholder vote is almost always a purely pro forma proceeding, whereas the actual selection responsibility lies with the board (Colley; Doyle, Logan and Stettinius, 2003:234). Gloeck (1993) in a study of the audit expectation gap in South Africa found that almost 60% of the knowledgeable respondents were of the opinion that the auditor is strongly influenced by the management of the company which he/she audits and 70% of stockbrokers were of the same opinion. Conversely, 42% of persons in public practice did not support this view.

The Nigerian context may be a pointer to inadequate education in the area of auditor's independence. This is because some persons do not attach much importance to attending annual general meetings of companies by shareholders. An auditor is automatically disqualified from auditing the financial statements of a company if there is any close relationship with any director of that company. According to CAMA (1990) as amended, the auditor is remunerated by persons who appointed him or her. However, in practice this is a crucial aspect of breach of independence as the auditor is remunerated by management. For anyone to remove an auditor there should be a written representation by the auditor explaining why he or she should not be removed from office. Also, the auditor has certain rights to ensure that the audit work is carried out without inhibitions.

Where there is too much trust of the client, the ability of auditors to protect the interest of the public may be questioned. Trust may be interpreted as pleasing management. A probable solution to protecting the objectivity of auditors may therefore be preventing them from providing non-audit and audit services for the same client at a given point in time. In some cases, these non-audit services may be audited by the same auditors. This issue was addressed in the Sarbanes Oxley Act (2002) in the ban of auditors of public companies from providing non-audit services to the same client.

2.3 Approaches to Reduce the Audit Expectation Gap

The expectations gap is considered to be one of the major issues confronting the accountancy profession (Sikka, Puxty, Willmott and Cooper, 1998:299). Some suggestions have been made to reduce the audit expectation gap. These vary from issuing an expanded audit report that will inform users of what auditors actually do, carry out education of the public on the duties of an auditor, broaden the role of auditors in the area of fraud detection and strengthen the independence of auditors. Lee and Ali (2008:5) advocated that a better remedy to the present day accusation crisis in the accounting profession is to redefine the role of auditors in order to be closer to the public expectations. In their study, they had argued that auditors' of tomorrow have to live up to the expectations of the public, maintain high professionalism, and uphold the good reputation of the auditing profession. For some reasons expressed by the MacDonald Commission, audit education may not be effective in reducing the audit expectation gap since some of the public expectations are achievable by the auditors (Ojo, 2006:4). Lee and Ali (2008:24) suggested that attention should be given to the reasonable expectations of auditors which are not required by existing standards on auditing.

In addition, enforcement measures are required for regulators so that the audit standards are applied to improve the quality of audit. Gloeck (1998:10) emphasized that these standards are considered crucial as they represent a formal, published record of how the work of an auditor should be conducted. Alternative approaches exist for regulatory bodies such as the Securities and Exchange Commission (SEC), the Central Bank of Nigeria (CBN), the Nigerian Stock Exchange (NSE) and the Institute of Chartered Accountants of Nigeria (ICAN) in ensuring that the integrity of the corporate world is maintained and that illegal acts are brought to book.

2.3.1 Understanding the Role of Other Players in the Capital Market

The players in the capital market range from the directors, management, regulators, and professionals including external auditors, stockbrokers, investment bankers and analysts. These persons make up the team to which the present situation in the Nigerian capital market can be attributed. External auditors come once in a year to carry out their responsibility even though it has been advised that to maintain their integrity they can schedule their tasks and depend less on the management when they finally come. The task of statutory audit is once in a year and it may be impracticable to know in detail all that happened during the course of the year except with the cooperation of management.

When a company fails, persons are quick to point at the independent auditor. However, the closest persons to ensure a culture of honesty in a company are the senior management. In some cases they act in their self-interest and this is the major reason why external audit is a must for public quoted companies. To safeguard good corporate governance other players apart from the auditor are needed. These persons need to have the right goals and set the company in the right direction by employing high quality staff and imposing penalty for fraudulent behavior. The objective of ensuring a corporate Nigeria void of scandals cannot be achieved without the senior management.

The audit function, internal and external has been identified by Okaro (2005:21) as the most important tool for safeguarding the integrity of the capital market. The internal audit function is carried out by the internal auditors and the audit committee oversees the work of the external auditor. However, the extent to which the audit committees have succeeded has been identified to be related to its membership. Consequently, it has been advocated that more shareholders than directors should be appointed as members of this committee. On the other hand, it has been argued that until non-executive directors who are independent take up their responsibilities, audit committees may not be effective.

The professional auditors are guided by the Institute of Chartered Accountants of Nigeria (ICAN). This body has a role to play in ensuring that the dignity of the capital market in Nigeria is protected. Taking a clue from ACCA after the Enron scandal occurred in America, some proposals were made to reduce the audit expectation gap. They include making the appointment of external auditors less dependent on the executive directors and more dependent on the non-executive directors, audit committees and" shareholders; limits on the ability of audit firms to offer consulting services to listed company audit clients; fuller disclosure of audit and consulting fees in the annual reports; mandatory review by a company's audit committee of the independent status of the external auditors; and a prohibition on audit firms providing audit service in instances where audit staff have moved to senior executive roles in client companies (Okaro, 2005:21).

Similarly, in Nigeria, Okaro (2005) found that the Securities and Exchange Commission (SEC) is working closely with the Institute of Chartered Accountants of Nigeria (ICAN) to introduce rotational audit. The profession has also adjusted the audit fees since one of the causes of the audit expectation gap is inadequate performance of auditors with respect to their responsibilities. Some auditors have argued that inexperienced professionals are often deployed to perform audit jobs because of the unwillingness of clients to pay for audit services. This is buttressed by the willingness of audit firms to settle cases of negligence out of court rather than justify the quality of their audit services (Omoregie, 2001).

2.3.2 The Role of Education

Of the many approaches suggested for reducing the audit expectation gap in some countries of the world, education of the public has been advocated by Monroe and Woodliff (1993:61-78), Siddiqui and Nasreen (2004:7-9) and Ojo (2006:4). It has been advocated that either professional education (Monroe and Woodliff, 1993:62) or informal education (Alt, Yusof, Mohamad and Lee, 2007) may help in reducing the audit expectation gap. Audit expectation gaps have been found to exist mainly in areas of auditor's responsibilities, independence and third party liability (Lin and Chen, 2004:93). In the area of auditor's responsibilities the society needs to understand the statutory role of the external auditor. This is to forestall a situation where the auditor is perceived as incapable to maintain the integrity of financial information. Especially as Njidda (2000:36) envisaged some changes which may make the Chartered Accountant of the 21st Century in Nigeria or abroad to be more of a value-added than an information provider. The public also needs to be enlightened on the extent of the auditor's responsibilities in the area of fraud detection. In Nigeria for example, professional education may be two ways. First, professional accountants are exposed to Mandatory Continuing Professional Education (MCPE) on the platform of ICAN. Secondly, since audit users are increasing as a result of participation in the capital market they need to be enlightened.

The audit report is a means of communication through which an auditor expresses opinion on the financial statements. However, the users may need to be educated on the extent of reliance that can be placed on an audit report. It has been argued by Colley et al (2003:233) that the investor who is at most risk is the least informed in the capital market. A means through which this gap can be bridged is to educate them on investment issues and other factors associated with maintaining the credibility of the financial statements. Perhaps, if they know that there are other players other than the auditor who can protect their interest, they may be less dependent on the auditor.

2.3.3 Improving the Independence of Auditors

It has been emphasized in the accounting literature that auditors need to be independent to maintain the integrity of financial information. Ojo (2006:10) inferred that the issue of auditor independence relates to the role of the auditor. Consequently, where an auditor compromises due to inadequate independence, it could lead to deficient performance and increase the audit expectation gap. Independence is vital for an auditor. The failed companies in some parts of the world elicited the response of regulatory bodies and the accounting profession. Lee and Ali (2008) revealed that almost all large accounting firms had to split their consulting arms into separate companies, made announcements on more stringent rules and took measures to enhance independence and audit quality. In the United States of America (USA) it is no surprise that the Sarbanes Oxley Act was enacted in 2002 mainly to address issues relating to the independence of auditors. The Act created the Public Company Accounting

Oversight Board (PCAOB) to establish auditing, quality control, ethics and independence standards to be used by registered public accounting firms in the preparation and issuance of audit reports (Bostick and Luehlfing, 2004:58).

Over the years, changes have been made to the audit report. In the face of mistakable, Boyd et al (2001:59) noted that there is a problem if the public mistakenly believes that financial statements reflect current values, or that an audit guarantees management's performance or a company's future. On the part of auditors, a problem may arise if auditors think financial reporting shouldn't change or that they shouldn't be concerned about management controls or a company's future prospects. In event of public demands Boyd et al (2001:59) revealed that in closing the gap, public expectations for an audit need to be brought closer to reality. They advocated that in the long term, the audit profession needs to expand services and undergo a fundamental change in attitude from self-defense-self-preservation to meeting society's expectations. Such re-orientation also means an expansion of services, including more work to detect frauds and more internal control audits and disclosures.

3.0 Data Presentation and Analysis

This chapter focuses on the hypotheses formulated based on the research problems stated in chapter one. The data obtained from the questionnaires distributed to two hundred respondents is presented in this section. One hundred and fifty questionnaires were retrieved. However, twenty-five of the retrieved questionnaires were either incomplete or too mutilated to be analyzed. Therefore, the researchers were left with one hundred and twenty five questionnaires which we deemed sufficient to make a comprehensive analysis and valid conclusion. The bases of our conclusion in this study are the result of the statistical cross-sectional chi-square test at 0.05 levels of significance and test of one-way analysis of variance on the hypotheses. The responses are classified according to their academic qualification, professional qualification in accounting, experience and occupation.

3.1 Data Presentation.

Table 3.1.1. Highest Academic Qualification of Respondents

	Occupation				
Highest Academic Qualification	Bankers	Auditors	Investors	Accountants	Total
WAEC	-	-	25	-	25
B.Sc	16	22	10	11	59
MBA	4	5	9	7	25
M.Sc	-	3	3	4	10
PHD	-	-	3	3	6
Total	20	30	50	25	125

Source: Administered Questionnaires by Enyi, (2011)

Table 3.1.2 Professional Qualification in Accounting

	Occupation				
Professional Qualification	Bankers	Auditors	Investors	Accountants	Total
ACA	12	17	2	3	34
ACCA	-	1	-	4	5
ANAN	3	1	7	13	24
CPA	-	-	-	-	-
NONE	5	11	41	5	62
Total	20	30	50	25	125

Source: Administered Questionnaires by Enyi, (2011).

3.2 Hypotheses Testing.

The Results of the hypotheses formulated for the purpose of this study are now presented.

3.2.1 Test of Hypothesis 1

H_0: There is no significant difference among the opinion of auditors, bankers, investors and Accountants on the statutory role of external auditors in Nigeria.

H_1 **:** There is significant difference among the opinion of auditors, bankers, investors and Accountants on the statutory role of external auditors in Nigeria.

Table 3.2.1 Auditors' Responsibility for expressing an Independent opinion on financial statements based on their audit.

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	-	-	8	1	9
Disagree	2	-	4	1	7
Agree	10	9	20	15	54
Strongly Agree	8	21	18	8	55
Total	20	30	50	25	125

Source: Administered Questionnaires by Enyi, (2011)

Table 3.2.2: Cross-Sectional Chi-Square Analysis for Hypothesis 1

Observed Responses O	**Expected value E**	**O-E**	**$(O-E)^2$**	**$(O-E)^2/E$**
-	**1.44**	**-1.44**	**2.07**	**1.44**
2	**1.12**	**0.88**	**0.77**	**0.69**
10	**8.64**	**1.36**	**1.85**	**0.21**
8	**8.80**	**-0.80**	**0.64**	**0.07**
-	**2.16**	**-2.16**	**4.67**	**2.16**
-	**1.68**	**-1.68**	**2.82**	**1.68**
9	**12.69**	**-3.96**	**15.68**	**1.21**
21	**13.20**	**7.80**	**60.84**	**4.61**
8	**3.60**	**4.40**	**19.36**	**5.38**
4	**2.80**	**1.20**	**1.44**	**0.51**
20	**21.60**	**-1.60**	**2.56**	**0.12**
18	**22.00**	**-4.00**	**16.00**	**0.73**
1	**1.80**	**-0.80**	**0.64**	**0.36**
1	**1.40**	**-0.40**	**0.16**	**0.11**
15	**10.80**	**4.20**	**17.64**	**1.63**
8	**11.00**	**-3.00**	**9.00**	**0.82**
Total				**21.73**

Source: Administered Questionnaires by Enyi, (2011).

Decision Rule:

The Rule is to reject the Null hypothesis if chi-square calculated is more than chi-square table value. In this research the chi-square calculated for Hypothesis 1is 21.73 while the chi-square table value is 16.9 at 0.05 level of significance and degree of freedom of 9.0.

We therefore accept the Alternative hypothesis that: There is significant difference among the opinion of auditors and audit beneficiaries on the statutory role of external auditors in Nigeria.

3.2.3 Test of Hypothesis 2

H_0: There is no difference in reliability scores among auditors, bankers, investors and accountants in Nigeria.

H_1: There is difference in reliability scores among auditors, bankers, investors and accountants in Nigeria.

Table 3.2.3 An unqualified Audit Report can be relied upon to make investment decisions.

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	3	-	5	2	10
Disagree	1	-	6	2	9
Agree	10	2	30	12	54
Strongly Agree	6	28	9	9	52
Total	20	30	50	25	125

Source: Administered Questionnaires by Enyi, (2011)

Table 3.2.4: Cross-Sectional Chi-Square Analysis for Hypothesis 2

Observed Responses O	**Expected value E**	**O-E**	**$(O-E)^2$**	**$(O-E)^2/E$**
3	**1.6**	**1.40**	**1.96**	**1.23**
1	**1.44**	**-0.44**	**0.19**	**0.13**
10	**8.64**	**1.36**	**1.85**	**0.21**
6	**8.32**	**-2.32**	**5.38**	**0.65**
-	**2.40**	**-2.40**	**5.76**	**2.40**
-	**2.16**	**-2.16**	**4.67**	**2.16**
2	**12.96**	**-10.96**	**120.12**	**9.27**
28	**12.48**	**15.52**	**240.87**	**19.30**
5	**4.00**	**1.00**	**1.00**	**0.25**
6	**3.60**	**2.40**	**5.76**	**1.60**
30	**21.60**	**8.40**	**70.56**	**3.27**
9	**20.80**	**11.80**	**139.24**	**6.69**
2	**2.00**	**0.00**	**0.00**	**0.00**
2	**1.80**	**0.20**	**0.04**	**0.02**
12	**10.80**	**1.20**	**1.44**	**0.13**
9	**10.40**	**-1.40**	**1.96**	**0.19**
Total				**47.50**

Source: Administered Questionnaires by Enyi, (2011).

Decision Rule:
The Rule is to reject the Null hypothesis if chi-square calculated is more than chi-square table value. In this research the chi-square calculated is 47.50, while the chi-square critical value is 16.9 at 0.05 level of significance and degree of freedom of 9.0.
We therefore accept the Alternative hypothesis that: There is significant difference in Reliability scores among auditors, bankers, investor and
Accountants in Nigeria.
3.2.5 Test of Hypothesis 3
H_0: There is no difference in independence scores among auditors, bankers, investors and accountants in Nigeria.
H_1: There is difference in independence scores among auditors, bankers, investors and accountants in Nigeria.

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Table 4.2.6 Auditors are not independent in the Nigerian business environment.

	Occupation				
Response	Bankers [A]	Auditors [B]	Investors [C]	Accountants [D]	Total
Strongly Disagree	4	10	10	5	29
Disagree	3	8	13	6	30
Agree	5	7	12	6	30
Strongly Agree	8	5	15	8	36
Total	20	30	50	25	125

Source: Administered Questionnaires by Enyi, (2011)

Table 3.2.6 Analysis of Variance [ANOVA] on Hypothesis 4.

Responses	[A]	A^2	[B]	B^2	[C]	C^2	[D]	D^2
SD	4	16	10	100	10	100	5	25
D	3	9	8	64	13	169	6	36
A	5	25	7	49	12	144	6	36
SA	8	64	5	25	15	225	8	64
Total	20	114	30	238	50	638	25	161
Mean	5.00		7.50		12.50		6.25	

Source: Administered Questionnaires by Enyi, (2011).

Formula

ANOVA denoted by **F** is a ratio computed as:

$$F = \frac{V_b}{V_w} \quad \frac{\text{between group variance}}{\text{within group variance}} = \frac{S^2_b}{S^2_w}$$

Table 3.2.7 ANOVA summary on Hypothesis 3

Sources of variation	Df	Sums of squares	Mean squares	f- cal	Critical value of F	significance	decision
Between group	3	129.69	43.23	11.59	3.3	0.05	Reject H_0
Within group	12	44.75	3.73				
Total	15	174.44					

Source: Administered Questionnaires by Enyi, (2011).

Decision Rule:

The Rule is to reject the Null hypothesis if F-calculated is more than F-critical value. In this research the F-calculated for Hypothesis 4is 11.59 while the F-critical value is 3.31 at 0.05 level of significance and degree of freedom of 3-12. We therefore accept the Alternative hypothesis that: There is statistically, significant difference in independence scores among auditors, bankers, investors and accountants in Nigeria.

4.0 Conclusion and Recommendations

From this study the following findings were deduced;

1. The audit function is crucial in providing users with assurance about the information provided by management in the financial statements. Users expect this information to be free from management bias and correct, true and fair with respect to the enterprise resource.
2. The audit expectation gap is associated with the independent audit function (Lin and Chen, 2004:93).

3. 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.
4. Even though auditors are expected to maintain public confidence in companies they invest in, Saha and Baruah (2008:74) deduced that users of financial statements do not have confidence on the auditors and the auditing process.
5. There is difference between the opinion of auditors and audit beneficiaries on the statutory role of external auditors in Nigeria.
6. There is difference in reliability scores between auditors, bankers, investors and accountants in Nigeria.
7. There is difference in Nature and meaning of audit report messages scores [an unqualified statement shows the true and fair view of the state of affairs of a company] between auditors, bankers, investors and accountants in Nigeria.
8. There is difference in independence scores between auditors, bankers, investors and accountants in Nigeria.
This research illustrates that even though auditors are responsible for maintaining public confidence in a company; there are certain expectations that the society has about the audit function that are unreasonable. These contribute to an audit expectation gap. This study demonstrates a substantial knowledge of auditing by the other three groups of respondents with respect to fraud detection/prevention by auditors, verifying every transaction and liability for business failure.
9. Since there is an audit expectation gap in the area of the company's financial statements, responsibility for verifying every accounting transaction undertaking by the company, responsibility for detecting/preventing all fraud in a company, responsibility for an effective system of internal control, responsibility for disclosing whether any theft occurred during the financial year, liability for business failure, being financially liable when the accounts of a company are not handled diligently and responsibility for maintaining public confidence in a company, users should be educated on the responsibilities of auditors and nature of audit services.
10. 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.
11. 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 investment than merely interpreting that an unqualified audit report is a clean bill of health of the company.
12. Auditors are encouraged to exercise due diligence and care in handling the accounts of a company. This is because failure to do so may abruptly end the business and increase the blame on the accounting profession.

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