The Evaluation of Evidence of the Audit Expectation Gap in Ghana

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Abstract
The study examined the existence of audit expectations gap in Ghana from the point of view of auditors, bankers and students of the Institute of Chartered Accountants, Ghana (ICA (G)) as users of financial statements. Questionnaires were used on a sample size of 135 respondents. The random and the convenient sampling methods were used. The study uncovered an expectation gap which was quite wide especially in relation to; auditors responsibility for detecting and preventing fraud and errors, the soundness of the internal control structure of the entity, the auditor not exercising judgment in the selection of audit procedures among others. The researchers therefore recommend that the regulators of audit profession in Ghana must take steps necessary in educating auditors and financial statements users alike and that the establishment of an independent government agency to oversee the implementation of audit regulation in Ghana is eminent. The researchers further propose the extension of the auditors' responsibility as a shared cost between audit firms and their clients.
Keywords: Auditor, audit, audit expectation gap, Ghana, responsibility.

1. Introduction

The origins of auditing date back to Greek, Egyptian, and earlier civilizations and whilst there was the emergence of large manufacturing organizations in the eighteenth century, the usual association between audits and fraud detection remained (Ojo, 2006). The very first major formal auditing text-book by Dicksee (1892) stated clearly that the scope of an audit included namely: the detection of fraud, technical errors and errors of principle. He further stated that the detection of fraud was a most important portion of the auditor's duties and that the whole duty of the auditor was to ascertain the exact state of the clients' affairs on a certain date (Ojo, 2006). Conversely, other authors such as Robertson and Montgomery argued on the contrary and considered the detection of fraud to be a secondary audit objective (Sikka, puxty, Willmott, & Cooper, 2003).

According to Humphrey et al. (1993) and Ojo (2006), the position adopted by the auditing profession in Britain during the twentieth century played down any suggestion that auditors had responsibility linked to fraud apart from that which arose from the need to confirm the truth and fairness of financial statements. Consequently, the main objective of auditing was changed from fraud detection to "verification of financial statements" (Chandler, Edwards and Anderson, 1993). This move many experts believe was an attempt to protect auditors in the auditing profession in order to avoid legal suits by businesses and the general public. Additionally, Hassink et al. (2009) as cited in (Agyei et al., 2013) reported that the audit profession has reduced its role particularly in the area of fraud detection and made that the responsibility of management. Hassink et al. (2009) further indicated that such shift in audit objectives and responsibilities over time has created a dissatisfaction of companies stakeholders including shareholders, current and potential investors, creditors to mention but a few. This according to Saeidi (2012) resulted in the audit expectation gap as the stakeholder's expected more from the auditing profession than what the auditing profession actually does.

In a recent empirical study by the Association of Certified Chartered Fraud Examiners (ACFE) that analyzed 1,843 global occupational fraud cases that occurred between January, 2008 and December, 2009, it was found out that 25% of the fraud cases resulted in minimum losses of USD$1 million while on average the frauds were not detected until they had been occurring for at least 18 months (ACFE, 2010; Salifu, 2014). Additionally, asset misappropriation was found to be the most frequently occurring type of fraud (ACFE, 2010). It is therefore not surprising when PricewaterhouseCoopers (2009)'s 5th Global Economic Crime Survey reported that fraud remains a pervasive business risk and almost every firm is subjected to occupational fraud in their daily businesses, leading to huge losses for businesses and society. On a global scale, however, the effects of fraud actions are extremely high according to Siskos (2014). In particular, financial fraud costs the global economy some USD$ 2.9 trillion on an annual basis (Obiri, 2011), and according to Klapproh (2011, p. 3) it is considered being on the increase; fuelled by the recent global financial crises (Kroll, 2010). Similarly, KPMG (2009) although recognises that in recent times some considerable attention is devoted to control issues and systems so as to narrow the audit expectation gap, the actual levels of fraud and financial damages has not decreased.

Although the impacts of fraud negatively affect society, detecting and preventing fraud is quite difficult task for all stakeholders in society. For instance, Kroger (2004) indicated that the collapse of Enron in 2001 resulted in investors loosing astronomically USD$61 billion. However, the fraud at Enron could not be detected until it collapsed. It is therefore not surprising that majority of our society members thinks that the primary responsibility of auditors is the detection and prevention of frauds. Zidmund (2008) asserts that new rules and regulations followed by auditors when performing audit contain terms such as "reasonable", "material", "professional skeptism", whose meanings differ from one auditor to the other. Again, the meaning of auditing is often misunderstood by financial statements users, as they believe that an unqualified opinion means the certification of accuracy of the entity's accounts. The issuance of an unqualified audit opinion implies that the auditor believes that the financial statements give a true and fair view in accordance with the applicable financial reporting framework (IFAC, 2008). In fact, in reality the auditor provides a reasonable level of assurance (Gold et al., 2012), as inherent audit limitations prevent the auditor from realizing or achieving absolute assurance (Gay et al., 1998).

A number of prior studies such as Bailey et al. (1983), Nair et al. (1987), and Anderson et al. (1998) have also uncovered that users of financial statements attribute disproportionate responsibility towards auditors, whereas in reality, management is primarily responsible for the adequacy of the financial statements. The audit expectation gap is therefore, the difference between what users of financial statements expect from the auditor and what the auditor actually provides.

As a result of the significance of the audit expectation gap, it is unsurprising that it has attracted considerable attention across the world. There is therefore, persistent evidence of the audit expectation gap around the world. This is found in various studies conducted in the USA (Libby, 1979; Nair and Rittenberg, 1987; Houghton, 1987; Lowe, 1994), UK (Humphrey et al., 1993; Haniffa and Hudaib, 2007), Australia and New Zealand (Porter, 1993; Gay et al., 1997, 1998), Singapore (Best et al., 2001), Egypt (Dixon et al., 2006), Malaysia (Fadzly and Ahmed, 2004), Nigeria (Adeyemi and Uadiale, 2011), Iran (Salehi, 2011; Noghondari and Foong, 2013), and Ghana (Agyei, Aye & Yeboah, 2013), to mention but a few. However, in Ghana, to the best of our knowledge the only study on the existence of the audit expectation gap is that of Agyei et al. (2013). In a sample of twenty (20) auditors and stockbrokers each, Agyei et al. (2013) found evidence of audit expectation gap in Ghana particularly in areas of auditor responsibility relating to fraud detection and prevention, and soundness of internal control structure of the audited entity.

However, the first major limitation of their study was the limited users of financial statements. In fact, Agyei et al. study only considered stockbrokers as users of financial statement. In addition, their sample size of twenty (20) auditors and stockbrokers each in our opinion was too scanty for the outcome of the study to have been generalized for the entire country.

In response to these limitations, we undertake this study with the objective of examining the existence of audit expectations gap in Ghana from the point of view of auditors, bankers and students as users of financial statements. We expand on the user groups of financial statements and also increase the sample size to fifty (50) for each of the respondent groups. This we believe will address the limitations of the study by Agyei et al. (2013) which found existence of audit expectation gap in Ghana. The outcome of our study would not only ascertain the audit expectations gap in Ghana, but also it will add to the global literature as far as the audit profession is concerned.

The rest of the paper is organized as follows: Section two discusses relevant literature on the topic while section three focused on the research methodology employed in the study. Section four discussed and analyzed the data collected from respondents. Finally section five looked at the limitations, conclusion and recommendations.

1.1 Literature Review

The audit expectation gap is not a new phenomenon in the auditing literature, and as a result several researchers in this field have defined the subject over time. However, the audit expectation gap somewhat gives a bad reputation though to the external auditors. One would ask why this old problem (audit expectation gap) between users of the financial statements and the auditing profession has remained unresolved all these years. Well, corporate failures in recent times both at national and international dimensions have further undermined the credibility of auditing practices and its related regulation. In the bankruptcy of WorldCom, 40% of employee plans consisted WorldCom stocks were lost. Salehi (2011) indicates that when WorldCom went bankrupt, employees lost USD$775 million in interest benefits. Additionally, the events of scandals not only caused an erosion of confidence in the capital market but also created what Whittington and Pany (2004, p. 10) call a "crises of credibility" for the accounting profession cited in (Salehi, 2011).

2.1 Audit Expectation Gap: Definitions

The Audit Expectation Gap is defined by several researchers. Porter (1988) identified two major components of the audit expectation gap:

1. The difference between what society expects auditors to achieve and what they can reasonably expect to accomplish (designated as the "reasonableness gap); and
2. The difference between the responsibilities society reasonably expects of auditors and auditors'

performance (also designated as the "performance gap").

Ojo (2006) defines the expectations gap as the difference between what the public and users of financial statements perceive the role of an audit to be and what the audit profession claim is expected of them during the conduct of an audit.

The audit expectations gap is when external auditors' understanding of their role and duties is compared against the expectations of user groups and the general public (piece & Kilcommins, 1995, 1996). According to Guy and Sullivan (1988), there is a difference between what the public and financial statement users believe accountants and auditors themselves believe they are responsible for. According to AICPA (1993), the audit expectation gap refers to the difference between what the public and financial statement users believe the responsibilities of auditors to be; and what auditors believe their responsibilities are. Researchers believe that the audit expectations gap is the misunderstanding between the audit profession and the general public as to the nature and function of external audit in modern times.

Based on the review of various definitions of the audit expectation gap, the main objective of this study is to examine the existence of audit expectations gap in Ghana by basically considering the differences between the expectations of users of audited financial statements and auditors' perceptions of their role designated as the "reasonableness aspect of the gap as defined by Porter (1988) above. Our findings are expected to add to the auditing literature in Ghana and the world at large.

2.2 Definitions of Auditing

The definitions, meanings and focus of auditing have changed significantly from the eighteenth century to date. Some modern definitions of auditing are outlined below.

Auditing is an independent function by means of an ordered and structured series of steps, critically examining the assertions made by an individual or organization about economic activities in which they are engaged and communicate the results in the form of a report to the users (Salehi, 2011). According to the American Accounting Association (AAA) (1973), auditing is defined as "a systemic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users". "The process by which a competent, independent person accumulates evidence about quantifiable information related to a specific economic entity for the purpose of determining and reporting on the degree of correspondence between the quantifiable information and established criteria"(Arens et al., 1997). On the other hand, Mautz and Sharaf (1986) defined auditing as being "concerned with the verification of accounting data, which determines the accuracy and reliability of accounting statements and reports".

2.3 The Need for Auditing

The need for audit results from information asymmetry between owners (shareholders) and management. The shareholders' interests' conflict with those of management and that is why there is the need for an independent third party (auditors) to review management assertions and to communicate this to the owners in the form of an audit report.

According to Salehi (2011), the contractual arrangement between shareholders and management requires that managers issue a set of financial information that purports to show the financial position and results of operations of the entity. Below is brief analysis of some theories that advocate the need for auditing:

1) Agency theory;
2) Credibility theory;
3) Policeman theory;
4) Moderator of claimants theory; and
5) Theory of inspired confidence.

2.3.1 Agency Theory

The agency theory explains the conflict of interest created by the agent (management) and the principal (shareholders) and how this needs to be managed. Historically, businesses were owned and managed by the same persons. However, for economies to grow and expand it was necessary to find a larger number of investors to provide finance in order to assist in this regard. Ultimately this led to the concept of limited liability companies and subsequently the development of stock markets in order to buy and sell shares.

According to Jensen and Meckling (1976), the agent (managers) undertakes to perform certain duties for the principal (investors) and the principal in turn undertakes to reward the agent. In this regard, agency costs are incurred by principals in order to monitor the agency behavior (both in terms of management remunerations and auditor's remunerations) all because of the lack of trust in the good faith of agents. The role of the auditor is to supervise the relationship between the management and the shareholders. For Andresson and Emander (2005) (as cited in Salehi, 2011), a gap expectation occurs when the distribution of the responsibility is not well defined. The responsibility of every part is well defined in the regulation. Therefore, the management and the shareholders have to realize that the auditor does not have responsibility of accounting, but instead only see that the auditing is carried out properly. As cited in Adeyemi and Uadiale (2011), Hermanson et al. (1993) identify four (4) conditions in the business environment which create a demand for an independent audit. These are conflict of interest, consequence, complexity, and remoteness.

1. **Conflict of interest**: Obviously, financial statement users want the statements to show the company's financial performance, position and statement of cash flows as accurately as possible. Also, educators' users of the financial statements know that it is the company's director's responsibility to prepare financial statements reflecting their own performance. Therefore, there is a perceived perception from users of financial statements that the directors may bias their report so as to reflect favorably on their management of the company's affairs. From the above statements it can clearly be seen that there is a potential conflict of interest between the preparers (directors of the company) on one hand, and the users of the financial statements on the other. Therefore, the external auditors play a significant role in assisting to ensure that directors provide, and users are confident of receiving, information which is fair representation of the company's financial statements.
2. **Consequence**: There is no doubt that audited financial statements are used by wide range of users in making informed economic decisions; and as such the auditors' works add credibility to the financial statements by giving users the needed assurances and peace of mind. To this end, if users of a company's financial statements base their decisions on unreliable information, they suffer serious financial loss. In the collapse of Enron the investors lost an estimated USD$61 billion (Kroger, 2004; Obiri, 2011; Salifu, 2014).
3. **Complexity:** Salehi (2011) argues that the information communicated by companies has become more complex, users of the information have found it more difficult or even impossible, and to obtain direct assurances about the quality of the information received. Additionally, Nogbondari and Foong (2013) indicate that with the increasing complexity of transactions, accounting systems and financial statements, users of external financial statements are less able to evaluate the quality of the information for themselves. Furthermore, the growth in size of companies means a corresponding growth in the volume of their transactions as well, and as such errors are more likely to crap into accounting data (knowingly or unknowingly) and these affects the financial statements. This certainly calls for a need for the financial statements to be examined by an independent qualified auditor, who has the necessary competence and expertise to understand the entity's business, its transactions and its accounting system as opposed to users without such expertise.
4. **Remoteness:** As a consequence of legal, physical and economic factor, users of a company's external financial statements are not able to verify for themselves the reliability of the information contained in the financial statements (Adeyemi and Uadiale, 2011). However, if users are majority shareholders in an entity, they have *de facto right* of access to the company's books and records. Remoteness basically is caused by the separation of the user of the information and the source of the information. In other words, remoteness actually prevents the users of the information from assessing directly the quality of the information.

2.3.2 Credibility Theory

This theory regards the primary function of auditing to be the addition of credibility to the financial statements (Salehi, 2011). Management uses audited financial statements in order to enhance the shareholders' faith in the manager's stewardship and thereby reduce the information asymmetry. Porter (1990) therefore, concludes that "audited information does not form the primary basis for investors' investment decision"

2.3.3 Policeman Theory

Until the 1940s, the policeman theory was the widely held theory on auditing (Hayes et al., 1999). Under the theory, an auditor acts as a policeman concentrating on the arithmetical accuracy and on prevention and detection of fraud. However, Fadzly and Ahmed (2004) note that due to its inability to explain the shift of auditing focus to "verification of truth and fairness of the financial statements", the theory seems to have lost much of its explanatory power all of a sudden.

2.3.4 Moderator of Claimant Theory

This theory states that it is crucial that all vital participants in an organization continue to contribute to the realization of the organization's objectives. In order to continue these contributions, Salehi (2011) reports it is important that each group is made to believe it receives a fair share of the company's income by giving an opinion on the various interests represented in the amounts shown therein. To this end, auditing becomes a necessity.

2.3.5 Theory of Inspired Confidence

Hayes et al. (1999) indicate that this theory was developed by a Dutch professor called Theodore Limperg. This theory therefore, addresses both the demand for and the supply of audit services. According to Limperg as cited in Salehi (2011), the demand for the audit services is the direct consequence of the participation of outside stakeholders in the company. In return for the shareholders contribution, they demand accountability from company management. Since information provided by management might be biased, a possible divergence between the interest of management and outside stakeholders, an audit of this information is required (Adeyemi and Uadiale, 2011). As regards to the level of audit assurance that the auditor should provide, Limperg indicates that the auditors' job should be executed in such a way that the expectations of a rational outsider are not thwarted.

2.3.6 Quarsi-Judicial Theory

Hayes et al. (1999) report that under this theory, the auditor is considered as a judge in the financial distribution process. Porter (2003) concludes that;

(i) an auditor's decisions and decision process are not publicly available;
(ii) the doctrine of precedence is not guaranteed in auditing; and
(iii) an auditor's independence differs from a judge's independence because of the different reward system involved.

2.4 Empirical Evidence on Audit Expectations Gap

The very first studies on audit expectations gap which served as a foundation for research in this area were laid down in the seminal works of Lee (1970) and Beck (1974), who investigated the duties which auditors were expected to perform. Those studies ascertained that the auditors and public views of the roles and responsibilities of auditors can be obtained through the questionnaires. At the initial stages Liggio (1974a) visualized the changing role of auditors and subsequently pioneered the concept of the audit expectation gap (Liggio, 1974b).

Baron et al. (1977) examined the extent of the auditor's detection responsibilities with respect to material errors, irregularities and illegal acts in the USA. In fact, they tried to establish whether there were any differences in the perceptions regarding the auditors' detection and disclosure duties between the auditors and users of financial statements such as bank loan officers, financial analysts and corporate financial managers. Indeed, they found significantly different beliefs and preferences on the extent of auditors' responsibilities for detecting and disclosing irregularities and illegal acts than the auditors believed themselves to be.

Low (1980) found evidence of the expectation gap in Austria when the researcher tried to find out the extent of auditors detection and disclosure responsibilities concerning the errors, irregularities and illegal acts as perceived by auditors and a non-auditor group. It was uncovered that both group differed significantly in their perceptions of the extent of auditors' detection and disclosure responsibilities and that an expectation gap existed between the two groups. Similarly, Low (1988) conducted a study in Singapore examining the perceptions between financial analysts and auditors and found expectation gap existence. Also, Low (1974) compared the perceptions of auditors and judicial litigants regarding their expectations of the auditing profession. It was uncovered that an expectation gap existed between the auditors and judicial litigants and that judges systematically expected more from auditors than auditors believed they provided.

In the UK, Humphrey et al. (1993) carried out a survey regarding the role of auditors through a series of unstructured interviews, questionnaires, and mini case study in order to measure the existence of the audit expectation gap. The study uncovered a significant difference between auditors and the respondents. Indeed, the study concluded on the existence of audit expectation gap.

Gloeck and De Jager (1993) examined audit expectation gap in the Republic of South Africa between investors and auditors in a survey and concluded that there was an audit expectation gap, and that there were three areas of concern; the lack of independence of auditors, uncertainties regarding the role of auditors especially with regards to fraud and going concern issues, and dissatisfaction with the mandatory audit of small owner-managed companies.

A study by Best et al. (2001) uncovered evidence of expectation gap in Singapore. The study sought to determine the level and nature of the expectation gap in various areas of auditor responsibility. They employed a survey instrument and the participants were auditors, bankers and investors. Their results indicated a wider expectation gap in the areas of the auditors' responsibility for preventing and detecting fraud, maintenance of accounting records, and selection of appropriate auditing procedure.

In Malaysia, Fadzly and Ahmad (2004) conducted a study regarding several dimensions of expectation gap: participants were auditors, bankers, brokers and investors and the researchers used the questionnaire instrument for the collection of data. The results uncovered evidence of expectation gap in Malaysia from the viewpoint of auditors and other participants, especially on issues regarding auditor's responsibilities. A wide gap was uncovered regarding auditor's responsibilities in fraud detection and prevention, preparation of financial statements and accounting records.

Beelde et al. (2005) conducted a survey relating to audit expectation gap in Belgium, and the participants were auditors, bankers, and managers. The results uncovered significant differences between auditors and other parties in several areas such as going concern, auditor role and auditing process, liability of auditors to third parties, and fraud detection and prevention. With regard to detecting and preventing fraud expectation gap existed.

Other studies conducted with the conclusion of the existence of audit expectation gap includes (Schelluch, 1996; Hudaib and Haniffa, 2002; Nasreen, 2006; Salehi and Azary, 2008; Adeyemi and Uadiale, 2011; Dana, 2011; Saeidi, 2012; Agyei et al., 2013; Ojo, 2006; Gold et al., 2012; and Ohman et al., 2006).

2.5 Contributory Factors to the Audit Expectation Gap

A number of researchers have identified factors that contribute significantly to the existence of the audit expectation gap. Salehi (2011) indicates that misunderstanding of financial statement users in the following areas below is contributing a lot to the existence of the audit expectation gap around the world.

a) reasonable expectations of audits
b) unrealistic perception of the audit profession's performance
c) objectives and limitations of an audit
d) inadequate auditing standards
e) deficient auditor performance.

The audit expectation gap exists mainly because of the subjective nature of terms and concepts in auditing such as the true and fair view, reasonableness, materiality, adequacy, reliability and relevance which are not defined precisely in the accounting and auditing standards but are left for the auditor's professional judgment (Humphrey, 1997).

The existence of audit expectation gap can be attributed to complicated nature of an audit function; conflicting role of auditors; retrospective evaluation of auditors' performance; time lag in responding to changing expectations; and self-regulating process of the auditing profession (Lee and Ali, 2008a). Shaikh and Talha (2003) (as cited in Gold et al., 2012) further identify the following as causes of the audit expectation gap:

a) corporate crises which lead to new expectations and accountability requirements
b) the audit profession attempting to control the direction and outcome of the expectation debate to maintain the status quo and
c) the evolutionary development of audit responsibility.

2.6 Closing the Audit Expectation Gap

According to Sikka et al. (1988) (as cited in Agyei et al., 2013), it is possible to substantially reduce but not totally eliminate audit expectation gap. Best et al. (2001) study in Singapore and Low (1984) indicate among others that if a longer form of audit reporting format is adopted then we could reduce significantly the audit expectation gap. In response to the audit expectation gap, the International Auditing and Assurance Standards Board (IAASB) released a revision of the International Standard on Auditing (ISA) 700, the standard on the auditors' report, which is effective for reports dated on or after December 31, 2006. The revision was undertaken in order to improve users' understanding of an audit and to align users' expectations with the actual responsibilities of the auditor and management as well as the reliability of audited financial statements (IFAC, 2008). This move by IFAC has reduced the audit expectations to some extent but has not been able to eliminate it. Researchers like Adeyemi and Uadiale (2011) proposed the expansion of the auditor's responsibilities to include fraud detection and prevention, if the audit expectations gap were to be reduced.

3. Research Methodology

The survey instrument is used in this study. The research method used is identical but not the same as that used in Best et al. (2001) in Singapore, Agyei et al. (2013) in Ghana, and Salehi and Azary (2008) in Iran. The motivation for using similar methodology assists in providing a reliable assessment of the audit expectation gap in Ghana and permits useful comparisons to be made between the results from this study and previous studies on this subject.

The population of the study consisted of all users of financial statements in Ghana. The random and the convenient sampling methods were used in selecting the user group to represent the users of financial statements.

On the other hand, convenient sampling was used because it was based on availability and willingness of respondents to complete the questionnaires. The sample consisted of three (3) group of respondents namely; auditors, bankers, and students of the Institute of Chartered Accountants, Ghana (ICA (G). For the bankers and students groups of respondents, the questionnaires were administered within the Tamale Metropolis. Tamale is the third largest city in Ghana, located at the northern part of the country. Tamale is the regional capital of the Northern Region of Ghana. With respect to the third category of respondents, that is the auditors, the questionnaires were administered in two (2) cities: Tamale and Accra. Accra is the capital city of Ghana. We wanted the views of auditors working with local and international audit firms, and since none of the big four (4) firms operated in Tamale we had to travel to Accra, where we could find auditors working with the big four (4) accounting firms to fill the questionnaire.

A total of 150 respondents were selected randomly consisting of 50 respondents from each of the group – auditors, bankers and ICAG students. The number of respondents was limited to 150 in order to avoid excessive travelling costs in collecting the data. Out of the fifty (50) questionnaires administered to each respondent group, a total response rate of 90% was achieved representing a total of 135 respondents across the three respondent groups. Fifty (50) questionnaires were completed and returned from the ICAG students, representing hundred (100%) percent response rate, forty (48) were completed and returned from the bankers group, and forty-five (45) from the external auditors. All returned questionnaires from these three (3) respondent groups were edited. After the editing of returned questionnaires, forty (45) usable questionnaires were used for each respondent group. As cited in Agyei et al. (2013), Buame (2006) indicated that questionnaires are often used as part of a survey strategy to collect descriptive and explanatory data about attitudes, beliefs, behaviors, and attributes. Indeed, the outcome of this study was based on primary data through the administration of research questionnaires. The questionnaires were self-administered by the researchers. The items contained in the questionnaire sought the opinions of respondents on the objectives of examining the existence or otherwise of audit expectation gap in Ghana. The questionnaire was the appropriate method in this circumstance because it was cheaper and also guaranteed anonymity.

The questionnaire used in this study consisted of two sections: section A and B. Section A consisted of demographic information of the respondents. Section B included fifteen (15) questions in total, seven (7) on the responsibilities of both auditors and management (responsibility factor), five (5) questions on the reliability factor, and three (3) questions on the decision usefulness factor. The questions were all closed ended and respondents were required to indicate the extent to which they disagreed or agreed with each of the statements on a score of one (1) to five (5). The measuring instrument of the statements was a five (5) – point likert scale anchored "strongly disagree" (1) and "strongly agree" (5). The data collected was analyzed descriptively using Statistical Package for Social Sciences (SPSS version 16.0).

4.0 Results and Discussion

4.1. Demographics of Respondent Groups

With respect to the gender of respondents, 109 (80.7%) are males whilst 26 (19.3%) were females. In terms of accounting qualification, 115 (85.2%) had accounting qualifications and 20 (14.8%) had no accounting qualification. Similarly, all respondents with accounting qualifications appeared to have accounting experience as opposed to 20 (14.8%). However, the work experience of the respondents consisted 77 (57%) had experience of between 1-5 years, 49 (36.3%) were between 6-10 years, whiles 5 (3.7%) were between 11-15 years, and 16 years and above were only 4 (3.0%)

In relation to occupation, all three (3) respondent groups consisted of 45 (33.3%) of the total respondents of 135. Finally, with respect to the length of time respondents have been in their occupations, 86 (63.7%) have been in their occupations between 1-5 years, 37 (27.4%) between 6-10 years, 8 (5.9%) between 11-15 years and over 16 years were 4 (3.0%).

This suggests that respondents are better positioned to respond to the questionnaires objectively given their demographic profile above. The levels of experience and qualification according to Best et al. (2001) indicate that the respondent groups are very informed about the uses of financial statements and the auditing process per se and thus any measure of expectation gap taken from the study should be considered to be stronger and more reliable than if respondents were largely inexperienced with regard to these issues.

4.2 Measurement of Existence of Expectations Gap

Perceptions of the respondent groups in relation to the auditor's current responsibilities and duties for detecting all fraud and errors revealed fascinating outcomes. With respect to the auditors, 25 (55.6%) disagreed strongly that the auditor is not responsible in detecting all fraud and errors in the financial statements. A further 10 (22%) of the auditors disagreed that the auditor is not responsible for the detection for all fraud and errors. 11.1% of the auditors however disagreed strongly that the auditor is indeed responsible for detecting all fraud and errors, 8.9% agreed to the statement and only 2.2% of the auditors moderately agreed to the statement. This is quite clear that about 78% of the auditors are clear as to responsibilities of the auditor in relation to the detection of fraud and errors.

Similarly, 14 (31.1%) of the ICA (G) students disagreed strongly with the statement while 13 (28.9%) disagreed with the statement. However, 15.6% of the students strongly disagreed with the statement whilst 20% agreed with the statement. Only 4.4% of the students moderately agreed to the statement.

On the other hand, 24.4% of the bankers agreed strongly that the auditor is responsible in detecting all fraud and errors while 37.8% agreed to the statement. This brings to a total of 62.2% of the bankers believing that the auditor is indeed responsible for detecting all fraud and errors in the financial statements. 4.4% of the bankers strongly disagreed though with the statement while a further 11.1% disagreed, with only 22.2% moderately agreeing to the statement.

The analysis above indicates that even among auditors, it's not clear whether some auditors know for the fact that it is not their primary responsibility to detect fraud and errors in the financial statement as 22% of the auditors agreed to the statement. Similarly, 40% of the ICA (G) students are not equally clear as to the role of the auditor in relation to the detection of fraud and errors in the financial statements in line with ISA 240. Finally, 62.2% of the bankers are also not clear as to the role of the auditor in relation to the detection of fraud and errors in the financial statements as per ISA 240. Comparing the perceptions of the respondent groups it's crystal clear that there is an expectation gap in connection with the detection of fraud and errors by auditors in Ghana. This confirms the findings of Agyei et al. (2013) in Ghana and Best et al. (2001) who uncovered similar expectation gap in Singapore.

Additionally, it was uncovered that 21(46.7%) of the auditors disagreed strongly that the auditor is not responsible for the soundness of the internal control structure of the entity while 12 (26.7%) disagreed. This means that 73.4% of the auditors are quite clear as to the role of the auditor with respect to the soundness of the internal control. However, 5 (11.1%) moderately agreed with the statement while a further 5 (11.1%) agreed with the statement as well. Only 2 (4.4%) of the auditors agreed strongly though that the auditors were responsible for the soundness of internal control. This also brings to total 26.6% of the auditors who still believe that the auditor is responsible for the soundness of internal control.

On the other hand, 14 (31.1%) of the ICA (G) students agreed that the auditors are responsible for the soundness of the internal control while 10 (22.2%) agreed strongly to the statement. Only 2 (4.4%) though moderately agreed. A total of 57.7% of the students believe that the auditors are responsible for the soundness of internal control structure of the entity. However,

13 (28.9%) of the students disagreed with the statements whilst 6 (13.3%) disagreed strongly with the statement.

Similarly, in relation to bankers, 17 (37.8%) agreed with the statement while 13 (28.9%) agreed strongly. Only 8 (17.8%) moderately agreed. In total however, about 85% of the bankers believe that the soundness of internal control structure is the responsibility of the auditors. However, 5 (11.1%) disagreed strongly while 2 (4.4%) disagreed. The analysis above is an indication of the existence of expectation gap with respect to the soundness of internal control structure of the entity. This once again confirms the findings of Agyei et al. (2013) in Ghana and Best et al. (2001) in Singapore.

In relation to the auditors being responsible for maintaining accounting records 66.7% auditors disagreed strongly while 28.9% disagreed. 2.2% moderately agreed and agreed respectively with no responses to strongly agree. In total about 96% of the auditors disagreed that the auditors are not responsible for maintaining accounting records. Similarly, with respect to the ICA (G) students 44.4% strongly disagreed whilst 26.7% disagreed that the auditor is not responsible for maintaining accounting records. Furthermore, 13.3% each moderately agreed and agreed respectively whilst only 2.2% strongly agreed. To this end, a total of 71.1% of the students are quite clear that the auditor is not responsible for the maintenance of accounting records.

On the other hand, 28.9% of the bankers strongly disagreed that the auditor is not responsible for maintaining accounting records while 40% disagreed. However, 15.6% moderately agreed that the auditor is responsible for maintaining accounting records while 13.3% also agreed to this assertion with only 2.2% strongly agreeing. This brings to total about 70% disagreeing as opposed to only 30%.

We therefore conclude that there is clear evidence that all respondent groups are clear as to the auditor's responsibility in relation to maintaining accounting records and therefore no expectation gap with respect to this. Again this confirms Agyei el al. (2013) Best et al. (2001) in Singapore. In response to management responsibility for producing the financial statements, 10 (22.2%) of the auditors agreed while 33 (73.3%) agreed strongly. Also, 2.2% each responded to moderately agreeing and strongly disagreed with no response to disagreement. This means that almost 98% of the auditors agreed that it is management responsibility for producing the financial statement and not that of the auditors. However, with respect to the ICA (G) students, 11 (24.4%) agreed to the statement while 62.2% strongly agreed to the assertion that management is indeed responsible for the production of the financial statements. While only 2.2% moderately agreed to the statement, 4.4% disagreed and 6.7% strongly disagreed. This brings to total about 89% of the students emphatically agreeing that management is responsible for preparation of the financial statements.

On the other hand, 16 (35.6%) of the bankers agreed to the statement while 35.6% also agreed strongly. Another 8 (17.8%) also moderately agreed that it is management responsibility to produce financial statements. Although 8.9% of the bankers disagreed strongly while 2.2% disagreed altogether is insignificant as against 89%. It can therefore be concluded that there is no expectation gap with respect to the management responsibility in producing the financial statements across the respondent group's perceptions. This confirms the findings of Agyei et al. (2013) in Ghana and Best et al. (2001) in Singapore.

Furthermore, 35.6% of auditors agreed that the auditor is unbiased and objective while 57.8% strongly agreed. Similarly, 4.4% of the auditors moderately agreed. In total, about 98% agreed with the assertion hence no expectation gap. In the same vein, 31.1% of the ICA (G) students agreed to the assertion while 37.8% agreeing strongly and only 11.1% moderately agreed. This brings to a total of 80% agreeing to the statement as against 20% indicating that no expectation gap exists. Following the same pattern, 31.1% agreed while 35.6% agreed strongly with 17.8% moderately agreeing. This also amount to about 85% of the bankers indicating that there is no expectation gap. This confirms the findings of Agyei et al. (2013).

Also, about 67% of the auditors agreed that the auditor is not responsible for preventing fraud and errors against 33%. In relation to ICA (G) students 60% agreed as opposed to 40%. This indicates that a significant number of respondents understood the auditor's role with respect to preventing fraud and errors. In connection with the bankers, about 65% of them however disagreed with the statement as opposed to 35% indicating that there is expectation gap to this end. This confirms the findings of Agyei et al. (2013) in Ghana.

Moreover, about 78% of auditors disagreed that the auditor does not exercise judgment in the selection of audit procedures compared with 22% who agreed. Similarly, about 69% of ICA (G) students disagreed as opposed to 31% agreeing. However, 35.5% of the bankers disagreed whereas 64.5% agreed. Clearly, there is an expectation gap among bankers and to some degree auditors and students alike. This confirms the findings of Best et al. (2001) in Singapore but somewhat contrary to the findings of Agyei et al. (2013) in Ghana.

In relation to the reliability factor, we found expectation gap with respect to users can have absolute assurance that the financial statement contains no material misstatements. This is supported by 80% of the bankers agreeing while 64% of the ICAG students agreed. However, among auditors there was a split of 53% disagreeing with the statement while 46.7% agreed to the statement. This clearly indicated the lack of clear understanding of this among the students and bankers as well as some of the auditors themselves. Therefore, there exist expectation gap as indicated above because the audit report which is usually issued on the financial statement gives a reasonable level of assurance and not an absolute one. Indeed, the audit report is not a certificate of accuracy of the financial statements.

However, we found no expectation gap in relation to the financial statements give a true and fair view as this is supported by 84% of the auditors, 98% of the bankers and about 87% of the ICAG students. On the other hand, in analyzing the usefulness factors we also found no evidence of expectation gap with respect to the ICAG students that the audited financial statements are not useful for making economic decisions as all respondent groups disagreed with 99% of auditors, 91% of bankers and 93% of the ICAG students respectively. This finding is consistent with Best et al. (2001) in Singapore.

However, we did uncover evidence of expectation gap with respect to the statement that an unqualified auditor report means the entity is well managed. This is supported by 73% of the bankers disagreeing while 51% of the auditors also disagreeing with only the ICAG students agreeing with 75.6% that an entity can be adjudged to be well managed if indeed it receives clean audit report hence the expectation gap. Again, this is consistent with the findings of Best el al. (2001).

5.1 Limitations of the Study

The scope of the study was limited to only 150 potential respondents of which 135 were used. Again, had we use a larger respondent group more compelling evidence may have been obtained than perhaps the 135 used. The only compelling reason for limiting the scope was to control excessive traveling costs which we believe was a limiting factor to the study. However, these limitations we ensured did not impact adversely on the reliability of the research outcome.

5.2 Conclusions

The objectives of this study were to evaluate and provide evidence on the existence of audit expectation gap in Ghana in the 21st century by comparing the perceptions of different respondent groups namely; auditors, ICA (G) students and bankers.

The outcome of this study uncovered an expectation gap which was quite wide particularly in relation to; auditor's responsibility for detecting and preventing fraud and errors, the soundness of internal control of the entity, the auditor does not exercise judgment in the selection of audit procedures among others.

On the whole, the literature survey on the perceptions of the audit expectation gap nature revealed that perceptional differences did exist between auditors and various user groups regarding the audit profession as a whole. This kind of gap should be reduced by the auditor himself or herself by improving audit responsibilities, educating various users, and mandating new standards (Gold et al., 2012).

5.3 Recommendations

The audit profession in Ghana has a huge responsibility to educate its members on the specific duties of the external auditors including trainee auditors who may not yet be full members. In addition, attempt must be made to also educate key users of financial statements as to the specific duties and responsibilities of the auditors and how that is different from management responsibility. While the researchers reckon that the audit expectation gap cannot be eliminated entirely we believe educating auditors and users of financial statements would significantly reduce the level and nature of the wide expectation gap in Ghana. To this end, in order to reduce such a gap, the suggestion of what Titard et al. (2004) calls 'audit education' in colleges and universities will go a long way and also lower levels of corporate scandals, which are rampant the world over.

The establishment of an independent government agency to oversee the implementation of audit regulations in Ghana. This must be emphasized by the Securities and Exchange Commission in Ghana.

Extending the auditors' responsibilities is most likely going to be a good way of meeting the expectation of the general public. However, the cost of such services according to Adeyemi and Olowookere (2011) should be considered since the public is a free rider of such services. The cost of these additional services needs to be borne by the company or may be shared by audit firms since this would improve audit quality as well. Therefore, companies should not be reluctant to engage the services of auditors if their services were to be expanded because doing so would be violating a statutory requirement in Ghana. The benefit of engaging auditors services will almost always outweighs the cost not withstanding corporate scandals in recent times.

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