Stakeholders’ Perception of Audit Performance Gap
In Nigeria

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Abstract
The audit expectation gap is critical to the auditing profession because the greater the unfulfilled expectation from the public, the lower the credibility earning potential and prestige associated with the work of auditors. The study examined the level and nature of expectation gap (performance gap) between auditors and users of financial statements. It sought to establish whether or not there are differences between users of financial statements and auditors’ perception of management responsibility for the preparation of financial statements, its reliability and decision usefulness. Chi-square ($\chi^2$) was used to analyze the data obtained from the study. The data were obtained through questionnaire. Two hundred and fifty (250) copies of the instrument were distributed using purposive sampling technique. In this study, a cross-sectional survey was conducted to capture the perceptions of users of financial statements in Nigeria. The tests of hypothesis were done using Statistical Package for Social Science (SPSS) version 14.0. Tests were carried out at a significant level of 5% and four degree of freedom. The findings of this study indicated that there is a wide expectation gap in the areas of auditors’ responsibility for fraud prevention and detection. There is no generally accepted description of the role of the auditor. Audit scandals had negative impact on auditor’s credibility. The users of financial statements should be enlightened more on the responsibilities of auditors on the financial statements, the role of the auditor should be clarified and quality control measures should be observed in audit firms.
Keywords: Auditing, Audit Performance gap, Users of Financial Statements, perceptions

1. Introduction

1.1. Background to the Study

The criticism of and litigation against auditors failing to meet society’s expectations of them is clearly harmful to the individual auditor and/or audit firm concerned (Porter and Gowthorper, 2004). Asien (2007) argued that the unqualified audit opinion is wrongly seen as a certification that the firm is solvent, liquid and has the capacity to adopt to the dynamics of the environment which continuity of existence implies. This lack of understanding on the part of the public makes it difficult for them to know who has responsibility for financial statements preparation and the continued existence of the enterprise.

Owen (2005:35) defined audit expectation gap as “the gap between the role of an auditor, as perceived by the auditor and the expectations of the users of financial statements. It may be sub-divided into a gap in communication and gap in performance”. The expectation gap occurs when there are differences between what the public expects from the auditor and what auditor actually provides.

Ajayi (2007:180) observed that public expectation of the duties and responsibilities of external auditors is different from the statutory duties and responsibilities of these auditors. The gap between these two is referred to as expectation gap. Despite the statutory responsibility of an auditor the corporate failures have been on the increase in the last few years. A lot of debates have been going on as to why the auditors cannot be held accountable for these failures. The controversy surrounding expectation gap in auditing remains an evergreen area of accounting research.

1.2 Statement of the Problem

External auditor reports add credibility to the financial reporting by ensuring that accounting statements follow the generally accepted guidelines and are accurate, but when the auditor’s performance is below public expectations then his signature together with his brief opinion will no longer be useful to decision makers. For instance, if the auditing profession has issued a standard that says that auditors should observe the client company’s stock-taking procedures but the auditor fails to do so then his performance would be said to be deficient because he has not behaved in a manner consistent with professional auditing standards.

For many years external auditors have been subjected to increasing amounts of criticism and litigation and the collapse of Enron and WorldCom in the US, and the subsequent worldwide disintegration of their external auditors (Arthur Anderson) has demonstrated the fragility of professional reputations. The most damaging criticisms are those that suggest that an auditing firm has failed the society in which it works. So it is vital to understand, what society expects of auditors.

The auditing profession believes that the increase in litigation against and criticism of auditors can be traced to an audit expectation gap (Lee, Ali &Gloeck, 2007). The expectation
gap exists because of the perception of inadequate performance of auditor (Wong, 2009). Aljaaidi (2009) asserted that the issue of audit expectation gap is still a concern in that auditors and the public grasp different beliefs about the auditors’ duties and responsibilities and the messages they pass across in the audit reports.

Audit literature reveals that the audit expectation gap is a detrimental issue to the auditing profession as the greater the gap of expectations, the lower the credibility, earnings potential and the prestige associated with the auditor’s work. It has also been claimed that the audit expectation gap is harmful to the public, to investors and to politicians. In this wise, if auditors fail to identify society’s expectations of them, or to recognize the extent to which they meet (or more pertinently, fail to meet) those expectations, then not only will they be subjected to criticism and litigation but also, if the failure persists, society’s confidence in the audit function will be undermined and the audit function, and auditing profession, will be perceived to have no value (Porter & Gowthorpe, 2004). Therefore, it becomes crucial to investigate the perceptions of all major stakeholders involved with financial reporting and the impact it could have on the audit profession.

1.3 Aim and Objectives of the Study

The broad aim of this study is to evaluate the existence and nature of an audit performance gap in Nigeria and what needs to be done to bridge this gap, in order to enhance the utility value of financial statements in this country. Specifically, the following objectives have been identified, namely:

(i) to identify the users’ perceptions of the external auditors’ role in Nigeria; and
(ii) to assess the users’ perceptions of audit expectation-performance gap in Nigeria.

1.4 Research Questions

Consequently, this research was undertaken to address the following research questions:

(i) What are the roles of external auditors in Nigeria?
(ii) What is the perception of the users of financial statements to audit expectation-performance gap in Nigeria?

1.5 Research Hypotheses

Based on the theoretical considerations and literature, two hypotheses were formulated for the study.

Ho1 The perceived audit performance gap does not significantly affect the credibility of the auditing profession in Nigeria.

Ho2 Auditing standards issued by the Institute of Chartered Accountants of Nigeria do not always guarantee that the external auditor would issue credible assurance reports.
1. Literature Review

Historically, the word ‘auditing’ has been derived from the Latin word ‘audire’ which means “to hear”. In fact, such an expression conveyed the manner in which the auditing was conducted during ancient time. However, over a period of time, the manner of conducting audit has undergone revolutionary change. According to Adeniji (2010:1), the word audit is described as:

‘the independent examination of and an 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 objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework (Millichamp & Taylor, 2008).

At present, there is no generally accepted definition of the meaning of the audit expectation gap. Several accounting researchers and professional accounting bodies have offered their definitions. The expectation gap was originally defined as the difference between levels of expected performance as envisaged by auditors and users of financial reports. It is the gap between society’s expectations of auditors and auditors’ performance, as perceived by society (Shaikh & Talha, 2003).

Ajayi, (2007:180) described the gap as, the public expectation of duties and responsibilities of external auditors as distinct from the statutory duties and responsibilities of these auditors. The gap between these two is referred to as expectation gap and this is why in a typical auditor’s report, the respective responsibilities of directors and auditors are clearly stated as:

The company’s Directors are responsible for the preparation of the financial statements. Our responsibility is to form an independent opinion, based on our audit on those statements and to report our opinion ....”.

According to Humphrey (1997) this definition can be extended to include other issues such as the adequacy of auditing standards and the quality of audit delivery. For the purpose of this study, the definition of the audit expectation-performance gap proposed by Porter (1993) is adopted. This gap is defined as that between: (i) society’s expectations of auditors; and (ii) auditor’s performance as perceived by society. This gap comprises two major components:

a) the ‘reasonableness gap’ – the gap between what society expects of auditors and what auditors can reasonably be expected to accomplish;

b) the ‘performance gap’ – the gap between what society can reasonably expect of auditors and what it perceives they deliver. This may be subdivided into:

   (i) the ‘deficient standards gap’ – the gap between the responsibilities, as defined by statute, case law, regulations and professional promulgations; and

   (ii) the ‘deficient performance gap’ – the gap between the expected standard of
performance of auditors carrying out these responsibilities and auditors’ actual performance of these duties.

2.1 Different Perspectives of the Audit Expectation Gap

A number of causes of the existence of the audit expectations gap have been put forward over the years. Humphrey et al. (1992, as cited by Lee and Azham, 2008) pointed out that an expectation gap may occur as a result of time lags between the accounting profession identifying and responding to continually changing and expanding public expectations. For example, Ernest and Young (2002) found in the United States (US) that the fund managers constantly used non-financial performance measures in decision making. In this regard, the public is requesting the expansion of assurance function to cover not just the financial measures, but also the entire scorecard of an organization.

Gaa (1991:84) pointed out that the audit expectations gap was a direct result of the ‘political game between two contending parties’ between the public and the auditors. This view is supported by Sikka, Puxty, Willmott and Coopper (1998:300) in which they argued that historical and political contexts can give indication ‘within which expectations are formed, frustrated and transformed’. They contend that audit as a social practice is subjected to constantly shifting meanings because the social context of auditing changes continuously through interaction and negotiation. The conclusion from this perspective is that the audit expectation gap will continue to exist. Humphrey, Moizer and Turley (1992:145) argued that it is the consequence of the contradictions in self regulated audit system with minimal government intervention:

“At one level, the profession has emphasised the ‘unreasonable’ nature of the investing (and wider) public’s expectations of auditors. At another level, it has sought to reassure the public and regulators that, despite appearances to the contrary all is well with the state of professional auditing and the corporate collapse and notable audit failure does not signify any deterioration in the general level of quality and performance.”

According to these researchers, the conflict is compounded when it comes to communicating the results of an audit due to the existence of various parties with different information needs. Where at one level, the lack of visibility of audit work can cause professional concern about audit quality, any communications which seek to place such work, and its characteristics more clearly in the public gaze can serve, in turn, to undermine audit profitability by clarifying the probabilistic nature of a product sold on its risk-education characteristics (Humphrey et al., 1992).

Another point of view is that the audit expectations gap is a result of corporate failure. The corporate failure, in turn, is regarded as audit failure. Corporate collapse is always accompanied by scrutiny of the roles of auditors and in some cases, litigations on the grounds that they have performed the task negligently (Power, 1994). Such focus is sharpened when the collapse of a company comes only a short time after its financial statements are given an unqualified audit opinion (Dewing and Russel, 2002). This view is supported by...
the finding of a study by Porter and Gowthorpe (2004) where they suggested the significant and unexpected company collapse both in the UK and New Zealand partly contributed to an audit expectations gap in these two countries.

Another reason identified is the unreasonable expectations and a misunderstanding by the audit reports users of the audit functions. As argued by Boyd, Boyd, and Boyd (2001), user misunderstanding forms part of the elements that compromise the concepts of the audit expectations gap. This view appears to be advanced by the audit profession as a defense to the growing criticism on auditors. As stated by Sweeney (1997:20), ‘the main conclusion of the profession was that user’s perceptions of the audit were flawed, rather than with any significant problem with the audit itself’.

This view is consistent with the finding of Porter and Gowthorpe (2004). That is, unreasonable expectations by the public at large were the main factor representing 50% of the audit expectation-performance gap in the U.K. Humphrey, Moizer, & Turley (1992) argued that the audit expectations gap was caused by the public’s misunderstanding of the audit function, by over-exaggerated responses to the isolated failings of individual auditors and by miss-appreciation of the event to which the profession is actively responding to public interest demands and enhancing the quality of audit services.

Clearly, from the discussion above, the audit expectations gap exists because of various factors. It is reasonable to point out that the changes in the auditing environment have prompted the expectation questions. However, the underlying reasons for the existence of the audit expectations gap lie on its main players: the auditors and the users. On one hand, it is a direct result of the audit profession failing to respond appropriately to new issues arising from changes in the audit environment. For example, the refusal of auditors to assume responsibility for fraud detection and reporting exercise; and their involvement with non-audit services appear to have extended the audit expectations gap. On the other hand, the gap exists due to a misunderstanding or a lack of knowledge of the users over the audit functions. This misunderstanding then leads to unreasonable expectations. Perceived performance of auditors is an element which is difficult to measure as it changes consistently. It is however possible to substantially reduce but not to totally eliminate it (Olowookere, 2010).

2.2 Theoretical Framework

The study was anchored on a number of theories. These theories, which are briefly discussed and related to the study include:

(i) The Agency Theory;

(ii) The Inspired Confidence Theory; and

(iii) The Policeman Theory.
2.2.1 The Agency Theory: In agency theory, a principal delegates decision making responsibility to an agent; in the case of a company the agents are the directors/managers. The theory implies entrusting resources to the agent and in turn these agents must usually produce a report regarding the use of resources both in quantitative and qualitative manner.

Those entrusted with decision making authority are generally regarded as having a duty of ‘accountability’ a duty to demonstrate how they managed the resources entrusted to them.

Audit serves a fundamental purpose in promoting confidence and reinforcing trust in financial information. Agency theory is a useful economic theory of accountability that helps to explain the development of the audit. Agency theory posits that agents have more information than principals and that this information asymmetry adversely affects the principals’ ability to monitor whether or not their interests are being properly served by the agents (Gerrit and Mohammad, 2007). Agency theory is based on this relationship between investors (principals) and managers (agents).

The Institute of Chartered Accountants in England and Wales, in November 2006, as cited by Millichamp and Taylor (2008:1) puts it this way:

*In principle, the agency model assumes that no agents are trustworthy and if they can make themselves richer at the expense of their principals they will. The poor principal, so the argument goes, has no alternative but to compensate the agent well for their endeavours so that they would not be tempted to go into business for themselves using the principal’s assets to do so.*

An audit provides an independent check on the work of agents and of the information provided by an agent which helps to maintain confidence and trust, (ICAEW, 2005). The simplest agency model assumes that no agents are trustworthy and if an agent can make himself better off at the expense of a principal then he will. Auditing is a means of monitoring that will lead to an overall reduction of agency costs (Ng, 2002).

2.2.2 The Theory of Inspired Confidence: Limperg (1932) published a series of essays which became known as the ‘Theory of Inspired Confidence’. He argued that the auditor derives his general function in society from the need for an expert and independent opinion based on that examination. The function is rooted in the confidence that society places on the effectiveness of the audit and in the opinion of the accountant. This confidence is, therefore, a condition for the existence of that function; if the confidence is betrayed, the function, too, is destroyed, since it becomes useless.

He went on to argue that, there were two circumstances in which the confidence could be betrayed. It could be betrayed if the expectation of society is exaggerated, that is, it exceeds what the auditor is capable of performing. Conversely, it can be betrayed if the auditor under-performs. He recognized that society’s needs are not static. They are dynamic and influenced by changing perceptions and changes in the environment.
The central area of Limperg’s work is related to the social responsibility of the independent auditor and possible mechanisms for ensuring that audits meet society’s need. Limperg’s work highlights the importance of the social significance of auditing and the implications for how an audit should be performed. Limperg (1992) emphasizes the role of the auditor in relationship with the users of financial statements in the sense that the independent auditor acts as a confidential agent for society. Limperg’s framework is based on the greatest possible level of satisfaction of users of financial statements with regard to the auditor’s work. In achieving this objective, the auditors are to perform enough work to meet the expectations they have aroused in society.

2.2.3 The Policeman Theory: An auditor’s job is to focus on arithmetical accuracy and on the prevention and detection of fraud. Is an auditor responsible for discovering fraud, like a policeman? This was the most widely held theory on auditing until the 1940’s. Under this theory an auditor acts as a policeman focusing on arithmetical accuracy and on prevention and detection of fraud.

However, due to its inability to explain the shift of auditing to, verification of truth and fairness of the financial statements; the theory seems to have lost much of its explanatory power. Recent financial statements have resulted to careful reconsideration of this theory. However, there is an ongoing public debate on the auditor’s responsibility for detection and disclosure of fraud drawing stakeholders onto the basic public perceptions on which the theory is derived.

Auditing literature did not support this theory. The responsibility for the prevention and detection of fraud and irregularities is that of the management of the enterprise who may obtain reasonable assurance that this responsibility has been discharged by establishing an adequate system of internal control. It is not part of an auditor’s duties to search for fraud unless he is required to do so by a specific term of his engagement. However, if audit is properly carried out, the work of auditor should expose fraud and irregularities where they exist.

2. Methodology

3.1 The Study Area

The study was undertaken in Lagos, Nigeria. Lagos was chosen because it is the cosmopolitan economic capital city of Nigeria. Lagos is the lever that powers the nation’s economy in which the numbers of all the various groups of users of annual account and tribes in Nigeria reside (Wallace, 1988) and also, owing to the relative convenience and administration of the research instrument.

2.2 The Research Design

The study adopted a cross-sectional survey design. This was designed to investigate the existence and nature of expectations gap in Nigeria and what needs to be done to bridge this gap.
2.3 Population of the Study

The population of the study from which the sample was drawn comprised of all the users of financial statements in Nigeria.

3.4 Sample Size and Sampling Procedure

Purposive sampling was adopted to ensure that only knowledgeable respondents were chosen. The obvious advantage of purposive sampling is that the researcher can use his skill and prior knowledge to choose respondents (Ogunbameru, 2004), based on the survey instrument (Best, et al., 2001). This study examined the audit performance gap among auditors and major users of financial statements in Nigeria (such as bankers, investors, stockbrokers, students and accountants). Two hundred and fifty (250) respondents were chosen from the population of study.

3.5 Instrument for Data Collection

Only primary data were used for this study. The primary data were collected from the responses received from a structured questionnaire. Based on the theory, that the best way to find out what is going on is to ask questions (Patton, 1990). The research project used survey, a method that has been used extensively, in previous research into the perception of stakeholders in financial reporting.

3.6 Validation of Research Instrument

The question of validity of measuring instruments centres on whether the instrument measures what it is intended to measure. In order to ensure that the content of the questionnaire and method of administering it were suitable the researcher carried out a pilot study on ten (10) members of the target population. Two experts in the field of accounting assessed the research instrument. Following their views, changes were made to the content of the questionnaire. This was pre-tested again and put into its final form before being administered to respondents.

3.7 Methods of Data Analysis

Descriptive statistical tools were used for the data presentation, which include Tables, bar charts and frequency distribution. The inferential statistical tool used in testing the hypotheses formulated in the study was the chi-square technique. Since the data used in this study were not in absolute values but in frequency distribution, chi-square was considered to be most appropriate. Chi-square measures the difference between the expected and the observed frequencies and was calculated as follows:

\[ \chi^2 = \sum_{j=1}^{n} \frac{(O_j - E_j)^2}{E_j} \]

Where

\( O_j \) = observed frequency
Ej = expected frequency and
n = the number of groups or category

Decision rule at any level of significance is that the null hypothesis is rejected if the calculated chi-square ($\chi^2$) is greater than or equal to the critical value from the chi-square table, otherwise the null hypothesis is retained.

3. Data Analysis

4.1 Hypothesis One

Hypothesis one is designed to address research question one, using the Chi-Square analysis. This hypothesis states that there is no generally accepted description of the role of external auditor.

In Table 1, the Chi-Square ($\chi^2$) calculated is 199.64. The Chi-Square tabulated is 9.488 from the statistical table. The Chi-Square calculated (199.64) is greater than the critical value. As a result of this, the research rejects the null hypothesis at 5% level of significance and 4 degree of freedom. It can be concluded that the role of external auditors is to ensure that the requirements of CAMA, 1990, or other relevant legislations have been complied with.

From Table 2, the $\chi^2$ Calculated =18.51. $\chi^2$ tabulated = 9.488 (from the statistical table). From the result, it shows that the very fact that no different theory regarding the role of the auditor exists indicated that there is no generally accepted description of the role of the auditor.

From the Table 3, 18 (10.0%) respondents strongly disagree, 25 (15.6%) disagree, 16 (8.9%), undecided, 75 (41.7%) agree and 43 (23.9%) strongly agree. Hence, it shows that 65.6% of the respondents agree with the statement. The result of the above analysis shows that external auditors cannot look at every client transactions. They mostly rely on samples in order to form an opinion on a particular population.

From Table 4, 17 (9.9%) of the respondents strongly disagree, 27 (15.7%) disagree, 20 (11.6%) undecided, 71 (41.3%) agree and 31 (21.15%) strongly agree. Hence, it shows that most of the respondents agree with the statement above.

Table 7 indicates that 15 (8.2%) of the respondents strongly disagree, 42 (22.8%) disagree, 11 (6.0%) undecided, 57 (31.0%) agree, 59 (32.1%), strongly agree. From this it shows that 63.1% of the total respondents agree with the statement. Hence, the result indicates that the auditor should not make 100% examination in the audit procedures.

The $\chi^2$ Calculated = 89.40.

$\chi^2$ tabulated = 9.484 (from Statistical Table).

Since the $\chi^2$ calculated >$\chi^2$ tabulated i.e. (89.40 > 9.484) at 5% significant level and 4 degree of freedom, we reject the null hypothesis and retain the alternative hypothesis.
4. Conclusion

To conclude, researchers and the accounting profession have responded in different ways to the audit expectation gap. However, it must be noted that the expectation gap arises from a combination of excessive expectations and insufficient performance. The audit expectation gap is detrimental to the auditing profession as it has negative influences on the value of auditing and the regulation of auditors in the modern society. We established that if auditors are to retain the public’s perception of them as providing a valuable service in society, the gap between the public’s expectations of auditors’ performance must be narrowed.

5. Recommendations

Consequent on the findings and conclusions of this study, the following recommendations were made.

i. Users of Financial Statements should be Enlightened More on the Responsibilities of Auditors on the Financial Statement: Formal education of users also appears to be a potential tool for reducing the gap, as no significant differences were found between the responses of directors who have had some relevant education. It is important for the users of financial statements to know the extent to which they hold the external auditors responsible for the problems of the organization.

ii. Quality Control in Audit Firms: This is necessary in order to ensure that all auditors (be they partners, managers or other audit team members) perform their work to the required standard on every audit.

iii. Continuous Training and Development of Auditors: Education of auditing practitioners is a key objective of the monitoring process. It is, therefore, recommended that further education through Mandatory Continuing Professional Education (MCPE) be required of all existing auditors in respect of their responsibilities under statute.

iv. The creation of an independent government agency to oversee the implementation of audit regulations in Nigeria.

v. The Role of the Auditor should be Clarified: Since the origin and existence of auditing is based on the requirements of the users of the reporting process, the role of the auditor should be redefined, but with due consideration for the requirements and expectations of users.

vi. Expansion of auditors’ responsibilities is likely to be a good way of meeting the expectation of the public. However, the cost of such services should be considered since the public is a free rider of such services. The cost of these additional services needs to be borne by the company. Thus, the company may be reluctant to engage the services of auditors unless they become a statutory requirement in Nigeria or the benefit of engaging such services outweighs the cost.

vii. To reduce the deficient standards gap, the existing auditing standards should be reviewed...
on a regular basis to ensure the auditing standards encompass duties that could be reasonably expected of auditors.

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Figure 1: Diagramatic illustration of Agency Theory

Source: Adapted from Jenson and Meckling (1976)
Table 1: The Role of External Auditors is not to ensure that the Requirements of CAMA, 1990 or other Relevant Legislations have been Compiled With

| Response           | Observed N | Expected N | Residual |
|--------------------|------------|------------|----------|
| Strongly Disagree  | 3          | 36.8       | -33.8    |
| Disagree           | 7          | 36.8       | -29.8    |
| Undecided          | 10         | 36.8       | -26.8    |
| Agree              | 66         | 36.8       | 29.2     |
| Strongly Agree     | 98         | 368        | 61.2     |
| **Total**          | **184**    | **184**    | **0**    |

*Source:* Field Survey, 2010

Table 2: The Very Fact that no Different Theory Regarding the Role of the Auditor Exist Indicates that there is no Generally Accepted Description of the Role of the Auditor.

| Response           | Observed N | Expected N | Residual |
|--------------------|------------|------------|----------|
| Strongly Disagree  | 33         | 35.8       | - 2.8    |
| Disagree           | 54         | 35.8       | 18.2     |
| Undecided          | 32         | 35.8       | - 3.8    |
| Agree              | 41         | 35.8       | 5.2      |
| Strongly Agree     | 19         | 35.8       | - 16.8   |
| **Total**          | **179**    |            |          |

*Source:* Field Survey, 2010
Table 3: External Auditors Cannot Look at Every Client Transaction. They Mostly Rely on Samples.

| Response           | Frequency | Percentage |
|--------------------|-----------|------------|
| Strongly Disagree  | 18        | 10.0       |
| Disagree           | 28        | 15.6       |
| Undecided          | 16        | 8.9        |
| Agree              | 75        | 41.7       |
| Strongly Agree     | 43        | 23.9       |
| **Total**          | **100**   | **100.0**  |

Source: Field Survey, 2010

Figure 2: Perception about the approach that auditors take to accomplish their task

Source: Field Survey, 2010
Table 4: Respondents’ views on whether users can have Reasonable Assurance that Financial Statements Contain no Material Misstatements

| Response          | Frequency | Percentage |
|-------------------|-----------|------------|
| Strongly Disagree | 17        | 9.9        |
| Disagree          | 27        | 15.7       |
| Undecided         | 20        | 11.6       |
| Agree             | 71        | 41.3       |
| Strongly Agree    | 31        | 21.5       |
| **Total**         | **172**   | **100.0**  |

**Source:** Field Survey, 2010

Figure 3: Views on the extent of material misstatements in financial statements

**Source:** Field Survey, 2010
### Table 5: The Audited Financial Statements Are not Useful for Monitoring the Performance of the Entity

| Response            | Frequency | Percentage |
|---------------------|-----------|------------|
| Strongly Disagree   | 62        | 34.4       |
| Disagree            | 67        | 37.2       |
| Undecided           | 15        | 8.3        |
| Agree               | 29        | 16.1       |
| Strongly Agree      | 7         | 3.9        |
| **Total**           | **180**   | **100.0**  |

**Source:** Field Survey, 2010

### Table 6: External Auditors’ Reports Guarantee that an Organization whose Financial Statements have given an Unqualified (clean) Audit Report is Financially Sound.

| Response            | Frequency | Percentage |
|---------------------|-----------|------------|
| Strongly Disagree   | 27        | 14.7       |
| Disagree            | 47        | 25.5       |
| Undecided           | 24        | 13.0       |
| Agree               | 49        | 26.6       |
| Strongly Agree      | 37        | 20.1       |
| **Total**           | **184**   | **100.0**  |

**Source:** Field Survey, 2010
Figure 4: Extent of Reliability of Audit Reports

Survey, 2010.

Table 7: The Auditor should make 100% Examination in the Audit Procedures.

| Response          | Frequency | Percentage |
|-------------------|-----------|------------|
| Strongly Disagree | 15        | 8.2        |
| Disagree          | 42        | 22.8       |
| Undecided         | 11        | 6.0        |
| Agree             | 57        | 31.0       |
| Strongly Agree    | 59        | 32.1       |
| **Total**         | **184**   | **100.0**  |

Source: Field Survey, 2010.

Table 8: The Management of a Company should Bear Primary Responsibility for Ensuring the Reliability of its Financial Statements.

| Response          | Frequency | Percentage |
|-------------------|-----------|------------|
| Strongly Disagree | 2         | 1.1        |
| Disagree          | 8         | 4.4        |
| Undecided         | 6         | 3.3        |
| Agree             | 74        | 40.7       |

Source: Field Survey, 2010.
Table 9: Past Auditing Scandals with Enron, Parmalat, Cadbury Nigeria Plc and AP Nigeria Plc had an Impact on Auditor’s Credibility

| Response          | Observed N | Expected N | Residual |
|-------------------|------------|------------|----------|
| Strongly Disagree | 7          | 34.6       | -27.6    |
| Disagree          | 10         | 34.6       | -24.6    |
| Undecided         | 29         | 34.6       | -5.6     |
| Agree             | 60         | 34.6       | 25.4     |
| Strongly Agree    | 67         | 34.6       | 32.4     |
| Total             | 173        |            |          |

Source: Field Survey, 2010.