EXPECTATION GAP IN SERVICE OPERATIONS: THE CASE OF AUDITING SERVICES IN NIGERIA

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ABSTRACT

Corporate failures around the globe in recent times have placed the auditing profession in the spotlight. The profession is beset with legal liability crisis due to differences in beliefs held by auditors and the public about the auditors duties and responsibilities and the information conveyed by the audit report. Users expect audited financial statements to provide certain assurances. Auditors on the other hand conduct their duties according to professional regulations and standards. There is therefore a lacuna between performance accomplished by auditors and expectation of users. This phenomenon is the so-called expectation gap. The basic question is, should the public abandon their hope of auditors as fraud detectives as a way of closing the expectation gap? While the evidence on the existence of expectation gap is overwhelming, the implications of its persistence have not received much attention. Against this backdrop, this study investigates the nature and structure of the expectation gap and thereafter posits a paradigm shift in the subsisting auditing orthodoxy. This is with the hope of bridging the expectation gap without compromising societal trust which gives a definition to the auditing profession.

INTRODUCTION

Service operations are generally concerned with the provision of intangible products that can satisfy the utilities of consumers. It is an aspect of production that is characterized by: high involvement of the customers in the production process; cannot be produced ahead of time and kept in inventory; and quality measurement and assessment is rather difficult. To this end, service firms must build capacity ahead to meet demand of clients. This paper focuses on auditing services because of its significance in enhancing economic activities resulting from the credibility it adds to financial statements. The practice of auditing has a long history and can be linked to the stewardship and agency concepts of business management. Property owners, specifically land owners, would appoint someone who is now called the auditor, to listen to the tenants on how they have used the rented land (Boterenbrood, 2017). This practice was pushed into business domain and was concretized through different legislations regulating business practices. Today auditing is a statutory requirement for incorporated businesses in every country. In carrying out an audit therefore, the auditor is expected to comply with the requirements of the Companies Act, Auditing Standards and professional Code of Conduct prescribed by the professional body to which the auditor belongs (Saladrigues & Grano, 2014).

One of the justifications for why audit should be handled by professionals is that it will help to add credibility to the financial statement. Auditor's responsibility for fraud detection and reporting is highly expected by users (Haniffa & Hudaib, 2007). Generally, financial statements have the objective of providing financial information about an entity to varied users in making decisions about providing resources to the entity (Rein, 2014). The usefulness of financial information is enhanced by some qualitative characteristics of financial statements which according to Financial Accounting Standard Board (FASB) (2010) include: (i) comparability which enables users to comprehend similarities and differences in and among accounting numbers. (ii) Verifiability, that is, financial statement should be such that knowledgeable and independent observers should be able to reach a consensus on it. (iii) Understandable, which means that accounting information should be clearly and concisely classified and presented. (iv) Timeliness, meaning that accounting information should be available at a time as to influence decision making. This has generally enabled users of audited financial statements to factor out any inherent risk attributable to decisions based on such financial statements.

The perception of credibility of audited financial statements is the genesis of auditor's liability to a third party and audit expectation gap which are now topical issues in business research. Corporate failures in Nigeria as exemplified by Asset Management Company of Nigeria (AMCON) taking over some banks, and elsewhere in the world like, Enron, WorldCom etc., is an indictment on the reporting auditor (as is the case with Arthur Andersen) and the accounting profession in general. It stands logical to reason as has also been noted by Godsell (1992) that if there is financial disaster arising from use of audited accounts that guarantee solvency, propriety and business viability, somebody should be made to account for it.

Unfortunately, the person that is often pointed at is the auditor. However, there is a body of literature that sees the fore-going argument as a misperception by the public and that any accountability vacuum should not rest only on the shoulders of the auditors. But the different perception by different parties as to the nature and objective of auditing should not be ignored (Maccarrone 1993, Hian 1998). The basic question can therefore be posed as: Is there a conflict between public expectation and the provision of the law as it relates to auditor's liability? And what are the sources of such conflict? Again, is it the legal scope of auditor's liability that should define public expectation or vice-versa? To facilitate examination of these issues, this paper situates them into the ambit of audit expectation gap. Accordingly, the objectives of this paper are to examine the nature and structure of expectation gap, its implication on the current practice of audit and a proposal for a paradigm shift from the subsisting ideology.

LITERATURE REVIEW

There is unanimity among researchers that the concept of expectation gap was first coined by Liggio (1974). He used the term to capture the difference between the levels of expected performance as envisioned by the independent accountant and by the users of financial statement. It exists when there is divergence in the beliefs of auditors and the public about the auditors' responsibilities and information conveyed by audit reports (Monroe & Woodleff, 1993). Therefore, whenever there is a difference between what the public expects from the auditing profession and what the profession actually provides, then there is an expectation gap.

Focusing on audit expectation-performance gap, Porter (1993) states that expectation gap is the lag that exists between society's expectations of auditors and auditor's performance as the society perceives it. Two types of gap were identified namely; (i) reasonableness gap which describes the gap between what societies expects auditors to achieve and what the auditors can reasonably be expected to accomplish and (ii) performance gap, which refers to the gap between what societies can reasonably and ordinarily expect auditors to accomplish and what auditors are perceived to achieve. The performance gap is further decomposed into: (i) deficient standard, that is the gap between the duties expected of auditors under reasonable circumstances and auditors' duties as explicated by professional regulations and statutory provisions. (ii) Deficient performance which connotes the variance between the expected standard of performance of auditors existing duties and auditors performance as expected and perceived by society.

Clearly, audit expectation gap is the dichotomy between what the society perceives an audit to be and what the audit profession claim is expected of them in conducting an audit (Agrawal & Chatterjee, 2015). It is the expectation that with unqualified audit opinion, the financial statements present a true and fair view, free of fraudulent misrepresentation, and at least short term risk of business failure. However, the meaning, delimitation, and applicability of the concept 'true and fair view' have been a subject of intellectual discourse in business literature by scholars and practitioners. This concept first appeared in United Kingdom Companies Act of 1948 requiring that financial statements give a true and fair view. However, the Act emphasized that in special circumstances where the religious compliance with the Act could impair the true and fair presentation of financial reports, it suggested that the directors could depart from the Act requirements and employ professional judgment (McGee, 1992). Following the adoption of International Accounting Standard (IAS), the Financial Reporting Council (the UK regulator overseeing the Accounting Standard Board) has confirmed that the concept of true and fair view remain fundamental and a cornerstone of financial reporting and auditing (FRC, 2005).

In Nigeria, the Company and Allied Matters Act (1990) as amended in 2004 which was tailored towards the UK Act also gave credence to this concept by making it duty bound for auditors to express their true and fair view opinion on the financial reports audited. Auditor's opinion is very important since the audited reports have become a guide for investment decisions. The duty of accountability arises both in public and private sectors because resources are always entrusted in the hands of the stewards (agents) by the principal. As a result, there is need for an expert to do an independent assessment and report to the principal on the true financial position of the business by evaluating and verifying all the information produced by management through a mechanism called audit (Omoregbe, 2009).

Empirical and conceptual literature on true and fair view is concerned with the exact meaning of the term. This preoccupation with definition is based on the understanding that knowing what it stands for will help provide the relevant instrument for measuring the level of fidelity reflected in the financial statement. The meaning has however been elusive to the accounting profession because the concept originated largely from outside its domain. It more or less has its domain in the legal profession. There have been attempts to resort to linguistic literature for a clarification. These efforts have complicated matters as the framework suggested in Saussure (1919) cited in Vladu, Matis and Salas (2012) renders the term a tautology as the "signifier" and the "signified" in the concept are not explicit. In view of the apparent uncertainty in meaning, does it invalidate the usefulness of the concept in accounting? Is there a better term, at least non-controversial, to use to express the reliability of financial statement to its users? This inexactness of true and fair view is one source of expectation gap.

Precipitating Factors to Expectation Gap

Uncovering the factors contributing to the expectation gap has been the central theme of studies on the nature and structure of the expectation gap. However, some theoretical underpinnings have helped to illuminate the factors contributing to expectation gap. For instance, the reader response theory as articulated by Wright and Asare (2009) in Rein (2014) states that there is no one correct reading of a text. Readers are active interpreters of messages and given their psychology, content or motive, they can infer variable meaning in a text. Since users have different backgrounds, this could lead to expectation gap. The attribution theory of Kelley (1973) implies that audit expectation gap could not only damage the image of the accounting profession, but also lowers the confidence level of users. As posited by the theory, users of audit reports, as evaluators, become naïve scientists as they attempt to assign causation by observing traits of consistency, distinctiveness and consensus.

Tricker (1982) is of the opinion that expectation gap results from the natural time lag in the pro-activeness of the auditing profession. The study believes that the profession is slow in identifying and responding to the dynamism in public expectations which is not static, but continually evolving and expanding. Unlike other areas of management such as marketing which has since embraced the societal marketing concept, auditing and accounting generally has remained traditional and unwilling to adapt to changes in the business world.

The study by Barron, Douglas, Johnson, Searfoss, and Smith, (1977) identified differences in beliefs and preferences of auditors and users as responsible for expectation gap. In the study, an attempt was made to examine whether there are any differences in the perceptions of auditors and users of accounting information regarding auditors' detection and disclosure duties. Surprisingly, it was found that users held auditors to be more responsible for detecting and disclosing irregularities and illegal acts than the auditors believed themselves to be. However, Salehi and Rostami (2009) attributed this finding to users' misunderstanding of what is reasonably expected from an audit and the actual quality of the audit work. The level of accounting education of users can contribute to this misunderstanding.

Jennings, Reckers, and Kneer (1991) and Lowe (1994) linked expectation gap to auditors' liability and anchored it on the attitudes of judicial litigants towards the auditing profession. It was gathered that judges systematically expect more from auditors than auditors believed they can provide. Other studies like those of Humphrey, Moize, and Turley (1993), Lin and Cohen (2004), Dixon, Woodhead, and Sohliman (2006) and Mahadevaswany and Saheli (2008) identified perception of the extent of auditor's detection and disclosure responsibilities as accounting for expectation gap.

Lee, Mi and Gloeck (2009) attributed expectation gap to: (i) unreasonable expectations which could be due to misinterpretation of the objective of an audit, (ii) deficient performance on the part of auditors arising from the process of appointment, low audit fees, competition for human capital and retrospective evaluation of auditors, and (iii) deficient legislation. Haniffa and Hudaid (2007) identified deficiency in the auditing standard as a cause of expectation gap, while Adeyemi and Uadiale (2011) attributed it to users' lack of knowledge of auditor's functions. On their parts, Sikka, Pixty, Willmott, and Cooper (1998) posited that the historical and political contexts in which accounting evolved shape the formation and transformation of expectations. Implicitly, expectation gap can vary among the Anglo-Saxon model countries, continental model countries and mixed model countries. The Anglo-Saxon model permits discretion in the preparation of financial statements in so far as they provide a "true and fair view" and focuses on equity holders. Also, it makes distinction between tax reporting and financial reporting. On the other hand, continental model has debt holders as its primary focus, specifies codified reporting requirement, and an inter-twine of tax and financial reporting. Along these two extremes are other variants which are like mixed models to which France belongs.

Shaikh and Talha (2003) and Salehi (2011) submit that expectation gap could be caused by: (i) using information not available at the time the audit was completed as a basis for evaluation of audit performance. (ii) Corporate crisis which gives birth to new expectation and accountability requirements. (iii) The profession's attempt to control the direction and outcome of the expectation debate and maintain the status quo. (iv) The evolutionary process of development of audit responsibilities which creates time lags in responding to changing expectations. (v) Naïve and unreasonable expectations of non-auditors about the audit function, (vi) The nature of auditing which is largely probabilistic.

Furthermore, the MacDonald Report which is a sponsored study by the Canadian Institute of Chartered Accountants (1988) detailed audit expectation gap into three components of deficient standard gap, deficient performance gap, and reasonableness gap. Deficient standard gap can be due to lack of sufficient standard to cover all audit practices or existing standard are not sufficient for auditor's responsibilities in fraud and illegal acts detection. Salehi (2007) adduced the main reasons for deficient performance gap to include: the practice of non-audit services by auditors, self interest and economic benefit of auditors, and miscommunication of auditors. Reasonableness gap is typically caused by misunderstanding of users, users' over-expectations, uneducated users, and miscommunication of users.

Empirical Evidence on Expectation Gap

Empirical investigations on this subject have been within the ambit of the nature and meaning of audit reports, the auditor's responsibilities for the detection and reporting of fraud, and early warnings by auditors of corporate failure (Salehi, 2011). Users expect audited financial reports to provide them with assurance and expect the auditor to be independent of management and responsible for reporting to third parties. A lacuna in the performance of any of the duties expected of auditors brings a gap. Such duties as spotted by Hayes, Schilder, Dassen and Wallage (1999) are giving an opinion on the: (i) going concern status of a firm, (ii) fairness of financial statements, (iii) adequacy or otherwise of the internal control mechanism of a firm, and (iv) occurrence of illegal acts and fraud.

Historically, Lee (1970) and Beck (1974) seminal works on the duties which auditors are expected to perform laid the foundation for inquiry into the subject while Liggio (1974) extended this basic foundation and pioneered the research on audit expectation gap. These early efforts generated a lot of enthusiasm in the business world as a result of growth in capitalism and industrial revolution. Today, an avalanche of studies has documented evidence on expectation gap. Baron et al. (1977), and Epstein and Geiger (1994) found evidence of expectation gap in the USA, Low (1980) in Australia, Low, Foo, and Koh (1988), and Best, Sherrena, and Tan (2001) in Singapore, Humphrey, et al.(1993) in UK, Porter (1993) in New Zealand, Vinten (2005) in England and New Zealand, Hojskov (1998) in

Denmark, Noordin (1999) in Malaysia, Altwaijri (2006) in Saudi Arabia, Lin and Chen (2004) in China, Swamy and Saheli (2008) in Iran and India.

In Africa, Gloeck and DeJager (1994) reported expectation gap in South Africa, Dixon et al. (2006) in Egypt, and Musyoka (2012) in Kenya. Existence of expectation gap was also found in Ghana by Agyei, Aye, and Yebaoh (2013) and more recently Salifu and Mahama (2015). The Salifu and Mahama study used a sample of 135 respondents comprising of auditors, bankers, and students of the Institute of Chartered Accountants Ghana. It uncovered expectation gap in the areas of auditor's responsibility for fraud detection and prevention, soundness of internal control, and auditors' not exercising judgment in the selection of audit procedures.

Here in Nigeria, Olowookere and Soyemi (2013) examined the existence of expectation gap between auditors and users of financial statements. The study employed a survey design with 450 questionnaire administered but retrieved 263. Data were analyzed using cross-sectional Friedman test and ANOVA. Result revealed that expectation gap exists particularly in auditor's responsibilities for fraud prevention and detection. They noted that users of financial statements expect absolute assurance to be given by auditors. Such assurances as noted by Gill and Cosserat (1996) are that: the firm has adopted reasonable attitude to environmental and societal matters, the firm has been competently managed, there has been no fraud, the firm has acted within the law, and the financial statements are right.

Omoregbe (2009) found an expectation gap in true and fair view in Nigeria when it was shown that the use of true and fair view in audit report is misleading the independent audit function and no longer add credibility to the financial statements upon which investment decisions can be based. This is in the heel of corporate failures especially in the Nigerian banking sector. However, this result is inconsistent with Kirk (2001) study in New Zealand who did not find significant evidence of expectation gap relating to true and fair view. Kirk (2001) investigated the acceptability or otherwise of true and fair view versus other terms like present fairly in conformity with GAAP. Overall findings revealed that three groups comprising auditors, financial directors, and shareholders of listed companies in New Zealand, all prefer true and fair view and support its use in financial reporting. Although some significant differences exist between groups, there was little indication that the three groups differ significantly in their overall perception of, and preference for the true and fair view. Other studies that have documented audit expectation gap in Nigeria are those of Akinbuli (2010), Adeyemi and Uadiale (2011), Enofe, Mgbame, Aronmwan, and Ogbeide (2013), Onulaka (2014), and Dibia (2015)

Theoretical Perspective

In this section of the paper, a brief theoretical overview is presented to illuminate the expectation gap concept. The moderator of claimants' theory which developed from theory of inspired confidence credited to Limperg (1934) has been found useful in explaining this concept. The theory states that all vital participants in an organization should continue to contribute to the organization. To sustain this contribution, it is important that each group believes it receives a fair share of the company's income by giving an opinion on the various interest represented in the amount shown therein. In this regard, the auditor derives his general functions in the society from the need for an expert and independent opinion based on that examination (Furedi-Fulop, 2017). This function is hinged in the confidence that society places on the effectiveness of the audit and in the opinion of accountants. This confidence is therefore a condition for the existence of that function. If the confidence is betrayed, then the function is destroyed since it becomes useless.

Porter et al, (2005) argue that there are two circumstances in which this confidence could be betrayed. The first is when the auditor underperformed, that is, below expectation particularly below the expected professional standards. Secondly, if the public expectation is exaggerated, that is, it exceeds what the auditor is capable of performing. Here, the auditor recognizes that society's needs are not static but influenced by changing perceptions and changes in the environment. When the confidence is betrayed, it becomes impossible to reduce the expectation gap. Hence, Dibia (2015) refers to the expectation gap as the gap between the auditors' actual standard of performance and the various public expectations of the auditor's performance.

Towards a Paradigm Shift

In the light of the literature review, the pervasiveness of audit expectation gap is not in doubt. This paper found the following as pertinent implications of expectation gap. (i) It has implications for setting auditing standards; either the existing standards be modified or new standards framed. (ii) Expectation gap negatively affects the value relevance of accounting information which is the basis for valuation of shares or firms. Accounting information is of value if it contributes to decision making. If users do not have confidence in accounting reports, they will certainly disregard it in forming decisions. (iii) Where expectation gap exists, certain assertions and assurances about audited financial statements as identified by Gill and Cosserat (1996) cannot be made. (iv) It tends to diminish the value of the concept of true and fair view that has been accorded so much importance in the Companies Acts. (v) It encourages non-audit services to thrive and shroud behind the curtain corporate boardroom activities.

The well-publicized corporate disasters of the world (Enron, WorldCom, etc) have put auditors to the blame. This is because of the understanding that while accounting tracks all business transactions and communicates the information through financial reports, audit is to indicate the correctness of this track to place reliability and validity on the information (Dibia, 2015). If the value of audit is to remain appreciated, this study is of the view that there should be a paradigm shift from the enhancing role, that is, a focus on integrity and credibility of information provided in the financial statements, which auditors have tactically carved out for themselves, to the detection of frauds and irregularities which was the overriding purpose of audit at the beginning of evolution of external audit (Dibia, 2015; Rezaee & Riley, 2010).

The literature on business accounting as a sub-culture of the society (see Hofstede, 1980 and Gray, 1988) submits that users' expectations should dictate what the accounting sub-system including the audit function should provide. Therefore, the attempt through professional regulations and standards to constrain societal expectations from audit, and the defense by audit profession that users misunderstand their duties should be resisted if audit must contribute to the economic development of the society.

This study aligns with the Corporate Corruption Bill also called the Sarbanes Oxley Act of 2002 geared towards greater transparency in corporate reporting and responsibility for such by corporate management and auditors. Some interesting highlights of the Act that the proposition of this study is hinged on are: (i) setting up non-governmental entity as an independent body to oversee the audit of public companies (Title I of the Act). This will protect the interest of both shareholders and general public and restore confidence in audit report. (ii) Imposition of new restrictions on non-audit services provided to audit clients, and external auditors relationship with company executives (Title II of the Act). (iii) How audit committees should review, certify, and sign off on audit reports. Certifying officers of a company must personally attest that to the best of their knowledge "all is well with the books" (Title III of the Act). (iv) Empowers Securities and Exchange Commission (the regulatory body of capital market institutions) through increased budgetary provisions, ability to employ additional staff specifically dedicated to monitor auditors (Title VI of the Act). (v) Mandates the retention of audit records for a period of five years and makes manipulation, destruction, and willful creation of wrong documents a felony (Title VIII of the Act).

Undoubtedly, society's trust is the corner stone of a profession. If the trust and confidence that stakeholders have on auditors is erased, then the value attached to such profession is depleted. Apparently, public misperception and miscommunication of auditors can be a major cause of the legal liability crises facing the accounting profession. To restore public confidence in audit, and reduce the expectation gap, certain pragmatic and innovative changes must be introduced into the practice of audit. The current conservative posture of audit as found in many countries must be replaced with more dynamic expectations of users as we have seen in other areas of management like marketing (such as the societal marketing concept). This study is of the view that the following points which some few prior studies have also highlighted will introduce a paradigm shift in audit practice.

1) Auditors' ability to detect fraud should be enhanced. The expectation gap is driven by two variables namely: the auditor's ability to detect fraud, and the auditor's effort to detect fraud. An auditor may possess the skills to detect fraud, but might choose to take shortcut or disregards obvious signs of potential fraud. Similarly, an auditor might use a variety of techniques, but lack the experience to effectively uncover red-flags. Both of these will broaden the expectation gap.

Ability is enhanced through experience, training and effort. Effort is enhanced, through solid audit plans, brainstorming and ability. Fraud detection skills such as: knowledge of specific fraud schemes and scenarios, knowledge of applicable laws and regulations, excellent communication skills and strong interviewing skills are expected to be developed by the auditors. Again, developing the right mindset encompassing forensic procedures and asking questions about fraud will all increase an auditor's chances of finding fraud (Lee et al., 2009).

2) Expanding audit report. The information communicated by audit reports has been used to form public expectation of auditors (Hian, 1998). To this end, the wording of audit report matters. Hanks (1992) suggests expansion of audit report to state clearly what an audit entails and implies. Changing the wording of the auditor's report has been found to result in different perception of the meaning of audit reports. It has a significant impact on the beliefs about the nature of an audit and the auditor's and management's responsibilities (Gay & Schelluch, 1993). Besides, Monroe and Woodliff's (1994) study in Australia brings to fore that there were apparent variances between old audit reports and new audit reports which were significant to the auditors. The perception variable in the study shows that modified wording in the new report not only impacted significantly on the beliefs about the

nature of an audit, auditor, and management, but also eliminated some of the differences and at the same time creating new differences between auditors and various user groups.

3) Expanding auditor's responsibilities. It has been suggested by some that the expectation gap can be narrowed by public awareness of the nature and limitation of an audit and that it is lack of education that has made the public to have a wrong notion about audit. Adherents of this view draw their position from regulatory provisions as International Federation of Accountants (IFAC), International Standard on Auditing (ISA) No. 240 and for Nigeria, the Institute of Chartered Accountants of Nigeria (ICAN), Nigerian Standard in Auditing (NSA) No.5 issued in July, 2006. Paragraph 2.2.1 maintains that "the primary responsibility for the prevention and detection of fraud rest with both those charged with governance of the entity and with management". This view, if maintained, can diminish the value of audit. Clearly, and as Asien (2007) observed, auditors are statutorily required to express true and fair view opinion on the stewardship reports. This being the case, then the usefulness of annual audit is questionable (Olowookere & Soyemi, 2013) and a mere fulfillment of "all righteousness". As opined by Humphrey et al (1993), it is not proper to expect the public to abandon their hope of auditors as fraud detectives through education, or modifying the length of the audit report, or pretending that highly publicized audit failures are exceptions.

Against this backdrop, this study believes that auditors' responsibility should be increased. In fact the primary duty of the auditor should include detecting fraud and other irregularities. Auditors' responsibilities should be increased by statute, so that, they clearly include responsibilities to shareholders, creditors and potential shareholders and clarity that auditors have a duty to third parties. Furthermore, additional responsibilities with regard to detecting fraud which might be considered should include: management and auditor evaluation of internal control systems; compliance reporting; direct reporting by auditors to regulators and auditors association with interim financial information (O'Malley, 1993., Masoud, 2017).

4) Integrating fraud auditing and forensic accounting with traditional auditing. This is another potent means of bridging the expectation gap. From a broad perspective, fraud auditing seeks to create an environment that will encourage not only fraud detection in commercial transactions, but also its prevention. It is recognition of the multi-faceted nature of fraud having many dimensions as organizational factors, human factors, understanding the red flags, evidence and standard of proof and potentiality of fraud.

Fraud auditors could be accountants or auditors who are experts at detecting and documenting frauds by virtue of their experience, attitudes, knowledge and skills. Their attitudes enable them to form the following beliefs: (i) that fraud is possible in every accounting system no matter how tight the control measures might be. (ii) Any level of management or society can house fraud perpetrators, (iii) that the visible portion of fraud is a tip of the ice-berg compared to the invisible portion, and (iv) by looking long and deep enough , fraud red flags are discernible (Singleton & Singleton, 2010)

Forensic accountants are quite distinct from fraud auditors in that their involvement is more often reactive. They come a little later into the crime scene by assisting in the litigation process. Clearly, societal expectations will be sustained if auditing is defined to imply both forensic auditing and forensic accounting.

CONCLUSION

This paper has examined audit expectation gap in the light of the subsisting auditing orthodoxy. It found evidence of expectation gap in both developed and developing economies arising from differences in belief and preferences of auditors and users. Clearly, the context in which accounting and auditing evolved in different societies, the perception of users about audited information and the deficiency in auditing standards are some factors responsible for the audit expectation gap. The value relevance of audit in adding credibility to financial statements is well acknowledged in the value relevance literature as the qualitative characteristics of financial statements outlined by FASB and IASB are reinforced by the audit activity. However, the audit profession has during the twentieth century shifted the responsibility of fraud detection to management as a way of exonerating itself from legal responsibilities. This posture has aggravated the level of corruption especially in the economic sector of developing economies like Nigeria. The expectation from accounting profession in anti-corruption is clearly articulated in Article 9 of the United Nations Convention Against Corruption (UNCAC). It proposed the implementation of a credible system of accounting and auditing to ensure transparency and accountability in the management of public finances. This paper believes that pragmatic steps should be taken to bridge the observed gap.

RECOMMENDATIONS

The level of respect given to the auditing profession is predicated on the extent to which it can be held responsible for liabilities arising from its duties. However, the higher the societal expectations, the higher the expectation gap; and the bigger the challenge of its resolution. To sustain the value relevance theory of financial statements, which has formed the basis for firm valuation, and to reduce information asymmetry among stakeholders of the firm, the existing framework for audit need to be reformed. Therefore, audit practices should be dynamic to serve the growing expectations of users. Among others, this study proposed: enhancement of auditors' ability to detect fraud, expanding audit report, expanding auditor's responsibilities, and integrating fraud auditing and forensic accounting with traditional auditing as elements that should constitute the paradigm shift. Accordingly, the fundamental role of audit in the society must be re-examined by both the audit profession and users of financial statements and they must all agree to close the gap.

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