The scale **Journal Website:** https://thescalejournal.com.ng/
An Interdisciplinary Journal of
The ACADEMIC STAFF UNION OF POLYTECHNICS - ZONE D
ISSN: 2992-3727 Published 25th May, 2025

ROLE THEORY AND AUDIT EXPECTATION GAP IN NIGERIA: A STUDY OF SELECTED STAKEHOLDER GROUPS IN ASABA

Isito Ogheneochuko Emmanuel Ph.D [1]; Dibie Ikechukwu, Ph.D [2]
[1,2] Department of Accountancy, Delta State Polytechnic, P.M.B. 1030, Ogwashi-Uku
[1] ogheneochukoisito1@gmail.com, 08034642916; [2] iykmand@yahoo.co.uk, 09035073994

Abstract
The study examined the factors contributing to audit expectation gap in Nigeria. This study adopts a survey research design. Convenience sampling technique was used to sample 200 persons made up of auditors, accountants in business, bankers and investors drawn from accounting firms, banks and investment firms in Asaba, Delta State. Questionnaire was used to collect the data used for the study. The data collected were analyzed by means of chi square statistical technique. Findings revealed that there is significant difference among the opinion of auditors and audit beneficiaries on the statutory role of external auditors in Nigeria. It was also found out that there is significant difference in reliability scores among auditors, bankers, investor and accountants in Nigeria. Furthermore, it was found out that the audit expectation gap is associated with the independent audit function. Based on the findings, it was recommended, inter alia, that users of audit services should be educated on the responsibilities of auditors and nature of audit services.
Keywords: Audit expectation gap, role theory, auditors, bankers, investors

Introduction

An audit is a formal review, rectification, and approval of financial accounts. Nigeria's accounting system has been under tremendous strain as a result of growing public expectations brought on by a string of recent financial disasters (Ekwueme, 2020). These financial breakdowns occurred too soon after external auditors' unqualified audit results were released. According to Koh and Woo (1998), the audit expectation gap has been brought to light in recent years by a few high-profile business bankruptcies and the reporting auditors' following implications.

The unqualified opinion is mistakenly interpreted as a certification that the business or industry is solvent, liquid, and capable of adjusting to changing environmental conditions. The auditors are seen to be at fault for any future corporate failure brought on by poor managerial decision-making, dishonest business practices, unstable economies, and inconsistent macro and microeconomic policies, among other reasons (Adeniji, 2004).

The role of external audit is crucial in today's corporate world. This is especially to the separation of ownership from management. The external auditors are usually perceived as independent and as a result, users rely on audit reports because they expect auditors are unbiased (Nagy, 2021). the auditor's role is carried out to add credibility to the financial information released at the end of a company's financial year. This credibility is, however, called into question after some spectacular and well-publicized corporations (for example Enron and WorldCom in USA) collapsed shortly after unqualified audit reports had been issued (Lee, Gloeck and Palaniappan, 2007).

These events have thrown the accounting profession into the spotlight. Ekwueme (2020) explained that shareholders and most of the general public feel that as a result of the collapse of banks and other firms, the auditor's safeguards 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 businesses need auditors, more than ever, to detect and prevent fraud. Perhaps, this is due to the expanding

nature of modern-day businesses. Hillier (2022) stated that diverse clients now expect auditors to provide more services than just performing statutory audit and attesting to the credibility of financial statements. The society wants their franchise to include detection of fraud and exposure of all corrupt practices that are likely to vitiate the fortunes of corporate entities. The difference between the actual nature and objective of an audit and that perceived by the users of audited financial statements has led to the concept of audit expectation gap. Simply put, audit expectation gap is the difference between what auditors know auditing to be and what the users of audited statements expect.

Literature Review

Because of the harm it has caused and still does to the core of the auditing profession, the audit expectation gap is a crucial problem in auditing (Fazdly and Ahmed, 2004). According to Baker (2002), the "living heart" of a profession is the public's trust in a group of professionals. Therefore, the professional role is also damaged if such confidence is eroded (Porter et al., 2005). The fact that auditors are frequently criticised and sued suggests that there is a disconnect between what society expects of auditors and how society views their work, (Appah, 2011).

ABREMA (2008) defines the audit expectation gap as the difference between the auditor's actual standard of performance and the various public expectations of the auditor's performance. McEnroe and Martens (2001) state that the auditing expectation gap is the difference between (i) what the public and other financial statement users perceive auditors' responsibilities to be and (ii) what auditors believe their responsibilities entail. Most research studies indicate that the audit expectation gap is primarily caused by users' reasonable expectations of audits as well as their unrealistic perceptions of the performance of the audit profession.

In this regard, it is important to distinguish between the expectations of the audit profession and the auditors' perception of the audit. According to Ojo (2006), the audit expectation is the difference between what the general public and users of financial statements believe an audit is and what the audit profession claims is expected of them when conducting an audit. Many members of the public expect that auditors should take primary responsibility for financial statements. These public expectations are higher than the actual performance standards of auditors. According to the audit profession, management bears full responsibility for the content of financial statements; an audit should only reasonably assure that financial statements are free from material misstatement; an audit is only necessary to test a subset of transactions; checking all transactions is not economically feasible in the modern world, and an audit does not ensure that fraud will be found.

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)

Based on this, Haniffa and Hudaid (2007) noted that a lack of standards is one of the reasons for the performance gap with regard to the role and responsibilities of auditors. This occurs when auditors are unable to carry out the public's expectations because they are not well defined or mentioned in the legal announcements.

The role theory: People must play a part in whatever circumstance they encounter in order to control it. This was dubbed "the situation-act model" by Chell (1985). According to him, this concept suggests that people must behave in certain settings, that such situations are defined by rules, and that socially learnt roles frequently dictate how people should conduct. In order to function well in the circumstance, the individual consequently takes on a scenario role. According to Michael (2001), the term "role" at work refers to the part that people must play in meeting their needs. Therefore, a role denotes the unique behaviours needed to do a certain task or set of duties that are part of a position or employment.

Instead of defining the tasks themselves, work roles mainly specify the standards for how activities are completed. Consequently, there is a difference between a job description and a role profile, the former of which is more focused on the behavioural components of the work and the results that the person in the function is expected to attain (Michael 2001).

The concept of a role highlights the reality that employees are, in a sense, always playing a part at work; they are not just saying the lines but also interpreting them according to their own ideas of how they ought to act given the circumstances, particularly when it comes to their interactions with other individuals whose performance may be impacted. The role that people play at work and elsewhere is based on how they relate to other people. These individuals, who are composed of the directors, management, and society at large, have expectations regarding the job that the individual will play; if they fulfil these expectations, they will have fulfilled the position successfully (Michael, 2001).

Role performance is a result of an individual's circumstances (the organisational setting, the guidance or influence exerted from above, or else inside the organisation), as well as their own abilities, competence, attitude, and personal characteristics. Although situational influences are significant, people's personalities and ideals may be shaped and reflected by the role they play. The primary conflict between the expectations of the public and internal auditors is role incompatibility. There will be a crisis and uncertainty when the public's expectations and the role model's supposed functions conflict, which will ultimately result in subpar performance.

Humphrey and Turley (2012) examined the audit expectation gap in UK regarding the role of auditors through a series of unstructured interviews, questionnaire and mini case studies. The studies revealed an insignificant level of differences regarding perceptions of the audit functions but significant difference between auditors and respondents regarding their perceptions on the role of auditors, indicating the presence of an expectation gap.

Schelluch (2013) found that users were generally unhappy with the role played by the auditing profession, particularly with respect to audit independence. There was very wide expectation gap in Singapore. Best, Buckby and Tan in 2001 found an expectation gap which was quite wide particularly in relation to the level and nature of auditor‘s responsibilities. They found the gap to be particularly wide on the issues of the auditor‘s responsibilities for fraud prevention and detection, and the auditor‘s responsibilities for maintenance of accounting records and exercise of judgment in the selection of audit procedures.

Hudaib and Haniffa (2002) investigated the presence of a perception gap in Saudi Arabia. It was found that divergence in opinions on the official and expected roles of auditing and issues related to audit environment in-between the various groups were apparent. The role of education on audit expectations gap was investigated by a number of studies. Nasreen (2006) also conducted a study on students of Bangladesh. She considered two groups of students, first group did not do audit course and second group did one audit course. Findings revealed that students who completed one audit course still had unreasonable expectation regarding auditor‘s responsibility for detecting and preventing fraud and audit assurance. Major differences were also found in decision usefulness of audited information area.

ISSN: 2992-3727 Published 25th May, 2025

Methodology

The survey research design was adopted for this study. Primary data were collected by means of questionnaire. The population of the study was made up of all the auditors, other practicing accountants, investors and bankers in the study area, Asaba. Convenience sampling method was used to draw a sample of 125 respondents who provided the data for the study. The data were analysed using frequency distribution tables. In analysing the hypotheses , the researcher employed the use of chi square statistical technique. The bases of our conclusion in this study are the result of the statistical cross-sectional chi-square test at 0.05 levels of significance and test of one-way analysis of variance on the hypotheses. The responses are classified according to their academic qualification, professional qualification in accounting, experience and occupation.

Table 3.1: Highest academic qualifications of respondents

Educational qualification	Number of respondents	Percentage response (%)
WAEC/NECO	**25**	**20**
BSc.	**59**	**47**
MBA	**25**	**20**
MSc.	**10**	**8**
Ph.D	**6**	**5**
Total	**125**	**100**

Source: Field survey, 2025

Hypotheses Testing.

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

Test of Hypothesis 1

H0: There is no significant difference among the opinion of auditors, bankers, investors and Accountants on the statutory role of external auditors in Nigeria.

H1 : There is significant difference among the opinion of auditors, bankers, investors and Accountants on the statutory role of external auditors in Nigeria.

Table 3.2: Auditors' Responsibility for expressing an Independent opinion on financial statements based on their audit.

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

Source: Field survey, 2025

ISSN: 2992-3727 Published 25th May, 2025

Table 3.3: Cross-sectional chi-square analysis for hypothesis 1

Observed response O	Expected Value E	O-E	$(O-E)^2$	$(O-E)^2/E$
-	1.44	-1.44	2.07	1.44
2	1.12	0.88	0.77	0.69
10	8.64	1.36	1.85	0.21
8	8.80	-0.80	0.64	0.07
-	2.16	-2.16	4.67	2.16
-	1.68	-1.68	2.82	1.68
9	12.69	-3.69	13.62	1.21
21	13.20	7.80	60.84	4.61
8	3.60	4.40	19.36	5.38
4	2.80	1.20	1.44	0.51
20	21.60	-1.60	2.56	0.12
18	22.00	-4.00	16.00	0.73
1	1.80	-0.80	0.64	0.36
1	1.40	-0.40	0.16	0.11
15	10.80	4.20	17.64	1.63
8	11.00	-3.00	9.00	0.82
Total				21.73

Source: Field survey, 2025

Decision Rule:

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

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

Test of Hypothesis 2

H0: There is no difference in reliability scores among auditors, bankers, investors and accountants in Nigeria.

H1: There is difference in reliability scores among auditors, bankers, investors and accountants in Nigeria.

Table 3.4: An unqualified audit report can be relied upon to make investment decisions.

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

Source: Field survey, 2025

Table 3.5: Cross-sectional chi-square analysis for hypothesis 2

ISSN: 2992-3727 Published 25th May, 2025

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

Source: Field survey, 2025

Decision Rule:

The Rule is to reject the Null hypothesis if chi-square calculated is more than chi-square table value. In this research the chi-square calculated is 47.50, while the chi-square critical value is 16.9 at 0.05 level of significance and degree of freedom of 9.0.

We therefore accept the alternative hypothesis that: There is significant difference in reliability scores among auditors, bankers, investor and accountants in Nigeria.

4.0 Conclusion

From this study the following findings were made:

1. There is significant difference among the opinion of auditors and audit beneficiaries on the statutory role of external auditors in Nigeria.
2. There is significant difference in reliability scores among auditors, bankers, investor and accountants in Nigeria.
3. The audit expectation gap is associated with the independent audit function.

5.0 Recommendations

1. Users of audit services should be educated on the responsibilities of auditors and nature of audit services.
2. 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 unqualified audit report as a clean bill of health of the company.
3. Auditors are encouraged to exercise due diligence and care in handling the accounts of Company.

This is because failure to do so may abruptly end the business and increase the blame on the accounting profession.

References

ABREMA (2008). UK registered auditors, 15 years audit experience. www. innmaggsgoldwin.co.uk

Adeniyi, A. A. (2004). Auditing and investigations. Lagos: Value Analysis Consult.

Appah, E. (2010). An evaluation of audit expectation gap: Issues and Challenges. International Journal of Economic Development, Research and Investment, 1(2),129-141.

Chell, E. (1985). Participation and organisation. Macmillan: London.

Company and Allied Matters Act (1990). Lagos: Lawlords Publication.

Gloeck, J. D. (1998). A public interest perspective of the auditing standard setting process in South Africa. Southern African Journal of Accountability and Auditing Research. 5(1), 9-19.

Hamid, K .H. (2009). The Impact of the Composition of Audit Committee on Organisational and Physical Controls of Banks in Nigeria. Nigerian Research Journal of Accountancy, 1(1), 58-80.

Humphrey, C., Moizer, P., & Turley, S. (1993). The audit expectation gap in Britain: An emperical investigation. Accounting and Business Research, 23, 395-411.

Lee, T. H., Ali A. M., & Gloeck, J. D. (2009). The audit expectation gap in Malaysia: An investigation into its causes and remedies. Southern African Journal of Accountability and Auditing Research, 9, 57-88.

Okaro S. C. (2005). The role of the Securities and Exchange Commission in protecting the integrity of the Nigerian Capital Market. The Nigerian Accountant, 38 (4), 18-22.

Schelluch, P. (1996). Long-form audit report messages: Further implications for the audit expectation gap. Accounting Research Journal, 9, 48-55.

Scott, W. R. (2003). Financial accounting theory. Toronto: Prentice Hall.