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Improving the Content of Auditor's Report as a Means of Fathom to Audit Expectation Gap in Nigeria

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Abstract

Audit expectation gap is a phenomenon that presently attracts the attention of researchers all over the world. The basic problem is in the area of how the public perceives the role of the auditor, which in most cases centers on the prevention of fraud and irregularities. On the other hand the auditor and the auditing profession always exonerate themselves from the fact and perception of the public towards their work. However, the continued litigation against the auditor and the auditing profession has called on a rethink on the relationship of the auditor and the audit work he performs. This research therefore reviews the communication of the auditor to the public in form of the content of the auditor's report to the public as the possible means of reducing if not eliminating the problem of the audit expectation gap. To achieve this, the study develops questionnaire based on the method used in the literature. The process ensures that data is collected for the public's expectation on the issues of the expectation gap on the one hand, and then subsequently and side by side, we compare the issues with the auditors expected perception. The data collected was analyzed using a five-point likert type scale anchored by a five scale from "strongly disagrees" to "strongly agree". Furthermore, to test for the significant difference in the audit expectation gap between the two parties of respondents both the parametric and non parametric statistical tests were used. In terms of the distribution of the questionnaire we used both the mailing approach and direct approach. The study presented the outcome of the research to show that there is expectation gap in the country as evidenced in the views of the respondents. Furthermore, improvement of the reports of the auditor has been recommended as a means of improving and or solving the problem of audit expectation gap in Nigeria.

Key Words: *Audit, Expectation, Gap, Fraud and Nigeria.*

Introduction

Auditing has its history to a large extent determined by the history of accounting, as the latter metamorphosed and culminated with the development of the world economy. For instance, Salehi (2008) observed that although ancient cultures of Mesopotamia, Egypt, Greece and Italy show evidences of highly developed economic systems, yet the economic fact during these periods were limited to the recording of single transactions. The knowledge of support system for the maximization of profit and the exposition of bookkeeping, as a support mechanism for the determination of profit or wealth, were very unpopular. With the emergence of large merchant houses in Italy and some other places in the world, the attitude of profit maximization emerged at the end of the middle ages, thereby shifting the domain of trading from the individual commercial travellers to the stable and more comfortable house merchants, which now is coordinated centrally at the luxurious desks of the large merchant houses in most parts of the world. According to Salehi (2008), entering merely one aspect of the transaction paved the way for heavy embezzlement of cash, which was found difficult to trace in the ordinary course of business.

Therefore, the system of double entry bookkeeping was first proposed and described by an Italian as a way of correcting the anomaly. Monk Luca Pacioli in his book Summa de Arithmetica, Geometria, Proportioni et Proportionalita, dated 20 November 1494 first introduced the system of double entry as a way of reducing the incidence of corrupt practices that was easier with the single entry. The introduction of the double-entry, coupled with the industrial revolution in Great Britain around 1780 led to the emergence of large industrial companies with complex bureaucratic structures, in other words the development of the capitalist economic system.

Unfortunately, the spate of corporate failures, financial scandals and audit failures has led to an increase and significant criticism and litigation against the auditing profession (Maccarrone 1993, Dan *et al* 2007). Transmile Group for instance, overstated its revenue by RM 622 million for the years 2004 to 2006; Megan Media Holding reported a whopping net loss of RM1.14 billion for the fourth quarter ended April 2007 as a result of accounting fraud at its subsidiary. Furthermore scandals can be seen by the over statement of the assets of Southern Bank Bhd of Malaysia worth RM160 million in 2005, TRI was discovered to have issued fictitious invoices totaling nearly RM260 million in 1998 and 1999. To sum up Lee *et al* (2009) cited the critism on the work of the accountant by the NST (2007) as "Investors have asked the authorities to take tough action against those who helped cook the books of Transmile group. They (investors) also want them (authorities) to examine the role of the external auditors (Messrs Deloitte and Touche) and whether they (external auditors) have performed their duties well in scrutinizing the numbers". Lim (1993) asserts that the blame should not be placed on the auditors' shoulders alone as the nature and objectives of auditing are perceived differently by different parties. Likewise Woolf (1985) believes that auditors as a breed has not become more negligent. The real problem is related to the palpable gap between our own perception of auditing and that of the public whom we serve. Sidek (2008) further commented on the liability of the external auditors as 'it would only take a few scandals to crash the stock market.

The auditors' role is to facilitate investment, therefore if auditors underperform, investors will go away. Hence it is the responsibility of the regulators to examine the role played by the external auditors and to take speedy action to bring those faults to task. Due to the aforementioned litigations, Lee *et al* (2009) observed that whatever will be the outcome of the litigations in court against the auditors, auditing professions' image has been dented. This can also be seen in the comment of Godsell (1992) who opined that the phenomenon of increasing litigation against the auditor and the auditing profession may be due to common beliefs that the stakeholders of the company should be able to rely more on its audited accounts as a guarantee of its solvency, propriety and business viability. Therefore, the understanding of the nature and objective of what auditing is all about may have been misconstrued.

It should be noted that, the role of the auditor is generally understood by the general public to be the detection of fraud and error in the financial statements. This is because it is the auditor that comes to light in any matter that affects the investigation of fraud or misappropriation in companies. Not until 1989 when the LJ Lopes of the appeal court stated in the case of Re Kingdom cotton mills (1896) that the auditor was a watchdog not a bloodhound. Clearly, this decision brought to light the primary role of the auditor to exclude the decision of fraud detection. Therefore, the definition of what an audit is by the user's of financial statements, the general public and the auditors, is what cumulates to bring about the term "audit expectation gap". The concept can better be understood when we have a close look at the following issues: The audit profession's expectation of an audit; the auditor's perception of an audit; and the general public/user's of financial statements perception of the audit

Marianne (2007) observes that, if users of financial statements and the general public were educated to think that the auditor's role embraces the detection and prevention of fraud, especially in relation to material items, the fraud and error detection role of an audit could be relatively objective. However, absolute objectivity cannot be guaranteed since "materiality" and "material significance" are subjective concepts which require further clarification by the Auditing Practices Board. A return to the primary role of detection and prevention would also be welcomed since there are at present, not sufficient measures to hold the auditor liable for negative consequences of his actions. Some sources of academic literature assume that the meaning of an audit is not 'objective' that is not 'fixed' whilst other sources such as contents of audit

reports assume that the meaning of an audit is 'fixed'. In relation to the latter assumption, there is the belief that the expectations gap could be significantly reduced, if not possible to eliminate.

Pierce and Kilcommins (1996) using the external auditors as their bench mark as against the bench mark of the audit profession tried to define the audit expectation gap. To them when the external auditors' understanding of their role and duties is compared against the expectations of user groups and the general public then we expect to see audit expectation gap. Liggio (1974), on the other hand, defined the audit expectation gap as the difference between the levels of expected performance as interpreted by the independent accountant and the user of financial statements.

On the other hand, where we try to look at the expectation gap with the audit profession in mind or as bench mark, there will be less subjectivity in the understanding and definition of the expectation gap and which will narrow the expectation gap.

Much has been written about the possibility of an audit expectations gap. The attempt to address the problem especially as to do with the role and responsibilities of auditors, have led to the establishment of several government and professional investigations, which form an important part of the expectation gap literature. These include the Cohen Commission (1978); Metcalf Committee (1976); and Treadway Commission (1987); in the United States, the Cross Committee (1977); and Greenside Committee (1978); in the United Kingdom and the Adams Committee (1977) and MacDonald Commission (1988) in Canada. While Cohen Commission in 1978 considered whether a gap might exist between what the public expected and what auditors could reasonably expect to accomplish, Poter (1993), in his empirical study of the audit expectation gap, sees the definition of the gap as failing to mention the possibility of sub-standard performance by auditors. It is against this backdrop that it is imperative to study the initiative of improving the content of the auditor's report as a means of solving the issue of expectation gap in Nigeria.

There are several attempts to account for why is the audit expectation gap among researchers in the auditing profession. Humphrey *et al*. (1993) and Porter and Gowthorpe (2004), for example, have argued that the gap exists due to a deficiency in auditor's performance and auditing standards. Pierce and Kilcommins (1996), Boyd *et al*., (2001) and; McEnroe and Martens (2001), argue that the gap exists due to misinterpretations and misunderstanding of the meaning of auditing by the users.

These studies suggest that the users do not understand the audit functions and the role of auditors. Consequently, they have unrealistic expectations of auditors. Earlier, research by the Canadian Institute of Chartered Accountants (CICA, 1988) and Porter (1993) established the deficient performance, deficient standards and unreasonable expectations as the components of the audit expectations gap. However, a recent empirical study conducted by Porter and Gowthorpe (2004) has shown that these components have changed over time although the perceptions of pessimism as to the audit functions have not been eliminated.

The audit expectations gap centres on several issues, most notable among them are; the auditor's roles and responsibilities as opined by Porter, (1993); Fazdly and Ahmad, (2004); and Dixon *et al*., (2006). The nature and meaning of audit report messages opined by Monroe and Woodliff, (1994); and Gay *et al*., (1998). Audit independence as opined by Sweeney, (1997); Lin and Chen, (2004); and Alleyne *et al*., (2006). Furthermore, Humphrey (1997) classified the issues on the audit expectations gap into four main areas: audit assurance, audit reporting, audit independence and audit regulation.

In Nigeria, few studies attempted to document the problem of the expectation gap, for instance, the studies of chukwunedu (2009), Akinbuli (2010), Okoye and Okaro (2011), Adeyemi and Uadiale (2011) and that of Tanko (2012). In most of the cases the studies used a small size number as their sample size, or the restriction of the sampled respondents to only one part of the stakeholders on the problem, and in other cases the use of weak tool for the analysis of the data collected.

Methodology

The primary source of data is adopted through the use of questionnaire method of data collection. The questionnaire has incorporated a series of statements on various sub-headings that elicited the opinion of the respondents on the role and nature of auditing to establish whether or not the audit expectation gap exists in the country and the improvement of the content of the auditor's report will help in improving the perception of the public on the role of the auditor or in other words to reduce the problem of audit expectation gap in Nigeria. This followed the format adopted in testing for opinion surveys in other environments that the research has been documented. Therefore, the finding of this research is mainly the feedback established from the respondents and the outcome of the analysis of the questionnaire. As the research is meant for generalization, various occupational groups have been covered in the distribution of the questionnaire and for which the extent to which the various groups differ significantly in their interpretation on matters relating to the auditors performance, and the standard of the auditing profession.

The paper develops the questionnaire based on the method used in Best *et al* (2001) who studied the expectation gap in Singapore, Nazri *et al* (2004) in Malaysia, Chowdhury *et al.* (2005) in Bangladesh and the study of Salehi *et al.* (2009) in Iran. The process ensures that data is collected for the public's expectation on the issues of the expectation gap and subsequently and side by side compared the issues with expected perspective or the required approach by the audit authorities. The statement in each section comprise a series of assertions regarding the existing and possible audit roles, regulations and the audit environment, against which the respondents were asked to indicate their agreement or disagreement on a five point scale.

A user group was developed and by which the questionnaire was distributed. The user group included in the research comprises of the chartered accountants in practice and those not in practice and other user group that are non-chartered accountants but work in the areas of financial expertise and related fields. In all we have a population of *32,000* chartered accountants and a corresponding sample of non-chartered accountants were taken to complement the number, each number of non-chartered accountants approximately corresponding to the number of the chartered accountants chosen in the sample.

The distribution of the questionnaire covered the following respondents that comprised of several groups within the user group that we first established of the chartered accountants in practice and those not in practice; they included the bankers, financial directors, credit managers, investment analysts, fund managers, students of accountancy, shareholders and government employees. The sample respondents will therefore cover almost all the facets of the expected users of the financial statements that contribute to the area of the audit expectation gap.

To ensure spread in the distribution of the questionnaire, annual conference, zonal conferences, mandatory continuing professional education conferences and induction ceremony of new members were utilized for the distribution of the questionnaire. A stratified random sampling technique with optimum allocation was used in the selection of those that filled the questionnaire and it was distributed using the face to face method of questionnaire distribution. Furthermore, and for the non-chartered accountants, we distributed the questionnaire based on the face to face method and targeting the areas covered in the profession of the respondents.

In order to obtain the most efficient, representative sample, for our research, we used the following Cochran's formula for sample size determination:

$$n = \left(\frac{Z_{\alpha/2}\sqrt{pq}}{\delta} \right)^2 = \frac{Z^2_{\alpha/2} pq}{\delta^2}$$

$n =$ sample size to be determined

Where; The value of the standard normal ordinate at $\alpha\%$ level of significance or

$(1-\alpha)\%$ Confidence level is $Z_{\alpha/2}$.

At the 5% level of significance, $Z_{\alpha/2} = Z_{0.025} = 1.96$

$\delta = 0.03$ (the chosen margin of error for the survey)

$\hat{p} = 0.5$ (Proportion of chartered accountants in the sample)

$\hat{q} = 1 - \hat{p} = 0.5$ (Proportion of non-chartered accountants in the sample)

The sample size is finally determined as follows:

$$n = \left(\frac{Z_{\alpha/2}\sqrt{pq}}{\delta} \right)^2 = \frac{Z_{\alpha/2}^2 pq}{\delta^2} = \frac{1.96^2 \times 0.5 \times 0.5}{0.02145^2} \approx 2088$$

Using a confidence level of 95% and error margin of *2.145%* in the sample model developed by Cochran (1977) and Macorr (2004) we arrived at a sample size of *2088*. This implies that, we need a sample size of at least *2088* to arrive at a sample with a sampling error of at most *2.145%*. The sample size would be split between chartered and non-chartered accountants. In this case, *1,076* questionnaires would be administered to chartered and *1,012* non-chartered accountants. The sample size of *2,088* we used is believed to be adequate and robust to achieve the desired research objectives.

The measure instrument of the statements is a five-point Likert type scale anchored by a five scale from "strongly disagrees" to "strongly agree". To test for the significant expectation gap between the two parties of respondents, both the parametric and non parametric statistical tests were used. In terms of the distribution of the questionnaire, we used both the mailing approach and direct approach. Furthermore, as mentioned earlier, and in order to ensure spread in the distribution of the questionnaire, annual conference, zonal conferences, mandatory continuing professional education conferences and induction ceremony of new members were utilized for the distribution of the questionnaire. We shall make two tests for non-response bias via the "wave technique" as it treats the two approaches as separate waves of responses (Stanley 2001; Kanuk and Berenson 1975; and Hawkins 1975).

In survey research, many problems of fieldwork are met. The personnel have received training in the purpose of the survey and in the method of measurement that was employed. They were also adequately supervised in their work. A procedure for early checking of the quality of the returns was made. Plans were made for handling nonresponse, that is, the failure of the enumerator to obtain information from certain of the units in the sample. In order to investigate and evaluate whether there exist the audit expectation gap, we have carefully outlined and coordinated our fieldwork in a most efficient manner.

We outlined the details of the statistical tools that were employed for the data analysis. The tools include the Chi-square test of independence, One-way Analysis of Variance (ANOVA), t-test and Correlation analysis. The Chi-square test as a non-parametric statistical tool, which is considered appropriate for ordinal measurement was used. Furthermore, the Kendall's coefficient of concordance and Cronbach's alpha was used to test the validity and reliability of the questionnaire respectively. Reliability is the extent to which the same measurements of individuals obtained under different conditions yield similar results. The reliability of any research questionnaire is best measured by the Cronbach's alpha statistic. It is designed as a measure of internal consistency of a research instrument. It is simply a measure of reliability or internal consistency of the question items. It is measured on the same scale as the Pearson's product-moment correlation coefficient and typically varies between *0* and *1*. The closer the alpha is to *1.00*, the greater the internal consistency of items in the research instrument. At a more conceptual level, coefficient of *Cronbach's alpha* may be considered as the coefficient between a sincere response and all other sincere responses of the same item that are drawn randomly from the same population of interest.

In our own case, we have sixty one construct question items in the questionnaire to assess and evaluate the whether there exist the audit expectation gap. Cronbach's alpha is the approximate average correlation between all pairs of question items. The formula that determines Cronbach's alpha is fairly simple and makes use of the number of variables or question items in the instrument (k) and the average correlation between pairs of items (r):

$$\alpha = \frac{kr}{1+(k-1)r}$$

Based on the formula of Cronbach's alpha, a rule of thumb that applies to most situations for the interpretation of reliability by alpha which is mostly acceptable is as follows:

Table 1: Rules for Reliability test

Cronbach's Alpha	Interpretation
$\alpha \geq 0.9$	Excellent
$0.8 \leq \alpha < 0.9$	Good
$0.7 \leq \alpha < 0.8$	Acceptable
$0.6 \leq \alpha < 0.7$	Questionable
$0.5 \leq \alpha < 0.6$	Poor
$\alpha < 0.5$	Unacceptable

Table 2: Reliability Statistics for the Instruments by Strata

Strata	N of Items	Item Mean	Item Variance	Alpha
Audit Partner	61	3.613	0.140	0.994
Financial Director	61	4.010	0.121	0.986
Bankers (Credit section)	61	3.529	0.120	0.998
Government Employee	61	3.500	0.179	0.998
Financial Analyst	61	3.877	0.049	0.998
Credit manager	61	3.507	0.140	0.998
Undergraduate	61	4.160	0.023	0.999
Offered Auditing course	61	3.300	0.303	0.997
Private Shareholder	61	3.760	0.155	0.998
Member of Professional body	61	3.992	0.213	0.997
Audit staff / Manager	61	4.127	0.193	0.997
Executive Director	61	2.903	0.067	0.999
Bankers (Non-credit section)	61	3.452	0.269	0.998
Non-Government Employees	61	3.372	0.259	0.997
Financial Journalist	61	3.375	0.314	0.997
Fund Manager	61	3.027	0.526	0.996
Postgraduate student	61	3.530	0.325	0.997
Yet to offer Auditing course	61	3.422	0.178	0.998
Institutional investor	61	3.409	0.234	0.998
Members in Practice	61	3.533	0.527	0.989

From table 2 above, the Cronbach's alpha of at least *0.994* for the questionnaires used for the study implies that the instrument is reliable as used for every stratum. Hence, instrument has good reliability as far as internal consistency is concerned. That is, the instrument can give reliable results on whether there exists the audit expectation gap.

We also need to validate the instrument to make sure that it measures exactly what it is suppose to measure. Validity of the instrument means the ability of the questionnaire to capture exactly the data it was designed to collect. In our own case, the content of the questionnaires, after scrutiny by relevant experts, was validated using the Kendall's coefficient of concordance. Hence, the questionnaires have both the desired face and content validity.
The Kendall's coefficient of concordance is a statistical measure of agreement for more than two variables. In fact, the Kendall's coefficient of concordance is an extension of the Spearman's rank correlation for more than two variables. In this research work, it is also used to test the validity of the questionnaire. The degree of agreement or association among several categories of respondents can be measured by means of following Kendall's coefficient of concordance statistic:

$$W = \frac{12}{k^2 n(n^2 - 1)} \sum_{i=1}^{n} \left[R_i - \frac{k(n+1)}{2} \right]^2$$

Kendall's coefficient of concordance takes on values between zero and one inclusive. The closer the value of W is to one, the stronger the degree of agreement or association and the greater the validity. Regardless of its value, once the coefficient is significant, the instrument is valid. The Kendall's coefficient of concordance is distributed approximately chi-square with *k-1* degrees of freedom. Hence, the test procedures for the Kendall's coefficient of concordance are summarized as follows:
Hypothesis:

H_0: $W = 0$ (there is no agreement between the *k* variables i.e. invalid)

H_1: $W \neq 0$ (there is agreement between the *k* variables i.e. valid)

Test statistic:

$$\chi^2 = k(n-1)W$$

Decision Rule:

Reject H_0 if $p < 0.05$ otherwise accept H_0 at the 5% level of significance. The computations are obtained using the SPSS Version 17.0 as employed for data analysis in this study.

Table 3: Kendall's Coefficient for Validation Statistics by Strata

Instruments	N	Kendall's Coefficient	Chi-square	Asymp. Sig.
Audit Partner	135	0.516	2563.03	0.000
Financial Director	90	0.565	1429.77	0.000
Bankers (Credit section)	60	0.595	1421.23	0.000
Government Employee	70	0.581	2021.22	0.000
Financial Analyst	100	0.535	1409.66	0.000
Credit manager	55	0.507	1672.17	0.000
Undergraduate	105	0.602	1270.32	0.000
Offered Auditing course	60	0.597	2149.05	0.000
Private Shareholder	100	0.541	3246.55	0.000
Member of Professional body	206	0.659	8148.88	0.000
Audit staff / Manager	350	0.655	13758.08	0.000

Executive Director	29	0.280	486.45	0.000
Bankers (Non-credit section)	70	0.606	2545.76	0.000
Non-Government Employees	80	0.553	2654.20	0.000
Financial Journalist	60	0.586	2110.95	0.000
Fund Manager	50	0.651	1953.56	0.000
Postgraduate student	90	0.602	3251.33	0.000
Yet to offer Auditing course	50	0.522	1565.80	0.000
Institutional investor	75	0.583	2624.80	0.000
Members in Practice	253	0.638	9686.03	0.000

From table 3 above, the Kendall's Coefficient of Concordance of at least *0.516* which are all significant across the strata implies good validity for the questionnaires. Therefore it is expected that the instruments would measure what they are supposed to measure on whether there exist the audit expectation gap. This will guarantee us to use the results and infer about the population with high level of confidence.

Discussion

The first group we selected and presented below is the opinion of those that are within the circle of the profession. We therefore compare those that are chartered accountants with the professional registration of the institute of chartered accountants of Nigeria and those that are non-chartered accountants. The focal point is to ascertain whether the content of the auditors' report as presented to the stakeholders needs improvements or not. The inferential statistics presented below were used to test whether there is significant difference in the opinion of the chartered and non-chartered accountants on the issue. Hence, we use the procedures of two-sample t-test as follows:

Table 4: Descriptive Statistics on the opinion of chartered and non- chartered accountants on whether the content of the auditors' report needs improvements

Accountants	N	Mean	Std. Deviation	Std. Error Mean
Chartered	1076	4.40	0.681	0.021
Non-chartered	1012	4.09	0.679	0.021

Table 5: T-test on the opinion of chartered and non- chartered accountants on whether the content of the auditors' report needs improvements

	t	df	Sig.	Mean Difference	Std. Error Difference
T-test statistics	10.689	2086	0.000	0.318	0.030

From table *4.90* above, since $p=0.000<0.05$, we therefore reject the null hypothesis and conclude that there is significant difference in the mean opinion of chartered and non-chartered accountants on whether the content of the auditors' report needs improvements. From the table of descriptive statistics above, using the mean, we can deduce that chartered accountants have stronger view on whether the content of the auditors' report needs improvements than non-chartered accountants. Hence, chartered accountants have stronger feeling in this respect. This ultimately translates to the fact that the content of the report is not all encompassing, it needs further improvement. We further our investigation by excluding the views of the auditors and those that are not auditors to further see if there are differences in their opinions. We use the following Chi-square test to investigate the perceptions of auditors and non- auditors on whether the content of the auditors' report needs improvements. The Chi-square test proceeds as follows:

Table 6: Contingency table for auditors and non-auditors on whether the content of the auditors' report needs improvements

Responses		Respondents		
		Auditor	Non-auditor	Total
Strongly Agree	Count	55	258	313
	Expected	110.6	202.4	313.0
Agree	Count	211	415	626
	Expected	221.3	404.7	626.0
Undecided	Count	209	209	418
	Expected	147.7	270.3	418.0
Disagree	Count	214	308	522
	Expected	184.5	337.5	522.0
Strongly Disagree	Count	49	160	209
	Expected	73.9	135.1	209.0
Total	Count	738	1350	2088
	Expected	738.0	1350.0	2088.0

Table 7: Chi-Square Tests

Test Statistics	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	103.532	4	0.000
Likelihood Ratio	107.703	4	0.000
N of Valid Cases	2088		

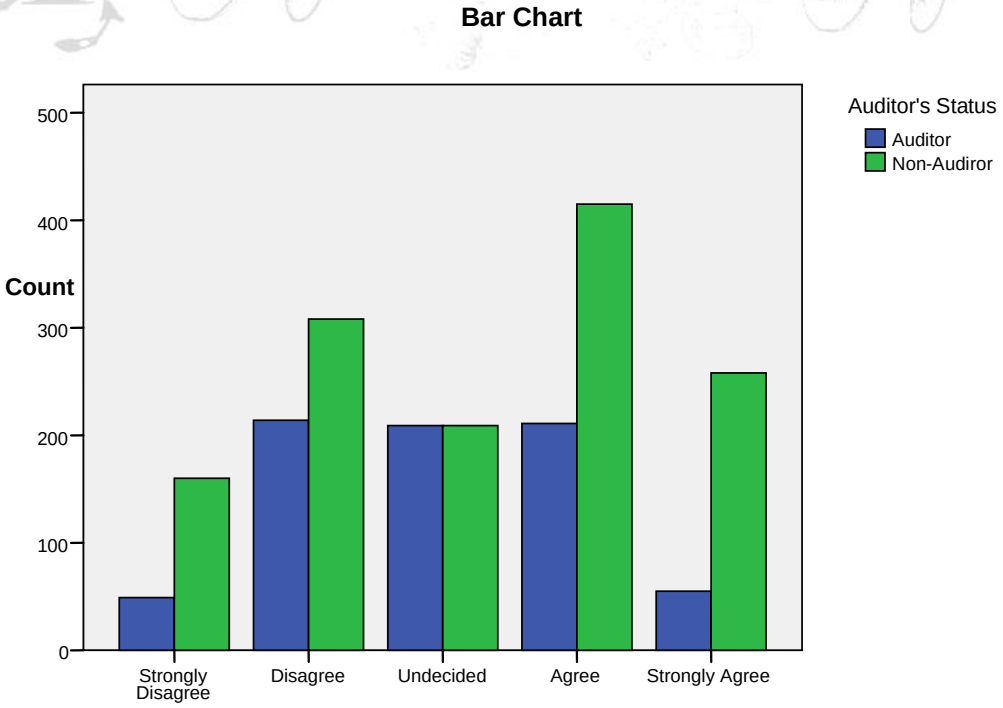

Fig. 1: Auditors' report needs improvements

The observed and expected frequencies are displayed in contingency table 3 above as a process of calculating the chi-square statistic as depicted in the clustered barchart above. While the chi-square test statistic is in table 4 which gives $p=0.000<0.05$. Hence, we reject the null hypothesis and conclude that the perception on whether the content of the auditors' report needs improvements depends on the auditors' status of the respondent. In other words, auditors seem to have a stronger view than non-auditors on the issue or vice versa. This can further be investigated by t-test as follows.

Table 8: Descriptive Statistics on the opinion of auditors and non-auditors on whether the content of the auditors' report needs improvements

Respondents	N	Mean	Std. Deviation	Std. Error Mean
Auditors	738	4.26	1.398	0.051
Non- Auditors	1350	4.05	1.250	0.034

Table 9: T-test on the opinion of auditors and non-auditors on whether the content of the auditors' report needs improvements

	t	df	Sig.	Mean Difference	Std. Error Difference
T-test statistics	3.383	2086	0.001	0.202	0.060

From table 9 above, since $p=0.001<0.05$, we therefore reject the null hypothesis and conclude that there is significant difference in the mean opinion of auditors and non-auditors on whether the content of the auditors' report needs improvements. From the table of descriptive statistics above, using the mean, we can deduce that auditors have stronger view on whether the content of the auditors' report needs improvements than non-auditors.

Further observations have been highlighted on the knowledge of the content of the auditors report. We use the following Chi-square test to investigate the perceptions of those that offered auditing courses and those who did not on whether the content of the auditors' report needs improvements. The Chi-square test proceeds as follows:

Table 10: Contingency table for those that offered auditing courses and those who did not on whether the content of the auditors' report needs improvements

Responses		Auditing courses		Total
		Offered	Not offered	
Strongly Agree	Count	89	224	313
	Expected	164.0	149.0	313.0
Agree	Count	361	265	626
	Expected	328.0	298.0	626.0
Undecided	Count	240	178	418
	Expected	219.0	199.0	418.0
Disagree	Count	326	196	522
	Expected	273.5	248.5	522.0
Strongly Disagree	Count	78	131	209
	Expected	109.5	99.5	209.0
Total	Count	1094	994	2088
	Expected	1094.0	994.0	2088.0

Table 11: Chi-Square Tests

Test Statistics	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	123.455	4	0.000
Likelihood Ratio	125.708	4	0.000
N of Valid Cases	2088		

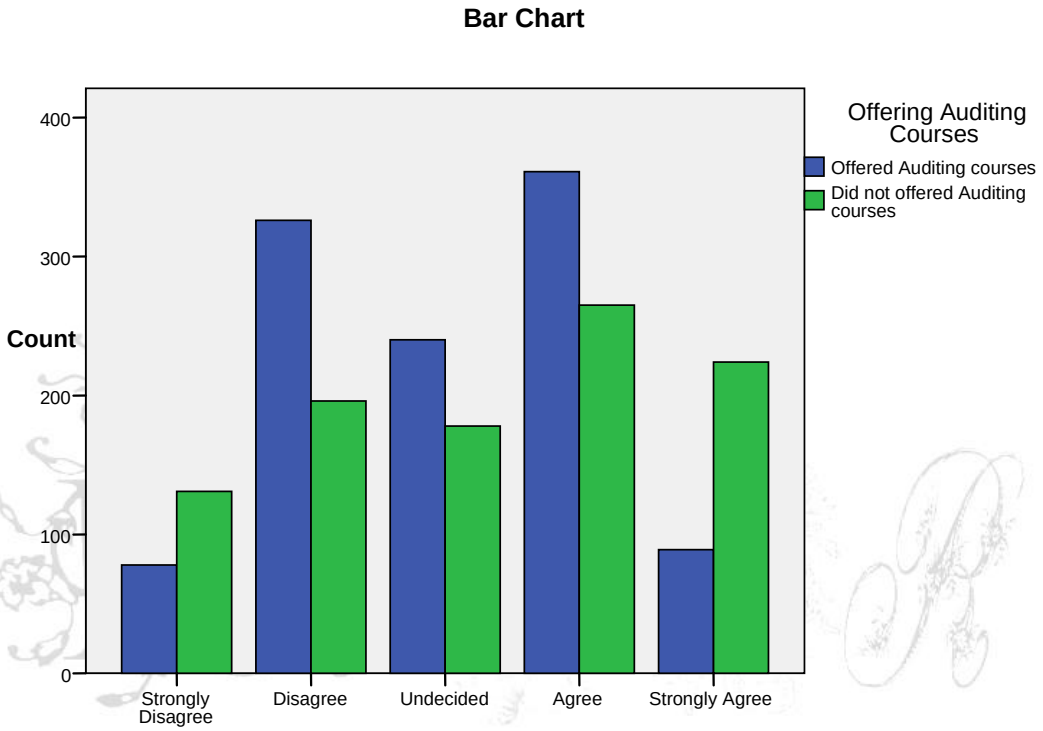

Fig. 2: Auditors' report needs improvements

The observed and expected frequencies are displayed in contingency table 11 above as a process of calculating the chi-square statistic as depicted in the clustered barchart above. While the chi-square test statistic is in table 11 which gives $p=0.000<0.05$. Hence, we reject the null hypothesis and conclude that the perception on whether the content of the auditors' report needs improvements depends on those that offered auditing courses and those who did not. In other words, those that offered auditing courses seem to have stronger perception than those who did not on the issue. This can further be investigated by t-test as follows.

Table 12: Descriptive Statistics on the opinion of those that offered auditing courses and those who did not on whether the content of the auditors' report needs improvements

Auditing courses	N	Mean	Std. Deviation	Std. Error Mean
Offered	738	4.06	1.231	0.038
Not offered	1350	4.19	1.382	0.043

Table 13: T-test on the opinion of those that offered auditing courses and those who did not on whether the content of the auditors' report needs improvements

	t	df	Sig.	Mean Difference	Std. Error Difference
T-test statistics	2.313	2086	0.021	0.132	0.057

From table 13 above, since *p=0.021<0.05*, we therefore reject the null hypothesis and conclude that there is significant difference in the mean opinion of those that offered auditing courses and those who did not on whether the content of the auditors' report needs improvements. From the table of descriptive statistics above, using the mean, we can deduce that those who did not offer auditing courses have stronger view on whether the content of the auditors' report needs improvements than those that offered the courses. Hence, those who did not offer auditing courses have stronger feeling in this respect.

Correlation Analysis for Recent Improvement in the Quality of Company Audit and the Need for More Improvements in the Contents of Auditor's Report

In this analysis, we want to investigate the underlying relationship between in the recent improvement in the quality of company audit and the need for more improvements in the contents of auditor's report. The Karl-Pearson correlation coefficient is hereby employed for the analyses while the significance of the correlation coefficients would be tested using the *correlation t-test*, at the 5% level of significance. Correlation is the measure of the degree and direction of linear relationship existing between two or more variables capable of quantitative measurement. The degree of linear relationship existing between pairs of audit variables can be measured by means of the following Karl-Pearson's, product-moment coefficient of correlation given below:

Correlation Analysis

Karl-Pearson's, product-moment coefficient of correlation between two quantitative variables *X* and *Y* is computed using the following formula:

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{\left[n\sum x^2 - \left(\sum x\right)^2\right]\left[n\sum y^2 - \left(\sum y\right)^2\right]}}$$

Test of Significance for Correlation Coefficients

The null hypothesis, in each case, is that there is no underlying relationship between the recent improvement in the quality of company audit and the need for more improvements in the contents of auditor's report against the alternative hypothesis of there is relationship.

From the correlation table above, the correlation coefficient between in the recent improvement in the quality of company audit and the need for more improvements in the contents of auditor's report are all strong positive across the twenty strata of respondents. Again, from the same table, since the *p=0.000*, across the twenty strata of respondents, we reject the null hypothesis in each case and conclude that all the correlation coefficients between in the recent improvement in the quality of company audit and the need for more improvements in the contents of auditor's report are significant. Hence, we infer that there is an underlying linear relationship between in the recent improvement in the quality of company audit and the need for more improvements in the contents of auditor's report. In other words, recent improvement in the quality of company audit has prompted for the need for more improvements in the contents of auditor's report or vice versa.

Table 14: Correlation by strata, between the recent improvement in the quality of company audit and the need for more improvements in the contents of auditor's report

Respondent's category	N	r	t	df	Sig.
Audit Partner	135	0.951	35.550	133	0.000
Financial Director	90	0.866	16.220	88	0.000
Bankers (Credit section)	60	0.946	22.319	58	0.000
Government Employee	70	0.920	19.411	68	0.000
Financial Analyst	100	0.882	18.552	98	0.000
Credit manager	55	0.869	12.805	53	0.000
Undergraduate	105	0.936	27.098	103	0.000
Offered Auditing course	60	0.771	9.208	58	0.000
Private Shareholder	100	0.886	18.897	98	0.000
Member of Professional body	206	0.793	18.587	204	0.000
Audit staff / Manager	350	0719	19.283	348	0.000
Executive Director	29	0.887	9.967	27	0.000
Bankers (Non-credit section)	70	0.908	17.879	68	0.000
Non-Government Employees	80	0.881	16.431	78	0.000
Financial Journalist	60	0.860	12.816	58	0.000
Fund Manager	50	0.791	8.956	48	0.000
Postgraduate student	90	0.805	12.738	88	0.000
Yet to offer Auditing course	50	0.892	13.649	48	0.000
Institutional investor	75	0.773	10.414	73	0.000
Members in Practice	253	0.779	4.611	251	0.000

Analyzing the Views on Whether Auditing Process Is Seriously Weakened By Imprecise Accounting Standard across the Various Groups

The Analysis of variance presented below was used to test whether there is significant difference in the opinion of various groups on whether the auditing process is seriously weakened by imprecise accounting standard. Hence, we use the procedures of ANOVA test as follows:

Table 15: ANOVA table

Source of variation	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	243.142	19	12.797	9.901	0.000
Within Groups	2672.764	2068	1.292		
Total	2915.906	2087			

From the table above, since $p=0.000<0.05$, we therefore reject the null hypothesis and conclude that there is significant difference in the mean opinion of the twenty categories of respondents on whether the auditing process is seriously weakened by imprecise accounting standard. Some categories have stronger views on the issue than others. The real differences can further be investigated by the following Duncan multiple range test.

Table 16: Duncan Test on whether the auditing process is seriously weakened by imprecise accounting standard

Respondent's category	N	Subset for alpha = 0.05			
		1	2	3	4
Fund Manager	50	2.56			
Offered Auditing course	60		2.98		
Non-Government Employees	80		3.08		
Institutional investor	75		3.08		
Financial Journalist	60		3.17		
Executive Director	29		3.17		
Postgraduate student	90		3.21		
Credit manager	55		3.24		
Member in Practice	253		3.26		
Bankers (non credit section)	70		3.27		
Government Employee	70		3.33		
Yet to offer Auditing course	50			3.48	
Member of Professional body	206			3.49	
Financial Director	90			3.54	
Bankers (Credit section)	60			3.58	
Financial Analyst	100			3.65	
Private Shareholder	100			3.67	
Audit Partner	135				3.88
Audit staff / Manager	350				3.92
Undergraduate	105				4.01

Means for groups in homogeneous subsets are displayed.

From the Duncan table above, where homogeneous subsets are grouped, fund managers have the least view on whether the auditing process is seriously weakened by imprecise accounting standard. Followed by those that offered Auditing course and non-Government employees, among others, in the second homogeneous subset. Then, in the third homogeneous subsets, we have Member of Professional body and Financial Director, among others. In the in the fourth homogeneous subsets we have the strongest view on the issue shared by Audit Partners, Audit staff, among others. This is depicted in the mean plot below.

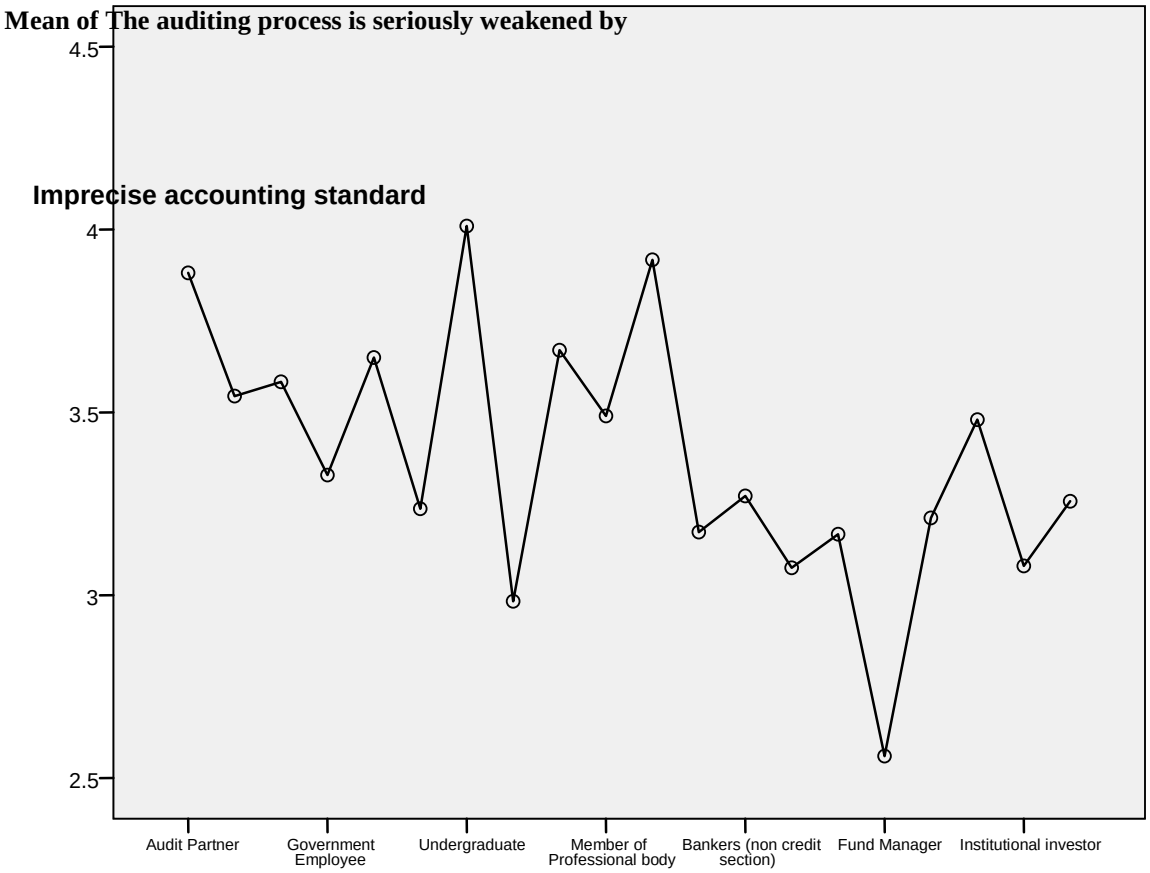

Fig. 3: Respondent's category

Conclusion

The first issue investigated reveals that there is wide expectation gap between the views of the auditors and non auditors in terms of the quality of audit report. This is evidenced by the observed and expected frequencies as depicted in the clustered barchart. The result of the chi-square test statistic also gives $p=0.000<0.05$, which shows that the perception on the improvements of quality of audit depends on the chartered status of the respondent. In other words, chartered accountants seem to have stronger view than non-chartered accountants on the matter. When the same result was investigated using the t-test the results shows that chartered accountants have viewed more improvements in the quality of company audit more than the non-chartered accountants. Hence, chartered accountants have seen more improvements in this respect depicting the existence of audit expectation gap.

The inferential statistics which tests whether there is significant difference in the opinion of auditors and non-auditors on the improvement of company audit in Nigeria shows that there is significant difference in the mean opinion of auditors and non- auditors on the improvement of company audit quality. This therefore lead us to the conclusion that auditors have viewed more improvements in the quality of company audit more than the non- auditors. When the results were tested for those that took auditing course and those that do not, we found out that the perception on the improvements of quality of audit depends on offering audit courses. In other words, those that offered auditing courses seem to have stronger view on the matter than those who did not. This was further investigated using the t-test and we found that there is significant difference in the mean opinion of those that offered auditing courses and those that did not, specifically, on the improvement of company audit quality.

The findings of the research on the auditor's fair view by the respondents reveal that the perception on the auditor's fair view in diagnosing problem depends on the auditor's status of the respondent. In other words, auditors seem to have stronger view on the capability of the auditor's fair view than non-auditors. This was further investigated using t-test and the outcome reveal that there is significant difference in the mean opinion of auditors and non- auditors on auditor's fair view in diagnosing problem. Furthermore, the analysis from the chi-square statistic reveal that the perception on the auditor's fair view in diagnosing problem depends on offering auditing courses of the respondent. In other words, those that offered auditing courses seem to have a stronger feeling than those who did not on the issue. This means that there is significant difference in the mean opinion of those that offered auditing courses and those who did not offered the courses on auditor's fair view in diagnosing problem.

On the issue of the content of the auditor's report, based on the outcome of the chi-square statistic reveal that the perception on whether the content of the auditors' report needs improvements depends on the chartered status of the respondent. In other words, chartered accountants seem to have stronger view than non-chartered accountants on the issue. Furthermore, the outcome of the t-test statistics shows that there is significant difference in the mean opinion of chartered and non-chartered accountants on the improvement of company audit quality. Chartered accountants viewed more improvements in the quality of company audit than non-chartered accountants. While the chi-square reveals that the perception on the improvements of the quality of audit depends on his status as an auditor. In other words, auditors seem to have stronger view on the matter than non- auditors or vice versa. Furthermore, from the t-test we conclude that there is significant difference in the mean opinion of auditors and non- auditors on the improvement of company audit quality. We therefore, deduce that auditors have viewed more improvements in the quality of company audit more than non- auditors. Hence, auditors have seen more improvements in this respect. Furthermore, the perception on the improvements of quality of audit depends on offering audit courses. In other words, those that offered auditing courses seem to have stronger view on the matter than those who did not. We furthermore, investigated the situation using t-test and from which we found that there is significant difference in the mean opinion of those that offered auditing courses and those that did not on the improvement of company audit quality. Also, from the outcome of the descriptive statistics, using the mean, we found that those that offered auditing courses have viewed more improvements in the quality of company audit than those that did not. Hence, those that offered auditing courses have seen more improvements in this respect.

Finally, we investigated the underlying relationship between the improvements in the quality of company audit and the need for more improvements in the contents of auditor's report. The Karl-Pearson correlation coefficient was used in the analyses, with the significance of the correlation coefficients tested using the correlation t-test, at the 5% level of significance. Correlation is the measure of the degree and direction of linear relationship existing between two or more variables capable of quantitative measurement. The degree of linear relationship existing between pairs of audit variables measured by means of the Karl-Pearson's, product-moment coefficient of correlation and the correlation coefficient between the two issues of recent improvement in the quality of company audit and the need for more improvements in the contents of auditor's report are all strong positive across the twenty strata of respondents. Again, from the same table, since the p value equals 0.000, across the twenty strata of respondents, we conclude that all the correlation coefficients between the recent improvement in the quality of company audit and the need for more improvements in the contents of auditor's report are significant. Hence, we infer that there is an underlying linear relationship between the recent improvement in the quality of company audit and the need for more improvements in the contents of auditor's report. In other words, recent improvement in the quality of company audit has prompted for the need for more improvements in the contents of auditor's report. The Analysis of variance that tested whether there is significant difference in the opinion of various groups on the auditing process is seriously weakened by imprecise accounting standard. Hence, we used the procedures of ANOVA test. The findings show that since p value is equal to 0.000 which is less than 0.05, we conclude that there is significant difference in the mean opinion of the twenty categories of respondents as to whether the auditing process is seriously weakened by imprecise accounting standard. Some categories have stronger views on the issue than others.

The real differences were further investigated using the Duncan multiple range test. In general, we found that imprecise accounting standard to have greater impact on contributing to the issue of the audit expectation gap.

Based on the findings of this study, the following recommendations were made:

1. There is the need for continued sensitization of the public, by both the auditing profession and other stake holders on the role and duties of the auditor to avoid unreasonable expectation by the public.
2. The study found auditing education to be highly correlated to reducing the expectation gap, as such; the course should be expanded to all levels and across disciplines to have wider coverage.
3. Attributed to the expectation gap, is the issue of the content of the audit report. The tax authorities could reduce the expectation gap by expanding the content of the audit report to have an elongated audit report.
4. A system of monitoring the performance of the auditors in their audit work should be encouraged by the professional firms. Although there is mandatory professional training and points are earned by the auditors and professional members, there seems to be no enforcement or sanction on the part of the professional bodies on those members that do not comply.
5. There should be improved communication and feedback system by the auditing profession on how the public view its activities. Specifically, the communication between and within the auditing environment will greatly assist in monitoring and reducing the possibilities of the audit expectation gap created by the deficient performance audit.
6. The professional bodies can also monitor the reduction of the expectation gap through its licensing procedures. As auditors apply for license to practice, the professional bodies could ensure their competence and possibly organized a workshop for them to help explain and educate them on gray areas and procedures in the audit that possibly have direct impact and or cause the expectation gap.
7. The shareholders association also has a role to play in educating its members on the role of the auditor and the expectation and coverage of the audit report. What the shareholders or investing public should expect from the audit report and possibly its bounds on the extent of its reliability.
8. The judiciary also should be sensitized as to the role of the audit and the responsibility of the auditor in terms of the coverage of his audit report and his liability to third party. This will go a long way in reducing the gap created by the outcome of court cases on the issue of the expectation gap between the public and the auditor.
9. There should be minimum standard on the charges that clients pay for audit; as this will help to control the action of the auditor for accepting low rate that may result to deficient audit performance.

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