IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN:2278-487X, p-ISSN: 2319-7668. Volume 27, Issue 9. Ser. 1 (September. 2025), PP 40-50
www.iosrjournals.org

Auditing: Bridging The Expectation Gap

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Abstract
This study investigated impact of users-auditor misunderstanding of auditors' roles on audit expectation gap and liability and means to mitigate auditors' liability. The study applied survey design, conflict role theory and regression analysis to analyse data obtained from 120 relevant stakeholders. Regression results proves that disclosure of early warning of insolvency and going concern status have positive and significant impact on audit expectation gap. Misunderstood responsibilities for fraud detection, clean and qualified audit reports affect audit expectation gap negatively, but only qualified report is significant. There is a statistically insignificant negative relationship between auditors' liability and clean audit report, fraud detection and early warning of insolvency. The users understanding of going concern disclosure and qualified audit report impacts audit expectation gap positively; the former is insignificant while the latter is significant. Findings further shows that use of users-auditors forum and advocacy for auditors' roles in laws and standards increases auditors' liability significantly and insignificantly, respectively. Only the user education has insignificant negative impact on auditors' liability. Findings suggests convergence in users-auditors understanding of responsibility for fraud detection, clean and qualified audit report which reduces audit expectation gap while users' understanding of clean audit report, fraud detection and early warning signs of insolvency increases auditors' liability. Only user education reduces auditors' audit expectation gap. The study recommends that relevant stakeholders should consolidate on gains of user education to further reduce audit expectation gap, rethink methodologies for users-auditors forum and advocacy for auditors' roles enshrined in laws and standards.

Keywords: *Audit expectation gap, auditing profession, auditor's liability, public confidence*

Date of Submission: 22-08-2025 Date of Acceptance: 02-09-2025

I. Introduction

The need for assurance services stem from challenges that emanated from post-industrial revolution era that gave rise to the several types of business entities over 2000 years ago (Johnson, 2010). The emergence of joint stock companies managed by persons (Directors) other than the owners (shareholders) warranted the need to assure the shareholders that their money was not being misused. The Directors therefore need to give account of stewardship to the shareholders at regular intervals (Jensen & Meckling, 1975). Jensen et al. (1975) further argued that the directors (agent) may not necessarily act in the best interest of the shareholders (principal) creating trust issues (agency problem). To conceal inefficiencies or other lapses, the Directors sometimes employ fraudulent accounting practices to conceal their actions (Admati, 2017). This necessitate the appointment of an independent persons saddled with the responsibility to audit accounts prepared by the directors which is now required by law. These independent persons are referred to as Auditors.

The basic aim of an audit exercise is for the independent accountant to express an opinion regarding the true and fair view of the accounts so audited by him. According to Leung et al. (2004), the auditor has played an "enhancing role" in strengthening the reliability of financial information for more than 30 years. Prior to the twentieth century, the main aim of the audit process was to discover irregularities. Hassink et al. (2009) and Saeidi (2012) confirmed findings by Chandler et al. (1993) who opined that the audit vocation has weakened in its duties to detect fraud which is now part of the obligation of the management. This modification was premised on the need to minimize liabilities arising from legal actions by users of financial statements who suffered loss from decision based on accounts certified by the auditors. Chandler et al. (1993) and Humphrey and Moizer (2020) found that lately, the main aim of auditing has changed from fraud detection to authentication of financial statements.

The roles of auditors are viewed differently by the auditors and users of financial statements. As a result, users demand various duties and responsibilities from auditors. Some believe that the auditor should not only give an opinion but also interpret the financial statements to enable users evaluate whether to invest in the company (O'Reilly & Kavanagh, 2020). Many users are unaware of the feature of the assurance function, particularly in relation to an unmodified opinion, as they mistakenly believe that an unqualified opinion entails error-free financial reporting. When auditors' awareness of their roles and responsibilities is contrasted to the perceptions of the financial statement users in relation to the procedures and results of the audit, there exist a gap that is, the audit expectation gap (Deepal & Jayamaha 2022; Iwajomo, 2022).

It has been empirically established that existence of audit expectation gap erodes investors' confidence and negatively affect the relevance of accounting profession especially audit and assurance services (Iwajomo, 2022; Hassink et al., 2009; Saeidi, 2012, Toumeh, Yahya & Siam, 2018). Toumeh et al (2018) further argued that adherence to enabling laws, statutes and legislation reduces audit expectation gap. Whereas users expect auditors to perform roles that these statutes are assigned to the management. This shows that auditors are at crossroads about what pertains to the responsibilities that they are expected to perform to retain their relevance. Conflicting expectations is impacting the relevance of auditors to different stakeholder groups. This necessitates the need to bridge audit expectation gap by whatever means is available to the stakeholders especially the auditors.

There exist discrepancies in the role of an auditor and the expectations of users of the audited financial statement as to what they believe the auditors should perform. The credibility of external auditors is increasingly being called into question in many countries around the world, as evidenced by widespread criticisms and litigation directed against auditors (Porter, 1993). Evidently, some of these criticisms are based on society's misunderstanding of the fundamental role of the external auditor due to the audit expectation gap problems.

Objective of the study

The main objective of the study is to investigate the impact of audit expectation gap on auditors' liability. Specific objectives are to;

i. Investigate the impact of financial statement users' perception of the auditor's responsibilities and duties on audit expectations gap;
ii. Examine the effect of financial statement users' perception of the auditor's responsibilities and duties on auditor's liability; and
iii. Investigate the extent to which improved financial statement users' understanding of external auditor's roles and responsibilities will bridge audit expectation gap.

Research questions

The study answered the following questions.

i. To what extent can the public's lack of understanding of an auditor's duties and responsibilities contribute to a gap in audit expectation?
ii. What is the relationship between auditor's liability and the public's lack of understanding of an auditor's duties and responsibilities?
iii. To what degree does improving the financial statement users' understanding of external auditor's roles and responsibilities bridge the audit expectation gap?

Research hypotheses

The study hypotheses are stated as follows.

$H0_1$: The audit expectation gap is not created by financial statement users' lack of understanding of external auditors' roles and responsibilities.

$H0_2$: There is no significant relationship between auditor's liability and financial statement users' lack of understanding of external auditors' roles and responsibilities.

$H0_3$: Improved financial statement users' understanding of external auditor's roles and responsibilities will not significantly bridge the audit expectation gap.

II. Literature Review

Relevant concepts, theoretical framework and empirical studies were reviewed in this section.

Conceptual review

Accounting as a profession, has a profound impact on the society and the manner of construction of the financial perspective of the society. The society also influences the accounting profession according to Hines (1988). It is expected that the profession should have regard for the requirements of the users of the financial statements in the society, especially from an audit prospect. Jayasena et al. (2019) argued that users of the financial statements feel that auditors' reports are not clear. This is premised on the expectations that it should highlight deficiencies in financial control and misstatements identified during the audit.

Audit is referred to as a review of the financial records of an entity to enable the auditor to issue an opinion on the state of the financial position and performance of the entity under review according to Iwajomo (2022). However, some users of the financial statements perceive that the responsibility of the auditor goes beyond the issuance of an audit report. They expect that a clean report issued by the auditor indicates that the entity is effectively managed, and the entity will continue on a going concern basis. Users express some level of disappointment if the financial information provided by management and reviewed by auditors do not reflect certainty (Porter, 1993).

Smith (2002) perceived that the audit occupation is challenged with a couple of matters according to history as far back as over hundred years. The collapse of business empires and corporate giants' dues to flaws of quality reporting of financial performance are not strange, however, the wave of soaring profile of failures in the audit occupation resulting from gaps in the audit expectation has been of great worry to the stakeholders such as investors, regulators and the accounting field.

Factors responsible for audit expectation gap include conflicting role of auditors, the complex nature of audit function, retrospection evaluation of auditors' performance, time lag in responding to changing expectations, self-regulation process of the Auditing profession and the unawareness and unreasonable expectations (Lee et. al., 2009). Gray and Manson (2000) are of the opinion that the differences between the auditors' perception of his roles in the financial reporting process and the users' perception is the "audit expectation gap". Where the role of an auditor as perceived by the auditor differ from the expectations of users of financial statement, the audit expectation gap arises.

Olowookere and Soyemi (2013) argues that the audit expectation gap could arise from communication gap and performance gap. He classified communication gap as a situation where there exists a misunderstanding between the roles of the auditors as perceived by the users of the financial statements and the information conveyed by the auditor's independent report. Performance gap on the other hand is referred to as a situation where the performance of the auditor as required standard, falls below standard due to compromised professional judgment, objectivity, or technical incompetence.

Audit expectation gap arose from the confusion of the roles and duties of an auditor as perceived by the users of the financial statements. According to Akther and Xu (2020), they believed that audit expectation gap erodes stakeholders' confidence about the ability of auditors to perform their duties independently. They further argued that adherence to enabling laws, statues and regulations could reduce audit expectation gap. But users often expect auditors to perform roles that these statutes assign to management. This situation puts the auditors at a crossroad on the performance of their responsibilities to retain their relevance. The relevance of auditors is determined by the conflicting expectations of the different users of the financial statements. This necessitates the need to bridge the audit expectation gap by whatever means available to the stakeholders, especially auditors. However, considering the nature and sources of audit expectation gap, it erodes the relevance and confidence of the auditors which can only be restored if minimized. However, due to the complementing and equally opposing expectations of users of financial statement, eradicating audit expectation gap is not probable but can only be minimized. It impracticable for the auditors to meet all the changing and unrealistic expectation of users of financial statements (Deepal et al., 2022).

Theoretical framework

There are many theories relating to the responsibilities of the auditors and the subject of audit expectation gap such as the policeman theory, the lending credibility theory, the role conflict theory and the agency theory. For this study, we have considered the Role Conflict Theory due to its relevance in explaining conflict in the expectations of two parties (auditors and users).

The Role Conflict Theory provides a theoretical explanation for the existence of an expectation gap. The theory is developed by Rizzo et al. (1970). The Role Conflict Theory is based on the following assumptions that the auditor is required to monitor the client's financial statements, and the public expects the auditor to faithfully conduct that role (Koo and Sim, 1999).

The auditor is in conflict because he is expected to firstly serve the professional regulations and rules governing auditor independence. Then, this must be balanced against his role as the "watch dog" who should be serving the interests of the users and the client as well as looking after his or her own self – interest (Alleyne & Devonish, 2006). The role of the auditor is subject to the interactions of the normative expectations of the various interest groups in the society having some direct or indirect relationship to the role position (Davidson, 1975). He noted that these diverse groups may hold different expectations of the auditor, and these expectations may change from time to time depending on the specification of their personal role requirements and the interaction of other forces in the society. Hence, the auditors are placed in multi-role and multi expectation situations. Furthermore, Koo et al (1999) argue that role conflict may arise because of the expectation gap that exists between the auditors and users.

Users expect auditors to serve the public and to uncover management fraud (Mills & Bettner, 2012). There is role conflict when the auditor is unable to satisfy all the responsibilities expected by users.

Empirical review

Garcia-Benau et.al. (1992) examined the audit expectation gap in both the UK and Spain. Auditors, finance directors and users were asked whether audit firms should not provide quality and dependable financial report to their audit clients. The average response was close to neutral for all groups in both countries, except UK auditors who expressed strong disagreement.

Koh and Woo (1998) examined the nature and structure of audit expectation gap and concluded that the gap can be reduced through expanded audit reports, education, and structured audit methodologies. These reviewed studies confirm existence of the audit expectation gap and give indication of the common areas of expectation gap that need addressing by legislation, regulatory framework and professional practice.

In their separate studies, Pierce and Kilcommins (2000) and McEnroe and Martens (2001) argued that the audit expectation gap exists due to misinterpretations and misunderstanding of the meaning of financial reporting quality by the users. This research suggest that users do not understand the audit functions and the role of auditors, engendering audit expectation gap. Researchers have attributed this widening audit expectation gap to users' perception (Lange 1987) widespread misunderstanding (Ellis & Shelly 1988), ignorance (Manson and Zaman, 2000) and lack of education (Cockburn, 1986).

Lin and Chen (2004) examined auditors' obligation to detect and report fraud and third-party liability of auditors in China. The study documented evidence of expectation gap, as users of accounting information believe that the auditors are in a better position to unravel frauds, inefficiencies or irregularities more than management and therefore should be held responsible for detecting and reporting frauds and errors and by extension, liable for fraudulent information contained in audited reports.

Best et.al. (2001) evaluated user' perception of auditors' responsibilities regarding fraud prevention and detection as well as maintenance of accounting records. The results supported a change in the form and content of the auditors' report; a call for it to be more explanatory in its wording than it was as at the time of study.

Ubaka (2016) in his study titled "Audit expectation gap and fraud detection in Nigeria: The public servants' perception found no significant difference between public servants' perception of fraud detection and expectation gap.

A comparative study by Mahadevaswamy and Saleh (2008) compared the existence of audit expectation gap in India and Iran. The study adopted a survey design and obtained research data from investors and auditors. The study findings confirmed the existence of audit expectation gap in Iran and India. The study confirmed that the responsibilities of auditors in both countries are quite similar in many areas except the responsibility for preparation of financial statement, percentage of examination of records the auditor should do, expression of opinion of the financial health and deliberate distortions in the financial statements, among others. Although there is a difference in the opinions of auditors and investors sampled for the study, but the difference is insignificant which suggests that the audit expectation gap is reducing in the sampled countries. This is similar to findings by Olojede et al (2020) and Lin et al (2004) who found the existence of audit expectation gap.

A similar survey study by Olojede et al (2020) investigated the nature, extent and trends in the audit expectation gap in Nigeria. The study findings confirmed the existence and the failure of the auditors' report to reduce audit expectation gap in Nigeria. The researchers confirmed that the major source of audit expectation gap is the unreasonable expectations of users which stem from users' misunderstanding. These findings corroborate Garcia-Benau et.al. (1993), Pierce et al (2000) and McEnroe et al (2001) and suggests that audit expectation gap exists across the world which findings by Mahadevaswamy et al (2008) suggests that its level differ from one country to another.

Deepal and Jayamaha (2022) reviewed scholarly articles published in Scopus and Emerald databases from 1974 to 2021 to summarize existing empirical findings on audit expectation gap. The study found that the subject of audit expectation gap is multidimensional and majorly caused by misunderstandings of auditors' duties by stakeholders, accumulation of unmet expectations such as unrealistic expectations, performance gap and misconception. They concluded that audit expectation gap can only be reduced. Its eradication is improbable. They further suggested that audit expectation gap can be reduced through education and training, improved audit reporting, enhanced communication and regulatory changes.

III. Methodology

This section presents the methods adopted in the research. This paper applied a survey research design. The population of this research involved accountants in private practice, accounting teachers/students, investors and other users of financial statements. This study adopted use of primary data which was generated through the administration of questionnaire.

A total of 150 respondents targeted, only 120 responses were obtained. As a result, the presentations below are based on 120 respondents. This response rate is considered sufficient and reasonable enough to make conclusions and generalization.

After all necessary data have been gathered from the respondents, they were processed through editing and transformation of questions from the qualitative stages into codes that are quantitative in nature, for ease of tabulation and analysis. The information gathered was evaluated applying descriptive analysis and multiple regression analysis. SPSS coding used for the determination of mean of each of the statements is such that 1 was assigned to Strongly disagree, 2 assigned to Disagree, 3 to Neutral, 4 to Agree and 5 to Strongly agree.

Model Specification

The dependent variables for this research work are Audit Expectation Gap (AEG) and Auditor's Liability. Whereas the independent variable is the financial statement user's lack of understanding of auditor's roles and responsibilities.

In relation to **hypotheses, 1 and 2**, the independent variable i.e., financial statement user's lack of understanding of auditor's roles and responsibilities is measured in terms of User's Perception of Clean Audit Report (PCAR), Fraud Prevention and Detection Responsibility (FPDR), Disclosure of Early Warning Insolvency (DEWI), Going Concern Assessment Responsibility (GCAR) and Qualified Audit Report Connotes Bankruptcy (QARB). For the test of hypothesis I, the study model to be adopted is as follows, to suit the attainment of first and second objectives of this study. Hence

Hypothesis I
AEG = *f (PCAR, FPDR, DEWI, GCAR, QARB)*
The econometric model derived for test of hypothesis I is thus presented as
AEG = $\alpha + \beta_1$ PCAR + β_2FPDR + β_3DEWI + β_4GCAR + β_5*QRCB*+ ϵ ……where:
AEG is Audit Expectation Gap
PCAR – Users Perception of Clean Audit Report
FPDR – Fraud Prevention and Detection Responsibility
DEWI – Disclosure of Early Warning Insolvency
GCAR – Going Concern Assessment Responsibility
QRCB – Qualified Audit Report Connotes Bankruptcy
α – constant
ϵ – error term

Hypothesis 2
AULI = *f (PCAR, FPDR, DEWI, GCAR, QARB)*
The econometric model derived for test of hypothesis II is thus presented as
AULI = $\alpha + \beta_1$ PCAR + β_2FPDR + β_3DEWI + β_4GCAR + β_5*QRCB*+ ϵ……where:
AULI – Auditor's Liability
α – constant
ϵ – error term
PCAR – Users Perception of Clean Audit Report
FPDR – Fraud Prevention and Detection Responsibility
DEWI – Disclosure of Early Warning Insolvency
GCAR – Going Concern Assessment Responsibility
QRCB – Qualified Audit Report Connotes Bankruptcy

In relation to **hypothesis 3**, the independent variable i.e., improved financial statement users' understanding of external auditor's roles and responsibilities is measured in terms of Creation of Forum for Regular Interaction (CFRI), Education of Users of Financial statements (EUFS) and Advocacy for Auditor's Role in Statutes (AARS). For the test of hypothesis III, the study model to be adopted is as follows, to suit the attainment of third objective of this study. Hence

Hypothesis 3
AEG = *f (CFRI, EUFS, AARS)*
The econometric model derived for test of hypothesis III is thus presented as
AEG = $\alpha + \beta_1$ CFRI + β_2EUFS+ β_3AARS+ ϵ……where:
AEG – Audit Expectation Gap
α – constant
ϵ – error term
CFRI – Creation of Forum for Regular Interaction
EUFS – Education of Users of Financial statements
AARS – Advocacy for Auditor's Role in Statutes

Presentation of results and discussion

Results obtained from data analysis and discussions are presented in this section.

Descriptive Statistics

Descriptive statistics and values obtained from the analysis of data obtained for the research variables are shown in Table 1 below.

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
AEG	120	2	5	4.32	.710
AULI	120	1	5	3.78	.939
PCAR	120	1	5	3.65	1.179
FPDR	120	1	5	2.88	1.507
DEWI	120	1	5	4.12	.909
GCAR	120	1	5	4.06	.998
QRCB	120	1	5	2.60	1.170
CFRI	120	1	5	4.14	.873
EUFS	120	1	5	4.29	.782
AARS	120	1	5	4.12	.780

Source: Researchers computation, 2025

The minimum value obtained for all the variables is 1 except Audit Expectation Gap (AEG) which is 2. The maximum value for all the variables is 5. The mean value obtained for variables examined by this study ranges between 2.60 and 4.32 obtained for the Audit Expectation Gap (AEG) and Qualified Audit Report Connotes Bankruptcy (QRCB) respectively. Other variables that have mean values above 4.0 are Education of Users of Financial statements (EUFS), Creation of Forum for Regular Interaction (CFRI), Advocacy for Auditor's Role in Statutes (AARS), Disclosure of Early of Warning Insolvency (DEWI), and Going Concern Assessment Responsibility (GCAR). Auditor's Liability (AULI) and Users Perception of Clean Audit Report (PCAR) have mean values of 3.78 and 3.65 respectively (see *Table 1*). The mean values of other two variables in the model are below 3.0. Standard deviation measures the level of variability of the observed data of each variable around their averages. Standard variation values obtained for the research variables ranges between 71% and 150% obtained for AEG and FPDR. This shows that the view of respondents about the variables are highly divergent.

Regression Results and Discussion of findings

This section presents and discusses regression results obtained from data analysis. From Table 2 above, the coefficient obtained for PCAR, FPDR and QRCB are negative while that of DEWI and GCAR are positive. These indicate that PCAR, FPDR and QRCB contribute negatively to audit expectation gap while the perception of users about DEWI and GCAR have positive relationship with AEG. Then, the impact of user's Perception of Clean Audit Report (PCAR), Fraud Prevention and Detection Responsibility (FPDR), Disclosure of Early Warning Insolvency (DEWI), Going Concern Assessment Responsibility (GCAR) and Qualified Audit Report Connotes Bankruptcy (QARB) on AEG found by this study can be expressed as $\boldsymbol{AEG = 4.51 - 0.052\beta_1 - 0.174\beta_2 + 0.068\beta_3 + 0.068\beta_4 - 0.020\beta_5}$.

Table 2: Regression results: Investigate how lack of users understanding of an auditor's duties and responsibilities impact audit expectation gap.

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig. (p-value)
		B	Std. Error	Beta		
	(Constant)	4.510	.398		11.321	.000
	PCAR	-.052	.056	-.087	-.943	.347
	FPDR	-.174	.045	-.370	-3.842	.000
	DEWI	.068	.068	.087	.987	.326
	GCAR	.068	.062	.096	1.097	.275
	QRCB	-.020	.055	-.034	-.369	.713

Source: Researchers computation 2025

The level of significance of the *t* values obtained for the study revealed that only FPDR have p-value that is less than 5% (0%) and significant at 5% critical value. The p-values of other variables are above 5% which is statistically insignificant at 5% critical value.

These results proved that the relationship between the audit expectation gap and the understanding of users of financial statement about the roles and responsibilities of auditors are divergent. The understanding of users about clean audit report (PCAR), fraud prevention and detection (FPDR), and interpretation of a qualified audit report (QRCB) negatively affect audit expectation gap. Only the fraud prevention and detection (FPDR) expectation by users significantly impact audit expectation gap. This shows a significant shift in the perception of users about the responsibility of auditors to report fraud and irregularities. These results proved that users have accepted the provision of relevant laws and standards which saddled the management with the responsibility to prevent, detect and report fraud and irregularities. Results confirmed findings by Olojede et al. (2020) who opined that unjustified expectation by users increases audit expectation gap in Nigeria which was like the situation in Jordan (Toumeh et al., 2018). This contradicts Lin and Chen (2004) who opined that stakeholder in China considered fraud detection and report on third-party liability as part of the duties of auditors and notion that its eradication is not probable (Deepal et al., 2022). These results have two implications on audit expectation gap. First, these results indicates that the expectation of users that auditors should detect and report frauds and irregularities. It refutes common notion that users of financial statements expect auditors to detect and report fraud and irregularities. This proved that users are now accepting the provisions of extant rules and regulations guiding audit exercise which saddled the management with responsibilities to prevent, detect and report fraud and irregularities. Secondly, findings shows that the users' misunderstanding of a qualified and unqualified audit opinion now aligns with provision of laws and standards guiding audit, reducing audit expectation gap.

On the contrary, results obtained shows that the Disclosure of Early of Warning Insolvency (DEWI) and Going Concern Assessment Responsibility (GCAR) by the auditors' increases audit expectation gap. This indicates that disclosure of insolvency and going concern status of the firm are misunderstood by the users of financial statement and increasing audit expectation gap. The authors are unable to compare findings with extant literature as the author is yet to come across studies that cover these variables.

Test of Hypothesis 1

H_1: The audit expectation gap is not significantly impacted by lack of understanding of duties and responsibilities of auditors by users of financial statement is tested, at 5% level of significance, using regression results presented in table 2. The p-values obtained from regression results obtained for all the variables is greater than 5% except fraud prevention and detection (FPDR). Therefore, we accept the null hypothesis which states that *audit expectation gap is not significantly impacted by lack of understanding of duties and responsibilities of auditors by users of financial statement* for all the variables except fraud prevention and detection. Alternative hypothesis is therefore accepted for fraud prevention and detection. Hence, there is a statistically significant relationship between audit expectation gap and users understanding of the need for auditors to prevent and detect fraud.

The p-values of all the variables examined by this objective are greater than 5% which is statistically insignificant at 5% critical value except qualified audit report which has a p-value of

Table 3: Regression result: To investigate the relationship between auditor's liability and the user's lack of understanding of an auditor's duties and responsibilities.

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig. (p-value)
		B	Std. Error	Beta		
1	(Constant)	3.170	.557		5.693	.000
	PCAR	-.041	.078	-.051	-.521	.603
	FPDR	-.083	.063	-.133	-1.305	.195
	DEWI	-.027	.096	-.026	-.284	.777
	GCAR	.141	.087	.150	1.622	.107
	QRCB	.205	.078	.255	2.642	.009

Source: Researchers computation 2025

0.9% which is statistically significant (see *Table 3*). From *Table 3*, the coefficients of obtained for the PCAR, FPDR and DEWI are negative indicating a negative impact on audit liability. Positive coefficients of GCAR and QRCB indicates that they have positive impact on auditors' liability. Hence, this relationship is expressed in the equation $\boldsymbol{AULI = 3.17 - 0.041\beta_1 - 0.083\beta_2 - 0.027\beta_3 + 0.141\beta_4 + 0.205\beta_5}$. These results proved that the Perception of users about Clean Audit Report (PCAR), Fraud Prevention and Detection Responsibility (FPDR), and Disclosure of Early Warning Insolvency (DEWI) have negative influence and reduces auditors' liability while Going Concern Assessment Responsibility (GCAR) and Qualified Audit Report Connotes Bankruptcy (QARB) have positive impact. However, a negative coefficient implies convergence in the understanding of the users and auditors about clean audit report; detection and prevention of fraud; and disclosure of early warnings of insolvency reduces auditors' liability. Results further shows that users of financial statement understanding of the duty to report coning concern status and qualified audit reports affects auditors' liabilities positively but insignificantly. These proved that a widening misunderstanding of users about going concern assessment disclosure and qualified audit report in increasing the auditors' liability. The study findings corroborate Kostova (2012) who suggested that auditors' adherence to the provision of laws and standards will reduce audit risks and liability by extension. Study findings are inconsistent with Owens et al. (2024) who had opined that the disclosure of critical audit matters similar to qualified audit reports reduces audit liability. The death of study in this category known to the authors limits comparison with extant literature. This study is therefore one of the foremost studies in this category.

Test of Hypothesis (Objective 2)

H_2: There is no significant relationship between auditor's liability and financial statement users' lack of understanding of external auditors' roles and obligations) is tested, at 5% level of significance, using regression results presented in *Table 3*. The p value of the qualified audit report (QARB) is less than 0.05 which is statistically significant. Therefore, we reject the null hypothesis which states that there is no significant relationship between auditor's liability and user's understanding of external auditor's disclosures in a qualified audit report. With respect to other independent variables with p value greater 0.05, the null hypothesis that depicts statistically insignificant relationship between auditor's liability and user's perception of a clean report, fraud

Table 4: Regression results: To examine how improved financial statement users' understanding of external auditor's roles and responsibilities bridge audit expectation gap.

Coefficients						
		Unstandardized Coefficients		Standardized coefficients		
Model		B	Std. Error	Beta	t	Sig.
	(Constant)	3.159	.431		7.327	.000
	CFRI	.317	.071	.390	4.479	.000
	EUFS	-.181	.079	-.199	-2.285	.024
	AARS	.151	.082	.166	1.848	.067

Source: Researchers computation 2025

prevention and detection responsibility, disclosure of early warning on insolvency and the going concern responsibility was accepted.

From *Table 4*, the coefficients obtained for all the independent variables are positive except education of users of financial statement (EUFS). This relationship is therefore expressed in equation form as: $\boldsymbol{AEG = 3.159 + 0.317\beta_1 - 0.181\beta_2 + 0.151\beta_3}$. The p-values obtained for all the variables are less than 5% and statistically significant except for advocacy for the role of statutes which is greater than 5% which is statistically insignificant at 5% critical value. This implies regular users-auditors interaction and advocacy for roles of auditors enshrined in relevant statutes increases audit expectation gap. While the former has statistically significant impact, the latter is statistically insignificant. The results proved that establishment of user-auditors interaction forum and advocacy for auditors' roles enshrined in statutes will increase the misunderstanding of users and widen audit expectation gap. Such forum may create avenue for users to suggest increased roles that may not be acceptable or practicable for the auditors thereby increasing the misunderstandings. This suggests that users are more interested in expansion of statutes to accommodate increased auditors' roles and are more likely to insist on these roles at any point they interact with auditors. These findings further proved that the notion by Quick (2020) that creation of auditor-users forum bridges audit expectation gap is unrealistic. This further suggests that regular interaction between auditors and users of financial statements may serve any other purposes but will increase the misunderstanding of auditors' roles by users of financial statements.

On the other part, user education will reduce audit expectation gap significantly. This finding corroborates the notion that user education is reducing audit expectation gap (Jayasena et al., 2017; Fulop, Tiron-Tudor & Cordos, 2018). Earlier suggestion by Quick (2020) that user education is one of the best ways of reducing audit expectation gap is confirmed by this study. Contrariwise, these results refute findings by Gyau (2024) and Fotoh et al. (2021) who opined that user education and auditor-user forum will not reduce audit expectation gap in Europe, similar to Nigeria experience by Olojede et al. (2020).

Test of Hypothesis (Objective 3)

H_3: Improved financial statement users' understanding of external auditor's roles and responsibilities will not bridge the audit expectation gap) is tested at 5% level of significance, using regression results presented in *Table 4*. The p value of the Creaction of Forum for Regular Interaction (CFRI) and Education of Users of Financial statements (EUFS) is less than 0.05 which is statistically significant. Therefore, we reject the null hypothesis which states that improved understanding of financial statement users does not significantly impact reduction of audit expectation gap. With respect to other independent variable with p value greater 0.05, this depicts statistically insignificant relationship between audit expectation gap and Advocacy for clear description of auditor's role in statute.

IV. Conclusion

The study therefore concludes thus.

The understanding of users of financial statements and auditors about the responsibility for detection of fraud, qualified and clean audit report is converging. The study findings indicate that users of financial statement now understand the provision of relevant laws and standards that saddled the management with the responsibility to prevent, detect and report fraud and irregularities. However, users misunderstanding of the disclosure of going concern status and early warning of insolvency is widening and increasing the audit expectation gap.

The reduction of gap in the understanding of users and auditors about the perception of the implication of clean audit report; fraud prevention, detection and disclosure and early warning of insolvency disclosure have negative influence on auditors' liability. Study findings indicates that the convergence in the understanding of users and auditors on the clean audit report; responsibility for detection, prevention and disclosure of fraud; and disclosure of early warning of insolvency is reducing auditors' liability. However, the misunderstanding of the disclosure of going concern assessment responsibility and qualified audit report by users increases auditors' liabilities.

The use of Auditor-user forums and advocacy for provision of statutes and standards to address misunderstanding of users about auditors' roles and responsibilities are counterproductive in bridging audit expectation gap. The creation of forum between financial statement users and auditors for regular interaction and advocacy should clear misconception of auditors' role in statutes and keep users' abreast of what the auditors should do but will not reduce audit expectation gap. On the other hand, user education will significantly reduce audit expectation gap.

V. Recommendations

The study therefore recommends as follows;

Relevant government agencies such as the Financial Reporting Council of Nigeria, Professional Accountancy bodies should leverage on the use of User Education to bridge the misunderstanding of the roles of auditors on financial statement audit. In order to reduce misunderstanding of users about disclosure of users of going concern status and early warning of insolvency, user education should emphasize the implication of these disclosures in the financial statement.

Auditors report should elaborate more on the implications of the going concern and early warning signs of insolvency. This will improve the understanding of users about the roles of auditors and reduce audit expectation gap and auditors' liability.

There is need for stakeholders to rethink and rejig the use of auditor-users forum and advocacy for the position of the law and standards on the roles of auditors to address users misunderstanding which is currently counterproductive in bridging audit expectation gap. They should be reconsidered, restructured or avoided. On the other hand, user education that will significantly reduce audit expectation gap should be increased and its gains consolidated.

To further reduce the misconception and misunderstanding of audited financial statements by the users, management should endeavour to present audited financial statements in a manner that users of the financial statements would easily understand in order to bridge the communication gap that exists.

The financial statement users should familiarize themselves with the regulations that govern the roles and responsibilities of external auditors such as the Companies and Allied Matters Act 2020 to understand the expectations from the external auditors in order to bridge the expectation gap.

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