Impact of Auditing Education on Audit Expectation Gap in Nigeria

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Abstract
The research work examined the impact of audit education on audit expectation gap in Nigeria. The main objective of the study is to examine the role of auditing education in narrowing the audit expectation gap in Nigeria. The participants are accounting students in 300 levels and 400 levels in selected public and private universities in Lagos State and Ogun State. Survey design was adopted for this study. Copies of questionnaires were administered to 100 sample respondents. Analysis of variance (ANOVA) was used to analyze data collected statistically at 5% or 0.05 level of significance to find out the significant relationship between knowledge and exposure of accounting students in Nigeria Universities and existing audit expectation gap using difference in proportion, and in testing the hypotheses; Regression analysis was used, with the aid of statistical package for social sciences (SPSS) 20.0 software. The test showed that Knowledge and exposure of accounting students makes a positive impact on reducing existing audit expectation gap. The researcher recommends that, it is important to recognize that education alone is not an adequate response to the expectations gap. This applies in particular to expectations which are reasonable and achievable but unmet by existing audit regulations in Nigeria.

Key words
Auditing, audit expectation gap, deviations, auditor, accounting

1. Introduction
The widespread criticism of and litigation against auditors indicates that there is a gap between society's expectations of auditors and auditors' performance as perceived by society. The term “expectation gap” was first applied to auditing by Liggio (1974). Ever since Liggio (1974) first used the term “audit expectation gap”, numerous studies have been conducted in attempts to identify such gaps in different countries. There is a widespread apprehension regarding the perceptual differences between auditors and the public, concerning different aspects of audit. Monroe and Woodliff (1993) defined 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. The expectation gap was found to be particularly wide on the issues of the auditors’ responsibilities for fraud prevention and detection, and the auditors’ responsibilities for maintenance of accounting records and exercise of judgment in the selection of audit procedures (Best et al., 2001).

More recently, Shaikh and Talha (2003) argued that the debacles of the last few years highlight the need to minimize the gap, in addition to enhancing the image of the profession from the perspective of the general public. They emphasized the role of education but also highlighted the role that should be played by professional accounting bodies, together with regulators, in narrowing the gap and thus avoiding the likes of Enron and WorldCom.

Despite the fact that audit responsibility has been detailed in auditing standards and the emerging requirements in some countries (e.g. Sarbanes-Oxley in the USA), the gap does not seem to be narrowing. In
Nigeria, take the case of five banks that failed the CBN stress test in 2009, Afri-bank, Fin bank, Union bank, Intercontinental bank and Oceanic bank.

One of the means to close the audit expectation gap is to educate the public of the auditors’ roles while performing his professional assignment. However, this exercise is not possible since they might neither have attended universities nor done any auditing courses in the colleges or universities. Indeed, audit education in universities is the best platform to educate students on the auditors’ duties due to its positive effect in reducing the audit expectation gap. Hence, this study attempts to examine the effect of audit education on audit expectation gap among the accounting students in Nigerian Universities.

1.1. Statement of the problem

Auditors’ primary duties is to examine the books of account prepared by its client management and express her true and fair view whether the financial report is prepared in accordance with acceptable accounting standards. The society perceived that, the primary duty of auditors’ is to detect fraud and material misstatement during its audit assignment. There is misconception about the fundamental roles of external auditors’ roles. It is clear that what the society can reasonably expect auditors’ to accomplish defer from what auditors’ are perceived to achieve.

The insufficient knowledge on auditors’ existing duties among audit report stakeholders do contribute to the audit expectation gap. Therefore, Nigeria Universities Commission [NUC] instructed all universities offering Accountancy programme to include Industrial Training (IT) for the entire student in the department after they have offered auditing course. This was done to bridge the audit expectation gap between the auditors’ and the society.

Despite this corrective measure, audit education was effective in some areas, the gap still existed after students completed an undergraduate auditing course. The knowledge on auditors’ existing duties that students acquired at university ought to help the user of financial statements in particular, to better understand the duties of auditors. Still, it seems that audit expectation gap continues to exist between auditors and the society. The question people asked is, to what extent does the knowledge and exposure of accounting students in Nigeria Universities assist in reducing existing audit expectation gap?

1.2. Objective of the study

The main objective of the study is to examine the role of auditing education in narrowing the audit expectation gap in Nigeria. While the specific objectives are:

i. To ascertain the knowledge of auditors’ duties among the accounting students in Nigerian universities;

ii. To determine any significant difference on such knowledge between those students who had and those who had not undergone the industrial attachment in audit firms.

1.3. Hypotheses

The study shall be guided by this hypothesis:

Hi: There is no significant relationship between knowledge and exposure of accounting students in Nigeria Universities and existing audit expectation gap.

H2: There is no significant difference on such knowledge between those students who had and those who had not undergone the industrial attachment in audit firms.

2. Literature Review

In examining the expectations gap, Porter (1993) breaks the gap into two components: A reasonableness gap and a performance gap. The former denotes the difference between what society expects of auditors and the “duties reasonably expected of auditors”, while the latter represents the difference between what societies can reasonably expect and what they perceive the auditor as achieving. Some studies agree with Porter (1993) in relation to the notion that part of the expectation gap relates to performance (Shaikh and Talha, 2003). While earlier exploratory studies have concentrated more on the notion that the expectation gap is more related to the public’s unreasonable expectations from the audit profession, later
studies have increasingly included performance as a potential cause of the expectation gap (De Martinis and Burrowes, 1996). The auditing profession, in trying to protect itself, had been continuously trying to correct users’ expectations but more initiatives have been made lately to meet those expectations (Fadzly and Ahmad, 2004). Audit expectation gap is critical to the auditing profession because the greater the unfulfilled expectations by the society, the lower is the credibility, earnings potential and prestige associated with the work of auditors (Humphrey et al. (1993).

However, Porter (1993) opines that society must be educated on the duties which may reasonably be expected of auditors if the unreasonableness gap is to be eliminated. Darnill (1991) found that the public generally viewed the work of the auditor as complex and uninteresting and that using mass media to educate the society about the role of auditing would, therefore, not have a meaningful effect in reducing the audit expectation gap.

Instead, the authors argued for investor education as a principle means of reducing the gap. Subsequent studies have generally found that audit education reduces misunderstandings about the role of auditors (Monroe and Woodliff 1995; Pierce and Kilcommins 1996; Ferguson, Richardson and Wines 2000), but there are varying results.

In the context of Nigerian universities, all accounting students are required to complete audit courses (Auditing 1, Auditing 2 and Auditing and Investigation) as part of their accounting degree programme. The aim of these courses is partly to expose students with auditing fundamentals and auditor’s duties in conducting the audit assignment. As such, it is reasonable to assume that after students have completed the audit courses, they acquired sufficient knowledge of the auditors’ existing duties. Besides the audit education, students are also required to complete the industrial attachment [I.T] as part of their graduation requirement. It is significant to investigate the accounting students’ knowledge on auditors because majority of them, after graduating, will either join audit firm (auditor) or organization stakeholders (financial statements’ user). The knowledge on auditors’ existing duties that students acquired at university will help the user of financial statements in particular, to better understand the duties of auditors. In the event where students’ knowledge on auditors’ existing duties is lacking then a plan of action has to be established.

3. Methodology of research
   A cross sectional survey was used to address the problem of this study. The use of the survey design allowed the issues to be addressed in their organizational setting rather than in a contrived laboratory setting. It allows the collection of large amount of data from a sizeable population in a highly economical way. The participants are accounting students in 300 levels and 400 levels in selected public and private universities in Lagos State and Ogun State. The sample size of 112 selected from the population was tabulated below:

<table>
<thead>
<tr>
<th>S/N</th>
<th>Respondents</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>University of Lagos</td>
<td>40</td>
</tr>
<tr>
<td>02</td>
<td>Lagos State University</td>
<td>41</td>
</tr>
<tr>
<td>03</td>
<td>Covenant University</td>
<td>29</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>110</td>
</tr>
</tbody>
</table>

   Source: field survey 2014

4. Method of data analysis
   The data collected from the questionnaire administered and hypotheses formulated have been statistically tested with the aid of SPSS 20.0 software. The statistical model chosen for the analysis of data is multiple regression analysis and analysis of variance [ANOVA]. Education and exposure was measured by 400 level students while effect of industrial attachment was measured by opinion of 300 level students who have not gone for industrial attachment. The model in its functional form was specified as follows:
   \[
   \text{Agi} = f(\text{E1}, \text{Aj})
   \]
   Two sets of hypotheses were advanced for confirmation in this study.
The first null hypothesis is; knowledge and exposure of accounting students in Nigeria Universities does not assist in reducing existing audit expectation gap.

Test items were developed to obtain knowledge and exposure of accounting students behavior score. The model to be used to confirm this proposition is presented below:

\[ \text{Agi} = B_0 + B_1 \text{E1} + e_i \]  \hspace{1cm} (1)

\[ B_i > 0; \ R^2 \text{I} > 0. \]

The Bi is a measure of the effect of accounting students knowledge and exposure on audit expectation gap in Nigeria.

The second null hypothesis is;

There is no significant on such knowledge between those students who had and those who had not undergone the industrial attachment in audit firms.

The model to be used to confirm this proposition is presented below:

\[ \text{Agj} = B_0 + B_1 \text{Aj} + e_j \]  \hspace{1cm} (2)

\[ B_i > 0; \ R^2 \text{A} > 0 \]

Bi measures the difference between those students who had and those who had not undergone the industrial attachment in audit firms.

Where:
Agi = Audit expectation gap;
E1 = Education and exposure;
Aj = Industrial attachment;
e = Error term;
B0 ........ B3 = Coefficient.

5. Presentation and analysis of data

In carrying out this study, questionnaire was used for collection of primary sources of data and secondary sources were also collected, which were analyzed. The two major methods used in analyzing the data collected were: Analysis of variance and Regression analysis.

The researcher administered one hundred and ten copies of questionnaires randomly to accounting students in 300 levels and 400 levels, out of which eighty copies were successfully retrieved representing 80% of the number of questionnaire administered.

<table>
<thead>
<tr>
<th>Details</th>
<th>Number of copies</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copies administered</td>
<td>110</td>
<td>100 %</td>
</tr>
<tr>
<td>Copies returned</td>
<td>80</td>
<td>80 %</td>
</tr>
<tr>
<td>Wrongly filed/unreturned copies</td>
<td>30</td>
<td>20 %</td>
</tr>
</tbody>
</table>

Source: field survey 2014

6. Analysis of Response

Table 3. To what extent does knowledge and exposure of accounting students in Nigeria Universities assist in reducing existing audit expectation gap?

<table>
<thead>
<tr>
<th>Statement</th>
<th>SA</th>
<th>A</th>
<th>D</th>
<th>SD</th>
<th>T</th>
<th>X</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. It is the duty of Board of Directors to prepare the financial report.</td>
<td>50</td>
<td>25</td>
<td>17</td>
<td>8</td>
<td>100</td>
<td>3.17</td>
<td>A</td>
</tr>
<tr>
<td>2. The role of auditor is to examine the books of account.</td>
<td>45</td>
<td>37</td>
<td>11</td>
<td>7</td>
<td>100</td>
<td>3.20</td>
<td>A</td>
</tr>
<tr>
<td>3. Auditors’ duty is to discover fraud in client’s financial report.</td>
<td>20</td>
<td>22</td>
<td>30</td>
<td>28</td>
<td>100</td>
<td>2.34</td>
<td>R</td>
</tr>
</tbody>
</table>
Statement | SA | A | D | SD | T | * | Remark
--- | --- | --- | --- | --- | --- | --- | ---
4. It is the duty of auditor to design her client’s internal control system. | 14 | 30 | 24 | 32 | 100 | 2.26 | R
5. To disclose in the published auditor’s report, illegal acts committed by the company’s management which are discovered during the audit assignment. | 24 | 29 | 22 | 25 | 100 | 2.52 | A
6. To maintain confidentiality and safe custody of the audit working papers. | 47 | 21 | 17 | 15 | 100 | 3.00 | A
7. To prevent fraud and errors in the company | 12 | 29 | 20 | 39 | 100 | 2.14 | R
8. Auditing, as a course in universities, have exposed students to existing role of auditors | 41 | 35 | 9 | 15 | 100 | 3.02 | A
9. Accounting students going for industrial attachment programme has exposed students to auditors existing role and it help to reduce audit expectation gap. | 43 | 31 | 13 | 13 | 100 | 3.04 | A
10. Auditing and Investigation, as a course in Nigeria universities has exposed students to existing duties of auditors. | 37 | 21 | 23 | 19 | 100 | 2.76 | A

Source: field survey, 2014

This table shows the opinion of different respondents as well as their mean score on the extent that knowledge and exposure of accounting students in Nigeria Universities assist in reducing existing audit expectation gap. The students agreed that the duty of Board of Directors to prepare the financial report. This is supported by a mean score of 3.17 which is accepted. The role of auditor is to examine the books of account. This is supported by a mean score of 3.20 which is accepted. Auditors’ duty is to discover fraud in client’s financial report. This is supported by a mean score of 2.34 which is rejected. It is the duty of auditor to design her client’s internal control system. This is supported by a mean score of 2.26 which is rejected. To disclose in the published auditor’s report, illegal acts committed by the company’s management which are discovered during the audit assignment. This is supported by a mean score of 2.52 which is accepted. To maintain confidentiality and safe custody of the audit working papers. This is supported by a mean score of 3.00 which is accepted. To prevent fraud and errors in the company. This is supported by a mean score of 2.14 which is rejected. Auditing, as a course in universities, have exposed students to existing role of auditors. This assertion is supported by a mean score of 3.02 which is accepted. Accounting students going for industrial attachment programme has exposed students to auditors existing role and it help to reduce audit expectation gap. This is supported by a mean score of 3.04 which is accepted. Auditing and Investigation, as a course in Nigeria universities has exposed students to existing duties of auditors. This is supported by a mean score of 2.76 which is accepted.

**Hypothesis One**

Ho: There is no significant relationship between knowledge and exposure of accounting students in Nigeria Universities and existing audit expectation gap.

In testing of hypothesis one, question 1,2,3,4,5,6,7,8,9 and 10 was drawn to seek response on relationship between knowledge and exposure of accounting students in Nigeria Universities and existing audit expectation gap.

Table 4a. Regression coefficient for knowledge and exposure of accounting students on existing audit expectation gap

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>Beta</th>
<th>T=test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>70.92</td>
<td></td>
<td>1.70,p=.129</td>
</tr>
<tr>
<td>Education and exposure</td>
<td>20.78</td>
<td>.91</td>
<td>6.57,p=.000</td>
</tr>
</tbody>
</table>

Note, $r^2$.83, F(1,8)=39.42, $p= .000$
**Table 4b. ANOVA result: knowledge and exposure of accounting students on existing audit expectation gap**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of square</th>
<th>Df</th>
<th>Mean square</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>96735.1</td>
<td>1</td>
<td>96735.1</td>
<td>39.42</td>
</tr>
<tr>
<td>Residual</td>
<td>19632.9</td>
<td>8</td>
<td>2454.1</td>
<td></td>
</tr>
</tbody>
</table>

a: dependent variable; audgap  
b: predictor(constant), eduxexp  
Education and exposure explains 83 per cent of variation experienced on existing audit expectation gap, and this result is significant F(1,8) = 39.42, P < 0.05.  
Knowledge and exposure of accounting students makes a positive impact on reducing existing audit expectation gap and this is significant, t(6.57), P < 0.05. Therefore, there is significant relationship between knowledge and exposure of accounting students in Nigeria Universities and existing audit expectation gap.

**Table 5. What are the difference between those students who had and those who had not undergone the industrial attachment in audit firms?**

<table>
<thead>
<tr>
<th>Statement</th>
<th>SA</th>
<th>A</th>
<th>D</th>
<th>SD</th>
<th>T</th>
<th>Mean</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>11. Auditors are to witch hunt management based on the financial reporting prepared by them.</td>
<td>23</td>
<td>11</td>
<td>41</td>
<td>25</td>
<td>100</td>
<td>2.32</td>
<td>R</td>
</tr>
<tr>
<td>12. The role of auditors and accountants are the same thing.</td>
<td>21</td>
<td>19</td>
<td>26</td>
<td>34</td>
<td>100</td>
<td>2.27</td>
<td>R</td>
</tr>
<tr>
<td>13. Students who had not undergone the industrial attachment in audit firms thought that auditor is to express an opinion on the company's accounts to shareholders in a general meeting</td>
<td>30</td>
<td>28</td>
<td>20</td>
<td>22</td>
<td>100</td>
<td>2.66</td>
<td>A</td>
</tr>
<tr>
<td>14. Auditors are to express true and fair view opinion on the books of account examined.</td>
<td>24</td>
<td>31</td>
<td>24</td>
<td>21</td>
<td>100</td>
<td>2.56</td>
<td>A</td>
</tr>
<tr>
<td>15. Students that undergone the industrial attachment in audit firms are exposed to ethics of accounting profession than those who had not.</td>
<td>24</td>
<td>29</td>
<td>22</td>
<td>25</td>
<td>100</td>
<td>2.52</td>
<td>A</td>
</tr>
</tbody>
</table>

Source: field survey, 2014  
This table shows the opinion of different respondents as well as their mean score on the difference between those students who had and those who had not undergone the industrial attachment in audit firms. Auditors are to witch hunt management based on the financial reporting prepared by them. This is supported by mean score of 2.32, which is rejected. The role of auditors and accountants are the same thing. This is supported by mean score of 2.27, which is rejected. Students who had not undergone the industrial attachment in audit firms thought that auditor is to express an opinion on the company's accounts to shareholders in a general meeting. This is supported by mean score of 2.66, which is accepted. Auditors are to express true and fair view opinion on the books of account examined. This is supported by mean score of 2.56, which is accepted. Students that undergone the industrial attachment in audit firms are exposed to ethics of accounting profession than those who had not. This is supported by mean score of 2.52, which is accepted.

**Hypothesis Two**  
Ho: There is no significant difference on such knowledge between those students who had and those who had not undergone the industrial attachment in audit firms.

In testing of hypothesis two, question 11,12,13,14 and 15 was drawn to seek response on significant difference between those students who had and those who had not undergone the industrial attachment in audit firms.
Table 4a. Regression coefficient for knowledge between those students who had and those who had not undergone the industrial attachment on existing audit expectation gap

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>Beta</th>
<th>T=test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-12.94</td>
<td></td>
<td>T=-33,p=.761</td>
</tr>
<tr>
<td>Industrial attachment</td>
<td>20.91</td>
<td>.98</td>
<td>T=8.24,p=.004</td>
</tr>
</tbody>
</table>

Note, $r^2 .96$, F(1,3)=67.88, $p=.004$

Table 4b. ANOVA result: knowledge between those students who had and those who had not undergone the industrial attachment in audit firms on existing audit expectation gap

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of square</th>
<th>Df</th>
<th>Mean square</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>52365.62</td>
<td>1</td>
<td>52365.62</td>
<td>67.88</td>
</tr>
<tr>
<td>Residual</td>
<td>2314.38</td>
<td>3</td>
<td>771.46</td>
<td></td>
</tr>
</tbody>
</table>

a: dependent variable; audgap
b: predictor(constant), indatta

Industrial attachment explains 96 per cent of variation experienced in existing audit expectation gap, and this result is significant F(1,3) =67.88, P < 0.05.

There is significant difference on such knowledge between those students who had and those who had not undergone the industrial attachment in audit firms, t(8.24), P < 0.05.

7. Conclusion and finding

Based on the theoretical presentation of findings, the following conclusions were drawn:
The study found Knowledge and exposure of accounting students makes a positive impact on reducing existing audit expectation gap. Accounting students are aware about the responsibility of auditors, the role of company management to prepare financial report for their organization. However, students that undergone mandatory industrial attachment at the end of second semester in 300 level are more familiar, practically, with ethic and duties of auditor than those who have not have practical experience. Though, some students do avoid going for this practical experience.

We discovered that audit education play a pivotal role in minimizing existing audit expectation gap in Nigeria.

8. Recommendations

The study makes the following recommendations to reduce widespread criticism of and litigation against auditors in Nigeria.

i. Industrial attachment for accounting students should be made compulsory for both regular students and part-time students or distant learning students especially those who are not working in accounting or auditing environment. This will help to bridge the gap between theory and practical.

ii. It is important to recognize that education alone is not an adequate response to the expectations gap. This applies in particular to expectations which are reasonable and achievable but unmet by existing audit regulations.

References


