THE AUDIT EXPECTATION GAP IN NIGERIA

BY

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MATRICULATION NO. CU021010093

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DECLARATION

I declare that:

1. This project is based on a study undertaken by me in the Department of Accounting, College of Business and Social Sciences, Covenant University under the supervision of Dr. E.P. Enyi.
2. This project report has not been previously submitted for the award of degree elsewhere.
3. The ideas and items of the research are products of the research undertaken by me.

NWOBU OBIAMAKA

………………………..

Signature & Date

CERTIFICATION

It is hereby certified that this Research Project written by NWOBU OBIAMAKA was supervised by me and submitted to the Department of Accounting, College of Business and Social Sciences, Covenant University, Ota.

1. Dr. E.P. Enyi ………………………..
   Supervisor Signature & Date

2. Dr. E.P. Enyi ………………………..
   Head of Department Signature & Date

DEDICATION

This project is dedicated to my Adigwe, Dad, Iye, Bobo and Twin Sisters. I love you all.

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ABSTRACT

The purpose of this study is to highlight factors contributing to the audit expectation gap in Nigeria. The audit expectation gap is the difference in perception between auditors and users of audited financial statements 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 failure. 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, misunderstanding of audit report messages, uncertainty about the extent to which audit reports may be used in making investment decisions and independence of auditors. This study adopts a survey research design. Even though the study covers the business landscape of Nigeria, a sample size of four hundred (400) persons made up of one hundred (100) each of auditors, accountants in business, bankers and investors/stockbrokers was selected conveniently as time permitted from some accounting firms, banks, investment houses and companies in Lagos and Ogun States. The research instrument used was the questionnaire. The data collected was analyzed using one-way Analysis of Variance (ANOVA) and Factor Analysis. It was discovered that there is a statistically significant difference between the opinion of auditors and audit beneficiaries in Nigeria with respect to the statutory role of external auditors, reliability on audit reports for investment decision making, nature and meaning of audit report messages scores and independence scores. Factor analysis revealed that the audit expectation gap in Nigeria is multi faceted but consists mainly of misunderstanding of the external auditor's responsibilities by the users of audited financial statements. From the findings, we recommended that users should be educated on the responsibilities of auditors, the extent to which they can rely on auditor's report and nature of audit services. Also, because auditors' independence is crucial in maintaining public confidence in the profession, the number of years an auditor can provide audit services to a particular client be reduced and there should be limits on auditor's provision of audit and non-audit services at the same time to a particular client.

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INTRODUCTION

1.0 Introduction

This chapter is an introduction to this study. It consists of a background to the study, statement of the research problem, objectives of the study, research questions, research hypotheses, significance of the study, scope and limitations of the study, summary of research methodology, sources of data and definition of terms. For details, more information is provided in the sections below.

1.1 Background to the Study

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 (1998:147) 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 macro economic 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 of they expect auditors are unbiased (Nagy, 2001:4). This role is carried out to add credibility to the financial information released after the end of a company's financial year. The 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 (2000:14) 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 to more than ever before prevent and detect 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 do 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 (2000:64) 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".

Early studies on 'audit expectation gap" can be traced to Liggio (1974). The study by Liggio (1974) defined the audit expectation gap as the difference between the levels of expected performance as envisioned by both the user of a financial statement and the independent accountant. The Cohen Commission (1978) extended this definition by identifying the existence of a gap between what the public expects or needs and what the auditors can and should reasonably expect to accomplish (Lee, Gloeck and Palaniappan (2007:2). In the words of Evans (1978) "in general, users appear to have reasonable expectations of the abilities of auditors and the assurance they can give." Similarly, Ekwueme (2000:14) asserted that the audit expectation gap lies between the role of an auditor as perceived by the auditor and the expectation of users of financial statements. This gap has emerged due to the changing nature of the business environment. Nagy (2001:6) pointed out Flint's (1988:13) perception of an auditor. This perception was that the auditor is a servant of society with the role being expectations driven.

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.

This research work is divided into five chapters. Following this introductory chapter, the remaining part of this study is organized into four chapters. In the second chapter, the prior studies carried out on the audit expectation gap will be reviewed. The chapter begins with an introduction, followed by the conceptual and theoretical framework of the research. The conceptual framework focuses on the research problem. The theoretical framework focuses on the theory behind the audit expectation gap. Other sub sections in the literature review are history of auditing, who the auditor is, reason for audit in Nigeria, the audit expectation gap, responsibilities of auditors, the emerging role of the 21st century auditor to detect and prevent fraud, the role of an auditor in ascertaining the going concern status of a company, the case of Cadbury Plc and perceived auditor's responsibility, reliability factor, nature and meaning of audit report messages, independence factor, approaches to reduce the audit expectation gap, understanding the role of other players in the capital market, the role of education and improving the independence of auditors. The third chapter discusses the research methodology. This chapter looks into the research design, population of study, sample size and techniques, data gathering method, actual field work/location of study and data analysis method. The fourth chapter presents the results from data analysis. Finally, in the fifth chapter the findings are highlighted, the study is summarized and a conclusion drawn. Recommendations are also made in this chapter to help the audit profession in Nigeria retain its significance amidst changing times.

1.2 Statement of Research Problem

The crucial nature of auditing in ensuring the integrity and reliability of financial information cannot be overemphasized. It is for this reason that the canons of many countries require the attestation of financial statements by external auditors. Unfortunately, there are criticisms of the auditor from which opinions have emerged over the years as a result of companies that have failed. This 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. The business environment is changing and this requires that the 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 messages. These are some of the factors that contribute to the audit expectation gap.

1.3 Objectives of the Study

The objectives of carrying out this study are:

1. To identify the opinion of auditors and audit beneficiaries on the statutory role of external auditors in Nigeria.

2. To identify whether responsibility, reliability, nature and meaning of audit report messages and independence factors contribute to the audit expectation gap in Nigeria.

1.4 Research Questions

The questions this study is concerned with are:

1. To what extent have external auditors and audit beneficiaries perceive the statutory role of auditors in Nigeria?

2. To what extent do reliability scores between auditors, bankers, investors and accountants in Nigeria contribute to an audit expectation gap?

3. To what extent do nature and meaning of audit report messages scores between auditors, bankers, investors and accountants in Nigeria contribute to an audit expectation gap?

4. To what extent do independence scores between auditors, bankers, investors and accountants in Nigeria contribute to an audit expectation gap?

1.5 Research Hypotheses

Hypothesis 1

H_o: There is no difference between the opinion of auditors and audit beneficiaries on the statutory role of external auditors in Nigeria.

H_1: There is a difference between the opinion of auditors and audit beneficiaries on the statutory role of external auditors in Nigeria.

Hypothesis 2

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

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

Hypothesis 3

H_o: There is no difference in nature and meaning of audit report messages scores between auditors, bankers, investors and accountants in Nigeria.

H_1: There is difference in nature and meaning of audit report messages scores between auditors, bankers, investors and accountants in Nigeria.

Hypothesis 4

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

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

1.6 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.

1.7 Scope and Limitations of the Study

The main focus of this study is to identify the existence of an audit expectation gap in Nigeria. The determinants of the audit expectation gap are numerous. This study adapts the factors looked into by Best, Buckby and Tan (2001) in their study of audit expectation gap in Singapore which are responsibility factor (the external auditor's duties) and reliability factor. Schelluch and Gay (2006) found that the nature and meaning of audit report messages also contributes to an audit expectation gap. This factor will be looked into in the Nigerian context. An additional factor called independence threat will be looked into.

There is a wide range of users of the financial information of a company (Saha and Baruah, 2008:82). This study has been designed to cover the entire Nigerian investment climate. However, it has been limited to a sample size of four hundred (400) respondents who are located in Lagos state and Ogun state in Nigeria for proximity. The opinions of a hundred (100) accountants, auditors, shareholders, bankers will be solicited. However, the present study would have been broader if in the list of the various occupational groups, debenture holders, creditors, other long term providers of finance, auditing standard setters and government were included.

In the course of this study there were limitations due to time factor. As a result the objectives of the study were minimized to ensure the ability of the researcher to cover them. The scope of the study was limited to only 400 prospective respondents. However, the researcher admits that a greater level of evidence may have been obtained using a larger number of respondents.

1.8 Summary of Research Methodology

This study is designed as a survey research which utilizes questionnaires to gather primary data. Secondary data would be obtained from journals, magazines, newspapers and internet sites. The retrieved data would be analyzed using one-way Analysis of Variance (ANOVA) to test the difference in means between the four groups of respondents. Factor analysis would then be used to identify the more prominent factors. The type of factor analysis carried out is confirmatory since hypothesis about factors in a set of variables have been postulated. However, Factor Analysis is not carried out to test any hypothesis. The one-way Analysis of Variance and Factor Analysis will be done by means of computer software called Statistical Package for Social Sciences (SPSS) version 15.

1.9 Sources of Data

In this study, primary and secondary data will be obtained. The questionnaire is the source of primary data while data derived from similar research works undertaken by researchers in this subject area constitute secondary data. The secondary data will also be obtained from annual reports of selected companies in Nigeria's petroleum sector and two companies in the breweries sector.

1.10 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.

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CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

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 Conceptual Framework

The external audit function in business environments is directly related to the need for accountability by management. Due to the diversity of users of financial statements, the auditor may be faced with many perceived roles. Audit means different things to different people and this exposes external auditors to more than one body of varying expectations (Hudaib and Haniffa, 2003:6). This is the reason for considering how auditors and users of audited financial statements perceive the responsibility of auditors, extent of reliability on audit reports, nature and meaning of audit report messages and independence of auditors. However, these expected roles are not fixed and this may cause a modification of the auditor's role from time to time. This explanation has been attributed to the audit expectation gap. In addition, Humphrey, Moizer and Turley (1993:395) conceived that recent financial scandals followed by the parliamentary questions about the auditing profession have increased the expectations debate incorporating fraud detection, auditor independence, public interest reporting and the meaning of audit reports.

2.2 Theoretical Framework

Based on the public interest theory (Posner, 1974), accountants are meant to serve the public interest. Deegan (2004:35) opined that a reason for regulation of financial accounting practice is that investors need protection from fraudulent organizations that may produce misleading information, which due to information asymmetries, cannot be known to be fraudulent when used. Regulation is supplied in response to the demand of the public for the correction of inefficient or inequitable market practices. Similarly, regulation is put in place to benefit society as a whole rather than particular vested interest, and the regulatory body is considered to represent the interests of the society in which it operates, rather than the private interests of the regulators (Deegan, 2004:60).

In Nigeria the body that regulates the activities of professional auditors is the Institute of Chartered Accountants of Nigeria (ICAN). This is the umbrella under which professional auditors practice. They ought to represent the interest of the society in which they operate especially as user confidence increases with the financial information approved by the auditor. However, users expectations of the auditor have been found by Saha and Baruah (2008) to vary when there is a misunderstanding of the nature of auditing. Consequently, because there are many users of accounting information, there may be varied expectations by them as well (Hudaib and Haniffa, 2003:6).

According to Adeniji (2004:510) the dictionary of accounting defines audit expectation gap as a gap between the role of an auditor as perceived by the auditor and the expectation of the users of financial statements. The users include investors, lender employees, supplies, other trade creditors, customers, banks, government, insurance company etc.

2.3 History of Auditing

Auditing is a process carried out by auditors to assure owners of a business that their resources are well managed by persons acting on their behalf. The origin of audit dates from ancient times when the landowners allowed tenant farmers to work on their land whilst the landowners themselves did not become involved in the business of farming. The landowners relied upon an overseer who 'listened' to the accounts of stewardship given by the tenants (Adeniji, 2004:1). Agents were responsible for keeping, managing and ensuring the safety of the property of others. Naturally, this gave rise to issues related to trust, integrity and competence (Institute of Chartered Accountants in England and Wales, 2005:8).

In addition, Lee and Ali (2008:2) explained that the ancient checking activities found in Greece (around 350 B.C.) appear to be closest to present day auditing. In the history of developed countries like England, audit of public accounts like Exchequer and Borough accounts took place in medieval times. Also, Gul et al (1994) revealed that during the reign of Henry 1 (1100-1135) special audit officers were appointed for state revenue and expenditure. Similarly, merchants of Florence, Genoa and Venice employed auditors to verify riches bought by captains of sailing ships which were returning from the old world to the European continent (Lee and Ali, 2008:2). Incidentally, Brown (1962) asserted that in these places, the purpose of audit was to detect fraud (Lee and Ali, 2008:2).

The role of auditors before 1840 was limited to performing detailed verification of each transaction through audit procedures that excluded sampling techniques. However, the Industrial Revolution brought about business expansion. There was a no regulation of the securities market and the likelihood that businesses would fail was high. Also, the advancement of the securities market and credit granting institutions facilitated the development of the capital market and led to the growth of companies. This reflected in separation of ownership from management (Lee and Ali, 2008:3). At this point, auditing was sought as a way to protect the shareholders/investors. Audit procedures were carried out by introducing sampling techniques and the effectiveness of internal control measures were tested.

The primary purpose of an audit between the 1920s and 1960s became adding credibility to the financial statements rather than detecting fraud and errors. (Lee and Ali, 2008:2-3). The users need a level of assurance that the financial information furnished is reliable, accurate, fairly presented and objective. Consequently, they require that financial statements be reviewed by an independent examiner who is called an auditor (Adeleke, 1996:8, Edun, 1999:41). Also, it has been argued that audit is needed because the financial statement prepared by the management may not actually represent the financial position of the company (Adeniji, 2004:4). Significantly, auditors began offering advisory services between 1960s and 1990s as a secondary objective (lee and Ali, 2008:4).

Auditing in Nigeria spans over fifty five (55) years. In 1951 an audit firm Cooper Brothers & Co (now Coopers & Lybrand) did feasibility studies for a jute and cotton mill at Onitsha. Similarly, in 1952 ENC (NEPA) approached Cooper Brothers for help in preparation of their first annual accounts. However, the first indigenous firm of Akintola Williams & Co came on the scene in May 1952. During these early years, audit procedures were made up of detailed review of records designed to determine whether cash transactions were recorded in the appropriate accounts and for the correct amount. This is different from the present day audit which is carried out by reviewing the system and testing audit evidence so that an opinion can be expressed. The attest function of auditors also ensures that there is increased reliance which can be placed on audit reports (Edun, 1999:41).

2.4 Who is an Auditor?

The term "audit" as defined by Woolf (1997:1) is

> *a process (carried out by suitably qualified auditors) whereby the accounts of business entities, including limited companies, charities, trusts and professional firms, are subjected to scrutiny in such detail as will enable the auditors to form an opinion as to their truth and fairness. This opinion is then embodied in an 'audit report', addressed to those parties who commissioned the audit, or to whom the auditors are responsible under statute.*

Similarly, Adeniji (2004:1) described audit as "the independent examination of, and expression of opinion on, the financial statements of an enterprise by an appointed auditor in pursuance of that appointment and in compliance with any relevant statutory obligation". The opinion formed by an auditor in relation to the truth and fairness of the financial statement is embodied in what is called audit report. This report by the auditor is addressed to the company's stakeholders who have devoted their material, financial and other resources to the care of the managers. Even though there are many types of audit, this study is concerned with financial audit. Financial audit is an ex post verification process having to do with a policing role which requires the independence of the auditor (Power, 1996:4).

A person who is a professionally qualified accountant who has been given a license to carry out public practice is an auditor. An auditor is an independent person appointed by the owners of a company to examine the financial statements prepared by management (Izedonmi, 2000:1). Even though the primary duty of an auditor is to express a professional opinion on the financial statements, other services that an auditor can provide are accountancy, taxation, liquidation and receivership, investigation, management advisory services, financial advice and secretarial services. However, the fees for these other services do not form part of the audit fee.

The auditor is supposed to have integrity, be independent and objective, conform to confidentiality principles, maintain technical competence and conform to technical standard (Adeniji, 2004:6). Auditing is regulated by statutes (Company and Allied Matters Act, 1990 as amended), professional regulations in form of accounting standards and auditing standards issued by Institute of Chartered Accountants of Nigeria (ICAN) and in some cases adapted from those of some more developed countries. The Institute of Chartered Accountants in England and Wales (2005:8) noted that the mid nineteenth century company audits were carried out by persons (principals or otherwise) whose independence from the managers of the company was no issue. However, due to information asymmetries and general lack of trust as depicted by the agency theory, principals began to appoint expert auditors and rely upon their work.

Information asymmetry as described by Scott (2003:7-8) is a situation whereby some parties to a business transaction may have an information advantage over others. In addition, there are two types of information asymmetry which are adverse selection and moral hazard. Adverse selection occurs when management and other insiders know more about the current condition and future prospects of the firm than outside investors. Secondly, moral hazard occurs because of the separation of ownership from management in large companies. In this study, our concern is adverse selection whereby investors have a dearth of information than company insiders. Auditing is therefore a tool to control adverse selection by reporting on the inside information to outsiders.

2.5 Reason for Audit in Nigeria

The need for external audit in Nigeria and many parts of the world can be attributed to many factors. Principally, information asymmetry is the main reason behind audit. It is associated with agency relationships where a person acts on behalf of another person. In an agency relationship, the principal delegates responsibility to the agent. In medium and large companies, the agents are the management team who are not necessarily owners of the business while the principals are the actual owners who contribute their financial resources to daily affairs of the company.

According to the Institute of Chartered Accountants in England and Wales (2005:8) agents were given responsibility for the safekeeping or management of the property of others. In order to ensure that agents act in the interest of the principals, another set of independent agents called auditors are appointed. These persons safeguard the interest of the owners and provide credibility on the financial accounts prepared by the management (Adeniji, 2004:4-5). Conversely, Power (1996:6) argued that audits do not contribute automatically to organizational transparency even though that is the general consensus of audit in organizations. Ogidan (1999:30) explained that audit is carried out to render an opinion about whether the reporting function actually implemented by the management is acceptable or not in terms of some generally accepted criteria either derived from law or precepts of the profession aimed at self-regulation.

According to the Institute of Chartered Accountants in England and Wales (2005:4) agency theory is a useful economic theory of accountability, which helps to explain the development of the audit. However, the motives of agents may not be in the best interest of the principals. As a result, principals use audit to reinforce trust. The kind of audit referred to here is external audit. The canon of different countries of the world requires that external audit is carried out by professional auditors. For public limited liability companies, external audit is required by the Company and Allied Matters Act (1990) as amended. In Nigeria, to practice as an auditor one must be a chartered accountant as well as a member of the Institute of Chartered Accountants of Nigeria (ICAN). Also, experience must have been acquired by such a person working with an audit firm for not less than 30 months and a practicing license must be obtained from ICAN (Izedonmi, 2000:79).

2.6 The Audit Expectation Gap

The criticism of auditors by society reflects in the 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).

In more developed countries like the United States, auditors have had to battle with legal suits taken against them (Ali, Yusof, Mohamad and Lee, 2007:3). It is assumed that the public in general and stakeholders of companies have a belief about the auditor's performance. This is premised on the expectation that auditors will be able to safeguard their financial interest. In contrast, this expectation is hardly resolved and the audit expectation gap emanates from these unresolved expectations which influence the confidence of financial statement users negatively (Saha and Baruah, 2008:1). In this light, the expectations gap has been defined by Ojo (2006:2) as the difference between what users of financial statements, the general public perceive an audit to be and what the audit profession claim is expected of them in conducting an audit.

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 Ali (2008), Siddiqui and Nasreen (2004), Haniffa and Hudaib (2007) and Ojo (2006) have supported this view.

The business environment is dynamic and this influences the expectation of users as well. In response, the profession addresses this gap by issuing new audit guidelines and standards. In relation to this, Saha and Baruah (2008:1) explained that there is always a time gap between the changing expectations of the users and the response by the profession and the result is the audit expectations gap even though the time gap was not accounted for in their study. In a previous study, Humphrey et al (1993:396) cited Tricker (1982) who found that the audit expectations gap is a natural time lag in the auditing profession identifying and responding to changing and expanding public expectations.

Mostly, an audit expectation gap has been found in the area of fraud detection/prevention by auditors, maintenance of accounting records, the freedom of the entity from fraud and the exercising of auditor judgment in the selection of audit procedures (Best et al, 2001:2). Manson and Zaman (2000:15) identified that a prime source of the expectations gap is user's lack of knowledge about the auditor's duties to detect fraud and error. There is a difference in beliefs between auditors, users and preparers of prospective financial information, concerning forecast reliability and the role and responsibilities of auditors and management (Schelluch and Gay, 2006:653). Similarly, Kirk (2006:205) expressed fears that if major groups of financial reporting participants differ in their perceptions of different standards like 'true and fair view' a financial reporting expectation gap may occur.

Previously, Siddiqui and Nasreen (2004) examined whether an audit expectations gap exists between university students of accounting and accounting professionals. They argued that the existence of such a gap between university students of accounting and professionals points to even a wider one between auditors and the public in Bangladesh. 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).

Given the numerous issues contributing to the audit expectation gap, this study is concerned with four factors which are responsibility of auditors, reliability, nature and meaning of audit report messages and independence factor. They will be expounded upon in the following subsections.

2.6.1 Responsibilities of Auditors

If echoes from the Failed Banks Tribunal set up by the Federal Government are anything to go by, those agitating for the crucifixion of auditors consequent upon the failed banks saga should have a re-think over their stand (Archibong, 1996:14). This is because the inadequacy of auditors was not confirmed at the Failed Banks Tribunals (Asein, 1999:12). Like any other profession, there are rules and regulations guiding auditors. The Company and Allied Matters Act (1990) as amended specifies in Section 360(1) that

> *It shall be the duty of the company's auditor's, in preparing their report to carry out such investigations as may enable them to form an opinion as to the following matters whether-*
>
> *(a) proper accounting records have been kept by the company and proper returns adequate for their audit have been received from branches not visited by them;*
>
> (b) *the company's balance sheet and (if not consolidated) its profit and loss account are in agreement with the accounting records and returns.*

This reveals that the primary duty of the auditor is not to detect fraud and other irregularities but this is what existing shareholders and potential investors expect from them (Archibong, 1996:15). This conflict between the statutory role and the expectation of the present and potential users of financial statement is what has led to the audit expectation gap. Asein (1999:12) affirmed that the lack of understanding of the statutory roles of the auditor in corporate governance (often referred to as the expectation gap) is the reason why persons call for the arrest and prosecution of auditors. In addition, Lee and Ali (2008:5) sounded that the public's perception of the present role of auditors remains at the 'traditional conformance' stage because of the public's refusal to recognize the shift in the auditing paradigm.

In 1896, Lord Lopes stated that the auditor is not a bloodhound but a watchdog. This judgment was given as a result of an event where an auditor relied upon managers' certificates without the auditor conducting a physical observation of the inventory or taking steps to confirm valuation. Subsequently, Vaughan Williams J found that auditors and directors were liable for dividends paid from non-existent profits. Any damages sought against them in respect of subsequent insolvency on the basis of tort were denied. This judgment raised concern by the audit profession and the validity of managers' certificates was also questioned. In the Appeal Court, Lopes LJ stated that 'an auditor is not bound to be a detective or as was said to approach his work with suspicion or with a foregone conclusion that there is something wrong. He is justified in believing tried servants of the company in whom confidence is placed by the company. This has been the source of the fraud detection and prevention debate in auditing (Ojo, 2006:6).

However, Lord Lopes asserted that it is the duty of an auditor to bring to bear on the work ha has to perform that skill, care and caution which a reasonable competent, careful and cautious auditor would use. The definition of reasonable care however rests on the particular circumstances of each case (Ojo, 2006:6). Fraud detection moved from being a primary to a secondary objective for audit during this period. Abroad, fraud detection became an issue subsequent to the criticisms as a result of the collapse of Johnson Matthey Bankers in 1984, triggering the establishment of a working party of the Institute of Chartered Accountants in England and Wales to consider matters relating to auditors' responsibilities in relation to fraud. In addition, the government wanted to impose a duty to report fraud to the Bank of England upon auditors without the knowledge of the client organization. The ICAEW argued that this was an imposition of statutory duty and suggested that instead, companies should be required to maintain an adequate system of internal control (Ojo, 2006:6).

In recent times, regulators have come to accept the need for professional audit since auditors provide investors with an assurance that the information in the financial statements is not materially inaccurate, and follows established accounting conventions (Ogidan, 1999:30). The aim of which is to ensure that the financial statements show a true and fair view of the state of affairs of a company. Though some persons have argued that audit is not crucial in the present day corporate market, Ng (1978) pointed that if managers are penalized when they use non-GAAP reporting methods, with effective audit technology the probability that a manager would select non-GAAP reporting methods would decrease as compared to a situation in which no audit were to take place (Ogidan, 1999:31). More so Archibong (1996:16) argued that auditors have prevented countless disasters but these were done in secret.

Interestingly, it has been argued by law and the accounting profession that management cannot be prevented from acting in their self-interest. But to ensure the credibility of financial reports there is need for external verification (Adams and Evans, 2004:98). In other words, external verification is a rationale for regulating accounting information. Self-interest is a characteristic of information asymmetry where insiders of a company may have more information than outsiders. By way of protecting the stakeholders in companies from unscrupulous activities of insiders and third parties, statutory audit is a mechanism through which the financial records are matched with the prevailing financial position of a company. In the words of Bricker and Chandar (1998:486) accounting is concerned with information flows and their organization, which are central to business operations, managerial decision-making, and the nature and efficiency of capital markets. In this light, the very nature of accounting deals with ensuring the integrity of information produced in companies because the auditor is an independent agent.

The combinations and merger movement of the late nineteenth century resulted in the formation of several publicly held corporations (Bricker and Chandar, 1998:492). However, Hawkins (1963) noted that before that time financial information was inadequate, investors bought their securities primarily on the basis of confidence and trust in the investment firms marketing the securities. This period was the childhood of the accounting profession and auditing practices were still considered unusual. The function of public accountants and their reports was grossly misunderstood (Bricker and Chandar, 1998:492).

Presently, times have changed for the auditing profession as there is increased demand for auditors to detect and prevent fraud and errors in companies due to the corporate failures that have taken place especially in the financial sector worldwide (Asein, 1999:12). Some of these failures have been traced to fraud perpetrated by employees and management that were not escalated by the external auditor. Bologna and Lindquist (1995:9) argued that fraud has many definitions. It could be in form of a crime, tort, corporate or management fraud. However, fraud can simply be described as dishonesty and willful misrepresentation of a material fact.

It was to reduce the misunderstanding of users that the Auditing Practices Board (APB) recommended that the audit report should contain some text outlining the auditors' duties in respect of fraud and error. Irregularities in form of material misstatements in financial reports are of particular interest to auditors because of their legal duty to report them (Krambia-Kapardis, 2002:266). Misstatement in form of misapplication of accounting principles was identified in the case of Enron (an energy company that failed in 2002) after taking advantage of the United States accounting rules which enable companies to set up Special Purpose Entities (SPEs) to manage assets off balance sheet and in essence spread the business risk. Aguolu (2003:34) observed that no single event brought about the fall of both Enron and Arthur Andersen (the auditors) but many events happened so close together, one leading to the other, hence resulting in the exit of the two organizations. Even though the rules for creating SPEs were different from the normal principle of consolidation, Enron's auditors Arthur Andersen approved of the transactions. When the company was made to restate its financial statements using the normal accounting principles, they ran into heavy loss. These events and many others that were revealed in the course of time led to the gradual loss of confidence in Enron's stakeholders (Deakin and Konzelmann, 2004:136).

2.6.2 The Emerging 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, 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 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 (Adeleke, 1996:10). In an attempt to ensure that auditors are better acquainted with this responsibility for fraud detection and prevention, the International Standard on Auditing (ISA) 240 was written.

The standard differentiated fraud from error and explained that there are two types of fraud relevant to the auditor which are misstatements from misappropriation of assets and misstatements from fraudulent financial reporting. It requires that the auditor perform procedures to obtain information that is used to identify the risks of material misstatement due to fraud and evaluate the design of the entity's related controls and determine whether they have been implemented. Fraud was by the standard as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage. The standard acknowledges that fraud is a broad legal term therefore the auditor is concerned with fraud that causes material misstatement in the financial statements. Fraudulent financial reporting is characterized by intentional misstatements like omissions of amounts or disclosures in financial statements to deceive users, manipulation/falsification, alteration of accounting records, misrepresentation of financial statement events/transactions or significant information, intentional misapplication of accounting principles relating to amounts, classification, manner of disclosure (International Standards on Auditing 240).

Those responsible for the prevention and detection of fraud are the persons charged with the governance of the entity and management. Though an auditor is only an independent agent whose responsibility is to give an opinion of the true and fair view of the financial statements and not primarily to detect and prevent fraud and errors, in carrying out an audit engagement is to apply professional skepticism. Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Essentially, the auditor should make inquiries of those charged with governance to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity (ISA 240, paragraph 23).

The standard specified that after an audit is conducted and fraud involving management is found or where the fraud results in a material misstatement in the financial statements, the auditor should communicate these matters to those charged with governance as soon as practicable. Due to the level of sensitivity of fraud involving management or those charged with governance, seeking legal counsel may be necessary in guiding the auditor to take appropriate action (paragraph 96). This standard should go a long way to make auditors detect fraud and error in a company's financial statement. Yet Obaidat (2007:4) found that due to low fraud cases in Jordan, auditors did not consider ISA 240 which showed a low degree of compliance of 73.9% in their study.

Perhaps, some auditors are careful to chose an audit scope that will exonerate them from liability should it arise. The choice of a large audit scope depends on the number of auditors a firm can afford to employ given other intervening variables. Li, Song and Wong (2007) have found that there is a relationship between audit firm size and perception of audit quality. Audit conducted by large audit firms often ensure the disclosure of more items in the annual reports than audits conducted by smaller firms.

2.6.3 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.

2.6.4 The Case of Cadbury Plc, Enron and Perceived Auditor's Responsibility

In despair, Eden, Ovadia and Zuckerman (2003:2) noted that the criticism faced by the audit profession was never as poor as it is today because all efforts by the profession in the last two decades to improve its image have failed. The case of Enron has been quite significant to the audit profession because a year after the Sarbanes Oxley Act was enacted. The Act focuses on independence of auditors which will be discussed in subsequent sections. Enron's accounting has been described by Deakin and Konzelmann (2004:136) as intelligent gambling. Rather than consolidate the accounts of the parent and subsidiary, assets were shifted between the parent company and its subsidiary leading to a misleading presentation of the accounts of Enron. Though the auditors had initially approved these deals, as soon as these deals began to unfold they told the company that they were not compatible with accounting principles. Enron's auditors subsequently went out of business.

In Nigeria, the Cadbury scandal threw a limelight on the audit profession. The Administrative Proceedings Committee (APC) found that =N=13.255 billion was the accumulated overstatement for the years 2002 to September 2006 when Akintola Williams Deloitte (AWD) audited the published accounts for those years and carried out an interim audit for the period ended September 30, 2006. Though the auditors were made to pay a fine of twenty (20) million naira within twenty one (21) days for failure to handle the accounts of the company with high level of professional diligence, no other sanction was placed on them (Securities and Exchange Commission, 2008:22). The outcome of these events in Nigeria and the United States are different. Abroad, auditors could be charged to court while in Nigeria, they settle out of court. Perhaps, settling out of court may encourage auditors to perform below the standard. Arthur Andersen LLP was charged with destruction of Enron-related documents and other questionable practices that further questioned the ethical integrity of the accounting profession (Reckers, Jennings, Lowe and Pany, 2007:629).

Nigeria's business environment is characterized by some ills. They are instability in power supply, increasing cost of production, political interference in business, rapid advancement in information technology and many more. However, business failure may be attributed to the inability of the company's management to adequately envisage the influence of some or all of the above. From the public perspective, auditing is seen as a whistle blowing device. However, auditors cannot accept this responsibility unless there is a shift in legal reforms. Also, because the survival of auditors depends on how well they satisfy the society's needs, legal reform cannot be overemphasized (Asein, 1999:15).

2.6.5 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).

The audit report is the means through which auditors express their opinion on the truth and fairness of a company's financial statements for the benefit principally of the shareholders, but also for other users (Adeniji, 2004:464). It is issued at the end of the audit assignment upon the financial statements prepared by the management of a company (Izedonmi, 2000:149). An expectation gap emerges therefore when the audit report is used for purposes not intended by statutes and the inability of the report to meet these needs (Asein, 1999:13). Therefore, reliance by users on the audit opinion in detecting and preventing all fraud may be out of place. It appears there is some level of uncertainty about the ability of positive and negative assurance reports to convey the desired level of assurance to users (Schelluch and Gay, 2005:658). Nevertheless, external auditors cannot rate the extent to which a shareholder or prospective investor can rely on a financial statement through an audit opinion. This questions the ability of users to understand the extent to which they can rely on the auditor's report.

The auditor employs sampling techniques in conducting an audit. This leaves out some transactions as a complete test may not be carried out. If reliance is to be placed on an auditor's unqualified opinion, the scope of the auditor's work may need to be defined. Where the scope of an auditor's work is considerably large, findings emanating from that job may be easily relied upon than when the scope is relatively small. Also, the extent of reliance by the user depends on the type of audit opinion given. An audit opinion may be unqualified or qualified. Qualified audit opinions vary from "except for", "subject to", disclaimer of opinion and adverse opinion (Izedonmi, 2000:153-4).

Audit reports have a standard format which an auditor must apply at all times. However, unqualified audit opinions may not appear to give a great deal of information and this reduces the ability of some users to decode its meaning unless one has a substantial knowledge of accounting and auditing matters. The question however is how to make an audit report meaningful to users. Church, Davis and McCracken (2008:69) have argued that the form and wording of the report are such that users can easily distinguish a standard unqualified opinion from a nonstandard opinion. However, the auditor's report has been criticized largely because it can be viewed as a pass/fail report even though the message it conveys is beyond pass and fail.

In 1993 the Auditing Practices Board issued an expanded audit report titled Statement of Auditing Standard (SAS) 600 Auditors' Reports on Financial Statement to educate users and reduce their misunderstandings in respect of certain matters pertaining to the audit function (Manson and Zaman, 2000:1). To promote the understanding of users, the Auditing Practices Board (APB) recommended that the forms of qualification described in the standard should be used unless, in the auditors' opinion, to do so would fail to convey clearly the intended meaning. SAS 600 gives the circumstances in which each sort of qualification would be appropriate. It also emphasizes that the reader of an unqualified audit report should be left with no doubt as to the meaning and its implications (Adeniji, 2004:474).

It has been advocated that if the views of user are adjusted to align with those of the profession there will be a reduction in the audit expectation gap. Manson and Zaman (2000:10) in their study determined the extent to which auditors, preparers and users appear to be satisfied that the expanded audit report successfully communicates certain key issues. They found that auditors discuss findings from the audit process to the senior managers and directors mainly through the management letter. The content of this letter encapsulates deficiencies in a company's internal control system and other advice that may give the company commercial advantage.

Nevertheless, shareholders and prospective investors do not see these letters and so they have to rely on the audit report. However, a standard audit report does not include issues discussed with management and the directors. Omitting these issues from the audit report may reduce its usefulness and present the report as mere formality thereby increasing the problem of adverse selection information asymmetry. In addition, the extent of assurance is not clearly stated in the present audit reports issued in Nigeria. Assurance is influenced by the materiality concept of transactions in the financial statements and estimation issues. Perhaps, if the extent of assurance is included in the report users will better understand the extent to which reliance may be placed on the audit report.

2.6.6 Nature and Meaning of Audit Report Messages

The audit report is the text containing the message about the validity of financial statements examined by an auditor (Hronsky, 1998:19). In the public and private sectors of every nation, true and fair financial information is to be communicated through the preparation of periodic (e.g. annual) financial statements because managers of organizational resources are usually different from owners of such resources. Conversely, in recent times, the financial statements of organizations in the private sector have come under severe criticism of users and analysts of accounting information (Adeyemi and

Ogundele, 2003:22). This is mainly due to the reliance by users on the meaning of financial statements of companies subsequent to financial crisis experienced by them.

Differences attributed to audit report message(s) by auditors and users are thought of as a lack of shared meaning and thus a communication problem (Hronsky, 1998:3). Based on the communication theory adopted by Hronsky (1998), the largest gap was said to exist between sophisticated groups (auditors, managers, accountants, bankers, financial analysts) and general public users (private shareholders and students). This difference was largely explained by differential knowledge levels and may be reduced by applying education. Boyle and Canning (2005:15) viewed education as a way to remove a certain level of professional mystique surrounding auditing by providing students with the necessary skills to scrutinize and evaluate the audit process.

The communication process of auditors can be explained in the following analogy. The information source is the management of an organization, the message comprises of the financial statements, the transmitter is the audit report issued by the auditors, the receiver and information destination are the shareholders or investment managers that act as agents of the stakeholders (Adeyemi and Ogundele, 2003:23). The auditor decides on the message the report will convey to the reader. Subsequently, the reader receives the report. Then the user interprets the message, resulting in some kind of judgment about the validity of the financial statements. Such a judgment may or may not result in a subsequent behavioral response i.e., a decision or action (Hronsky, 1998:6). However, financial managers/executives and auditors are both parties to determining the final content of the financial statements and hence the audit report. Since there is no parallelism in the communication between auditors and management, managers then have the ability to influence the formation of the audit opinion (Hronsky, 1998:18).

The audit report is a statutory requirement for publicly quoted companies in Nigeria. Perceived and actual meaning of audit report messages may vary for different categories of users. This is because the knowledge of audit report messages is limited to persons with knowledge of auditing and related fields. Consequently, more sophisticated users may have a better understanding of the audit report than less sophisticated ones. To prevent information asymmetry, a less sophisticated investor/shareholder may need to employ the services of a financial analyst. This is because of the inherent inability to understand the message passed by the auditor which is not in details.

There are different ways an auditor expresses an audit opinion. An unqualified audit opinion is one given by an auditor stating that the financial statements show a true and fair view of the state of affairs of a company. On the other hand, when an auditor is unhappy about the matters to report upon, a qualified report is issued. This implies there is a reservation that the accounts do not show a true and fair view or comply with the Company and Allied Matters Act as amended or relevant accounting standards (Izedonmi, 2000:151). Hronsky (1998:19) emphasized that significant differences in meaning are more likely to arise in respect of clean opinions. Because they are by far the most common type of opinion, attached to a wide variety of companies in differing industries at different positions along the continuum of corporate financial health, they send a signal more ambiguous and subject to varied interpretation than qualified opinions.

2.6.7 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 course of the audit exercise. Investigative independence is the ability of an auditor to 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 (ICAN) 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.

Similarly, the ICAN has professional ethics that safeguard the independence of an auditor (Izedonmi, 2000:86). Even though these rules exist, auditor independence may be influenced by client importance, provision of consulting services, increased auditor tenure (Brandon, 2003:11). The provision of non-audit services and audit tenure is our focus in studying the independence factor. The Securities and Exchange Commission (SEC) requires public quoted companies to reveal the non-audit services provided by their auditors. Perhaps it is because if material/financial interests set in, the independence of an auditor may be threatened.

In the history of audit in the United States, the Macdonald Commission was perceived to recommend a ban or severe restriction on provision of management consulting services to audit clients, rotating audit appointments, joint audits or set up an independent standard setting body like the U.S. Financial Accounting Standards Board (FASB). Actually, the commission's objectives buttressed on strengthening the independence of auditors, enhancing professionalism, improving the quality of financial disclosure, reduce the public misunderstanding of the auditor's role through public advertising and educational campaign. In addition, they advocated that a more explicit audit report be adopted that will explain the auditor's role better (Bologna and Lindquist, 1995:72).

The recent accounting scandals have created a crisis of confidence in financial reporting (Mitschow and Asgray, 2004:54). In return, the U.S. Congress had passed legislation threatening public accounting's professional autonomy. Independence is crucial in ensuring that users are able to rely on the financial statements. Mitschow and Asgary (2004:54) asserted that auditor independence is arguably the most important issue facing the public accounting profession today. In examining the impact of non-audit services on auditor independence, the U.S. Congress, the Securities and Exchange Commission (SEC), the Public Oversight Board (POB), the AICPA and academics reached some conclusions.

There was evidence of loss of independence through Mandatory Advisory Services (MAS) which may cause an auditor to consciously or subconsciously subordinate his or her judgment to a client's desires. In addition, there has been more concern over non-audit services than auditing by management of audit firms. The history of non-audit services were traced by the AICPA to requests by clients for additional services that their auditors seemed best suited or capable of providing, as well as from the special skills needed to audit new and complex business transactions (Chapter 5:110). Ironically, the organization that auditors are auditing is paying the bill. In some cases, auditors are scared of losing high profile clients due to the financial fortunes they get. It is almost difficult for an auditor to be independent under these circumstances (Colley, Doyle, Logan and Stettinius, 2003:234). It seems audit is carried out just for the books and not for the future. Preferably, to guard auditor's independence fees from non-audit services should not be greater than fees from audit services. Where there is too much financial interest in the client there is question whether independence will be maintained.

Mitschow and Asgray (2004:55) identified that the relationship between audit opinion and turnover goes to the heart of external auditor independence.

Enron's auditor, Arthur Andersen failed to act independently because they received fees for auditing as well as consultancy services and exchanged employees on a regular basis with Enron. Also, Enron's auditor earned fees from organizing the SPEs (Deakin and Konzelmann, 2004:139). Another issue synonymous with auditor's independence is the testing of transactions. Shaub (2004:169) opined that since auditors do not test every transaction, they must choose when to trust their clients. External auditors may rely on the work done by internal auditors in a company in carrying out his or her work. However, the extent of trust needs to be affirmed since management pays the internal auditor whose objectivity may be impossible to ascertain. Consequently, external auditors may just be pleasing management when they do not rely on an objective internal auditor.

Emotional trust and deep auditor-client interdependence are some threats to auditor independence. Emotional trust as described by Shaub (2004:174) arises from a continuing relationship over time that may have been initiated as a result of a rational trust calculation. This creates a tendency that auditors work on the same clients year after year because they have established relationships with the clients. Also, due to their understanding of the client's business, clients anticipate they will be more efficient on the job. On the first audit, auditors are likely to reduce dependence on the work of the client (through the internal auditor) than subsequent times.

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.

In the United States, the Sarbanes Oxley Act imposes rules aimed at enhancing the independence of directors and auditors, with the aim of more precisely aligning managerial behavior with the interests of shareholders (Deakin and Konzelmann, 2004:134). Nigeria’s response to corporate scandals has mainly been out of court. Take the Cadbury case for example, where the auditors were not indicted and were only made to pay a fine.

Auditors can be independent when they are not in positions that will likely make them compromise. Shaub (2004:180) suggested some options available to auditors where they are tempted to be too interdependent on the client. They are audit rotation, a willingness to confront clients, assignment of auditors with greater skepticism to clients where deep interdependence is a potential problem, becoming less dependent on the client when conducting an audit and adopting a stricter review of the auditor-client dependence/interdependence during planning. Auditor rotation either from firm to firm or within the firm at manager and partner levels will likely restrain emotional commitment to similar goals. Auditors may need to be willing to stand up to clients thereby experiencing less emotional commitment to them. However, they may not be able to do so when they are too dependent on their clients.

It is necessary for auditors to get adequate information from their clients to reduce information asymmetry. Information asymmetry occurs when management do not want to disclose some categories of information to the auditors or owners of a company. Shaub (2004:180) suggested that an auditor may adopt surprise auditing. This affords the auditor to tap into client information to perform analytical procedures at any time during the year without the client's prior approval provides auditors with a practical independence. On the other hand, there could be a second partner review that ensures the independence of the first partner. This partner adopts skepticism which is more of a critical approach to auditing. This partner is likely to be more independent since his or her success is not tied to the first auditor (Shaub, 2004:181).

2.7 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.

2.7.1 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.

The senior management has the primary task of seeing to the daily affairs of a company. However, delegation of responsibilities is synonymous to that level that it may be impracticable to carry out every task. A way of being carried along by junior officers is by setting the tone of effective internal control. An internal control mechanism such as safeguarding the reporting lines and ensuring proper authorization promotes good communication. At this level of management, a tone of integrity is set that flows down to all other persons in the company. The absence of such culture in a company is a pointer to serious problems in the future (Colley, Doyle, Logan and Stettinius, 2003:232).

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.

For the external audit function to be more effective there is need for increased integrity and objectivity since the organization they are auditing is paying the bill. Other capital market players such as the investment analysts, bankers and market makers promote stocks and are money-driven since they depend on persons buying or selling to earn fees. Analysts provide recommendation and are paid on the volume of shares moved. The investment system is filled with conflict of interest issues. However, the investors are at a high risk because they are least informed about the actual events. In this case, the analyst can shed further light on investment issues for the investor to understand (Colley, Doyle, Logan and Stettinius, 2003:232-233).

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 (2005:21) 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).

The Securities and Exchange Commission (SEC) has a responsibility to ensure that investors are supplied with adequate information (Scott, 2003:455). Therefore it plays a pivotal role in ensuring the integrity of the capital market. However, an area that needs to be looked into is that of adequate funding of the commission. The cost of regulation is quite high and in more developed countries like America the SEC is usually funded by the government. Adequate funding of the commission will enable it stay ahead of the market it is regulating. In safeguarding the integrity of companies operating in the capital market, Okaro (2005:19) revealed that SEC is fashioning out code of corporate governance for Nigerian publicly quoted companies, promptly investigating financial scams, joining force with ICAN and the Nigerian Accounting Standards Board (NASB) to review auditing and accounting standards for publicly quoted companies, commissioning the Peterside committee on corporate governance and embarking on training of stakeholders especially directors of publicly quoted companies in Nigeria.

2.7.2 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 (Ali, 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.

Also, Monroe and Woodliff (1993:62-68) in their study examined the effects of professional education on undergraduate auditing students' beliefs about the messages communicated through audit reports. The study was carried out using two groups of undergraduate final year students (in auditing and marketing). Due to the level of knowledge of auditing students, they believed that auditors assumed less and management more responsibility for maintaining records, safeguarding assets, preventing and detecting fraud. The study revealed that students were more familiar with the auditing standards than some auditors, who may not have examined the standards for a number of years. Also, the students had no practical experience which may influence their beliefs. In addition, the students may have treated the questionnaire as a test and responded with the right answers even though they were persuaded that regardless of their answer, their responses were anonymous. The major highlight of the research was that the opinion of auditing students changed with education with regard to the responsibility, reliability of financial information and future prospects of the company.

Similarly, Bostick and Luehlfing (2004:54) advocated that educating shareholders on what an audit is designed to accomplish and communicating what an auditor's responsibilities are, will reduce the gap between the users' expectation of the auditor and the reasonable expectations. This may be done at annual shareholder meetings and at other meetings created for the purpose of educating users (Ojo, 2006:10). Educating users of the different responsibilities of directors and auditors has a cost. The question therefore is if management can afford the cost and avoid the inherent information asymmetry problem. On the other hand, the regulators may shoulder this cost.

2.7.3 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.

2.8 Summary

The criticisms of the auditing profession are a proof that there are areas of dissatisfaction with the services provided by auditors and perhaps the general nature of auditing. However, auditors are faced with changing expectations of the public. This may not be peculiar to the times we are in because there are always changing expectations. At every point in time, users of audited financial statements want information that is free from bias. Thus, they rely on the external auditor who gives an independent opinion on the financial statements. The problem however, is that the auditor is expected to carry out some roles that are not statutorily defined. Only recently, the ISA guidelines have made clear the auditor's responsibility to consider fraud in an audit of financial statements.

From this move, the profession has recognized that the need of the users be met. However, more can be done by the players in the corporate world especially those concerned with corporate governance. Education of the users of the responsibilities of auditors may be a useful tool in reducing the audit expectation gap. It is however expedient that auditor performs their duties diligently to prevent business failures. With the development of the accounting profession in Nigeria, there is need for auditors to be aware of their pivotal role in ensuring public confidence. This they must achieve to be relevant and remain in a competitive corporate world.

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CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction

In this chapter information about method used in collecting primary and secondary data, research design, population of study, sample size and sampling technique, actual field work and data analysis method is provided.

3.1 Research Design

This study adopts an explanatory survey research design. It is limited by the hypothesis, research questions and objectives stated in chapter one. The study will use primary data gathered by means of questionnaires. Even though the study covers the business landscape of Nigeria, the sample size will be limited to four hundred (400) respondents selected conveniently as time permitted. The respondents will include a hundred (100) each of accountants, auditors, shareholders and lenders employees. The accountants are persons who belong to a professional accountancy body and are either in practice or work in companies as accountants or internal auditors, auditors belong to audit firms, lenders employees represent those persons who work in the banking sector and investors represent shareholders (who have shares in one or more companies in Nigeria). Secondary data will be gathered from journals, research papers, newspapers, internet sites and selected annual reports of some companies in Nigeria.

3.2 Population of Study

According to Agbonifo and Yomere (1999:106) the population is made up of the entire universe to which the findings are generalized. In this vein, the population of this study will consist of the entire Nigerian business climate made up of auditors and audit beneficiaries (professionally qualified accountants-practicing and employed in companies, lenders employees/bankers and investors/stockbrokers).

3.3 Sample Size and Sampling Techniques

Sampling provides a valid alternative to a census when it would be impracticable to survey the entire population due to the budget, time constraints and urgent need for results after collecting the data (Saunders, Lewis and Thornhill, 2007:206). Similarly, Agbonifo and Yomere (1999:116) highlighted four reasons for studying a sample in place of the population. They sounded that statistics computed from sample data are reasonable accurate, cheaper in financial terms, time saving and avoids destroying the entire population.

In this light, the researcher will organize the research population into four (4) groups which are auditors, accountants (preparers of financial statements), lenders employees and investors. Subsequently, samples of a hundred (100) persons each will be selected conveniently from the groups as time permits. The accountants, auditors, lender employees/bankers and investors/stockbrokers will be selected from some of the private and public limited liability companies, audit firms, banks and population of shareholders of quoted companies in Lagos and Ogun state.

3.4 Data Gathering Method

This section reveals the sources of data and instruments of data collection. Furthermore, the questionnaire has been described in this section.

3.4.1 Sources of Data

Primary data will be gathered through the use of questionnaires and interviews. The questionnaires will be administered by the researcher with the help of a research assistant. Interviews will be conducted as well and information solicited from respondents will be written in notes. Secondary data will be gathered from journals, magazines, newspapers, annual report of companies, internet databases and library catalogues in Nigeria such as the Institute of Chartered Accountants of Nigeria (ICAN) library and Covenant University library. To identify whether familiarity threat exists with respect to the independence of auditors, the external auditors will be identified that have audited companies in the petroleum and breweries sectors in Nigeria selected conveniently for the past five to ten years.

3.4.2 Instruments for Data Collection

Asika (2004:75) described the questionnaire as an instrument for gathering data beyond the easy physical reach of the researcher. Due to the survey nature of the research, questionnaires will be used to solicit data pertaining to the audit expectation gap in Nigeria.

3.4.3 Description of Questionnaire

The questionnaire is designed to examine the opinion on matters relating to auditing and auditors largely similar to those used in soliciting opinion on such matters in other environments. It will contain a cover letter and a brief background to the study. It will also be stated that no personal information would be disclosed with the results of the study. The questionnaire will be made up of five sections in similar manner to the previous studies by Best, Buckby and Tan (2001), Schelluch and Gay (2006), Siddiqui and Nasreen (2004), Saha and Baruah (2008). A four (4) point likert scale will be used in measuring the factors contributing to the audit expectations gap in Nigeria.

The questionnaire will be divided into five sections (A, B, C, D and E). In section A the respondents will be required to fill in general information. From section B to E, respondents will be required to choose from a likert scale of 4 to 1. In section B to E, respondents will be required to respond to statements based on this four (4) point likert scale. These statements are made up of claims with respect to responsibility, reliability, nature and meaning of audit report messages and independence factor. Section B will be made up of statements pertaining to the auditor's roles and duties. In section C statements will be made with respect to the reliability factor. Section D will cover the nature and meaning of audit report messages factor. Finally, in section E statements relating to the independence factor will be made.

3.4.4 Validity and Reliability of Instruments

In this study, reliability was carried out to ensure the number of items encoded using Statistical Package for Social Sciences are correct. According to Pallant (2003:87) the responsibility, reliability, nature and meaning of audit report messages and independence scale has good internal consistency, with a Cronbach alpha coefficient reported of more than 0.7. In this study the Cronbach alpha coefficient was 0.818. This value is above 0.7, so the scale is considered reliable with our sample. Content validity as described by Pallant (2003:7) is the adequacy with which a measure or scale has sampled from the intended universe or domain of content. A pilot study was conducted by serving the questionnaires to five (5) each of accountants in practice and investors. On two different occasions, questionnaires were administered to these persons. The scores of the respondents on the two occasions were compared and found in agreement.

3.4.5 Administration of Instruments

Questionnaires were administered to four groups of respondents namely persons working in audit firms specializing in audit, investors, lenders employees and accountants. The instruments were administered to the different groups at the same time. The researcher targeted the big audit firms where there are sufficient auditors in practice who also belong to a professional body. The reason for this is that this group of auditors has knowledge of the nature of auditing and other issues associated with auditors. However, not every auditor working in an audit firm may be professionally qualified. The overall usable response rate was 67%. Even though the response of the accountants was low, the results were checked to ensure that the overall results from the statistical analysis were not biased by this group.

3.5 Actual Field Work/ Location of Study

This study was carried out in Lagos and Ogun State in Nigeria. The researcher administered questionnaires to auditors in KPMG audit, Akintola Williams Deloitte, Ernst and Young in Lagos. Questionnaires were administered to investors in the investment houses, bankers in selected banks in Lagos and Ogun States and accountants in business located in some companies Lagos and Ogun State. It was a difficult task getting the auditors to fill the questionnaires because a lot of them were on the field too (carrying out auditing tasks of different companies). But for this the response rate for auditors would have been more. However, some of the questionnaires were not properly completed and the researcher had to do without them. Annual reports were selected conveniently from some quoted companies in Nigeria. The petroleum and breweries sectors were focused on during the analysis. Respondents were located in Ogun state mainly because of the level of industrial development in the state. This enabled the researcher capture more accountants and investors.

3.6 Data Analysis Method

The first step to data analysis was coding the variables in the questionnaires into Statistical Package for Social Sciences (SPSS) version 15. Secondly, the data from questionnaires were also coded into SPSS. The data was analyzed to bring out the descriptives (frequency tables) and then the means of the responses were compared after which advanced test was carried out using one-way analysis of variance and factor analysis. One-way Analysis of Variance (ANOVA) is a particularly powerful tool for testing the difference in means of groups of respondents. Also, Kerr, Hall and Kozub

(2003:114) advocated that one-way ANOVA can examine the differences between the means of more than two treatment groups.

3.6.1 Method of Data Analysis

The data collected will be analyzed in tables using sum of frequencies. The responses of the four groups of respondents were compared. A higher mean shows a higher support of that particular group for that statement by that group of respondent. In this study, the hypotheses are tested to ensure that if there are mean differences, it is not as a result of sampling error. The null hypothesis will be accepted if the level of significance calculated by SPSS is higher than the assumed level of significance (0.01). On the other hand the null hypothesis will be rejected if the level of significance calculated by SPSS is lower than the assumed level of significance.

3.6.2 Instruments for Data Analysis (formulae)

Statistical Package for Social Sciences (SPSS) version 15 will be used to analyze the primary data collected through questionnaires. Data will be analyzed using Analysis of Variance (ANOVA). The formula for ANOVA is given below:

Total sum of squares $SS^T=\sum X^2-\underline{(\sum X)^2/N}$

Sum of squares between groups is $SS_B=\sum N_g(X_g-X)^2$

Sum of squares within groups (the error) $SS_W=SS_T-SS_B$

Degree of freedom between groups=df_B=k-1 where k is the number of groups

Degree of freedom within groups=df_W=N-k where N is the total number of observations

Total degrees of freedom is N-1

Mean Squares of Between groups=SS_B/df_B

Mean squares of within groups=SS_W/df_W

Fishers ratio =MSS_B/MSS_W

The critical value of F-statistic using the F table will then be obtained at $\alpha=0.01$. If the calculated F value using SPSS is less than the assumed level of significance, the null hypothesis will be rejected. It means there is a significant difference between the means of the groups. In carrying out Factor Analysis, data will be reduced to factors that make up the audit expectation gap problem. Secondly, initial factors will be extracted. Then a rotation to the terminal solution will be carried out (Adedayo, 2000:264). Secondary data collected from annual reports of companies will be presented in tabular form.

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CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.0 Introduction

This chapter focuses on the four hypotheses formulated based on the research problem stated in chapter one. The data obtained from the questionnaires distributed to one hundred (100) each of auditors, accountants, bankers and investors is presented in this chapter. The basis of our conclusion in this study is the result of the statistical test of one-way Analysis of Variance on the hypotheses. The responses are classified according to their academic qualification, professional qualification in accounting, audit experience and occupation.

4.1 Data Presentation (Using Tables)

The following tables are the result of data collected from the field survey. The response of the auditors is compared with that of accountants, investors/stockbrokers and bankers/lender employees.

Table 4.1.1 Highest Academic Qualification of Respondents

	Occupation				
Highest Academic Qualification	Bankers	Auditors	Investors	Accountants	Total
WAEC	0	0	41	0	41
OND	7	8	5	7	27
HND	20	20	20	18	78
B Sc.	12	24	17	11	64
BA	3	11	3	4	18
MBA	3	10	5	5	23
M Sc.	4	1	3	2	10
Ph D.	2	1	1	0	4
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, 75 auditors who responded. Of this number, 8 are OND holders, 20 are HND holders, 24 have their B Sc., 11 are BA holders and 10 are MBA holders. Only 2 auditors have their M Sc. and Ph D. respectively. Of the 51 bankers who responded, 7 are OND holders, 20 are HND holders, 12 are B Sc. holders, 3 persons each have BA and MBA degrees, 4 persons have M Sc and 2 have Ph D. Of the 95 investors, 41 are WAEC holders, 5 are OND holders, 20 persons have HND, 17 have B Sc, 3 each have BA and M Sc, 5 have MBA and 1 person has a Ph D. Of the 47 accountants who responded, 7 are OND holders, 18 are HND holders, 11 have B Sc, 4 have BA, 5 have MBA and 2 have M Sc degrees.

Table 4.1.2 Professional Qualification in Accounting

	Occupation				
Professional Qualification	Bankers	Auditors	Investors	Accountants	Total
ACA	3	50	9	10	72
ACCA	2	3	0	0	5
ANAN	-	-	-	-	-
CPA	2	0	1	1	4
None	44	22	85	36	187
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Of the 75 auditors, fifty (50) are chartered accountants, three (3) have ACCA and twenty two (22) have no professional qualification in accounting. Three (3) bankers are chartered accountants, two (2) have ACCA, two are Certified Public Accountants (CPA) and forty four (44) have no professional qualification in accounting. A larger number of the auditor respondents are chartered accountants. Usually, these groups of persons have a good understanding of the external auditor's responsibilities. Many of the investor, banker and accountant respondents do not have any professional qualification in accounting. So their opinion will not be influenced by any residual knowledge of auditing.

Table 4.1.3 Auditing Experience

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Yes	16	70	15	28	129
No	35	5	80	19	139
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Of the seventy five (75) auditors who responded, seventy (70) of them had audit experience and five (5) had no audit experience. Sixteen (16) bankers had audit experience and thirty five (35) had no experience. Fifteen (15) investors/stockbrokers had audit experience and eighty (80) had none. Twenty eight (28) accountants had audit experience and nineteen (19) had none.

Table 4.1.4 Length of Audit Experience

	Occupation				
Length of Audit Experience	Bankers	Auditors	Investors	Accountants	Total
Below 1 year	6	8	8	13	35
1-10 years	10	43	7	14	74
Above 10 years	0	18	1	1	20
No experience	35	6	80	19	139
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: A higher number of auditor respondents have audit experience than the other respondents have. Also, a higher number of auditor respondents have had audit experience between one to ten years which is enough time for anyone to have knowledge in auditing.

Table 4.1.5 Occupation

Occupation/Response Rate									
Bankers	RR	Auditors	RR	Investors	RR	Accountants	RR	Total	Total Response Rate
51	51%	75	75%	95	95%	47	47%	268	67%

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: In all, fifty one (51) bankers/lender employees, seventy five (75) auditors, ninety five (95) investors/stockbrokers and forty seven (47) accountants responded positively and filled the questionnaire. However, ten (10) respondents filled the questionnaire given to them partially and this made them unusable for this research. The response rate for auditors is 75%, bankers are 51%, investors are 95% and accountants are 47%. The overall response rate is 67%.

Table 4.1.6 Auditor's Responsibility for Preparation of Financial Statements

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	11	55	39	21	126
Disagree	3	15	3	2	75
Agree	19	3	14	5	41
Strongly Agree	18	2	32	9	61
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: The table above suggests that more auditors disagree that they have responsibility to prepare financial statements. More bankers and investors agree to the statement. More accountants on the other hand disagree to the statement.

Table 4.1.7 Auditor's Responsibility for Expressing an Independent Opinion on the Financial Statements Based on their Audit

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	0	0	0	0	0
Disagree	1	0	0	1	2
Agree	14	2	18	6	40
Strongly Agree	36	73	77	40	226
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Of the 51 bankers who responded, 1 disagreed that auditors are responsible for expressing an independent opinion on the financial statement based on their audit while 50 affirmed this statement. Of the 75 auditors and 95 investors, none disagreed to this statement. 1 out of 47 accountants disagreed to this statement.

Table 4.1.8 Auditor's Responsibility to Verify Every Accounting Transaction Undertaken by a Company

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	0	24	5	2	31
Disagree	9	27	8	4	48
Agree	15	11	29	22	77
Strongly Agree	27	13	53	19	112
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Of the 51 bankers, 9 disagreed that the auditor is responsible for verifying every accounting transaction undertaken by a company, 42 agreed to this statement. More auditors (51 of them) disagreed to this statement. Interestingly, more investors and accountants expect the auditor to verify every accounting transaction undertaken by a company.

Table 4.1.9 Auditor's Responsibility for Detecting all Fraud in a Company

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	7	39	3	3	52
Disagree	8	28	14	8	58
Agree	12	7	42	21	82
Strongly Agree	24	1	36	15	76
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: More auditors disagreed that they are responsible for detecting all fraud in a company. Ironically, more bankers, investors and accountants agreed to this statement.

Table 4.1.10 Auditor's Responsibility for Preventing all Fraud in a Company

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	7	46	6	5	64
Disagree	9	24	27	12	72
Agree	19	3	34	22	78
Strongly Agree	16	2	28	8	54
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: More auditors disagreed that they are responsible for preventing all fraud in a company. Ironically, more bankers, investors and accountants agreed to this statement.

Table 4.1.11 Auditor's Responsibility for an Effective System of Internal Control

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	2	39	5	5	51
Disagree	1	20	13	10	44
Agree	22	9	37	17	85
Strongly Agree	26	7	40	15	88
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: More auditors disagreed that they are responsible for an effective system of internal control. Ironically, more bankers, investors and accountants agreed to this statement.

Table 4.1.12 Auditor's Exercise of Judgment in Selection of Audit Procedures

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	4	0	2	0	6
Disagree	5	3	5	6	19
Agree	27	28	43	26	124
Strongly Agree	15	44	45	15	119
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, more respondents (auditors, bankers, investors and accountants) agreed that the auditor exercises judgment in selection of audit procedures.

Table 4.1.13 Auditors' Additional Responsibility for Evaluating whether a Company is a Going Concern

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	1	0	0	0	1
Disagree	3	6	10	9	28
Agree	25	35	45	20	125
Strongly Agree	22	34	40	18	114
Total	51	175	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, a higher number of respondents are of the opinion that auditors should take on additional responsibility for evaluating whether a company is a going concern. This result is a pointer that auditors and audit beneficiaries alike want information about the future of a company.

Table 4.1.14 Auditors should take on Additional Responsibility for Communicating whether a Company is a Going Concern

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	-	-	-	-	-
Disagree	4	11	16	10	41
Agree	28	41	49	22	140
Strongly Agree	19	23	30	15	87
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, a higher number of respondents are of the opinion that auditors should take on additional responsibility for communicating whether a company is a going concern.

Table 4.1.15 Auditor's responsibility for Disclosing whether any Theft occurred during the Financial Year

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	5	14	2	3	24
Disagree	5	27	14	6	52
Agree	13	22	40	16	91
Strongly Agree	28	12	39	22	101
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table, more auditors disagreed that they are responsible for disclosing whether any theft occurred during the financial year. Conversely, the bankers, investors and accountants opined otherwise.

Table 4.1.16 Auditors are Responsible for Business Failure

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	8	42	15	12	77
Disagree	14	23	30	18	85
Agree	9	5	26	11	51
Strongly Agree	20	5	24	6	55
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, more auditors disagreed that they are liable for business failure. Conversely, the bankers and investors opined otherwise. The accountants also perceived that auditors are not liable for business failure.

Table 4.1.17 Auditors should be Financially Liable when they do not Exercise Diligence in Handling the Accounts of a Company

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	2	2	1	2	7
Disagree	6	17	14	5	42
Agree	17	43	33	22	115
Strongly Agree	26	13	47	18	104
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table, more respondents opined that the auditor should be financially liable when the accounts of a company are not handled diligently. A fewer number of respondents disagreed to this statement.

Table 4.1.18 An Auditor is Responsible for Maintaining Public Confidence in a Company

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	2	9	2	1	14
Disagree	3	7	7	4	21
Agree	20	41	39	18	118
Strongly Agree	26	18	47	24	115
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table, 233 out of 268 respondents agreed that auditors are responsible for maintaining public confidence in a company. This suggests that the role of auditors is held highly by users.

Table 4.1.19 An Auditor should Report to Shareholders on Management Efficiency

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	1	3	3	1	8
Disagree	3	18	8	7	36
Agree	22	27	31	18	98
Strongly Agree	25	27	53	21	126
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, 224 out of 268 respondents opined that an auditor should report to shareholders on management efficiency. More auditors agreed to this statement, so did the bankers, investors and accountants.

Table 4.1.20 An Unqualified Audit Report means that the Financial Statements is Free from Fraud

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	7	18	10	12	47
Disagree	20	29	23	18	90
Agree	12	19	34	9	74
Strongly Agree	12	9	28	8	57
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, a higher number of auditors, bankers and accountants disagreed that an unqualified audit report means that the financial statement is free from fraud. Conversely, the investors opined otherwise (agreed).

Table 4.1.21 An Unqualified Audit Report means that the Financial Statement is Free from Material Misstatements

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	4	4	9	6	23
Disagree	20	1	13	14	48
Agree	16	37	46	15	114
Strongly Agree	11	33	27	12	83
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, a higher number of auditors, bankers, investors and accountants agreed that an unqualified audit report means that the financial statement is free from material misstatements.

Table 4.1.22 An Unqualified Audit Report can be Relied Upon to Make Investment Decisions

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	9	6	6	8	29
Disagree	15	11	12	10	48
Agree	17	41	44	20	122
Strongly Agree	10	17	33	9	69
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, a higher number of auditors, bankers, investors and accountants agreed that an unqualified audit report can be relied upon to make investment decisions.

Table 4.1.23 A Company whose Audit Report is Unqualified is Financially Sound

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	9	14	10	11	44
Disagree	18	38	19	18	93
Agree	14	20	41	14	89
Strongly Agree	10	3	25	4	42
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, more auditors and accountants disagreed that a company whose audit report is unqualified is financially sound. 27 bankers disagreed and 24 agreed to the statement. Conversely, a higher number of investors agreed to the statement.

Table 4.1.24 Auditors are meant to Forecast Financial Profile

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	7	38	8	10	63
Disagree	9	28	22	16	75
Agree	27	8	41	20	96
Strongly Agree	8	1	24	1	34
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, a higher number of auditors disagreed that auditors are meant to forecast financial profile. Conversely, more bankers and investors agreed to the statement. The accountants disagreed to this statement as well.

Table 4.1.25 The Audited Financial Statements are Useful in Monitoring a Company's Financial Performance

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	1	0	1	0	2
Disagree	3	3	6	2	14
Agree	20	48	38	25	131
Strongly Agree	27	24	50	20	121
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, a higher number of auditors, bankers, investors and accountants agreed that the audited financial statements are useful in monitoring a company's performance.

Table 4.1.26 The Audited Financial Statements can be used in making Decisions Pertaining to the Sale and Purchase of Shares

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	2	0	0	1	3
Disagree	6	10	5	2	23
Agree	19	48	50	28	145
Strongly Agree	24	17	40	16	97
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, a higher number of auditors, bankers, investors and accountants agreed that the audited financial statements can be used in making decisions pertaining to the sale and purchase of shares.

Table 4.1.27 An Unqualified Audit Report Means That A Company Is A Safe Investment Haven

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	9	11	6	8	34
Disagree	19	40	25	19	103
Agree	12	21	38	18	89
Strongly Agree	11	3	26	2	42
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, a higher number of auditors, bankers and accountants disagreed that an unqualified audit report is a safe investment haven. Conversely, more investors agreed to the statement.

Table 4.1.28 An Unqualified Audit Report Means That A Company Is Well Managed

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	5	9	6	8	28
Disagree	20	38	21	19	98
Agree	15	26	43	17	100
Strongly Agree	11	2	25	3	41
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, a higher number of auditors and accountants disagreed that an unqualified audit report means that a company is well managed. Conversely, more bankers and investors agreed to the statement.

Table 4.1.29 Audit Reports Should Contain More Information About Financial Forecast

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	1	13	5	3	22
Disagree	8	37	22	12	79
Agree	17	22	42	22	103
Strongly Agree	25	3	26	10	64
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, more auditors disagreed that audit reports should contain more information about financial forecast. Conversely, a higher number of bankers, investors and accountants agreed to this statement.

Table 4.1.30 The Extent Of Assurance Given By An Auditor Is Clearly Indicated In Audit Reports

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	3	2	1	0	6
Disagree	2	6	12	7	27
Agree	24	47	56	24	151
Strongly Agree	22	20	26	16	84
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, a higher number of auditors, bankers, investors and accountants agreed that the extent of assurance given by an auditor is clearly indicated in audit reports.

Table 4.1.31 An Unqualified Audit Report Means That The Company Has Kept Proper Books Of Account And The Financial Statements Are In Agreement With The Books

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	10	5	7	11	33
Disagree	14	9	14	12	49
Agree	9	29	45	14	97
Strongly Agree	18	32	29	10	89
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, a higher number of auditors, bankers, investors and accountants agreed that an unqualified audit report means that the company has kept proper books of account and the financial statements are in agreement with the books.

Table 4.1.32 The Extent Of Work Performed Should Be Clearly Communicated In Audit Reports

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	2	4	0	1	7
Disagree	4	7	10	7	28
Agree	19	44	7	28	134
Strongly Agree	26	20	28	11	99
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, a higher number of auditors, bankers, investors and accountants agreed that the extent of work performed should be clearly communicated in audit reports.

Table 4.1.33 An Unqualified Audit Report Shows That The Financial Statements Show A True And Fair View Of The State Of Affairs Of A Company

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	3	4	4	6	17
Disagree	13	4	14	7	38
Agree	19	26	41	21	107
Strongly Agree	16	41	36	13	106
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, a higher number of auditors, bankers, investors and accountants agreed that an unqualified audit report shows that the financial statements shows a true and fair view of the state of affairs of a company.

Table 4.1.34 Auditor Independence Can Influence The Performance Of Audit Services

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	0	1	2	1	4
Disagree	1	1	13	5	20
Agree	21	23	33	17	94
Strongly Agree	29	50	47	24	150
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, a higher number of auditors, bankers, investors and accountants agreed that auditor independence can influence the performance of audit services.

Table 4.1.35 When an Auditor Engages In The Provision Of Non-Audit And Audit Services At The Same Time, Objectivity May Be Impaired

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	2	0	1	1	4
Disagree	4	2	14	9	29
Agree	31	31	50	21	133
Strongly Agree	14	42	30	16	102
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, a higher number of auditors, bankers, investors and accountants agreed that when an auditor engages in the provision of non-audit and audit services at the same time, objectivity may be impaired.

Table 4.1.36 Provision of Audit Services Consistently For A Long Period Of Time May Lead To Familiarity Threat

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	2	10	1	0	6
Disagree	8	33	15	8	44
Agree	21	6	56	18	128
Strongly Agree	20	26	23	21	90
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, a higher number of auditors opined that provision of audit services consistently for a long period of time will not lead to familiarity threat. Conversely, a higher number of bankers, investors and accountants agreed to this statement.

Table 4.1.37 Auditors Are Not Independent In The Nigerian Business Environment

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	1	22	5	2	30
Disagree	10	35	27	18	90
Agree	26	14	48	13	101
Strongly Agree	14	4	15	14	47
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, a higher number of auditors disagreed that auditors are not independent in the Nigerian business environment. The other respondents agreed to this statement.

Table 4.1.38 Auditors Are More Concerned With Pleasing Management

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	2	37	8	5	52
Disagree	14	30	32	17	93
Agree	25	6	42	18	91
Strongly Agree	10	2	13	7	32
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table above, a higher number of auditors disagreed that auditors are more concerned with pleasing management. Conversely, a higher number of bankers, investors and accountants agreed to this statement.

Table 4.1.39 Auditors Are Willing To Settle Negligence Out Of Court In Nigeria

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	2	10	6	1	19
Disagree	9	31	34	11	85
Agree	32	28	42	31	133
Strongly Agree	8	6	13	4	31
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: The table above shows that a higher number of auditors disagreed that auditors are willing to settle negligence out of court in Nigeria. Conversely, a higher number of bankers, investors and accountants agreed to this statement.

Table 4.1.40 The Quality Of Audit Has Improved In The Recent Years

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	2	0	2	1	5
Disagree	23	8	48	24	93
Agree	23	40	29	19	121
Strongly Agree	3	27	16	3	49
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: The table above shows that a higher number of auditors and bankers opined that the quality of audit has improved in the recent years. Interestingly, a higher number of investors and accountants disagreed to this statement.

4.2 Data Analysis – Preliminary

The primary aim of this section is to analyze the data collected using descriptive statistics such as means, standard deviations and present them in tabular form.

4.2.1 Preliminary Data Analysis of Responsibility Factor

Table 4.2.1 Survey Statements and Summary Statistics- Responsibility Factor

	Auditors	Bankers	Investors	Accountants
Statements/Factors	Mean (SD)	Mean (SD)	Mean (SD)	Mean (SD)
1.Responsibility for Preparation of Financial Statements	1.3600 (0.69048)	2.8627 (1.13172)	2.4105 (1.32494)	2.0426 (1.16016)
2. Responsibility for expressing an independent opinion on the financial statement	3.9733 (0.16219)	3.6863 (0.50952)	3.8105 (0.39396)	3.8358 (0.43335)
3. Responsibility for verifying every accounting transaction	2.1733 (1.07015)	3.3529 (0.77003)	3.3684 (0.85119)	3.2340 (0.78610)
4. Responsibility for detecting all fraud	1.6000 (0.71660)	3.0392 (1.09473)	3.1684 (0.79430)	3.0213 (0.87201)
5. Responsibility for preventing all fraud	1.4800 (0.70443)	2.8627 (1.02019)	2.8842 (0.90933)	2.7021 (0.88256)
6. Responsibility for an effective internal control	1.7867 (0.99040)	3.4118 (0.72599)	3.1789 (0.86269)	2.8936 (0.98321)
7. Responsibility for exercising judgment in selecting audit procedures	3.5467 (0.57641)	3.0392 (0.84760)	3.3789 (0.68694)	3.1915 (0.64735)
8. Responsibility for evaluating the going concern status	3.3733 (0.63189)	3.3333 (0.68313)	3.3158 (0.65661)	3.1915 (0.74128)
9. Responsibility for communicating the going concern status	3.1600 (0.65842)	3.2941 (0.60973)	3.1474 (0.68368)	3.1064 (0.72932)
10. Responsibility for disclosing theft	2.4267 (0.97500)	3.2549 (0.99686)	3.2211 (0.77431)	3.2128 (0.90737)
11. Responsibility for business failure	1.6400 (0.87980)	2.8039 (1.13172)	2.6211 (1.03327)	2.2340 (0.98274)
12. Responsibility to pay fine when diligence is not exercised in handling accounts	2.8933 (0.70851)	3.3137 (0.83643)	3.3263 (0.76412)	3.1915 (0.79778)
13. Responsibility for maintaining public confidence	2.9067 (0.90305)	3.3725 (0.77358)	3.3789 (0.71725)	3.3830 (0.73878)
14. Responsibility for reporting management efficiency to shareholders	3.0400 (0.87673)	3.3922 (0.69508)	3.4105 (0.77863)	3.2553 (0.79312)

Source: Administered Questionnaires by Nwobu (2008)

Table 4.2.1 above presents the data relating to perception of the responsibility of auditors. On the auditor's responsibility for preparing the financial statements verifying every accounting transaction undertaken by a company, detecting all fraud, preventing all fraud, ensuring an effective internal control, disclosing theft, business failure, pay fine when accounts are not handled diligently, maintaining public confidence, reporting management efficiency to shareholders, a lower support was shown by auditors (with the lowest mean scores) when compared with the mean of bankers, investors and accountants for the 10 statements. These data indicate that auditor respondents showed lower support for these 10 statements than other respondents.

On the other hand, the mean for responsibility for expressing an independent opinion on the financial statements, exercising judgment in selecting audit procedures, evaluating and communicating the going concern status show a higher mean for the auditor group of 3.9733, 3.5467, 3.3733 and 3.1600 than the mean for the other respondent groups on each of the statements. This suggests that auditor respondents strongly understand the main objective of statutory audit which is to express an independent opinion on the financial statements based on their audit. The mean scores for statements 7, 8, 9 and 14 were consistent for the four groups. In other words, the groups had related opinion regarding the auditor's ability to exercise judgment in selection of audit procedures (agree), auditor's responsibility for evaluating and communicating whether a company is a going concern (agree) and auditor's report to shareholders on management efficiency (agree).

4.2.2 Preliminary Data Analysis of Reliability Factor

Table 4.2.2 Survey Statements and Summary Statistics- Reliability Factor

	Auditors	Bankers	Investors	Accountants
Statements/Factors	Mean (SD)	Mean (SD)	Mean (SD)	Mean (SD)
1.Unqualified audit report can be relied upon to make investment decisions	2.9200 (0.83440)	2.5490 (1.00625)	3.0947 (0.85145)	2.6383 (0.98743)
2.Auditors forecast financial profile	1.6267 (0.73104)	2.7059 (0.90098)	2.8526 (0.89880)	2.2553 (0.82008)
3.Audited financial statements are useful in monitoring company's performance	3.2800 (0.53423)	3.4314 (0.70014)	3.4421 (0.66390)	3.3830 (0.57306)
4.Audited financial statements can be used in making decisions pertaining to the sale and purchase of shares	3.0933 (0.59669)	3.2745 (0.82652)	3.3684 (0.58442)	3.2553 (0.64160)
5.Audit reports should contain more information about financial forecast	2.2000 (0.77110)	3.2941 (0.80732)	2.9368 (0.84816)	2.8298 (0.84233)
6.Extent of assurance is clearly indicated in audit reports	3.1333 (0.66441)	3.2745 (0.80196)	3.1263 (0.65626)	3.1915 (0.68010)
7.Extent of work done is clearly communicated in audit reports	3.0667 (0.75933)	3.3529 (0.79558)	3.3368 (0.66221)	3.0426 (0.69023)

Source: Administered Questionnaires by Nwobu (2008)

Table 4.2.2 above presents the data relating to perception of the respondents regarding reliability of the audit report. Auditor respondents showed the lowest support for forecasting financial profile, usefulness of audited financial statements in forecasting financial profile and making decisions pertaining to the sale and purchase of shares, audit reports should contain more information about financial forecast than the other respondents. This was denoted by the lowest mean of 1.6267, 3.2800, 3.0933 and 2.2000 among the respondents. Auditor respondents opined that even though an unqualified audit report is clean, it cannot be wholly depended on to make investment decisions, and audit reports do not communicate the extent of work done. However, the results from investor respondents on relying upon audit reports to make investment decisions is highest compared to the other respondents. This suggests that they have an unreasonable expectation of the audit report. Also, the mean for investors is highest with respect to forecast of financial profile. This expectation may be traced to the blame of auditors for subsequent illiquidity of a company after an unqualified (clean) report is given by auditors.

4.2.3 Preliminary Data Analysis of Nature and Meaning of Audit Report Messages

Table 4.2.3 Survey Statements and Summary Statistics- Nature and Meaning of Audit Report Messages Factor

	Auditors	Bankers	Investors	Accountants
Statements/Factors	Mean (SD)	Mean (SD)	Mean (SD)	Mean (SD)
1.Unqualified audit report is free from fraud	2.2533 (0.95992)	2.5686 (1.00509)	2.8421 (0.97102)	2.2766 (1.03634)
2. Unqualified audit report is free from material misstatements	3.3200 (0.75624)	2.6667 (0.90921)	2.9579 (0.89818)	2.7021 (0.99815)
3.Unqualified audit report means company is financially sound	2.1600 (0.77180)	2.4902 (1.00742)	2.8526 (0.93363)	2.2340 (0.91397)
4.An unqualified audit report means a company is a safe investment haven	2.2133 (0.74059)	2.4902 (1.02708)	2.8842 (0.88562)	2.2979 (0.80528)
5.An unqualified audit report means company is well managed	2.2800 (0.70825)	3.1961 (4.21910)	2.9158 (0.85879)	2.3191 (0.83683)
6.An unqualified audit report means company has kept proper books	3.1733 (0.89100)	2.6863 (1.15741)	3.0105 (0.86903)	2.4894 (1.08091)
7.An unqualified audit report means the financial statements show a true and fair view	3.3867 (0.82024)	2.9412 (0.90359)	3.1474 (0.82473)	2.8723 (0.96947)

Source: Administered Questionnaires by Nwobu (2008)

Table 4.2.3 above presents the data relating to perception of the respondents regarding the nature and meaning of audit report messages. Auditor respondents showed lowest support pertaining to the meaning of an unqualified audit report with respect to freedom from fraud, being financially sound, being a safe investment haven and company being well managed. On the other hand, the mean for auditor respondents was highest pertaining to the meaning of an unqualified audit report as free from material misstatements, that a company has kept proper books and the financial statements show a true and fair view. This suggests that the auditor respondents support these views highly than the other respondents. The results showed that other respondents believe that an unqualified audit report infers that the financial statements are free from fraud; the company is financially sound and well managed when the auditor respondents perceive otherwise. The results suggest the presence of an audit expectation gap.

4.2.4 Preliminary Data Analysis of Independence Factor

In this section, the results of the survey statements and summary statistics are presented as well as the results from the annual statements of selected companies in the Nigerian Petroleum and Breweries sector.

Table 4.2.4 Survey Statements and Summary Statistics- Independence Factor

	Auditors	Bankers	Investors	Accountants
Statements/Factors	Mean (SD)	Mean (SD)	Mean (SD)	Mean (SD)
1.Auditor independence can influence the performance of audit services	3.6267 (0.58756)	3.5490 (0.54088)	3.3158 (0.78906)	3.3617 (0.76401)
2.Objectivity may be impaired when providing non-audit and audit services at the same time	3.5333 (0.55345)	3.1176 (0.71125)	3.1474 (0.69906)	3.1064 (0.78668)
3.Provision of audit services for a long period of time may lead to familiarity threat	3.0800 (0.85044)	2.3333 (0.97297)	3.0632 (0.66542)	3.2766 (0.74315)
4.Auditors are not independent in Nigeria	2.0000 (0.83827)	3.0392 (0.74728)	2.7684 (0.77806)	2.8298 (0.91649)
5.Auditors are more concerned with pleasing management	1.6400 (0.74689)	2.8431 (0.78416)	2.6316 (0.82582)	2.5745 (0.87836)
6.Auditors are willing to settle negligence out of court in Nigeria	2.4000 (0.82199)	2.9020 (0.70014)	2.6526 (0.79585)	2.8085 (0.61284)
7.The quality of audit has improved in recent years	3.2533 (0.63869)	2.5294 (0.67388)	2.6421 (0.78437)	2.5106 (0.65516)

Source: Administered Questionnaires by Nwobu (2008)

Table 4.2.4.1 above presents the data relating to perception of the respondents on auditor independence. Auditor respondents showed the highest support that auditor independence can influence the performance of audit services. The results showed that the investor, banker and accountant respondents know the importance of auditor independence. Auditors also strongly support that objectivity may be impaired when providing audit and non-audit services at the same time. Ironically, the preparers of financial statement (accountants) showed the highest support for the statement that provision of audit services for a long period of time may lead to familiarity threat. The lowest support was shown by auditors pertaining to their not being independent, concerned with pleasing management and willing to settle negligence out of court. The preparers showed the lowest support that the quality of audit has improved in the recent years.

4.2.5 Observation from Annual Reports of Selected Companies in the Nigerian Petroleum and Breweries Sector

The results from the annual reports of some selected companies in the Nigerian Petroleum and Breweries sector are shown in the table and the results explained thereafter.

Table 4.2.5 Tenure of Auditors in Selected Companies in Nigeria

<table>
<tr><td>Sector</td><td></td><td>Auditors</td><td>Number of Years Audit Services were Provided</td></tr>
<tr><td rowspan="2">Breweries</td><td>Guinness</td><td>KPMG Audit</td><td>2002 to 2006</td></tr>
<tr><td>Nigerian Breweries</td><td>KPMG Audit</td><td>2002 to 2006</td></tr>
<tr><td rowspan="6">Petroleum</td><td>Mobil</td><td>Pricewaterhouse Coopers</td><td>1999 to 2006</td></tr>
<tr><td rowspan="2">Texaco</td><td>Arthur Andersen</td><td>1985 to 2001</td></tr>
<tr><td>Pricewaterhouse Coopers</td><td>2003 to 2005</td></tr>
<tr><td rowspan="3">Total</td><td>KPMG Audit</td><td>1996 to 2001</td></tr>
<tr><td>Akintola Williams Deloitte and Touche</td><td>2002 to 2005</td></tr>
<tr><td></td><td></td></tr>
</table>

Source: Annual Reports of Companies

Interpretation: The auditors who provided audit services during the year were noted. In the Breweries sector, a look at the annual statements of Guinness and Nigerian Breweries showed that KPMG audit had provided audit services for five (5) consecutive years up till 2006. However, in 2002 they were known as KPMG audit and by 2003 as KPMG pro. In the Petroleum sector, the annual report of Mobil showed that for eight consecutive years (from 1999 up till 2006), their financial statements have been audited by Pricewaterhouse

Coopers. For eleven (11) years (from 1985 to 2001) Arthur Andersen provided audit services to Texaco until 2003 when Pricewaterhouse Coopers took over. As at 2005, Pricewaterhouse Coopers provided this service. The Case of Total shows that KPMG audit provided audit services for them for six (6) consecutive years (1996-2001). However, from 2002 to 2005 Akintola Williams Deloitte and Touche was their auditor.

The above findings reveal that there may be no specified rules regarding the number of years an auditor can provide audit services to a client. However, if provision of audit services for a long period of time may lead to familiarity threat it is ideal that a specified number of years that an auditor can provide audit services to a client be stated.

4.3 Data Analysis – Advanced

To further analyze the data, one way analysis of variance was carried out. Analysis of Variance (ANOVA) was used to identify the presence or absence of a significant difference in the perception of the four groups on each variable in the four point likert scale. The level of significance assumed was 1%. According to Adedayo (2000:218) when 0.01 level of significance is used, it means we are 99% confident that a right decision has been made. The responsibility, reliability, nature and meaning of audit report messages and independence factors were subjected to advanced test using one way ANOVA. Statistical Package for Social Sciences (SPSS) was used to carry out this test.

4.3.1 Advanced Data Analysis of Responsibility Factor

Tables 4.3.1.1 to 4.3.1.14 presents the responses to the fourteen (14) responsibility statements. It indicates the presence of an audit expectation gap which reflects in the significant differences, in statements 1 (auditors are responsible for the preparation of the company's financial statements), 2 (the auditor is responsible for expressing an independent opinion on the financial statements based on their audit), 3 (the auditor is responsible for verifying every accounting transaction undertaken by a company, 4 (the auditor is responsible for detecting all fraud in a company), 5 (the auditor is responsible for preventing all fraud in a company), 6 (the auditor is responsible for an effective internal control in a company), 7 (the auditor exercises judgment in the selection of audit procedures), 10 (the auditor is responsible for disclosing whether any theft occurred during the financial year), 11 (business failure means audit failure), 12 (auditors should be made to pay fine when they do not exercise diligence in handling the accounts of a company) and 13 (an auditor is responsible for maintaining public confidence in a company).

In the tables below SS means Sum of Squares, df is the degree of freedom, MSS is the Mean Sum of Squares.

Table 4.3.1.1 ANOVA Results on Statement 1

Source	SS	Df	MSS	F	Significance
Between groups	79.668	3	26.556		
Within groups	326.224	264	1.236		
Within total	405.892	267		21.491	0.000

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: From the table, there was a statistically significant difference at the $p<0.01$ level in responsibility for preparation of financial statement score for the four groups [$F(3,264)=21.491$, $p=0.000$]. Scheffe's post-hoc test revealed that the mean score for bankers and auditors, auditors and investors, accountants and bankers is significant at the 0.01 level.

Table 4.3.1.2 ANOVA Results on Statement 2

Source	SS	Df	MSS	F	Significance
Between groups	2.621	3	.874	6.046	0.001
Within groups	38.155	264	.145		
Within total	40.776	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: On the second statement, there was a statistically significant difference at the $p<0.01$ level on responsibility for expressing an independent opinion on the financial statements score for the four groups $F[3,264]=6.046$, $p=0.001$. Scheffe's post-hoc test revealed that the mean score for bankers and auditors is significant at the 0.01 level.

Table 4.3.1.3 ANOVA Results on Statement 3

Source	SS	Df	MSS	F	Significance
Between groups	73.061	3	24.354		
Within groups	210.925	264	.799		
Within total	283.985	267		30.482	0.000

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: On the third statement, there was a statistically significant difference at the $p<0.01$ level on the auditor's responsibility for verifying every accounting transaction undertaken by a company. This score for the four groups $F\ [3,264]=30.482$, $p=0.000$. Scheffe's post-hoc test revealed that the mean score for bankers and auditors, auditors and investors, auditors and accountants are significant at the 0.01 level.

Table 4.3.1.4 ANOVA Results on Statement 4

Source	SS	Df	MSS	F	Significance
Between groups	122.197	3	40.732		
Within groups	192.206	264	.728		
Within total	314.403	267		55.947	0.000

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Pertaining to the fourth statement, there was a statistically significant difference at the $p<0.01$ level on the auditor's responsibility for detecting all fraud in a company. The score for the four groups F [3,264]=55.947, p=0.000. Scheffe's post-hoc test revealed that the mean score for auditors and bankers, auditors and investors, auditors and accountants are significant at the 0.01 level.

Table 4.3.1.5 ANOVA Results on Statement 5

Source	SS	Df	MSS	F	Significance
Between groups	100.147	3	33.382	43.561	0.000
Within groups	202.315	264	.766		
Within total	302.463	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: On the fifth statement, there was a statistically significant difference at the p<0.01 level on the auditor's responsibility for preventing all fraud in a company. The score for the four groups F[3,264]=43.561, p=0.000. Scheffe's post-hoc test revealed that the mean score for auditors and bankers, auditors and investors, auditors and accountants are significant at the 0.01 level.

Table 4.3.1.6 ANOVA Results on Statement 6

Source	SS	df	MSS	F	Significance
Between groups	110.082	3	36.694	45.402	0.000
Within groups	213.366	264	.808		
Within total	323.448	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Regarding the sixth statement, there was a statistically significant difference at p<0.01 level on the auditor's responsibility for an effective system of internal control in a company. The score for the four groups F [3,264]=45.402, p=0.000. Scheffe's post-hoc test revealed that the mean score for auditors and bankers, auditors and investors, auditors and accountants are significant at the 0.01 level.

Table 4.3.1.7 ANOVA Results on Statement 7

Source	SS	Df	MSS	F	Significance
Between groups	8.962	3	2.987		
Within groups	124.143	264	.470		
Within total	133.104	267		6.353	0.000

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Pertaining to the seventh statement, there was a statistically significant difference at p<0.01 level on the auditor's exercise of judgment in selecting audit procedures. The scores for the four groups F [3,264]=6.353, p=0.000. Scheffe's post-hoc test revealed that the mean score for bankers and auditors is significant at the 0.01 level.

Table 4.3.1.8 ANOVA Results on Statement 8

Source	SS	Df	MSS	F	Significance
Between groups	.989	3	.330		
Within groups	118.683	264	.450		
Within total	119.672	267		.733	.533

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: On the eight statement, there was no statistically significant difference at p<0.01 level on the auditor's responsibility for taking on additional responsibility for evaluating whether a company is a going concern. The score for the four groups F [3,264]=0.733, p=0.533. There was no need to carry out Scheffe's post-hoc test.

Table 4.3.1.9 ANOVA Results on Statement 9

Source	SS	Df	MSS	F	Significance
Between groups	1.031	3	.344		
Within groups	119.073	264	.451		
Within total	120.104	267		.762	.516

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: On the ninth statement, there was no statistically significant difference at p<0.01 on the auditor's responsibility for taking on additional responsibility for communicating whether a company is a going concern. The score for the four groups F

[3,264]=0.762, p=0.516. Scheffe's post-hoc test was not carried out since there was no significant difference.

Table 4.3.1.10 ANOVA Results on Statement 10

Source	SS	Df	MSS	F	Significance
Between groups	34.733	3	11.578		
Within groups	214.263	264	.812		
Within total	248.996	267		14.265	0.000

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Regarding the tenth statement, there was a statistically significant difference at $p<0.01$ on the auditor's responsibility for disclosing whether any theft occurred during the financial year. The score for the four groups $F\ [3,264]=14.265$, $p=0.000$. Scheffe's post-hoc test was carried out and it revealed that the mean score for auditors and bankers, auditors and investors, auditors and accountants are significant at the 0.01 level.

Table 4.3.1.11 ANOVA Results on Statement 11

Source	SS	Df	MSS	F	Significance
Between groups	55.569	3	18.523		
Within groups	266.103	264	1.008		
Within total		267		18.377	0.000

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Pertaining to the eleventh statement, there was a statistically significant difference at $p<0.01$ on the interpretation that business failure means audit failure. The score for the four groups $F\ [3,264]=18.377$, $p=0.000$. Scheffe's post-hoc test revealed that the mean score for auditors and bankers, auditors and investors are significant at the 0.01 level.

Table 4.3.1.12 ANOVA Results on Statement 12

Source	SS	Df	MSS	F	Significance
Between groups	9.115	3	3.038	5.132	0.002
Within groups	156.288	264	.592		
Within total		267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: On the twelfth statement, there is a statistically significant difference at $p<0.01$ that auditors should be made to pay fine when they do not exercise diligence in handling the accounts of a company. The score for the four groups F [3,264]=5.132, p=0.002. Scheffe's post-hoc test revealed that the mean score for auditors and investors is significant at the 0.01 level.

Table 4.3.1.13 ANOVA Results on Statement 13

Source	SS	Df	MSS	F	Significance
Between groups	12.014	3	4.005		
Within groups	163.733	264	.620		
Within total	175.746	267		6.457	0.000

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Pertaining to the thirteenth statement, there was a statistically significant difference at $p<0.01$ on auditor's responsibility for maintaining public confidence in a company. The score for the four groups F [3,264]=6.457, p=0.000. Scheffe's post-hoc test revealed that the mean score for auditors and investors is significant at the 0.01 level.

Table 4.3.1.14 ANOVA Results on Statement 14

Source	SS	Df	MSS	F	Significance
Between groups	6.605	3	2.202		
Within groups	166.963	264	.632		
Within total	173.567	267		3.481	0.16

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Finally, the test on the last statement made to reflect the responsibility of auditors reveals there was no statistically significant difference at $p<0.01$ on the auditor's responsibility to report to shareholders on management efficiency. The score of the four groups F [3,264]=3.481, p=0.16. There was no need to carry out a Scheffe's post-hoc test.

4.3.2 Advanced Data Analysis on the Reliability Factor

Tables 4.3.2.1 to 4.3.2.5 below presents responses relating to audit reliability. An audit expectation gap was found in statement 17 (an unqualified audit report can be relied upon to make investment decisions), 19 (auditors are meant to forecast financial profile), 20 (audited financial statements are useful in monitoring a company's performance), 21 (audited financial statements can be used in making decisions pertaining to the sale and purchase of shares), 24 (audit reports should contain more information about financial forecast), 25 (extent of assurance is clearly indicated in audit reports) and 27 (extent of work done is clearly communicated in audit reports).

Table 4.3.2.1 ANOVA Results on Statement 17

Source	Sum of Squares	Df	MS	F	Sig
Between Groups	12.746	3	4.249	5.213	0.002
Within Groups	215.146	264	.815		
Total	227.892	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: On statement 17, there is a statistically significant difference at $p<0.01$ that an unqualified audit report can be relied upon to make investment decisions. The score for the four groups F [3,264]=5.213, p=0.002. Scheffe's post-hoc test revealed that the mean score for bankers and investors is significant at 0.01 level.

Table 4.3.2.2 ANOVA Results on Statement 19

Source	Sum of Squares	df	MS	F	Sig
Between Groups	69.929	3	23.310	32.906	0.000
Within Groups	187.008	264	.708		
Total	256.937	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Finally, on the reliability factor statement 19 reflects a statistically significant difference at $p<0.01$ that auditors are meant to forecast financial profile. The score for the four groups F [3,264]=32.906, p=0.000. Scheffe's post-hoc test revealed that the mean score for auditors and bankers, auditors and investors, auditors and accountants, accountants and investors are significant at 0.01 level.

Table 4.3.2.3 ANOVA Results on Statement 20

Source	Sum of Squares	Df	MS	F	Sig
Between Groups	1.246	3	.415	1.074	0.361
Within Groups	102.168	264	.387		
Total	103.414	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: On statement 20 (audited financial statements are useful in monitoring a company's financial performance) there is no statistically significant difference at $p<0.01$. The score for the four groups F [3,264]=1.074, p=0.361.

Table 4.3.2.4 ANOVA Results on Statement 21

Source	Sum of Squares	Df	MS	F	Sig
Between Groups	3.201	3	1.067	2.526	0.058
Within Groups	111.545	264	.423		
Total	114.746	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Statement 21 (audited financial statements can be used in making decisions pertaining to the sale and purchase of shares) shows there is no statistically significant difference at $p<0.01$. The score for the four groups F [3,264]=2.526, p=0.058.

Table 4.3.2.5 ANOVA Results on Statement 24

Source	Sum of Squares	Df	MS	F	Sig
Between Groups	41.164	3	13.721	20.483	0.000
Within Groups	176.848	264	.670		
Total	218.011	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: On statement 24 (audit reports should contain more information on financial forecast) there was a statistically significant difference at $p<0.01$. The score for the four groups $F[3,264]=20.483$, $p=0.000$. Scheffe's post-hoc test revealed that the mean scores for auditors and bankers, auditors and investors, auditors and accountants are significant at 0.01 level.

Table 4.3.2.6 ANOVA Results on Statement 25

Source	Sum of Squares	Df	MS	F	Sig
Between Groups	.860	3	.287	.598	0.617
Within Groups	126.584	264	.479		
Total	127.444	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Regarding statement 25 (the extent of assurance given by an auditor is clearly indicated in audit reports), there is no statistically significant difference at $p<0.01$. The score for the four groups $F[3,264]=0.598$, $p=0.617$.

Table 4.3.2.7 ANOVA Results on Statement 27

Source	Sum of Squares	Df	MS	F	Sig
Between Groups	5.427	3	1.809	3.475	0.017
Within Groups	137.450	264	.521		
Total	142.877	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: On statement 27 (the extent of audit work performed should be clearly communicated in audit reports), there is no statistically significant difference at $p<0.01$. The score for the four groups $F[3,264]=3.475$, $p=0.017$.

4.3.3 Advanced Data Analysis on the Nature and Meaning of Audit Report Messages Factor

Table 4.3.3.1 ANOVA Results on Statement 15

Source	Sum of Squares	Df	MS	F	Sig
Between Groups	18.085	3	6.028	6.199	0.000
Within Groups	256.732	264	.972		
Total	274.817	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Pertaining to statement 15, there is a statistically significant difference at $p<0.01$ that an unqualified audit report means that the financial statement is free from fraud. The score for the four groups F [3,264]=6.199, p=0.000. Scheffe's post-hoc test revealed that the mean score for auditors and investors is significant at 0.01 level.

Table 4.3.3.2 ANOVA Results on Statement 16

Source	Sum of Squares	df	MS	F	Sig
Between Groups	17.234	3	5.745	7.387	0.000
Within Groups	205.315	264	.778		
Total	222.549	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Statement 16 reflects a statistically significant difference at $p<0.01$ that an unqualified audit report means that the financial statement is free from material misstatements. The score for the four groups F [3,264]=7.387, p=0.000. Scheffe's post-hoc test revealed that the mean score for auditors and bankers, auditors and accountants are significant at 0.01 level.

Table 4.3.3.3 ANOVA Results on Statement 18

Source	Sum of Squares	Df	MS	F	Sig
Between Groups	23.719	3	7.906	9.700	0.000
Within Groups	215.187	264	.815		
Total	238.907	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: With respect to statement 18 there is a statistically significant difference at $p<0.01$ that a company whose audit report is unqualified is financially sound. The score for the four groups F [3,264]=9.700, p=0.000. Scheffe's post-hoc test revealed that the mean score for auditors and investors, investors and accountants are significant at 0.01 level.

Table 4.3.3.4 ANOVA Results on Statement 22

Source	Sum of Squares	Df	MS	F	Sig
Between Groups	22.019	3	7.340	9.841	0.000
Within Groups	196.888	264	.746		
Total	218.907	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: On statement 22 (an unqualified audit report means that a company is a safe investment haven) there is a statistically significant difference at $p<0.01$. The score for the four groups F [3,264]=9.841, p=0.000. Scheffe's post-hoc test revealed that the mean score for auditors and investors, accountants and investors are significant at 0.01 level.

Table 4.3.3.5 ANOVA Results on Statement 23

Source	Sum of Squares	Df	MS	F	Sig
Between Groups	36.973	3	12.324	3.163	0.025
Within Groups	1028.698	264	3.897		
Total	1965.672	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Pertaining to statement 23 (an unqualified audit report means that a company is well managed) there is no statistically significant difference at $p<0.01$. The score for the four groups F [3,264]=3.163, p=0.025.

Table 4.3.3.6 ANOVA Results on Statement 26

Source	Sum of Squares	df	MS	F	Sig
Between Groups	17.016	3	5.672	5.979	0.001
Within Groups	250.461	264	.949		
Total	267.478	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Upon testing statement 26 (an unqualified audit report means that the company has kept proper books of accounts and the financial statements are in agreement with the books), there was a statistically significant difference at $p<0.01$. The score for the four groups F [3,264]=5.979, p=0.001. Scheffe's post-hoc test revealed that the mean score for auditors and accountants is significant at 0.01 level.

Table 4.3.3.7 ANOVA Results on Statement 28

Source	Sum of Squares	Df	MS	F	Sig
Between Groups	9.905	3	3.302	4.407	0.005
Within Groups	197.781	264	.749		
Total	207.687	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: On statement 28 (an unqualified audit report shows that the financial statements show a true and fair view of the state of affairs of a company) there is a statistically significant difference at $p<0.01$. The score for the four groups F [3,264]=4.407, p=0.005. Scheffe's post-hoc test revealed no mean score responsible for the significant difference at 0.01 level.

4.3.4 Advanced Data Analysis on the Independence Factor

Table 4.3.4.1 ANOVA Results on Statement 29

Source	Sum of Squares	Df	MS	F	Sig
Between Groups	4.911	3	1.637	3.442	0.17
Within Groups	125.551	264	.476		
Total	130.463	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Table 4.3.4.1 shows that regarding statement 29 (auditor independence can influence the performance of audit services) there is no statistically significant difference at p<0.01. The score for the four groups F [3,264]=3.442, p=0.17.

Table 4.3.4.2 ANOVA Results on Statement 30

Source	Sum of Squares	Df	MS	F	Sig
Between Groups	8.869	3	2.956	6.378	0.000
Within Groups	122.366	264	.464		
Total	131.235	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: On statement 30 (when an auditor engages in provision of non-audit and audit services at the same time, objectivity may be impaired) there is a statistically significant difference at p<0.01. The score for the four groups F [3,264]=6.378, p=0.000. Scheffe's post-hoc test revealed that the mean score for auditors and investors is significant at 0.01 level.

Table 4.3.4.3 ANOVA Results on Statement 31

Source	Sum of Squares	df	MS	F	Sig
Between Groups	26.819	3	8.940	14.058	0.000
Within Groups	167.879	264	.636		
Total	194.698	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: Pertaining to statement 31 (provision of audit services consistently for a long period of time may lead to familiarity threat) there was no statistically significant difference at p<0.01. The score for the four groups F [3,264]=14.058, p=0.000. Scheffe's post-hoc test revealed that the mean score for auditors and bankers, bankers and investors, bankers and accountants are significant at 0.01 level.

Table 4.3.4.4 ANOVA Results on Statement 32

Source	Sum of Squares	Df	MS	F	Sig
Between Groups	41.949	3	13.983	21.038	0.000
Within Groups	175.465	264	.665		
Total	217.414	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: On statement 32 (auditors are not independent in the Nigerian business environment) there is a statistically significant difference at $p<0.01$. The score for the four groups $F [3,264]=21.038$, $p=0.000$. Scheffe's post-hoc test revealed that the mean score for auditors and investors, auditors and bankers, auditors and accountants are significant at 0.01 level.

Table 4.3.4.5 ANOVA Results on Statement 33

Source	Sum of Squares	Df	MS	F	Sig
Between Groups	59.794	3	19.931	30.660	0.000
Within Groups	171.620	264	.650		
Total	231.414	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: On statement 33 (auditors are more concerned with pleasing management) there is a statistically significant difference at $p<0.01$. The score for the four groups $F [3,264]=30.660$, $p=0.000$. Scheffe's post-hoc test revealed that the mean score for auditors and investors, auditors and bankers, auditors and accountants are significant at 0.01 level.

Table 4.3.4.6 ANOVA Results on Statement 34

Source	Sum of Squares	df	MS	F	Sig
Between Groups	9.095	3	3.032	5.289	0.001
Within Groups	151.323	264	.573		
Total	160.418	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: On statement 34 (auditors are willing to settle negligence out of court in Nigeria) there is a statistically significant difference at $p<0.01$. The score for the four groups $F\ [3,264]=5.289$, $p=0.001$. Scheffe's post-hoc test revealed that the mean score for auditors and bankers is significant at 0.01 level.

Table 4.3.4.7 ANOVA Results on Statement 35

Source	Sum of Squares	Df	MS	F	Sig
Between Groups	25.188	3	8.396	16.989	0.000
Within Groups	130.469	264	.494		
Total	155.657	267			

Source: Administered Questionnaires by Nwobu (2008)

Interpretation: On statement 35 (the quality of audit has improved in recent years) there is a statistically significant difference at $p<0.01$. The score for the four groups $F\ [3,264]=16.989$, $p=0.000$. Scheffe's post-hoc test revealed that the mean score for auditors and investors, auditors and bankers, auditors and accountants are significant at 0.01 level.

4.3.5 Factor Analysis of the Independent Variables

The above analysis focused on the difference in opinion of the occupational groups with respect to the thirty five (35) statements. Consequently, to know the factors driving the differences, Factor Analysis was conducted to reduce the variables to a manageable size (Pallant, 2004:151). More correlations of 0.3 and above were found. In assessing the factorability of the primary data used in this study, Kaiser-Meyer-Olkin measure of sampling adequacy in this study is 0.834 which is higher than the suggested value of 0.6 (Pallant, 2004:153). Also, Barlett's test of sphericity value is significant (p=0.000 at 0.05 and 0.01 respectively). This makes Factor Analysis appropriate in this study (Pallant, 2004:153).

To determine the number of factors we need to extract, using Kaiser's criterion, we are concerned in components with an Eigen value of 1 or more. Only the first ten components recorded eigenvalues above 1 (6.706, 4.357, 2.382, 1.917, 1.615, 1.285, 1,120, 1.062, 1.018, 1.008). These ten components explained a total of 64.201% of the variance. A look at the screeplot drawn by SPSS version 15 revealed that there was a clear break between the second and third components and components 1 and 2 capture more of the variance. The component matrix showed the loadings on each of the items on the ten components. There are fewer factor loadings on component 6 to 10.

Varimax rotation was applied and it can be deduced that the audit expectation gap is a multifaceted issue. However, the gap is made up of mainly responsibility issues. The first two components which have more factor loadings on them were used to explain the audit expectation gap. The results are presented in the table below.

Table 4.3.5.1 Factor Analysis Grouping of the Components of the Audit Expectation Gap in Nigeria

Variables	Factor 1	Factor 2
Responsibility for: Fraud Detection	0.808	
Fraud Prevention	0.781	
Effective Internal Control	0.718	
Verify Every Accounting Transaction	0.684	
Prepare Financial Statements	0.741	
Financial Forecast	0.695	
Disclosing Theft	0.583	
Information on Financial Forecast in Audit Reports	0.618	
Business Failure	0.601	
Reliability: For Investment Decision		0.791
Nature and Meaning of Audit Report Messages: Unqualified Audit Report means Company: Is Free from Fraud		0.752
Is a Safe Investment Haven		0.734
Is Financially Sound		0.728
Is Free from Material Misstatements		0.723
Has Kept Proper Books of Accounts		0.679
Financial Statement shows a True and Fair View of the State of Affairs of the Company		0.640

Source: Administered Questionnaires by Nwobu (2008)

These two components were extracted because of the factor loadings on each of them compared to the other components. It can be deduced from the table that the audit expectation gap is a responsibility issue. However, loadings on factor 2 showed that there is an audit expectation gap on reliance on audit report for investment decision making and on misunderstanding of the nature and meaning of audit report messages. This further explains the findings from the test of significance of the difference between groups with respect to the thirty five statements carried out earlier in this chapter.

4.4 Hypotheses Testing

In this section, the results of the four hypotheses formulated for the purpose of this study are presented. The results are shown in the section below.

4.4.1 Hypothesis 1

H_0: There is no difference between the opinion of auditors and audit beneficiaries on the statutory role of external auditors in Nigeria.

H_1: There is a difference between the opinion of auditors and audit beneficiaries on the statutory role of external auditors in Nigeria.

Test of Hypothesis 1

Table 4.4.1 Hypothesis 1- Auditor's Responsibility for Expressing an Independent Opinion on the Financial Statements Based on their Audit

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	-	-	-	-	-
Disagree	1	0	0	1	2
Agree	14	2	18	6	40
Strongly Agree	36	73	77	40	226
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Decision: The supporting hypothetical test for this table is given in table 4.3.1.2 above. At degree of freedom between, within and within total groups of 3, 264 and 267 respectively and 0.01 level of significance, the F value is 6.046. Consequently, we accept the alternative hypothesis and conclude that there was a statistically significant difference at the p=0.000 level on auditor's responsibility for expressing an independent opinion on the financial statements score for the four groups. Scheffe's post-hoc test revealed that the mean score for bankers and auditors is significant at the 0.01 level.

4.4.2 Hypothesis 2

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

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

Test of Hypothesis 2

Table 4.4.2 Hypothesis 2- An Unqualified Audit Report can be relied Upon to Make Investment Decisions

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	9	6	6	8	29
Disagree	15	11	12	10	48
Agree	17	41	44	20	122
Strongly Agree	10	17	33	9	69
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Decision: The supporting hypothetical test for this table is given in table 4.3.2.1. At degree of freedom between, within and within total groups of 3, 264 and 267 respectively and 0.01 level of significance, the F value is 5.213. Consequently, we accept the alternative hypothesis and conclude that there was a statistically significant difference at the $p=0.002$ level that an unqualified audit report can be relied upon to make investment decisions for the four groups. Scheffe's post-hoc test revealed that the mean score for bankers and investors is significant at 0.01 level.

4.4.3 Hypothesis 3

H_0: There is no difference in nature and meaning of audit report messages scores between auditors, bankers, investors and accountants in Nigeria.

H_1: There is difference in nature and meaning of audit report messages scores between auditors, bankers, investors and accountants in Nigeria.

Test of Hypothesis 3

Table 4.4.3.1 Hypothesis 3- An Unqualified Audit Report means that the Financial Statement is Free from Fraud

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	7	18	10	12	47
Disagree	20	29	23	18	90
Agree	12	19	34	9	74
Strongly Agree	12	9	28	8	57
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Decision: The supporting hypothetical test for this table is given in table 4.3.3.1. At degree of freedom between, within and within total groups of 3, 264 and 267 respectively and 0.01 level of significance, the F value is 6.199. Consequently, we accept the alternative hypothesis and conclude that there was a statistically significant difference at the p=0.000 level that an unqualified audit report means that the financial statement is free from fraud for the four groups. Scheffe's post-hoc test revealed that the mean score for auditors and investors is significant at 0.01 level.

Table 4.4.3.2 Hypothesis 3- An Unqualified audit Report means that the Financial Statements is Free from Material Misstatements

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	4	4	9	6	23
Disagree	20	1	13	14	48
Agree	16	37	46	15	114
Strongly Agree	11	33	27	12	83
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Decision: The supporting hypothetical test for this table is given in table 4.3.3.2. At degree of freedom between, within and within total groups of 3, 264 and 267 respectively and 0.01 level of significance, the F value is 7.387. Consequently, we accept the alternative hypothesis and conclude that there was a statistically significant difference at the p=0.000 level that an unqualified audit report means that the financial statement is free from material misstatements for the four groups. Scheffe's post-hoc test revealed that the mean score for auditors and bankers, auditors and accountants are significant at 0.01 level.

Table 4.4.3.3 Hypothesis 3- An Unqualified Audit Report means a Company is a Safe Investment Haven

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	9	11	6	8	34
Disagree	19	40	25	19	103
Agree	12	21	38	18	89
Strongly Agree	11	3	26	2	42
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Decision: The supporting hypothetical test for this table is given in table 4.3.3.4 At degree of freedom between, within and within total groups of 3, 264 and 267 respectively and 0.01 level of significance, the F value is 9.841. Consequently, we accept the alternative hypothesis and conclude that there was a statistically significant difference at the p=0.000 level that an unqualified audit report means that the company is a safe investment haven for the four groups. Scheffe's post-hoc test revealed that the mean score for auditors and investors, accountants and investors are significant at 0.01 level.

Table 4.4.3.4 Hypothesis 3- An Unqualified Audit Report means that the Financial Statement shows a True and Fair View of the State of Affairs of a Company

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	3	4	4	6	17
Disagree	13	4	14	7	38
Agree	19	26	41	21	107
Strongly Agree	16	41	36	13	106
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Decision: The supporting hypothetical test for this table is given in table 4.3.3.7. At degree of freedom between, within and within total groups of 3, 264 and 267 respectively and 0.01 level of significance, the F value is 4.407. Consequently, we accept the alternative hypothesis and conclude that there was a statistically significant difference at the p=0.005 level that an unqualified audit report means that the financial statements show a true and fair view of the state of affairs of a company for the four groups.

4.4.4 Hypothesis 4

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

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

Table 4.4.1 Hypothesis 4- When an Auditor engages in Provision of Audit and Non-audit Services at the same time, Objectivity may be Impaired

	Occupation				
Response	Bankers	Auditors	Investors	Accountants	Total
Strongly Disagree	2	0	1	1	4
Disagree	4	2	14	9	29
Agree	31	31	50	21	133
Strongly Agree	14	42	30	16	102
Total	51	75	95	47	268

Source: Administered Questionnaires by Nwobu (2008)

Decision: The supporting hypothetical test for this table is given in table 4.3.4.2. At degree of freedom between, within and within total groups of 3, 264 and 267 respectively and 0.01 level of significance, the F value is 6.378. Consequently, we accept the alternative hypothesis and conclude that there was a statistically significant difference at the p=0.000 level that an unqualified audit report means that the financial statements show a true and fair view of the state of affairs of a company for the four groups. Scheffe's post-hoc test revealed that the mean score for auditors and investors is significant at 0.01 level.

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CHAPTER FIVE

FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This section is concerned with the summary of findings, conclusion and recommendations. Also, a summary of work done is provided. The theoretical and empirical findings are discussed. Finally, suggestions are made for further study.

5.1 Summary of Work Done

This study was undertaken to examine the presence of an audit expectation gap in the Nigerian investment horizon. The factors this study focuses on are responsibility of auditors, reliability on audited financial statements for investment decisions, nature and meaning of audit report messages and independence factor. These factors ultimately determine the presence or absence of an audit expectation gap in Nigeria.

The introduction to this study includes a background to the study. Over the years, the external auditor has been blamed for the collapse of companies especially after an unqualified audit report was issued. There is a belief that they are responsible for such events and the society expects them to detect fraud and expose illegal acts in the companies they audit. This is parallel to their statutory responsibility. It is also a fact that auditors may not be objective enough given the present circumstances in the Nigerian environment. This is because some auditors engage in providing audit and non-audit services to the same client at a given point in time. To this end, some accounting firms have demarcated their departments to ensure that each is like a company on its own. The question still remains as to how long this will continue given the delicate role auditors have to play in safeguarding public confidence in the companies.

The literature review consists of various studies on the audit expectation gap. The results from these studies showed that the audit profession in some countries of the world like United Kingdom, Bangladesh, India, Singapore, Malaysia, China and South Africa has had to respond to public criticism. The literature review consists of a conceptual and theoretical framework of the audit expectation gap in Nigeria. The conceptual framework focuses on the researcher's idea of the problem at hand (auditors are criticized by the public because they do not carry out their responsibilities, inadequate independence, users do not understand the nature and meaning of audit report messages and users may not know the extent to which they can rely on the audit report when making investment decisions).

Auditors are guided by the statutes and auditing standards when carrying out their responsibilities. Recently, International Standards on Auditing (ISA) 240 was provided to guide the auditor in carrying out his or her responsibility relating to fraud in the audit of financial statements. This is significantly one of the ways to reduce this expectation gap. Presently, audit has moved from what it used to be to risk based. This means the auditor identifies the areas of high risk in the business and focuses on them even though other areas in the business will be examined.

The entire population of study is made up of the Nigerian business landscape. However, the working population is made up of accountants in business, accountants in practice (auditors), investors/stockbrokers and bankers. The accountants in business are persons employed in companies as accountants. The accountants in practice are persons who have their own accounting firms or work with accounting firms. The investors are persons who have shares or invest on behalf of other people (stockbrokers). The bankers are persons who deal with people who collect loan from the bank. The sample size of this study consists of a hundred (100) each of accountants, auditors, investors/stockbrokers and bankers/lender employees. The research instrument used was the questionnaire. The respondents were assured of confidentiality in a cover letter attached to the questionnaire. The data was collected after one week and coded into Statistical Package for Social Sciences (SPSS) version 15. The result of the analysis showed that the first, second, third and fourth null hypotheses were rejected and we accepted the alternative hypothesis.

5.2 Summary of Findings

In this section, the researcher is concerned about the findings from the literature review as well as the findings from the data collected by means of questionnaires.

5.2.1 Theoretical Findings

From the review of the literature, the following theoretical findings were deduced:

1. The audit function is crucial in providing users with assurance about the information provided by management in the financial statements. Saha and Baruah (2008:77) revealed that 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). The study of an ‘audit expectation gap’ has been carried out in China

(Lin and Chen, 2004), India (Saha and Baruah, 2008), South Africa (Gloeck, 1993), Malaysia (Ali, Yusof, Mohamad and Lee, 2004), (Lee, Gloeck and Palaniappan, 2007), Singapore (Best, Buckby and Tan, 2001), Bangladesh (Siddiqui and Nasreen, 2004) and the United Kingdom (Humphrey, Moizer and Turley, 1993).

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 third party liability of auditors (Lin and Chen, 2004:93, Lee et al, 2007:5), quality of the profession's performance, its objectives and results and that which society's expect (Ali et al, 2004:2), continued use of short form audit report which has resulted in the misunderstanding of users about the auditor's responsibilities (Best, Buckby and Tan, 2001:2), audit responsibility, audit reliability and decision usefulness of audited financial statements (Siddiqui and Nasreen, 2004:1) and unreasonable expectations, inadequate performance by users about the auditor and audited financial statements (Adeniji, 2004:512), role and responsibilities of auditors, quality of the audit function, structure and regulation of the profession, nature and meaning of audit report messages and the auditor's ability to communicate different levels of assurance to users (Schelluch and Gay, 2006:654). Also, Saha and Baruah (2008:81) asserted that this gap is an outcome of many aspects such as the mature of the audit process, the audit function, the constituent boundaries surrounding the audit and performance of auditors.

4. Siddiqui and Nasreen (2004:15) found that the mean scores for auditor's responsibility for soundness of internal control structure of the entity, maintaining accounting records and not exercising judgment in the selection of audit procedure were consistent for the

two groups (auditors and students). Accounting students responded in a manner similar to the audit practitioners and had adopted many of the views of the profession (Siddiqui and Nasreen, 2004:8-9). Accounting students did not differ in their opinion from the other students on these areas.

5. 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.

6. Other purposes of an audit are prevention/detection of errors and fraud (Adeleke, 1996:8). But users generally believe this is the main reason for an audit of financial statements. However, Saha and Baruah (2008:73-81) sounded that the largest difference (audit expectation gap) related to views about detection/prevention of fraud and errors, going concern assumption, the nature of balance sheet valuation, reporting on material misstatement, threats to auditor independence, auditor's ability to cope with risks/diagnosing business problems, issues relating to audit committees, auditor's relationship with management, deficient accounting standard, auditor's responsibility to report on management efficiency, soundness of the internal control system and the extent of responsibility to third parties. In all these areas, the auditors rejected these responsibilities while the users of audited financial statements affirmed them.

7. The continued use of the short form audit report in Singapore has resulted in a high audit expectation gap in the area of auditor responsibilities for fraud detection/prevention and preparation of accounts (Best, Buckby and Tan, 2001:2).

8. Also, Ekwueme (2000:14) asserted that the audit expectation gap in Nigeria lies between the role of an auditor as perceived by the auditor and the expectation of users of financial statements. This gap has emerged due to the changing nature of the business environment.

9. 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.

5.2.2 Empirical Findings

The findings of this study have been reached based on the feedback from the respondents. It also includes the extent to which the various occupational groups differ significantly in interpreting the responsibility of auditors, unqualified audit report messages, reliability on the audit report. Some of the findings are in line with the thoughts of previous researchers in this area of study while other findings conflict with those of previous researchers. The major findings of this study as deduced from the test of hypothesis are:

1. There is a difference between the opinion of auditors and audit beneficiaries on the statutory role of external auditors in Nigeria.

2. There is difference in reliability scores between auditors, bankers, investors and accountants in Nigeria.

3. There is difference in nature and meaning of audit report messages scores (an unqualified audit report is free from fraud, free from material misstatements, is a safe investment haven and is a true and fair view of the state of affairs of a company) between auditors, bankers, investors and accountants in Nigeria.

4. There is difference in independence scores (objectivity may be impaired when an auditor engages in providing non-audit and audit services to the same client at the same time) between auditors, bankers, investors and accountants in Nigeria.

Other findings are:

1. On the auditor's responsibility for preparing the financial statements verifying every accounting transaction undertaken by a company, detecting all fraud, preventing all fraud, ensuring an effective internal control, disclosing theft, business failure, pay fine when accounts are not handled diligently, maintaining public confidence, reporting management efficiency to shareholders, a lower support was shown by auditors (with the lowest mean scores) when compared with the mean of bankers, investors and accountants on the above issues. These data indicate that auditor respondents showed lower support for these issues.
2. On the other hand, the mean for responsibility for expressing an independent opinion on the financial statements, exercising judgment in selecting audit procedures, evaluating and communicating the going concern status is higher for auditors than the mean for the other respondent groups on each of the statements. This suggests that auditor respondents strongly understand the main objective of

statutory audit which is to express an independent opinion on the financial statements based on their audit.

3. Similarly, in this study it was discovered that the mean scores for the auditor's exercise of judgment in selection of audit procedures, taking on additional responsibility for evaluating and communicating whether a company is a going concern and reporting to shareholders on management efficiency were consistent for the four groups of respondents.
4. An audit expectation gap was found to be wide in the area of auditor's responsibilities with respect to preparation of the company's financial statements, responsibility for verifying every accounting transaction undertaken by a 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. These findings authenticate the results from the Factor Analysis. The audit expectation gap was found to be a multidimensional issue but consisted mainly of responsibility factors.
5. An audit expectation gap was not found in the area of evaluating and communicating the going concern status of a company and reporting to shareholders on management efficiency.
6. In the area of relying on the audited financial statement for investment decision, an auditor interviewee claimed that the investor may rely on the audited financial

statements but ought to consult professionals before taking action. The findings from the questionnaire revealed that the auditor respondents opined that even though an unqualified audit report is clean, it cannot be wholly depended on to make investment decisions, and audit reports do not communicate the extent of work done. However, the result from investor respondents on this factor shows that they believe they can rely upon audit reports to make investment decisions.

7. On the same reliability factor, auditor respondents showed the lowest support for forecasting financial profile, usefulness of audited financial statements in forecasting financial profile and making decisions pertaining to the sale and purchase of shares, audit reports should contain more information about financial forecast than the other respondents. This was denoted by the lowest mean scores. Also, the mean for investors is highest with respect to forecast of financial profile. This expectation may be traced to the blame of auditors for subsequent illiquidity of a company after an unqualified (clean) report is given by auditors.
8. On the nature and meaning of audit report messages factor, the meaning of an unqualified audit report was perceived differently by the respondents. A higher number of auditors, bankers and accountants disagreed that an unqualified audit report means that the financial statement is free from fraud, is financially sound, is a safe investment haven, that the company is well managed. The investors opined otherwise (agreed) in both cases. The respondents admit that an unqualified audit report should be free from material misstatements.
9. Auditor respondents showed high support that an unqualified audit report is free from material misstatements, means that a company has kept proper books and

the financial statements show a true and fair view of the state of affairs of a company. This suggests that the auditor respondents understand the meaning of this kind of audit report.

10. The four groups of respondents perceived that auditor independence can influence the performance of audit services. They were also supportive that an auditor who engages in the provision of non-audit and audit services at the same time may not be objective. Interestingly, a higher number of auditors opined that provision of audit services consistently for a long period of time will not lead to familiarity threat even though the other respondent groups agreed to it. The financial statement (accountants) showed the highest support for the statement that provision of audit services for a long period of time may lead to familiarity threat.
11. Many respondents other than the auditors agreed that auditors are more concerned with pleasing management. More investors and accountants disagreed that the quality of audit has improved in the recent years. The lowest support was shown by auditors pertaining to their not being independent, concerned with pleasing management and willing to settle negligence out of court. The preparers showed the lowest support that the quality of audit has improved in the recent years.

5.3 Conclusion

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. The results of this study demonstrate 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. Most respondents were that the auditor should take on additional responsibility for communicating and evaluating the going concern status of a company. However, this study found that there is an audit expectation gap with respect to the statutory audit objective, nature and meaning of audit report messages, reliability and independence factors.

The different perceptions among the user respondents and auditors could be attributed to the inadequate education of users of the auditor's responsibilities. However, the call for other responsibilities by users may be a means to deviate from the traditional audit objective and move to risk based auditing. The presence of an 'expectation gap' in auditing means that perhaps, as put forward by other researchers, more standards should be made to enhance the performance of auditors. Also, some previous researchers have concluded that it is expedient for the audit profession to respond to public criticism by improving the quality of work done by auditors. The analysis of the audit expectation gap in this study will help the accounting profession to bridge the gap.

5.4 Recommendations

The following recommendations have been drawn from the findings:

1. Since there is an audit expectation gap in the area of preparation of the company's financial statements, responsibility for verifying every accounting transaction undertaken by a 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.

2. 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.
3. 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.
4. Perhaps, the accounting profession should consider using the long-form audit report which will explain further the meaning of the report and the extent to which it can be relied upon because some users may not understand the profession's language with respect to 'qualified' and 'unqualified'.
5. Audit firms should be discouraged from providing audit and non-audit services to the same client. This will increase the independence of the auditor when carrying out audit assignments.
6. Auditors are encouraged to exercise due care and diligence 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.

5.5 Suggestions for Further Study

Not all the factors contributing to an audit expectation gap have been examined in this study. Other factors which may be looked into in future research are the influence of the audit report on educating users of financial statements, environmental factors in the Nigerian business environment that may lead to an audit expectation gap and reducing the responsibility of auditor issues associated with the audit expectation gap in Nigeria.

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Department of Accounting

College of Business and Social Sciences

Covenant University

Canaanland

Ogun State.

15-10-2008.

Dear Sir/Madam,

This questionnaire is designed to find out **'The Factors contributing to an Audit Expectation Gap in Nigeria'**. This project is undertaken in partial fulfillment of the requirements for the award of an M Sc. Degree in the above department.

Please kindly complete this questionnaire as honestly as you can. All information supplied will be used solely for the purpose of this study and will be treated with utmost confidentiality. Your co-operation will be highly appreciated. Thank you in advance.

Yours faithfully,

……………….

Nwobu Obiamaka

(CU021010093)

QUESTIONNAIRE

SECTION A- PERSONAL BIODATA

1. Name of Organization……………………………………………….
2. Highest Academic Qualification: WAEC☐OND ☐HND ☐B Sc. ☐BA ☐MBA ☐M Sc. ☐PhD ☐
3. Professional Qualification ACA ACCA ANAN CPA
4. Do you have auditing experience? Yes No
5. If yes, for how long: Below 1 year☐ 1-10 years☐ above 10 years☐
6. Occupation: Lender Employee ☐ Auditor☐Investor ☐Accountant ☐

Instruction: The following statements use a four (4) point likert scale. On the scale, four (4) is the highest construct. The likert scale is given as follows: 4-strongly agree, 3- agree, 2- disagree, and 1- strongly disagree.

SECTION B- RESPONSIBILITY FACTOR

		SA	A	D	SD
1	Auditors are responsible for the preparation of the company's financial statements.	4	3	2	1
2	The auditor is responsible for expressing an independent opinion on the financial statements based on their audit.	4	3	2	1
3	The auditor is responsible for verifying every accounting transaction undertaken by a company.	4	3	2	1
4	The auditor is responsible for detecting all fraud in a company.	4	3	2	1
5	The auditor is responsible for preventing all fraud in a company.	4	3	2	1
6	The auditor is responsible for an effective internal control in a company.	4	3	2	1
7	The auditor exercises judgment in selection of audit procedures	4	3	2	1
8	The auditor should take on additional responsibility for evaluating whether a company is a going concern.	4	3	2	1
9	The auditor should take on additional responsibility for communicating whether a company is a going concern.	4	3	2	1
10	The auditor is responsible for disclosing whether any theft occurred during the financial year.	4	3	2	1
11	Business failure means audit failure	4	3	2	1
12	Auditors should be made to pay a fine when they do not exercise diligence in handling the accounts of a company	4	3	2	1
13	An auditor is responsible for maintaining public confidence in a company	4	3	2	1
14	An auditor should report to shareholders on management efficiency	4	3	2	1

SECTION C- RELIABILITY FACTOR

15	An unqualified audit report means that the financial statement is free from fraud.	4	3	2	1
16	An unqualified audit report means that the financial statement is free from material misstatements.	4	3	2	1
17	An unqualified audit report can be relied upon to make investment decisions	4	3	2	1
18	A company whose audit report is unqualified is financially sound	4	3	2	1

19	Auditors are meant to forecast financial profile	4	3	2	1
20	The audited financial statements are useful in monitoring a company's performance.	4	3	2	1
21	The audited financial statements can be used in making decisions pertaining to sale and purchase of shares	4	3	2	1
22	An unqualified audit report means that a company is a safe investment haven	4	3	2	1
23	An unqualified audit report means that a company is well managed	4	3	2	1
24	Audit reports should contain more information about financial forecast	4	3	2	1
25	The extent of assurance given by an auditor is clearly indicated in audit reports.	4	3	2	1
26	An unqualified audit report means that the company is free from fraud.	4	3	2	1
27	The extent of audit work performed is clearly communicated	4	3	2	1
28	An unqualified audit report shows that the financial statements show a true and fair view.	4	3	2	1

SECTION E- INDEPENDENCE FACTOR

29	Auditor independence can influence the performance of audit services.	4	3	2	1
30	When an auditor engages in provision of non-audit and audit services at the same time, objectivity may be impaired.	4	3	2	1
31	Provision of audit services consistently for a long period of time may lead to familiarity threat.	4	3	2	1
32	Auditors are not independent in the Nigerian business environment	4	3	2	1
33	Auditors are more concerned with pleasing management	4	3	2	1
34	Auditors are willing to settle negligence out of court in Nigeria	4	3	2	1
35	The quality of audit has improved in the recent years	4	3	2	1