Audit Expectation Gap: An Empirical Analysis from Nigeria

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Abstract

It is not uncommon to associate the failure of corporate entities to the performance of external auditor(s) due to the variance in the opinion of the auditors and users of financial information on the duties of external auditors. In view of above, this study investigated the subsistence of Audit Expectation Gap (AEG) in Nigerian quoted firms with reference to four (4) AEG factors. The study employed "cross-sectional survey research design with online structured questionnaire" via Google form link shared among the respondents. A total of three hundred and ten (310) valid responses through the purposive sampling method were used for the analysis. Meanwhile, the "validity and reliability" of the questionnaire were earlier established. The data were later analysed using the Mann-Whitney U test at 5 percent "level of significance". The result showed the presence of AEG with respect to going concern, independence and responsibility factors. The study concluded that the AEG is still a menace in the accounting profession especially with reference to the Nigerian quoted firms. Therefore, it is recommended that Nigerian quoted firms should ensure the maintenance of sound accounting and internal control systems as well as upholding the independence of external auditor(s).

Keywords: Audit expectation gap, AEG factors, External auditors, Mann-Whitney U test, Nigerian quoted firms.

JEL Classifications: M41, M42

1. Introduction

The advent of the Industrial Revolution ushered in an era where businesses began to operate on a massive scale. As a result, there arose a motivation for individuals to establish organisations geared towards large-scale production. This surge in entrepreneurial activity, coupled with the imperative for growth, gave rise to a notable phenomenon, the separation of ownership from management. Consequently, this dichotomy created what are known as agency problems, where conflicts of interest can arise between the principals (business owners) and the agents (directors) entrusted with governance responsibility on behalf of the principals. The directors are expected to

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provide stewardship reports periodically to the principals, through the "preparation and presentation of financial statements".

Meanwhile, according to both agency theory and the theory of information asymmetry, inherent conflicts of interest often exist between the principals and agents. This creates an opportunity for earnings management, wherein agents may exercise judgment in financial reporting to manipulate financial statements in a manner that misleads stakeholders (Nguyen & Duong, 2020). However, to inculcate trust in financial reports and ensure their accuracy, stakeholders advocate for an independent examination of these reports. This led to the establishment of the audit profession. The primary role of auditing is to provide assurance services, assuring stakeholders of the "truthfulness and reasonableness of the financial reports" (Nguyen & Nguyen, 2020). Thus, in striving to enhance the reliability of audit reports, auditors consistently endeavour to minimise audit risk to its lowest possible level.

Concurrently, stakeholders aspire to base their decisions on "audited financial statements" with minimal errors (Nguyen et al., 2020). Both "auditors and users of financial statements" share the goal of minimising errors in corporate financial statements. However, identifying the stakeholders' expectations and the appropriate level of audit performance proves challenging due to the inherent risk of fraud in financial statements. Thus, Nguyen and Nguyen (2020) contend that the study of the "Audit Expectation Gap" (AEG) holds theoretical and practical significance in our society. Meanwhile, the term AEG, which refers to the discrepancy between the public's expectations of an audit and the auditors' perception of their obligations, has been a recurring problem on a global scale. This situation is especially significant in Nigeria, where preserving investor trust, guaranteeing financial openness, and promoting economic progress all depend on the legitimacy and efficacy of the audit profession.

The public confidence in auditors' reports began to dwindle in the 1990s and 2000s as a result of numerous financial scandals affecting corporate entities worldwide, especially large ones. For instance, the notorious cases of Enron, Tyco, and Xerox in the USA, Polly Peck in the UK, and

African Petroleum PLC and Cadbury PLC in Nigeria contributed to this distrust hence, these financial reporting issues have significantly eroded public trust in audit reports (Sani & Ikpor, 2023). According to Ashibogwu et al. (2023), the public's opinions about the auditor's responsibilities, which differ from the auditor's own understanding, were at the heart of the AEG debate. Corroborating the points, Ikpe and Uwah (2023) argued that the AEG has increased because of undetected notorious financial statement frauds.

Nigeria has had notable economic growth and heightened involvement in international markets in the past few years but along with these developments, worries about the AEG have also emerged. More so, the public typically understands the auditor's roles and responsibilities to primarily involve fraud detection and prevention, however most of the time, those who use financial reports learn something else. Although the gap's existence and possible consequences are acknowledged, there is still a dearth of empirical study that focuses on this gap in the Nigerian context especially by examining the subsistence of the phenomenon based on different factors. For instance, some of the previous studies [Olowookere and Soyemi (2013); Ocheni and Adah (2018); Oluyombo and Okunola (2018); Ashibogwu et al. (2023); Ghandour (2023)] have only focused on the responsibility and/or the independence factor of the external auditors. It is as a result of the above submissions that this study examined the subsistence of AEG in Nigeria based on those factors established in the work of Alao et al. 2022 - "going concern, responsibility, independence and reliability factors".

2. Literature Review

The AEG is known as a significant challenge within the global accounting profession, as shown by empirical studies documented in the literature. Initially, auditors were primarily tasked with providing assurance against fraud and intentional mismanagement, especially when firms were comparatively small in size, as noted by Epstein and Geiger (1994). However, over time, as corporate entities grew in complexity, this role evolved to focus more on providing reasonable assurance, as outlined by Porter (1997). Before the contributions of other scholars on the AEG, Liggio (1974) had earlier conceptualised it as the variance in terms of the performance expectation of the public and the external auditors as regards auditors' duties.

Recently, Ashibogwu et al. (2023) described AEG as the variance between users' expectations and the contents of the audit report. Ikpe and Uwah (2023) described the term AEG as the difference between public perceptions about external auditors' duties and the statutory duties of auditors. Alao et al. (2023) defined the AEG as the difference between the view of auditors and the public on auditors' duties. Besides, Alao et al. (2022) and more newly Alao (2024), documented that "the AEG can be reduced in our society through the defensive and constructive approaches". "The defensive approach deals with the use of audit education while the constructive approach considers the adoption of corporate governance practices in narrowing the AEG". Above all, the AEG is conceptualised in this study as the difference in the opinions of stakeholders regarding auditors' duties "with respect to the going concern, independence and responsibility factors".

Furthermore, the literature extensively discusses and categorises the factors contributing to the AEG. These classifications are evident in the research of various scholars such as Alao (2024), Alao et al. (2022), Jannat (2022), Akther and Xu (2020), Enyi et al. (2012), Schelluch and Gay (2006), and Best et al. (2001). However, in the present study, the discussions and empirical analyses were grounded in the classifications outlined by Alao et al. (2022) and Alao (2024). According to these studies, the AEG factors are condensed into four main categories - "going concern, independence, responsibility, and reliability factors".

The going concern factor pertains to the underlying assumption guiding the preparation of financial statements. "According to the International Accounting Standards Board (IASB) conceptual framework for financial reporting (IASB, 2018), financial statements are expected to be prepared on the premise that the reporting entity will continue its operations for the foreseeable future, known as the going concern assumption". Accordingly, directors are tasked with maintaining the entity's going concern status. Consequently, financial statements are subject to audit to validate this assumption and enhance its credibility. Auditors are thus required to employ procedures ensuring the appropriateness of the going concern basis used in financial statement preparation, along with ensuring adequate disclosures regarding this basis to present a true view (Adeniji, 2012). Quick (2020) noted that auditors often face criticism in instances where corporate entities collapse post-issuance of an unqualified audit opinion or failure to report fraud cases.

The independence factor revolves around the integrity and objectivity of external auditors. "In accordance with Section 377(1) of the Companies and Allied Matters Act (CAMA), 2020, auditors are appointed to scrutinise records to strengthen the credibility of financial statements prepared by directors". It is imperative for auditors to maintain independence from management. Independence is defined as conducting audit assignments with integrity and objectivity (Izedonmi, 2000), ensuring auditors assess financial statements impartially and without undue influence. To safeguard auditor independence, "the Institute of Chartered Accountants of Nigeria (ICAN) and CAMA (2020) " have issued guidelines. Additionally, auditors are prohibited from providing non-audit services to their clients to further ensure independence.

The responsibility factor pertains to the obligations of external auditors in examining the financial statements of corporate entities. "Section 401 of CAMA, 2020 mandates every corporate entity to appoint an auditor for auditing its financial statements". The appointed auditor bears the responsibility of scrutinising the financial statements and issuing a report to the company’s members ("Section 404, CAMA, 2020"). "Section 407 of CAMA, 2020 stipulates that the auditor, in preparing the report, must conduct necessary investigations to form an opinion on the financial statements". Finally, the reliability factor addresses the credibility and trustworthiness of the financial statements audited by external auditors. According to CAMA, 2020, directors of corporate entities are responsible for preparing financial statements. These reports serve various users for diverse purposes (IASB, 2018). To enhance their credibility and reliability, an independent individual is appointed to meticulously analyse the information contained in the reports.

Besides, this study is underpinned by role theory and role conflict theory. The role theory posits that possessing information about the role expectations for a specific position enables prediction of a significant portion of the behavior of individuals occupying that position (Goffman, 1959; Goffman, 1961; Biddle, 1986; Michener & DeLamater, 1999). In the context of auditing, this proposition finds support in the work of Lee et al. (2007), which portrays the auditor as a role player upon whom stakeholders, particularly participants in corporate governance settings, rely, look up to, and interact with, as their confidence in the audit performance (auditor report) assures them of the soundness of their investments in business organisations. Role theory, thus, emerges as a pertinent framework for understanding the AEG, focusing on the role expectations of auditors, and serves as one of the theoretical underpinnings of this study. Moreover, based on the findings of this study, role theory is conceptualised as the theory explaining the role expectations of external auditors concerning "the going concern, responsibility, and independence factors".

The role conflict theory, initially developed by Rizzo et al. (1970) in their work "Role Conflict and Ambiguity in Complex Organizations," offers a theoretical framework to explain the existence of an expectation gap. This theory operates on the assumption that auditors are tasked with monitoring their clients' financial statements, while the public expects them to faithfully fulfill this role (Koo & Sim, 1999). However, professionally, auditors face conflicts because they must adhere to professional regulations and rules governing auditor independence, while simultaneously serving as watchdogs expected to safeguard the interests of key users and clients, as well as their own self-interest. The auditor's role is influenced by the normative expectations of various interest groups in society, which have a direct or indirect relationship to the auditor's position (Davidson, 1975). Similar to role theory, role conflict theory is pertinent to understanding the AEG, focusing on the role expectations of auditors. Thus, it serves as another theoretical framework for this study. Moreover, in this study, role conflict theory is conceptualised as the theory that seeks to strike a balance between the expectations of auditors and stakeholders regarding "the going concern, responsibility, and independence factors".

Empirically, Porter (1990) in her Doctoral Thesis examined the correlation between the role of auditors and the AEG in New Zealand. In the study, AEG was postulated as the variance between the expectations of the society from the auditors and auditors' performance. Furthermore, the author engaged in survey research while the study provided understandings on the "audit expectation-performance gap" which gave room for the attempts to reduce the gap. Subsequently, Humphrey et al. (1992) assessed how the accounting profession in the United Kingdom responded to AEG over a span of two decades. The authors conducted a thorough examination of existing literature on AEG. Findings from the review showed that the expectation gap can be reduced via the defensive and constructive approaches. These were later corroborated by the review conducted in the work of Alao et al. (2022). In 1993, Porter published another study in which she conducted research in New Zealand to explore the "audit expectation-performance gap". The study's findings revealed that out of thirty (30) suggested duties of auditors enumerated, only five (5) were found to be contributing to the "audit expectation-performance gap". Furthermore, Humphrey, Moizer, and Turley (1993) examined the audit expectations gap in Britain. The findings revealed that the gap occurred as a result of a general downward bias against the profession.

Boterenbrood (2017) examined "the expectation gap between companies and their auditors". The work brought another dimension (materiality gap) into AEG. The author based the investigation of the materiality gap on a sample of auditors' and preparers' perceptions of materiality concerning the same financial statements. The study used the non-parametric test (Wilcoxon-signed ranks test) to test the difference in materiality threshold between auditors and preparers of financial statements. The findings revealed that the level of materiality as presumed by the preparers of financial statements is low when compared with the auditors' materiality level. The author did good work on AEG by incorporating the materiality gap into the categorisation of the concept however, the respondents were limited to Dutch companies.

Similarly, Kangarluie and Aalizadeh (2017) utilised survey methodology to investigate the expectation disparity in Iran. They distributed questionnaires to both audit officials and management personnel in select privately owned companies. To validate their hypotheses, they applied two statistical tests: the Kolmogorov-Smirnov test and Levene's test. The findings revealed a notable disparity between the perceptions of management and audit groups regarding the roles and responsibilities of auditors. However, there was no significant correlation between the perceptions of these groups regarding auditor independence. The study corroborated the findings of Salehi (2016) from Iran. However, it failed to include shareholders in the respondents. Azagaku and Aku (2018) examined "the subsistence of the expectation gap between auditors and users of financial statements in the public firms of Nasarawa, Nigeria". The primary source of data was employed via the administration of the questionnaire. The data collected were analysed using the non-parametric test. The finding from the study indicated the existence of an audit expectation gap, especially on issues regarding auditors' responsibility. The study was limited to public firms in Nasarawa State, Nigeria.

Ocheni and Adah (2018) examined "the perception on audit expectation gap on the statutory duty of Nigerian auditor". The study aimed to determine the level of familiarity stakeholders/users of financial statements have with the auditor's obligations under Nigerian law. Additionally, it sought to ascertain, based on stakeholders' perceptions, whether the audit expectation gap could influence their decision-making processes. The study adopted the survey research design with the administration of questionnaires on five hundred respondents which comprised management staff, auditors (internal and external), accountants, shareholders, bankers, stockbrokers, financial scholars in tertiary institutions and other users of financial statements all within North west and North central states, Nigeria. The collected data underwent analysis employing descriptive statistics and regression analysis techniques. The findings from the study revealed that majority of stakeholders are not familiar with the statutory duty of auditors.

Rostami (2019) conducted a study on the subsistence of AEG in Iran and Iraq. Questionnaires were administered among auditors and users (bank staff, university students and investors) of financial statements. The analysis was conducted with the aid of R software. Meanwhile, findings from the study showed that all the variables (audit report form, users' training, standards' setting and auditors' attributes) considered have no significant effect on reducing AEG in the two countries.

Quick (2020) conducted a literature review examining the prevalence of AEG across various continents globally. The research revealed the presence of AEG in numerous countries worldwide. In essence, the study lent credence to the discussion on the subsistence of AEG especially in Nigeria however, it failed to support the position with empirical evidence. Olojede et al. (2020) conducted a qualitative study by gathering opinions "through questionnaires administered to auditors, investors, bankers, stockbrokers, and financial analysts in Lagos, Nigeria". The authors employed a non-parametric analysis - Mann-Whitney U-test while the results corroborated previous studies by confirming the subsistence of AEG in Nigeria.

Akther and Xu (2020) administered "questionnaires among auditors, investors, investment analysts, credit analysts and regulatory agencies in Bangladesh". Meanwhile, just like the present study, the authors categorised the AEG factors into ten (10) and also employed Mann-Whitney U-test to evaluate the subsistence of AEG. The findings revealed the existence of AEG in Bangladesh whereas it was further reported that AEG harms stakeholders' confidence. Also, Nguyen and Nguyen (2020) conducted a study to examine the features, causes and the existence of audit expectation gap among auditors, users of financial information and students studying auditing in Vietnam. Using the non-parametric test to analyse the data collected, the study found the existence of an expectation gap among the respondents as regards the responsibility of the auditors in detecting frauds, errors and the protection of firms' assets.

Fotoh et al. (2021) investigated the existence of AEG in Cameroon. Being survey research, the data was sourced via a questionnaire administered to the auditors, accountants, bankers and investors. The questionnaire was designed to capture fifteen different statements on a five-point Likert scale. The study's findings revealed the existence of AEG concerning auditors' accountability to prevent and detect fraud as well as the maintenance of sound internal control systems and auditors' trustworthiness.

From Bangladesh, Jannat (2022) recently looked into the subsistence of expectation gap between auditors and investors. Being a survey study, the author gathered the data via well-structured questionnaires that were administered among auditors and investors in Bangladesh. Meanwhile, just like the present study, the author categorised the AEG factors into four (4) – "internal control, fraud detection, appropriateness in using accounting numbers and reliability". Using the T-test statistics in testing the hypotheses, the study's findings revealed the existence of an expectation gap between the auditors and investors in terms of internal control and reliability factors. Furthermore, the study recommended awareness, education and reasonable practices on the part of the auditors as instruments for reducing AEG in our society.

From a broad perspective, Samimi, Nahandi and Mottaghi (2022) investigated the connection between the expectations of auditors and users of financial statements that were predicated on grounded theory and structural equation models. In this study, the authors considered eight (8) factors extracted from extant literature which include the provision of cultural and educational avenues to educate the public about auditors' roles as well as the importance of Information Technology (IT) in auditing. The study's findings via the path coefficient test showed that all the factors were significant in terms of the p-values while modifying the upstream basic rules exhibited the highest convergence between the expectations of auditors and users of financial statements. Also, the study failed to consider the approaches for narrowing AEG.

Recently, Alao et al. (2022) carried out a review of the existing literature on AEG. Being a conceptual and theoretical paper, the authors conducted the review with a particular focus on the AEG factors and the approaches for narrowing the AEG. The study discovered four (4) AEG factors – "going concern, responsibility, independence and reliability factors" as well as two (2) approaches for narrowing AEG – "defensive and constructive approaches". The authors failed to consider any empirical analysis in the study. Consequently, the present study improves on the study of Alao et al. (2022) by conducting an empirical analysis based on the AEG factors already identified.

Also, Kamau et al. (2023) conducted a comprehensive literature review to explore the causes and potential remedies of the audit expectation gap (AEG). The study focused on identifying prominent factors contributing to the AEG and assessing the opinions of stakeholders and auditors regarding the duties of auditors. The findings revealed persistent discrepancies in stakeholders' and auditors' perceptions of auditors' responsibilities. Despite the lack of empirical evidence, the study emphasised the urgent need to address various dimensions of the expectation gap in Kenya, including standards, performance, communication, and legal requirements.

Ashibogwu *et al.* (2023) assessed the presence of AEG in Nigeria. The study used the primary source of data via questionnaire administration. The questionnaires were administered among participants in the Nigerian exchange. The data were later analysed with the aid of Chi-square technique. The finding revealed that there is a variance in the perceptions of users of financial information and the auditors regarding auditors' duties and responsibilities. However, the study failed to consider the existence of AEG from different components/factors of AEG. Hence, the need for the present study.

Sani and Ikpor (2023) investigated the influence of the AEG and auditors' statutory duties on financial reporting quality in Nigeria. To achieve the stated objectives of the study, two hundred and fifty-two (252) questionnaires administered among the stakeholders in various sectors of the Nigerian economy were used. Multiple regression and t-test statistical tools were employed in the data analysis. Findings from the study revealed that the AEG and auditors' statutory duties have significant influence on financial reporting quality in Nigeria.

3. Methodology

This study employed the survey research design where questionnaire is designed and administered among directors, external auditors and shareholders of quoted firms in Nigeria using the purposive sampling technique. Meanwhile, a pilot test was earlier conducted physically in Abeokuta, Ogun State among twenty-three (23) respondents and, on that basis, the questionnaire was adjusted accordingly before the final administration. Consequently, the adjusted questionnaire was shared among the respondent groups via Google form. The link was shared among the groups through various Associations' Mail/WhatsApp platforms. At the end of the exercise, a total of three hundred and ten (310) valid responses were used for the study. The details of the responses/respondents are presented in Table 2. Meanwhile, the Mann-Whitney U test was employed in testing the subsistence of Audit Expectation Gap (AEG) in Nigerian quoted firms with reference to four (4) AEG factors. The reason is that the test can be conducted on two independent samples and it is being employed by previous studies of Nguyen and Nguyen (2020), Olojede et al. (2020), Akther and Xu (2020).

Table 1: Reliability Test

S/N	Constructs	Items	Cronbach Alpha Coefficients
1.	Going Concern Factor	7	0.748
2.	Responsibility Factor	8	0.748
3.	Independence Factor	7	0.875
4.	Reliability Factor	6	0.826

Source: Authors' Computation (2024)

Table 1 showed the results from the pilot test. The test was conducted to test the reliability of the items contained in the questionnaire. The Cronbach Alpha coefficients range from 0.748 to 0.875 (which is greater than 0.70) showed that it is within the acceptable range as outlined by George and Mallery (2003).

4. Results and Discussions

In testing the existence of AEG in Nigeria, the Mann-Whitney U test was employed. The AEG factors in this study are divided into "Going Concern Factor" (GF), "Independence Factor" (IF), "Responsibility Factor" (RF) and "Reliability Factor" (RLF). For this study, it should be noted that "the significant *p*-value in the Mann-Whitney U test is regarded as the presence of an audit expectation gap" (AEG) "thus; *** ($p < 0.01$), ** ($p < 0.05$), * ($p < 0.10$) " at 1, 5 and 10 per cent respectively.

Table 2: Going Concern Factor

Test Statistics[a]

	"Auditors should assess an entity's ability to continue as a going concern"	"Auditors are required to carry out procedures to provide them with assurance regarding the appropriateness of the going concern basis used in the preparation of the financial statements"	"Employees' shareholdings enhances the going concern factor of Nigerian quoted firms"
Mann-Whitney U	5075.500	5123.500	5025.500
Wilcoxon W	11070.500	11118.500	11020.500
Z	-2.174	-2.014	-2.183
Asymp. Sig. (2-tailed)	0.030 **	0.044 **	0.029 **
a. Grouping Variable: Users of Financial Statement			

Source: Authors' Computation (2024)

Table 2 showed the results of going concern factor statements using the "Mann-Whitney U test". The results revealed a significant difference between the users of financial statements and the auditors. The results indicated that the expectation gap was found to be particularly wide on the issues regarding auditors' role in assessing an entity's ability to continue as a going concern; carrying out procedures to provide them with assurance regarding the appropriateness of the going concern basis used in the preparation of the financial statements and employees' shareholdings in enhancing the going concern factor of Nigerian quoted firms. These are confirmed by *p* values of 0.030, 0.044 and 0.029 respectively, each being less than 0.05 at a 5 per cent significance level. Hence, the confirmation of the subsistence of AEG regarding the going concern factor.

Table 3: Independence Factor

Test Statistics[a]		
	"The external auditor is expected to be independent of the management of corporate entities"	"Auditors must carry out their work without bias and undue influence"
Mann-Whitney U	5286.000	5347.000

Wilcoxon W	11281.000	11342.000
Z	-2.094	-2.003
Asymp. Sig. (2-tailed)	0.036 **	0.045 **
a. Grouping Variable: Users of Financial Statement		

Source: Authors' Computation (2024)

Table 3 showed the results of independence factor statements using the Mann-Whitney U test. The results revealed a significant difference between the users of financial statements and the auditors. The results indicated that the expectation gap was found to be particularly wide on the issues regarding external auditors being independent of the management of corporate entities and auditors carrying out their work without bias and undue influence. These are confirmed by *p* values of 0.036 and 0.045 respectively, each being less than 0.05 at a 5 per cent significance level. Hence, the confirmation of the subsistence of AEG regarding independence factor.

Table 4: Responsibility Factor

Test Statistics[a]					
	"It is the responsibility of auditors to prepare companies' financial statements"	"Auditors should report any indictable offence discovered during an audit to the board"	"Auditors should prevent fraud in corporate entities"	"Auditors should maintain sound accounting and internal control systems in corporate entities"	"The shareholders (addressee) can hold the auditor accountable for the quality of their work"
Mann-Whitney U	5203.000	5082.000	4879.000	4903.500	5194.000
Wilcoxon W	11198.000	11077.000	10874.000	10898.500	11189.000
Z	-1.717	-2.119	-2.364	-2.319	-1.776
Asymp. Sig. (2-tailed)	0.086 *	0.034 **	0.018 **	0.020 **	0.076 *
a. Grouping Variable: Users of Financial Statement					

Source: Authors' Computation (2024)

Table 4 showed the results of responsibility factor statements using the Mann-Whitney U test. The results revealed a significant difference between the users of financial statements and the auditors. The results indicated that the expectation gap was found to be particularly wide on the issues regarding auditors reporting any indictable offence discovered during an audit to the board; prevention of frauds in corporate entities and maintenance of sound accounting and internal control systems in corporate entities. These are confirmed by *p* values of 0.034, 0.018 and 0.020 respectively, each being less than 0.05 at a 5 per cent significance level.

However, a significant difference was reported between the users of financial statements and the auditors regarding the auditors' responsibility to prepare companies' financial statements and the ability of the shareholders (addressee) to hold the auditor accountable for the quality of their work. These are confirmed by *p* values of 0.086 and 0.076 respectively, each being less than 0.10 at a 10 per cent significance level. Hence, the confirmation of the subsistence of AEG concerning the responsibility factor.

Table 5: Reliability Factor

Test Statistics[a]

	"The extent of assurance provided by the auditor is clearly communicated"	"The financial statements of Nigerian quoted firms are properly prepared on the basis of the assumptions"	"Users can have absolute assurance that there are no material misstatements in the financial statements"	"The financial statements of Nigerian quoted firms comply with applicable accounting standards"	"Engagement of Big-Four audit firms influence stakeholders' confidence in Nigerian quoted firms"	"Engagement of Big-Four audit firms enhances the reliability factor of the financial statements"
Mann-Whitney U	5732.500	5831.500	5628.000	5908.000	5340.000	5289.500
Wilcoxon W	11727.500	11826.500	11623.000	11903.000	11335.000	11284.500
Z	-0.523	-0.266	-0.714	-0.081	-1.427	-1.531
Asymp. Sig. (2-tailed)	0.601	0.790	0.475	0.935	0.153	0.126

a. Grouping Variable: Users of Financial Statement

Source: Authors' Computation (2024)

Table 5 showed the results of reliability factor statements using the Mann-Whitney U test. The results revealed no significant difference between the users of financial statements and the auditors regarding all the statements raised in the questionnaire. These are confirmed by *p* values of 0.601, 0.790, 0.475, 0.935, 0.153 and 0.126 respectively, each being higher than 0.01, 0.05 and 0.10 at 1 per cent, 5 per cent and 10 per cent significant levels. Hence, the confirmation of the non-existence of AEG concerning the reliability factor.

Besides, the results alluded to the presence of AEG concerning issues regarding the going concern, independence and responsibility factors. Meanwhile, the presence was verified based on the application of the role theory and role conflict theory in line with the opinions of Goffman (1961), Michener and DeLamater (1999), Gbadago (2015b), Davidson (1975) and Koo and Sim (1999) in terms of the difference between the opinions of the users of financial statements and the auditors on auditors' duties. Also, the results were consistent with the previous findings where the presence of AEG (going concern, independence and responsibility factors) was established (Enyi *et al* 2012; Olowookere and Soyemi 2013; Olojede *et al* 2020; Nguyen and Nguyen 2020; Akther and Xu 2020; Jannat, 2022; Ghandour (2023). Contrarily, the results for the reliability factor failed to allude to the presence of AEG about issues regarding the reliability factor. This result was not in support of the findings from the works of Enyi *et al* (2012) and Jannat (2022) where the presence of AEG was established concerning the reliability factor.

5. Conclusion and Recommendations

The study concluded that the AEG is still a menace in the Nigerian quoted firms, particularly concerning "the going concern, responsibility and independence factors". For the going concern factor, the expectation gap was particularly wide on the issues regarding auditors' role in assessing an entity's ability to continue as a going concern; carrying out procedures to provide them with assurance regarding the appropriateness of the going concern basis used in the preparation of the financial statements and employees' shareholdings in enhancing the going concern factor of Nigerian quoted firms. For the independence factor, the expectation gap was wide on the issues regarding external auditors being independent of the management of corporate entities and auditors carrying out their work without bias and undue influence while for the responsibility factor, the expectation gap was particularly wide on the issues regarding auditors reporting any indictable offence discovered during an audit to the board; prevention of frauds in corporate entities and maintenance of sound accounting and internal control systems in corporate entities hence, the need to deal with the menace to guarantee stakeholders' confidence.

The study, therefore, recommended among others that Nigerian quoted firms should ensure the provision and maintenance of sound accounting and internal control systems; and uphold the independence of external auditor(s). Furthermore, the external auditor(s) should endeavour to put resources in place towards reporting on "the going concern status" of the corporate entities while the entities are as well expected to engage in employees' shareholdings in enhancing the going concern status.

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