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CONSIDERATIONS FOR BRIDGING THE AUDIT EXPECTATION GAP: AN EMPIRICAL DESK REVIEW IN NORTH EAST TERTIARY INSTITUTIONS.

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Abstract

The financial debacles that occurred in the companies like Enron, WorldCom, and Xerox in the USA, Lehman Brothers, Polly Peck in the UK and African Petroleum Plc., Cadbury Plc., in Nigeria had created public distrust with the auditors. The study will adopt a cross sectional survey research design. Tertiary Institutions in the north east states formed the population of the study. Primary source of data was employed in this study. Questionnaires were used as the instrument for data collection. A sample size of 210 Auditors was picked using stratified random sampling technique. The data was tested using percentages, mean, and standard deviation, while the hypotheses were tested using the chi-square techniques. Based on the analysis, the finding from the study reveals that, there is an extent of reliance on audit reports by the respondent groups in North East Tertiary Institutions further findings reveals that, there are possible factors that can influence or contribute to the expectation gap in audit in the North East Tertiary Institutions in Nigeria in line with the findings the study concluded that, there is an extent of reliance on audit reports by the respondent groups in North East Tertiary Institutions. In line with the findings arrived at and the conclusion drawn above, the study recommended that The auditors should improve the communication level in order to address the users' misconception of audit services and function. The introduction of the new auditor's report by the International Auditing and Assurance Standards Board (IAASB) in 2016 was a response to the recommendations of the prior studies on the expanded audit report, but the local regulatory bodies in the country must ensure its compliance and enforcement to the fullest in order to produce the desired results.

Key Words: Audit expectation gap, Audit failure, Corporate failure, New auditors report, Role conflict theory

Introduction

Auditing adds credibility to the financial statements and contributes tremendously to the efficient running of business organizations, the capital markets, and the economy as a whole However, the work of the auditors has become onerous because of globalization and its attendant risks of doing business, dynamic business environment, and increased sophistication in information technology. Based on the unprecedented opportunities, companies

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have expanded with more transactions that are complex, and control systems have become more sophisticated and highly computerized with technology such as advanced manufacturing technology used in running the factories. Although audit strategies have changed over the years, the changes have not matched with the dynamics in the business environment. Audit processes carry greater risk because of the use of statistical sampling techniques for audit tests. In addition, most of the computer-assisted audit techniques (CAATs) have their limitations. Most times, they fail to work with real-time data streams of today's business environment. Hence, they are not able to detect doubtful transactions such as potential frauds or irregularities, (Shbeilat, 2013).

The financial scandals of the recent years in the big companies like, Enron, Tyco, WorldCom, and in Nigeria, African Petroleum Plc. and Cadbury Nig. Plc exacerbate the above problems. These events have made the public who are at the receiving end to believe that the auditors either fail in their role or willfully collude with the management and board. The stakeholders agitated because these corporate failures in many respects are traceable to the financial improprieties of the directors and yet, the auditors did not qualify their reports. For example, the distress witnessed in the banking sector in Nigeria between 1997 and 1999 was due to poor corporate governance and opportunistic behaviours of the directors. In addition, the banking industry experienced another failure in 2009 following the global credit crunch and the shock prompted the collapse of the capital market, (Soyemi, K. A. (2014).

However, the term "audit expectation gap (AEG)" was first introduced to audit literature by Liggio (1974). He defines the AEG as the difference between the levels of expected performance as envisioned by users of a financial statement and the independent accountant. Monroe and Woodcliff (2012) define the audit expectation gap as the difference in beliefs between auditors and the public about the duties and responsibilities assumed by auditors and the messages conveyed by audit reports. Jennings et al. (2021) on the use of audit decision aids to improve auditor adherence to a "standard", are of the opinion that the audit expectation gap is the difference between what the public expects from the auditing profession and what the profession actually provides. This definition is also advocated by Lowe (2020) in his research on the expectation gap in the legal system. Porter (2013) did an empirical study of the audit expectation-performance gap. He defines the expectation gap as the gap between society's expectations of auditors and auditors' performance, as perceived by society. It is seen to comprise two components: i) reasonableness gap (that is, the gap between what society expects auditors to achieve and what the auditors can reasonably be expected to accomplish); and ii) performance gap (that is, the gap between what society can reasonably expect auditors to accomplish and what auditors are perceived to achieve), (Ubaka, 2016).

In the opinion of the users, the auditor's duties should be both explicit and implicit. That is, it should go beyond the statutory role. In fact, the perception of the users is that, an auditor through his professional capability could prevent and detect fraud, errors, and irregularities that might harm the users of accounts, whereas auditors in their opinion believe that they have an explicit role clearly defined by the law, such as Nigerian Companies and Allied Matters Act (CAMA). Akinbuli (2015), argued that an auditor does not have the responsibility to detect fraud or irregularities. According to him, the primary responsibility of an auditor is to give credibility to the accounts prepared by the directors and in so doing, he exercises due care and skill in the conduct of his work, Therefore, it is based on the above aforementioned Background that this research is designed look in to the consideration for bridging the audit expectation gap in Nigeria.

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Statement of the Problem

In view of the audit gap challenges, this research is motivated to examine empirically the extent and nature of audit expectation gap in Nigeria, particularly with the introduction of new auditor's report in 2016. Although there exist vast documented studies on audit expectation gap in developed economies, most of the conclusions could not be adapted by the developing economies because of the cultural and legislative differences. Moreover, audit environment influences the views of the respondents. In Nigeria, not many studies documented the problem associated with expectation gap in audit and some researched works relatively used few sample size, while others restrict the sampled respondents to only a section of the population. Most importantly, many of the available studies in the country were conducted before 2016, when the new auditor's report had not been introduced. This study, therefore, attempts to add to knowledge by filling these gaps in the literature.

Research Objectives

The main or the general objective of this study is to provide evidence on the existence of audit expectation gap in Nigeria and to look in to the consideration for bridging the audit expectation gap in Nigeria:

1. Investigate the extent of reliance on audit reports by the respondent groups in North East Tertiary Institutions.
2. Examine possible factors that influence or contribute to the expectation gap in audit in the North East Tertiary Institutions in Nigeria.

Research Questions

In a quest to achieve the above research objectives, the following research questions are raised

1. What are the extent of reliance on audit reports by the respondent groups in North East Tertiary Institutions?
2. What possible factors that influence or contribute to the expectation gap in audit in the North East Tertiary Institutions in Nigeria**?**

Research Hypotheses

In view of the above stated objectives, the following hypotheses are formulated in null form to guide the study.

Ho_1: There are no extent of reliance on audit reports by the respondent groups in North East Tertiary Institutions.

Ho_2: There are no possible factors that influence or contribute to the expectation gap in audit in the North East Tertiary Institutions in Nigeria.

LITERATURE REVIEW

CONCEPTUAL LITERATURE

The Concept of Audit Expectation Gap

AEG was revealed after cases of corporate fraud in 1937 with McEnroe and Martens fraud. Therefore, Lee (1969), cited in Porter (1990), seemed to be the pioneer study to examine the perceptions of the public concerning auditors' responsibilities. This was further corroborated with the work of Beck (1973, 1974). Meanwhile, in 1974, Liggio provided the first definition of AEG

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(Porter, 1990). He defined the term as the difference, in terms of expected performance between the auditors and users of financial information. In 1974, Liggio's definition of AEG was extended by the Commission on Auditors Responsibilities (CAR) (Cohen, 1978). The commission's definition included the examination of whether a gap exists between what auditors are expected to accomplish and what the public expects from them (Porter & Gowthorpe, 2014).

Recently, Jannat (2022) defined AEG as the investors' perceptions concerning auditors' performance regarding the audit responsibilities. Azagaku and Aku (2018) defined AEG as the variation between the expectation of the public regarding the audit assignment and the objective of auditing as proclaimed by the audit profession. Soyemi (2014) defined AEG as the discrepancy between users' perception of the role of audit assignment and the proclaimed professional stipulations for the conduct of an audit. Salehi (2016) defined AEG as the situation whereby a difference in expectation occurs between a group with certain knowledge and a group, which relies upon that knowledge while Elad (2017) defined the AEG as the variances in beliefs and desires between the auditor and the public regarding the duties and responsibilities of auditors.

However, the issue of "audit expectation gap (AEG)" has been very significant to the accounting profession since the mid-1970s and continues to be debated on until today (Liggio, 2010). In the 1970s and 1980s, massive corporate failures resulted in the accounting profession being severely criticized by the public. The audit expectation gap has become a topic of considerable interest worldwide, for research in general, and in the advanced countries like the U.S (Frank et al., 2001), the U.K (Innes et al., 1997), Australia (Gay et al., 1997), Denmark (Hojskov, 2011), New Zealand (Porter, 2012), and Singapore (Best et al., 2011). This is due to the occurrence of series of corporate failures, financial scandals and audit failures in these advanced countries and their subsequent impact on other countries' audit profession. The major corporate financial irregularity and related fraud which occurred in Nigeria in recent times, such as is reported in relation to Wema Bank, NAMPAK, Finbank, Cadbury and Springbank have captured the attention of investors and regulators alike. The search for mechanisms to ensure reliable, high quality financial reporting has largely focused on narrowing the audit expectation gap. The auditing profession has been proactive in attempting to improve audit quality by issuing standards focused on discovery and independence. As a result, there has been a concerted effort to devise ways of enhancing auditors' independence (Corporate Governance Code of Nigeria, 2015).

The AEG refers to the difference between what the public and other financial statement users perceive auditors' responsibilities to be and what auditors believe their responsibilities to entail (McEnroe and Martens, 2011). It is assumed that auditors and users of financial statements have a different perception of the term "external audit" (Beelde et al., 2015). Reiter and Williams (2000) are of the view that the expectation gap refers to the public's expectation that companies with "unqualified" audit opinion, hence a true and fair view of the financial statements, should be free of financial fraud and shortterm risks of business failure. These misconceptions of the public contribute to the legal liability crisis facing the accounting profession (Maccarone, 2013).

The term 'expectation gap' is commonly used to describe the situation whereby a difference in expectation exists between a group with a certain expertise and a group, which relies upon that expertise. The public perception of an auditor's responsibility differs from that of the profession and this difference is referred to as the expectation gap. The term has been used not only in the accounting literature, but also in other fields, for example, to describe the perceptions of the information systems industry relating to the academic preparation of graduates (Trauth et al.,

2021); difference in expectations of advertising agencies and their clients with respect to campaign values (Murphy and Maynard, 2012); differences in relation to various issues associated with corporate environmental reporting on one hand and the clash between auditors and the public over preferred meanings of the nature, objectives and outcomes of an audit (Sikka et al., 2014).

Nature of Audit Expectation Gap

The Canadian Institute of Chartered Accountants (1988) developed an extensive audit expectation gap model, which is shown in Figure 1 below. The model breaks down the individual components of the expectation gap into three categories: unreasonable expectation, deficient performance, and deficient standard. The reasonableness gap, as defined by the Canadian Institute of Chartered Accountants, is the discrepancy between what society expects of auditors and what can be fairly expected of them. Such a gap, according to Salehi (2011), is primarily brought on by user misunderstanding, user expectations that are unrealistic, ignorant users, user miscommunication, user interpretation, and users who are unaware of the constraints of audit practice. The Canadian Institute goes on to describe the defective standards gap as the difference between the obligations placed on auditors by legislation and professional standards and the obligations that can be reasonably anticipated of them. According to Kinney (1993), one of the reasons for the audit expectation gap is the discrepancy between what users may want and what professional standards give. The third gap was created and examined. Studies have demonstrated that the expectation gap is caused by a wide variety of factors, some of which, according to Salehi (2011), are as follows:

1. The auditing process's probabilistic nature;
2. Non-auditors' inexperience, obliviousness, misperception, and unrealistic expectations of the audit function;
3. The assessment of audit performance based on facts or data that the auditor did not have at the time the audit was concluded.
4. The duties for audits have evolved over time, which causes delays in responding to shifting expectations;
5. Corporate crises that result in higher standards of accountability;
6. The profession is making an effort to influence the course and result of the expectation debate in order to preserve the status quo. (Shaikh & Talha, 2013).

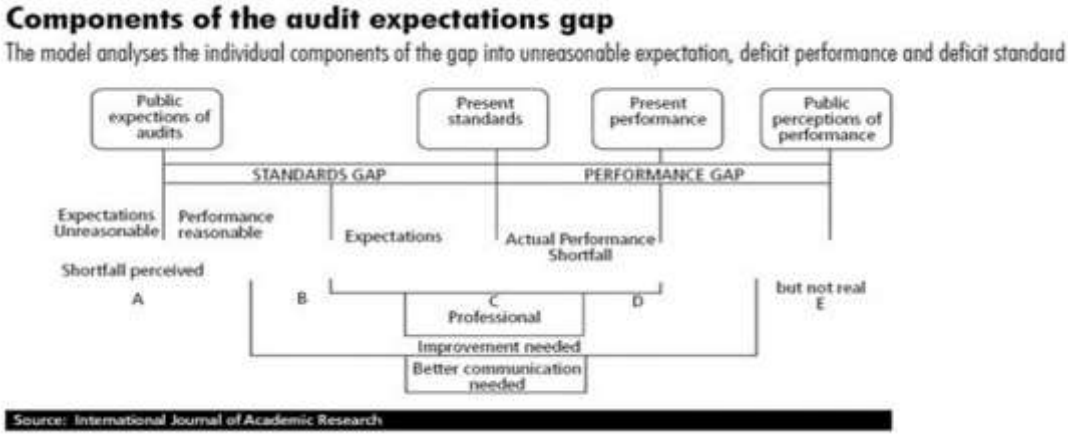

Fig 1: Audit Expectation Gap Model

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These elements of the audit expectation gap that Salehi, Kimney, the Canadian Institute of Chartered Accountants, and other studies have discovered are combined and made simpler in this study. However, the performance difference and reasonableness gap are the main topics of this study. This report does not go into great detail about the standards disparity. The study has highlighted a number of important elements that may be considered in addressing both reasonableness and performance audit expectation gaps.

Bridging Audit Expectation Gap

According to several studies, audit lacks established methodology, therefore using decision aids for auditors more frequently may help to bridge the expectation gap and, ideally, lessen auditors' legal culpability. Adopting a more organized operating procedure could affect the caliber of audits completed (Koh & Woo, 2012). Purvis (2013) investigated the efficacy of auditors utilizing structured and semi-structured data collection techniques and came to the conclusion that imposing structure can have both functional and dysfunctional elements. The legal effects of the expanding use of structured audit procedures and audit decision aids in the audit environment were empirically evaluated by Jennings et al. in 1993. His research revealed that decision aids are employed by auditors as a replacement for their standards.

The contrast between what the general public and users of financial statements believe auditors are accountable for and what the auditors themselves believe their obligations are is referred to in this study as the "audit expectation gap." The audit expectation gap (i.e., both performance gap and reasonableness gap) is impacted and/or produced by the following elements. By focusing on these factors, the audit expectation gap might be addressed.

Auditor efforts - The auditor's apathy, self-interest, etc., may cause auditors to perform below expectations, failing to live up to user expectations. To detect fraud, auditors must put in a lot of effort and have patience and self-control. Since fraud detection and prevention are not the auditor's major responsibilities, they may not put forth as much effort to fulfil these duties. After all, they might not have the time or money needed to complete the intricate procedures necessary to uncover frauds.

A. Auditor skills

The auditor can be ready to put in a lot of effort, but they lack the necessary expertise to detect fraud, therefore failing to live up to the user's expectations. A high level of interrogation and research abilities are necessary for fraud detection. It necessitates that auditor pay close attention to even the smallest details. Since forensic audits in particular necessitate highly skilled people, most standard audit staff may lack these skills and hence be unable to uncover frauds as expected by the general public, especially the users of accounting information.

B. Audit methodologies

the audit methodologies available are not structured. In practice the auditors have the freedom to choose the methods they will use. This may lead to mismatch between the audit work and the users' expectations. Audit has generally been dynamic in nature, if a lot of structure is imposed on the audit methodologies, it may have a negative effect on the quality of audit work but on the other hand it may create uniformity in audit work. With structured methodologies, the users of financial information may gain some

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certainty about what to expect from the audit. There is therefore a perceived relationship between structured audit methodologies and audit expectation gap.

C. Audit independence

auditors are supposed to carry their work without undue influence from the management or employees of the organization. When audit independence is lacking the - The present audit approaches lack structure. In actuality, the auditors are free to select the techniques they will employ. This could result in a discrepancy between the audit work and the expectations of the users. A lot of structure put on audit procedures may have a negative impact on the quality of the audit work, but it may also lead to uniformity in the audit work because audits have historically been dynamic in character. Users of financial information may have more assurance about what to anticipate from the audit if methodologies are organized. Therefore, it is believed that the audit expectation gap and structured audit procedures are related. auditor may fail to meet user's expectations. Independent auditors are in a position to interrogate management and hence give a balanced opinion on the accounting records prepared by the organization.

D. Society knowledge

Some users lack the necessary understanding of the auditor's responsibilities, particularly about the parameters that the audit should adhere to. Poor communication between auditors and information users may be the root of this. The audit expectation gap has been ascribed by many scholars to a discrepancy between public and auditor knowledge of the actual function of the auditor.

E. Audit scope

According to some experts, the audit scope is limited, which may prevent it from fully meeting the needs of the user. The audit expectation gap, it is believed, would be greatly narrowed if the existing audit scope were expanded to include fraud detection. If so, we can claim that the audit scope influences the audit expectation gap.

User's needs – Users of financial information may have high expectations that the auditor may not be able to meet. It may be challenging for the auditor to meet all of the needs of the variety of information users because they all have different needs. Users' goals and the extent to which they will rely on the accounting data as it is provided in the financial statements are determined by their needs. As a result, they end up anticipating more than what the auditor is legally required to deliver, leading to the establishment of an audit expectation gap.

F. Auditors' Duties and Responsibilities In Nigeria

The Companies and Allied Matters Act (CAMA), CAP C20, LFN 2004 is the principal law which sets the tone for the incorporation and conduct of business in Nigeria. Section 357 of the Act requires that every company shall at each annual general meeting (AGM) appoint an auditor(s) to audit the financial statements of the company. The Act further requires that the audit must be performed by an approved company's auditor as defined under Section 358 of CAMA 1990. Under Section 360 (4) of the CAMA 1990, auditors are required to include in their report if any of the requirements of the Act have not been complied with in the accounts. Specifically, the Act states that it shall be the duty of the company's auditor, in preparing their report, to carry out such investigations as may enable them to form an opinion as to the following matters whether: (a) proper records

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have been kept and adequate returns received from branches not visited by him; and (b) the company's balance sheet and profit and loss accounts are in agreement with the accounting records and returns. The auditors' report shall state the matters set out in the Sixth Schedule to CAMA as follows:

Basis of preparation of the entity's financial statements (that is, the financial statements have been prepared on the basis of the entity's accounting policies); (ii) Respective responsibilities of the directors and the auditors;

1. Basis of the auditors' opinion;
2. Whether proper books of account have been kept;
3. Compliance with the provisions of the Companies and Allied Matters Act, Cap. C20 LFN 2004;
4. Compliance with the statements of accounting standards issued by the Nigerian Accounting Standards Board (NASB).

Theoretical Review

Some of the theories that advocate the need for audit can be identified thus: 2.2.1 Theory of Inspired Confidence, Policeman Theory, and the Role Theory. However, for the purpose of this study the role theory was adopted because the Role theory provides a theoretical explanation for the existence of an audit expectation gap.

Theory of Inspired Confidence

The theory was developed by a Dutch Professor, Theodore Limperg. The theory took its origin from one of the publications of Limperg (1932) titled 'Theory of inspired confidence'. The theory focused on both the demand and supply of audit services. Limperg argued that auditors derive their general function in society from the need for an expert who can express an independent opinion based on the stewardship reports examined. The demand for audit services is the direct consequence of the participation of outside stakeholders in an organisation (Salehi, 2011). However, where there is a variation between the interests of the management and the stakeholders, an audit exercise is then required for the information (Adeyemi & Uadiale, 2011).

Policeman Theory

The policeman theory was the widely held theory in auditing until 1940. It is a theory of auditing that is based on arithmetical accuracy as well as the prevention and detection of fraud and error. The theory makes an auditor detect and prevent errors and fraud in organisations. According to Hayes, Schilder, Dassen and Wallage (1999), policeman theory is a generally pronounced auditing theory before the 1950s. The theory posits that auditors should act like policemen. That is, they should concentrate on arithmetical accuracy as well as the prevention and detection of fraud. However, with the recent developments in auditing, the policeman theory is gradually 6 losing its importance.

Role Theory

However, this study adopted the Role theory provides a theoretical explanation for the existence of an audit expectation gap. Based on role theory, an auditor can be viewed as occupying a status or position as a profession in the social system. Due to the 'position' of a 'profession', auditors are

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required to comply with the prescriptions ascribed to them by the society. 'Failure to conform to the ascribed role or to meet role expectations creates the risk of social action to enforce conformity and to penalize nonconformity' (Davidson, 1975).

According to Davidson (2010), 'the role of the auditor is subject to the interactions of the normative expectations of the various interest groups in the society (that is, different role senders) having some direct or indirect relationship to the role position.' He noted that these different groups (for example, management, the securities and exchange commission, institutional investors, analysts, auditors, accountants, etc.) may hold varying expectations of the auditor and these expectations may change from time to time depending on the re-specification of their own role requirements and the interaction of other forces in the society. Hence, the auditors are placed in multi-role and multi expectation situations. For the purpose of the study, stock brokers, investors, private accountants and management were used as role senders of the auditors.

Empirical Review

The empirical literature in this study was classified into three – evidence from developed countries, evidence from developing countries and evidence from Nigeria. For instance, from the developed economies, Porter (2012) considered the relationship between auditors' role and the AEG in New Zealand. Subsequently, in 2011, Humphrey et al evaluated the accounting profession's responses to AEG in the United Kingdom over two decades. Again in 2013, Porter published another work in which she carried out a research in New Zealand to investigate the nexus between audit expectation and performance gap. Furthermore, Humphrey, Moizer, and Turley (2015) examined the AEG in Britain.

Consequently, Kumari, (2017) investigated the influence of audit education on AEG. Fulop et al (2018) in their study on the nexus between audit education and AEG only considered one of the elements of the AEG – Audit Reasonableness Gap (ARG). Tangl (2018) highlighted the possibilities of bridging the AEG between external auditors and stakeholders. Quick (2020) reviewed the literature on the subsistence of AEG across continents all over the world. The study found the existence of AEG in most countries around the world. The countries include the USA, UK, Australia, New Zealand, Singapore, Malaysia, South Africa, Ghana and Nigeria to mention a few.

From the developing economies, Fadzly and Ahmad (2004) investigated the presence of AEG in Malaysia. From the Iranian environment, Salehi and Azary (2008) ascertained the AEG in auditors' responsibility between auditors and bankers. Rehana (2010) carried out survey research in which the nexus between audit education and AEG was investigated in Bangladesh. More so, Salehi (2011) carried out research that focused on the review of the literature regarding the concept, nature and trace of AEG around the world. Pourheydari and Abousaiedi (2011) considered the presence of AEG among independent auditors and the public in Iran via survey 8 research.

Al-qtaish (2014) examined the factors affecting AEG from the lookout of the investors in Jordan. Gbadago (2015b) examined the AEG among stakeholders in Ghana based on Spellman's hydrostatic pressure modelling approach. Adafula, Asare, Arku, Atuilik & Onumah (2016) in their study considered the importance of users' education on the limits of audit reports in a bid toward bridging AEG in Ghana. Kangarluie and Aalizadeh (2017) employed survey research to examine the AEG in Iran with the administration of questionnaires on audit officials and the management of some privately held firms. From Libya, Masoud (2017) investigated the causes of the AEG.

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Adopting the constructive approach, Alaraji (2017) examined the influence of corporate governance principles on the AEG in Iraq while Shbeilat (2013) had earlier looked at the influence of corporate governance codes on the AEG in Jordan. Investigating the subsistence of AEG and its effect on stakeholders' confidence, Akther and Xu (2020) administered questionnaires among auditors, investors, investment analysts, credit analysts and regulatory agencies in Bangladesh. Recently, Jannat (2022) investigated the existence of an AEG between auditors and investors in Bangladesh.

In a bid to showcase the factors that account for AEG in Nigeria, Enyi, Ifurueze and Enyi (2012) conducted survey research by administering questionnaires on accountants, auditors, bankers, investors and shareholders. Olowookere and Soyemi (2013) examined the presence of an expectations gap between auditors and the public in Nigeria. Okafor and Otalor (2013) examined the impact of the auditing profession in narrowing the AEG. Also, Enofe, Mgbame, Aronmwan and Ogbide (2013) examined users' perception of the reasonableness AEG in Nigeria.

However, in a bid to further consider ways of reducing AEG, Ihendinihu and Robert (2014) considered the influence of audit education in minimising the AEG in Nigeria. From another perspective, Ubaka (2016) investigated the difference in the perceptions of the public about fraud detection and the expectation gap. Ocheni and Adah (2018) examined the extent to which the public is conversant with the duties of auditors under Nigerian law and at the same time ascertain through the stakeholders' perceptions whether the AEG can influence their decision-making process. Most recently and evaluating the presence of AEG in Nigeria, Olojede, Erin, Asiriuwa and Usman (2020) conducted a qualitative study that was premised on the opinion gathered from questionnaires administered to auditors, investors, bankers, stockbrokers and financial analysts in Lagos, Nigeria.

METHODOLOGY

Research Design

This study adopted a survey research design using a cross-sectional research method. However, this design is considered suitable because of its ability to view comprehensively the major questions raised in the study. Survey research design is described by Denscombe (2003) as an efficient way of collecting information from a large number of respondents and the ability to use statistical techniques to determine statistical significance.

Description of study area:

The area for this research was in North East Tertiary Institutions. The North East Tertiary Institutions cut across five state (5) which includes federal polytechnic Bali in Taraba, federal polytechnic Bauchi in Bauchi state, federal polytechnic Mubi in Adamawa state, federal polytechnic Damaturu in Yobe State, and federal polytechnic Kaltungo in Gombe State.

Population of the study

The population of the study consist of all Auditors of Tertiary Institutions in North East cutting across all the (6) Six state in the north east zone.

Sampling Technique and Sample Size of the Study

However, since the population cut across different state this study employed a proportional stratified random sampling technique to pick the require sample in form of a stratum. Thereafter a sample size of 250 Auditors was pick using Bill Godden sample size formula.

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Sources and Method of Data Collection

In this study, primary source of data was use through the administration of questionnaire as the major instrument for data collection.

Technique of Data Analyses

After collecting and presenting the required Data. The hypotheses previously formulated was tested using chi-square techniques.

Test of Research Instrument Validity

In testing the instrument's validity, the initial draft of the questionnaire was given to twenty (10) Academic Doctors within the study area, including some senior lecturers from the department of Accountancy federal polytechnic Bali.

DATA PRESENTATION AND DATA ANALYSIS

In this research study, a total number of two hundred and fifty (250) questionnaires were prepared and administered to the respondents in the case study. In the course of the distribution and retrieval of the 250 questionnaires (that represents 100% of the total responses) from the sample respondents, a total number of 25 questionnaires that consisted of 10% of the total responses were returned wrongly filled, while 15 questionnaires that consisted 6 % of the total responses were not returned to the researcher, however it was the remaining 210 Copies of questionnaires representing 84% of the respondents responses that were successfully filed and retrieved by the researcher. Therefore, this 210 successfully filled and retrieved questionnaires were the adequate questionnaire that was used in this study for the purpose of analysis, generalizations as well as conclusions. Hence the questionnaire distribution and retrieval analysis can be shown in the below table as follows:

Table 4.1 Response Rates Statistics Table

Details	Number	Percentage%
Copies retrieved and filed	210	84
Copies wrongly filed	25	10
Copies not returned.	15	6
TOTAL Copies Sent Out	**250**	**100**

Source: Field Survey 2023

Test of Hypothesis

The test of the hypothesis in this section shall be done using chi-square technique as stated in the methodology. However, it is important to note that the test of the hypothesis was done based on the research questions data generated from the field survey on this study.

Test of Hypothesis One.

Ho1: There is no extent of reliance on audit reports by the respondent groups in North East Tertiary Institutions.

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Table 4.2 Chi-Square Observed Table Values for Hypothesis One

Questions	Strongly Agree	Agree	Undecided	Disagree	Total
A1	83	64	14	49	210
A2	71	55	43	41	210
A3	61	111	17	21	210
A4	71	90	20	29	210
TOTAL	286	320	94	140	840

Source: Researcher Computation May, 2023

NOTE: To get expected value: $\frac{\text{(Column total) Row total}}{\text{Grand total}}$

SA = 286×210/840= 71.5
A = 320×210/840= 80
UD = 94×210/840= 23.5
D = 140×210/840= 35

TABLE 4.3: Chi –Square Contingency Table for Hypothesis One

	FO	FE	FO – FE	(FO –FE^2)	(FO – FE^2/FE)
Q1	83	71.5	0.25	0.0625	0.0071
	64	80	-0.5	0.25	0.0625
	14	23.5	0.25	0.0625	0.0108
	49	35	0.25	0.0625	0.0108
Q2	71	8.75	4.25	18.0625	2.0642
	55	8.75	- 1.75	3.0625	0.35
	43	5.75	0.25	0.0625	0.0108
	41	5.75	2.75	7.5625	0.0108
Q3	61	8.75	-2.75	7.5625	0.8642
	111	8.75	2.25	5.0625	0.5785
	17	5.75	-0.75	0.5625	0.0978
	21	5.75	1.25	1.5625	0.2717
Q4	71	8.75	-1.75	3.0625	0.35
	90	8.75	0.25	0.0625	0.0071
	20	5.75	0.25	0.0625	0.0108
	29	5.75	1.25	1.1625	0.2717
TOTAL				Calculated value	**4.9785**

Source: Researcher Computation April, 2023

Chi – square critical table value at 4 under 9 using the X^2 Table**= 1.064**

Decision Rule:
Since the Chi square-calculated value (4.9785) is greater than the chi square-critical table value(1.064) at an infinite degree of freedom and 0.05 percent level of significance, therefore we

reject the null hypothesis **Ho** which state that there is no extent of reliance on audit reports by the respondent groups in North East Tertiary Institutions and accept the alternative hypothesis **H1** to conclude that There is an extent of reliance on audit reports by the respondent groups in North East Tertiary Institutions.

Test of Hypothesis Two

Ho_2: There are no possible factors that influence or contribute to the expectation gap in audit in the North East Tertiary Institutions in Nigeria.

Table 4.4: Chi – Square Observed Value Table for Hypothesis Two

Question	Strongly Agree	Agree	Undecided	Decided	Total
B1	72	60	45	33	210
B2	81	50	40	39	210
B3	71	46	50	45	210
B4	62	46	50	52	210
Grand Total	**286**	**202**	**185**	**167**	**840**

Source: Researcher Computation May, 2023

NOTE: To get expected value: $\frac{\text{(Column total) Row total}}{\text{Grand total}}$

SA = 286×210/840= 71.5
A = 202×210/840= 50.5
UD = 185×210/840= 46.25
D = 167×210/840= 41.75

TABLE 4.5: Chi –Square Contingency Table for Hypothesis Two

Q	FO	FE	FO-FE	$(FO-FE)^2$	$\frac{(FO-FE)}{FE}$
5	72	71.5	0.75	0.5625	0.0548
	60	50.5	-2.75	7.5625	0.9758
	45	46.25	0.75	0.5625	0.1071
	33	41.75	1.25	1.5625	0.2717
6	81	10.25	-2.25	5.0625	0.4939
	50	7.75	4.25	18.0625	2.3306
	40	5.25	-0.75	1.5625	0.2976
	39	5.75	-3.25	0.5625	0.00978
7	71	10.25	3.25	10.5625	1.0304
	46	7.75	3.75	10.5625	1.3529
	50	5.25	3.75	14.0625	2.6785
	52	5.75	-0.75	0.5625	0.0978
8	62	10.25	4.75	22.5625	2.2012
	46	7.75	-4.75	22.5625	2.91129
	50	5.25	-0.25	0.0625	0.01190

	52	5.75	0.25	0.0625	0.0108
			Calculated Value		**14.93**

Source: Researcher Computation May, 2023
Calculated Value= 14.93

Critical table value at 14 under 9 using the X^2 Table value= **7.790**

Decision Rule.
Since the Chi square-calculated value (**14.93**) is greater than the chi square-critical table value (**7.790**) at an infinite degree of freedom and 0.05 percent level of significance, therefore we reject the Null hypothesis **H0** which state that, "There are no possible factors that influence or contribute to the expectation gap in audit in the North East Tertiary Institutions in Nigeria. and accept the Alternative hypothesis **H1** to conclude that there are possible factors that influence or contribute to the expectation gap in audit in the North East Tertiary Institutions in Nigeria.

DISCUSSION OF FINDINGS
From the analysis carried out based on data generated from the field survey together with the test result of the two hypotheses, the findings based on the objectives clearly indicate as follows;

1. There is an extent of reliance on audit reports by the respondent groups in North East Tertiary Institutions.
2. That there are possible factors that influence or contribute to the expectation gap in audit in the North East Tertiary Institutions in Nigeria

However, the findings of this study is consistent with the work of Okoye, and Adeusi (2017).

CONCLUSIONS.
Having gone through the whole length of data analysis, hypothesis testing and the summary of test result. Based on the findings this study concluded that;

1. There is an extent of reliance on audit reports by the respondent groups in North East Tertiary Institutions.
2. That there are possible factors that influence or contribute to the expectation gap in audit in the North East Tertiary Institutions in Nigeria

RECOMMENDATIONS
Therefore, based on the findings arrived at from the data Analyses of this study and the conclusion drawn above, the following recommendations were proffered.

1. The auditors should improve the communication level in order to address the users' misconception of audit services and function. The introduction of the new auditor's report by the International Auditing and Assurance Standards Board (IAASB) in 2016 was a response to the recommendations of the prior studies on the expanded audit report, but the local regulatory bodies in the country must ensure its compliance and enforcement to the fullest in order to produce the desired results.
2. The Companies and Allied Matters Act (CAMA), should be reviewed with a view to expanding the existing duties and responsibilities of the auditors particularly, accommodating the demand of the public in terms of the prevention and the detection

of errors and fraud. If this must be done, more powers should be given to the auditors to enable them report any serious misconduct of the directors to the appropriate regulatory authority. This is whistleblowing, which can serve as a safety valve against fraud, irregularities, and excessive risk taking. The July 2016 pronouncements on responding to non-compliance with laws and regulations by International Ethics Standards Board for Accountants (IESBA) are steps in the right direction.

3. The rotation of external auditors provided for in the Nigerian Code of Corporate Governance (2018) is principle-based, and we suggest that it should be made compulsory for all companies by including this provision in Companies and Allied Matters Act with stiff penalty for non-compliance.
4. An audit firm should not be allowed to carry out both audit and non-audit professional services in a client organization. This is to preserve the auditors' independence and avoid conflict of interest that normally attend the rendering of the two professional services.
5. On a longer term, the regulatory agencies with the support of audit firms should facilitate the launching of a new business-reporting model geared towards releasing more non-financial information to the public and with clear description of the role of independent audit.

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