

*Full Length Research Paper*

# **Independence factors influencing audit expectation gap in listed deposit money Banks in Nigeria**

**Aminu Bebeji<sup>1\*</sup>, Joshua Okpanachi<sup>2</sup>, Terzungwe Nyor<sup>2</sup> and Mohammed Nma Ahmed<sup>2</sup>**

<sup>1</sup>Department of Accountancy, School of Business and Financial Studies, Kaduna Polytechnic, Kaduna, Nigeria.

<sup>2</sup>Department of Accounting and Management, Faculty of Management Sciences, Nigerian Defense Academy, Kaduna, Nigeria.

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**This study examines the effect of independence factors on audit expectation gap in listed deposit money banks in Nigeria. The population of the study comprises of the investors/shareholders, lenders and other creditors and a sample of 385 respondents was selected using Cochran sample size formula. The period under study is from January, 2012 to December, 2019. The study used a questionnaire drawn on a five point likert scale to collect data. The questionnaire has been pilot tested for reliability and validity, using the Cronbach alpha and Kendall's coefficient of concordance. The data was analyzed using descriptive statistics and multiple-regression analysis. The study concludes that auditor depends on client economically. Competing for audit market, carrying out non-audit market service, receiving gifts from management and prospects for reappointment are strong determinants of audit expectation gap in deposit money banks in Nigeria. The study opines that the independence factors have significant positive impact on audit expectation gap in listed deposit money banks in Nigeria. This finding is in line with that of Salehi et al., Amaechi and Chinedu as well as Kamau et al. but is not consistent with findings of Ogweno and Kamau. The study recommends that regulatory authority and professional accounting associations should ensure that auditors avoid economic dependence on the client, carrying out services which are not audit related, and collecting gifts from management and that the regulatory authority has to emphasize on auditors tenures and appointment of auditor shall be through a centrally organized body and not allow audit firms to be competing among themselves.**

**Key words:** Audit, expectation gap, independence factors, Banks, Nigeria.

## **INTRODUCTION**

The need and demand for auditing arose from the desire for an independent person to monitor the contractual arrangements between principal and agent. If an auditor lacks independence, the parties to the contract place little or no value on the service provided, especially statutory audit. External auditors play a critical role in validating company's finances. Creditors and investor rely heavily

on auditor's report since credibility has been added to such reports (Madison, 2018). The statutory audit and assurance play an important role of ensuring confidence by the users / stakeholders (Chandler et al., 1993), and thus the society expects auditors to exercise professional judgment as well as maintain professional skepticism in their function. Auditors must exercise professional

\*Corresponding author. E-mail: [abebeji@yahoo.com](mailto:abebeji@yahoo.com). Tel: +2348028843824.

judgment and skepticism in their work, while the preparation of financial statement is the sole responsibility of management. Moreover, users and the public have different expectations regarding the assurance level and often assume absolute assurance (Enofe et al, 2013).

Auditing emerges to provide an independent check on the affairs of an organization. This is made possible because ownership has been separated from control, which succinctly supports agency role. Public trust is vital to every profession, accounting profession in particular and the profession suffers societal skepticism and depletion where trust has been eroded which affects users value relevance especially, that Financial Statements form the basis for a sound decision making. That is to say expectations and belief by the public fundamentally, breed a series of dissatisfaction with performance of auditors, which consequently affect end users trust, which affects the public confidence users had in the financial statements so examined by the auditor.

In Nigeria however, the major corporate financial irregularity and related fraud which occurred leading to sudden collapse of corporate institutions such as the Cadbury, Intercontinental Bank, Oceanic Bank and Spring Bank and on, has further brought the expectations gap to limelight. This is because the users had a strong belief that since Auditors are independent, then the Auditors are responsible for detection and reporting of all forms of irregularities and frauds, hence the collapse of these organizations came as a surprise to the shareholders and users. This perception was further upheld because users view fraud detection as the main function of auditing, hence the audit Expectation gap becomes more pronounced as a result of these corporate crisis in Nigeria and the misperception by users.

Audit Expectation Gap is worth researching because its continuous existence would lead the Society not to appreciate or recognize auditors' contribution to the society, which will subsequently weaken the significance of audit purpose. Therefore, it is against the backdrop that this study assesses the impact of independent factors on audit expectation gap in listed Deposit Money Banks in Nigeria. To achieve this objective the hypothesis below was formulated and tested.

Ho1: Auditors the impact of independent factors on audit expectation gap in listed Deposit Money Nigerian Deposit Money Banks.

## **Theoretical framework**

### ***Credibility theory***

This theory re-emphasize the role auditing can play in enhancing reliance on financial statements that is addition of credibility. This is because, agents stewardship function can be enhanced such that the principal will

have more faith in the agent, and this will consequently reduce information asymmetry.

### ***Quasi-judicial theory***

Quasi-judicial theory has it that auditor is seen as a judge in the financial distribution process (Hayes et al., 1999). However, Porter (1990) opines that the quasi-judicial theory can be perceived from three perspectives: (a) that an auditors independence differs greatly from that of a judge, because of different reward systems involved; (b) that an auditors decision and decision process are not publicly available; and (c) that what was regarded as the doctrine of precedence and consistency is not guaranteed in auditing.

Therefore, to perceive auditor as judge is out of place, hence this theory should not have much weight.

### ***Agency theory***

Agency theory is rooted in the existence of relationships between agent (management) and owners (investors/principal) (Jensen and Meckling, 1976). Both credibility, quasi-judicial and agency theories, has been anchored for the purpose of this study.

## **REVIEW OF EMPIRICAL STUDIES**

Salehi et al. (2019) evaluate the auditor' auditor n, and Adibianty, quasi-judicial a relationship among users of information in listed companies on Teheran Stock Exchange (TSE) market. A sample of 78 listed companies on the TSE from 2012-2016 using integrated data technique of the multiple regression models. The study finds that the independence of the director boards and audit committee members fulfill the expectation gap of individual users (among others). The independence factors have an impact on audit expectation gap. Although, there are several works in this area both quantitative and qualitative; however, the authors claimed that their work is the first quantitative work, this is not true. Hence, they failed to agree or contest any work in the literature.

Sabuj et al. (2019) aims at finding the impact of audit expectation gap among the auditors, investors, general users of audit report and the academia with regards to an independent auditor in Bangladesh. The study used questionnaire to collect data, after it has been tested for validity and reliability with NOVA as statistical analysis technique. The study finds that users and independent auditors are alike in their perception about the audit independent factors.

Onulaka et al. (2019) in their works investigates the extent to which the provision of Non-audit service (an independence factor) by external auditors to clients

affects auditors of Non-audit service (an independence factor) by external auditors to clients affects auditors' independence and consequently audit expectation in Nigeria. The study used 30 semi-structured face to face interviews to obtain data from the respondents after the questionnaire has been tested for reliability. This was followed by a thematic data analysis of the respondents. The study finds that the provision of non-audit service by audit firms to their audit client is regarded by auditor as a matter of economic necessity. Nevertheless, it is also perceived as impending auditors independence and increasing the gap between the auditor and public expectations. However, the study fails to show the clients perceived economic pressure on auditors to undertake non-audit service.

Ogweno (2018) investigates the factors affecting expectation gap in listed companies in Nairobi Stock Exchange (NSE) that is audited companies in auditor competence and user knowledge of auditor role. The study used a descriptive research design. A population of 62 listed companies at NSE was selected. A questionnaire was administered to a purposely selected respondent from a sample of 58. The data was analyzed using multiple regression and correlation analysis to test the relationships. The study finds that auditor and correlation self selected respondent increasing the audit expectation gap. It has been recommended that the independence of the auditor should be strengthening by drafting legal laws promoting the independence of the auditors in Kenya.

Toumeh et al. (2018) identify the factors that affect the expectation gap in Jordan. The population of the study is 327 audit firms in Jordan. A sample of 158 firms was randomly selected out of which 109 was used and the questionnaire was drawn on a five point scale to test the reliability of the questionnaire and correlation between questions using arbiters and Chronbach alpha. The statistical tool used to analyze the data includes the t-test and the descriptive statistics. The results showed among others that uncertainty in the auditor's independence has less impact on increasing the expectation gap in the audit process in Jordan. It is recommended that strengthening auditor's independence by neutralizing the controls of the disputing parties and also reducing auditor and client personal relationships. Hence, the study failed to test for the reliability of the instrument.

Amaechi and Chinedu (2017) examined if independence factors pose as challenge to internal auditors of public sectors entities. The population of the study is 80 respondents, drawn from the accountants and auditors in the Accountant General and Auditor General offices of Anambra state; however, a sample of 57 respondents was actually used. The study adopts survey design approach, with questionnaire drawn on a five point likert scale. The data was analyzed using the descriptive statistics and Mann-Whitney U-test. The study finds that independence factors affect internal auditors of public

sector entities independence, thereby increasing expectation gap. However, the study has some mixed up in the population actually used and the ones mentioned. It has been recommended that independence of auditor should be enthroned to reduce expectation gap.

Kamau et al. (2014) examine internal auditor independence motives in Kenya. A four point likert scale has been used to analyze the 21 questionnaires, Cronbach alpha was used to test the reliability of the instrument. Regression analysis techniques were used for the hypothesis testing. The study finds that the level of involvement by internal auditors in the management activities significantly affects their professional independence. Audit committees effectiveness plays a significant role in enhancing auditor independence and that causal relationship existed between internal auditors skills and auditors independence. However, the study fails to look at undertaking of non-audit service, and accepting gifts from the company's management.

Kamau (2013) investigates the determinants of audit expectation gap in Kenya. One of the objectives of the study is to determine whether independence contribute to expectation gap in Kenya. The target populations are the audit firms in Kenya and a Sample of 110 firms are selected. The variables used in the study are auditor's efforts, skills, structure, independence, public knowledge, audit scope and users' needs. The study employed a mixed research design comprising descriptive statistics, survey design and the data collected. The study found that an independence factor does not significantly contribute to audit expectation gap in Kenya. The study however, fails to examine reliability factors and responsibility factors.

### Population of the study

The population of the study consists of primary users of financial statement numbering 5,369,064 out which a sample of 385 respondents was chosen using Cochran (1977) sample size formula (Table 1). The sample size of the study which is 385 respondents was chosen in Table 2 using Cochran Sample Size formula (1977). A confidence level of 95% was chosen, a margin of error of 5% that is 0.05. The 95% is chosen because it is most commonly used Confidence level (Taylor, 2014). Therefore, a sample size of 385 has been selected, while the sampling frame was chosen using sampling and elevation factors. Copies of Questionnaire were distributed to each category of primary users, existing investors/shareholders, lenders and other creditors. The questionnaire used was adopted from Porter (1990) and Schelluch (1996), however with slight modification to suit the objectives of the study (Table 3). The Study used the descriptive statistics and Multiple Regression for the analysis and the following model was used:

$$AEG = \beta_0 + \beta_1 EIO + \beta_2 ANI + \dots + \beta_{11} PR + \varepsilon$$

**Table 1.** Population frame of the study.

S/N	Banks	Existing investors/ shareholders	Lenders	Other creditors
1	Access	811,382	16	115
2	Diamond	115,808	16	115
3	Ecobank	87,256	16	115
4	FBN	1,215,563	16	115
5	FCMB	519,699	16	115
6	Fidelity	402,949	16	115
7	GTB	328,383	16	115
8	Sterling	87405	16	115
9	UBA	271,849	16	115
10	Union	459,540	16	115
11	Unity	85,438	16	115
12	WEMA	245,160	16	115
13	Sternbinc/IBTC	94,343	16	115
14	Zenith	642,455	16	115
15	Total	5,367,230	224	1,610

Source: Field work (2019).

**Table 2.** Sample size frame of the study

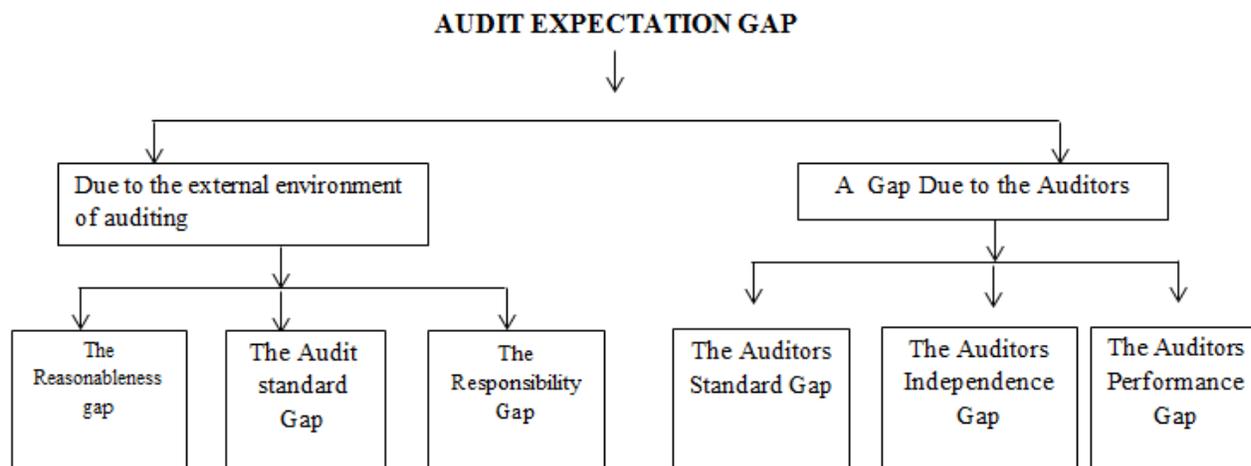
Users/stakeholders	Ratio	Proportion of respondents to be selected (%)	Number of sample selected
Existing investors/shareholders	4.6	61	235
Lenders	1	13	50
Other creditors	2	26	100
Total			385

Source: Field work (2019).

**Table 3.** Independence factors variables definitions.

Variable	Description
AEG	Audit expectation gap (the dependent variable)
$\beta_0$	Regression constant
$\varepsilon$	is the random error component
$\beta_1$ EIO	Expressing an independent opinion
$\beta_2$ ANI	Auditors are not independent in the Nigerian Business Environment,
$\beta_3$ ED	Economic dependence of the auditor on the client
$\beta_4$ AMC	Audit market competition
$\beta_5$ RP	Receiving payment for non – audit services
$\beta_6$ TRF	The regulatory framework
$\beta_7$ TCG	The corporate governance system
$\beta_8$ TGU	The greater use of audit committees
$\beta_9$ PEG	Professional ethics guidance
$\beta_{10}$ RG	Receiving gifts and presentations from management
$\beta_{11}$ PR	Prospects of reappointment

Source-Author's estimation (2019).



**Figure 1.** Components of the audit expectations gap.  
Source: Albertz (1999).

## MATERIALS AND METHODS

The study reviews relevant materials such as literature related to the topic, conceptual issues and theories.

### The audit expectation gap concept

An Audit Expectation Gap refers to “the difference between the Levels of expected performance by an independent auditor and the users of financial statement (Liggio, 1974). Expectation gap was used to draw a corollary and describe a situation between group which relies upon certain expertise and those who provide such expertise, which resulted in variance between what the society expects from the independent Auditor and what the accounting profession entails. Porter (1993), Ruhnke and Schmidt (2014) and Toumeh et al. (2018) concur with this definitions.

The expectation gap concept was introduced initially by Liggio (1974) and it was agreed that the concept originated from America. The study by Humphrey et al. (1993) concurs with these assertions. To investigate reasons for audit expectation gap, Cohen Commission was set up in 1978. Other commissions set up in the United States of America include; the 1976 Mtcalf Committee, and 1978 Treadway Commission. In the United Kingdom Commission like the Cross Committee (1977) and the 1978 Greenside Commission; while in Canada similar commissions were set up which include the Adams (1977) and Macdoald (1988).

Individual researchers carried a lot of work on Audit Expectation Gap for example, Van Liempd et al. (2019), Mansur and Tangl (2018), Porter (1993), Dixon et al. (2006), Fadzly and Ahmed (2001) the three groups examine the roles and responsibilities of an auditor, while the meanings and Nature of audit reports was examined by Monroe and Woodliff (1994) and Gay et al. (1978); whereas Alleyne et al. (2006), Lin and Chen (2004) and Sweeney (1997) each assesses audit independence.

Audit Expectation Gap problems was examined using a metaphorical style by Tweedie (1987); thus, a burglar alarm system, a radar station, a safety net, an independent auditor coherent communications that is protection against fraud, early warning of future insolvency, general reassurance of financial wellbeing, safeguards for auditor independence and understanding of audit reports respectively. It was opines that given these concerns shows clear mis-understanding of audit, more so, that no auditor can

provide these yearnings hundred percent. He concluded that as we cannot have hundred percent auditor independence in practice, likewise not all users/stakeholders can have a clear understanding of audit reports, hence audit expectations gap shall widen up

### Audit expectation gap components

Diversity in definitions of audit expectation Gap gave rise to emergence of different components of audit expectation gap, which includes the reasonableness, deficient performance and gaps. The reasonableness gap is the difference between society’s expectations and auditor actual accomplishment. The deficient Standard gap covers gaps existing between duties reasonably expected of auditors and duties provided by law; while the deficient performance gap is difference between expected standard of performance or existing duties and performance (Füredi-Fülöp, 2017; Masoud, 2017; Macdoald Commission, 1988). However, Albaz (1999) opines that in auditing, the expectation gap can be observed more clearly from the perspectives of components and alternatively the sub- gaps which can be divided into two groups: the first group are those due to the auditing external environment; whereas the second are those expectation gap due to the auditors themselves (Figure 1).

### Reasons for audit expectation gap

Salehi (2011) examines major reasons for expectation gap to include services which are Non-audit undertaken by auditors, self-interested auditors, economic relationships with clients, auditors who are not qualified and auditors dependent on the client, other reasons are as shown in Table 4.

### Independence factors

The concept of independence in literature provides that there can be independence in fact and independence in appearance, which can amplify the idea of threat to independence. Independence of the mind is an attitude of the mind, its evaluation is difficult to observe. However, literatures are for perceived independence, since perceptions are fundamental to public confidence in financial

**Table 4.** Reasons for audit expectation gap.

<b>Performance gap</b>	<b>Standard gap</b>	<b>Reasonableness gap</b>
Non-audit service practicing by auditors	Lack of sufficient standard	Users misunderstanding
Self-interest and economic benefits of auditors	Existing insufficient standards regarding auditor responsibility for detection of fraud and illegal acts	Over expectation of users to auditor performance
Unqualified auditor		Users Misinterpretation
Dependent auditor		Users unawareness of audit responsibilities and limitations.
Miscommunication auditor		User's over expectation of standards

Source: Adapted from Salehi (2007).

reporting (Carmichael, 2004). However, some definitions were proffered by several authorities for instance, Knapp (1985) viewed independence as the ability to resist client pressure. This definition raises further questions; for example to resist clients pressure in which way, how, where and when. However, a more acceptable definition of independence was provided as follows: "Freedom from those pressures and other factors that compromise, or can reasonably be expected to compromise, an auditor's ability to make unbiased audit decisions" (ISB, 2000). Although, this definition is better than the one provided by Knapp (1985), however it fails to capture certain areas of independence like carrying out non-audit services. Nevertheless, these definitions show how important objectivity and integrity are major fundamental aspect for assessing auditor's independence.

There are quite a number of factors that affects independence factors, these include; closeness to the client either through marriage or blood relationship, to depend on client economic wellbeing, influenced by a desire of social economic success, acceptance of gifts from clients directly or indirectly, audit market competition and prospects for re-appointments (Sucher and MacLulich, 2004).

Other issues that impinge on independence include cases where auditor may have to defend on Management, rely solely on external Debtors confirmation received from circularization of Debtors, Creditors and or Bank accounts or requires the management for assets verification/valuation purposes. Re-appointment of auditors technically is the duty of the shareholders at Annual General Meeting (AGM); however, this function was compromised by management who influence the nomination thereby injuring auditors' independence factors.

Beattie et al. (1999) listed four factors militating against independence constraints to independence, and they include Instances where auditor depends on client for economic wellbeing, competing for Audit market; the regulatory guidelines and the provision of services unrelated to auditing duties (NAS).

Gill and Cosserat (1999) are of the opinion that independence is key to auditing. Where there is no independence, one cannot rely on auditor's opinion. Also, third parties believe that where there is no independence then external audit is unnecessary. Third parties' acceptance of an auditor's role is likened to independence as corporate accountability instrument. For an auditor to maintain independence despite pressures of practice, he has to be conscious of any negative influences on his planning.

### Investigation and reporting independence

Perceptions by users of what is audit independence are important because real perception depends on society's perception of what could impair real independence. The external auditors must ensure

that quality and performance of auditor should not be compromised. The issue of Auditor independence is an area of concern in audit expectation gap (Humphrey et al., 1993; Moizer, 1997; Sweeney, 1997; Alleyne et al., 2006). According to the Independence Standards Board of the American Institute of Certified Public Accountants (2000, cited in Alleyne et al., 2006), auditor's ability to be unbiased and free from pressures and any factor that can make him compromise his positions is necessary. The general public and audit profession benefits greatly when auditor is independent. Lack of it puts ordinary people's investment at risk (Gettler et al., 2002); while the audit profession enjoy professional status and public stewardship (Kleinman and Palmon, 2001) and as Gill et al. (2001) stated: 'independence is the livewire of the auditing profession and where it is lacking then auditors opinion is suspect, and where public suspect auditor opinion this further generates expectation gap. The view of Kleinman and Palmon (2001) and Gill et al. (2001) are in tune with the view of the audit profession. Since the Public Oversight Board's Panel on Audit Effectiveness (POB, 2000) observed as follows that: an auditor must be independent both in fact and in appearance. Independence in fact means auditor's state of mind, to make his decisions objective that is unbiased (Dykxhoorn and Sinning, 1982); whereas, independence in appearance is the perception that auditor has no direct or indirect relationship with client, which can lead to conflict of interest (Pierce, 2006). Pierce (2006) grouped independence factors into three categories as follows:

- (i) Programming independence: this occurs when audit techniques and procedures are selected without external parties influence whether direct or indirect.
- (ii) Investigative independence: it is attain where auditor is able to access and examine all the necessary audit evidences in all areas without restrictions.
- (iii) Reporting independence: is achieved where auditor is able to communicate his audit opinions freely devoid of external interference.

## RESULTS AND DISCUSSION

The following section discusses the descriptive, results of diagnostic tests, Regression analysis hypothesis testing and findings.

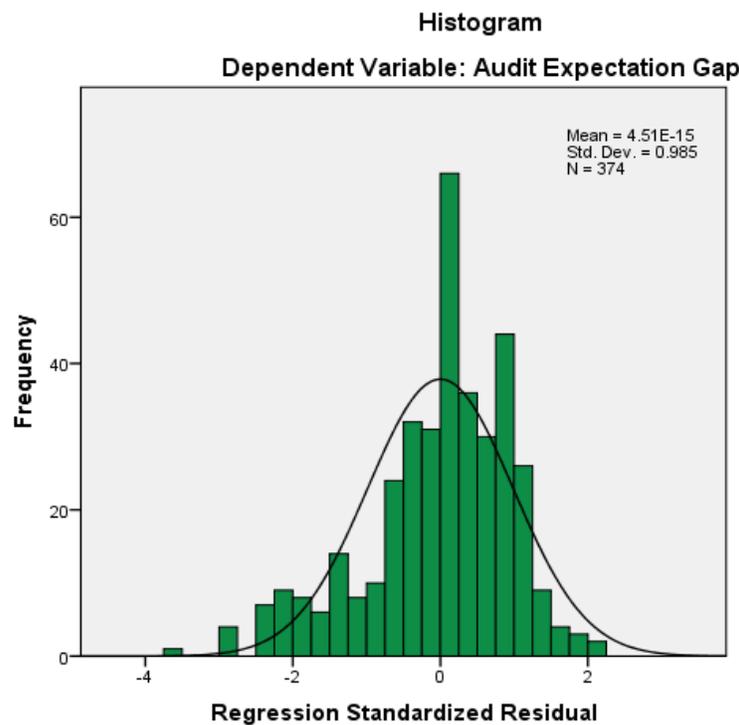
### Descriptive statistics

The standard deviations across all variables are relatively

**Table 5.** Descriptive statistics results.

Items	N	Mean	SD	Skewness	Kurtosis	Remark
Auditors are responsible for expressing an independent opinion on financial statements based on their audit.	374	4.13	0.951	-1.229	1.298	Agree
Auditors are not independent in the Nigerian business Environment	374	3.62	1.147	-0.683	-0.352	Agree
Economic dependence of the auditor on the client	374	3.80	1.150	-0.638	-0.560	Agree
Audit market competition	374	3.65	1.092	-0.524	-0.486	Agree
Receiving payment for non – audit services	374	3.57	1.268	-0.401	-1.006	Agree
The regulatory framework	374	3.72	1.048	-0.676	-0.028	Agree
The corporate governance system	374	3.90	1.106	-0.872	-0.031	Agree
The greater use of audit committees	374	3.89	1.012	-0.766	-0.019	Agree
Professional ethics guidance	374	4.05	1.000	-0.868	0.095	Agree
Receiving gifts and presentations from management	374	3.47	1.227	-0.530	-0.723	Undecided
Prospects of reappointment	374	3.87	1.199	-0.887	-0.181	Agree

Source: SPSS Output (2019).



**Figure 2.** Normality histogram plot. The observed normal histogram shows that the data is approximately normally distributed.

very small; the mean values can adequately be used to represent each construct variable, which signify that the data is approximately normally distributed (Table 5). Moreover, the respondents agreed, on the average, in each case, with the entire independence factors for audit expectations gap in Nigeria. Also the coefficients of skewness which ranges from -1 to +1 signifies moderate skewness and kurtosis are relatively small compared to their corresponding mean, which signify that the values

are mostly clustered about the mean, thus the data is approximately normally distributed (Figure 2). On the average, the respondents agreed, with a mean value of 3.62, that in the Nigerian business environment the auditors are not independent. Similarly, the respondents agreed, with a mean value of 3.57, that the auditors are receiving payment for non-audit services rendered. These are potential independence factors for audit expectations gap in Nigeria.

**Table 6.** Coefficient of determination and results of autocorrelation test.

R	R2	Adjusted R2	SE of the estimate	Durbin-Watson
0.434a	0.188	0.163	0.88705	1.570

**Table 7.** Homoscedasticity and collinearity diagnostics results.

Model	Collinearity Statistics	
	Tolerance	VIF
Expressing an independent opinion	0.702	1.424
Auditors are not independent in Nigerian business system	0.820	1.220
Economic dependence of the auditor on the client	0.510	1.959
Audit market competition	0.672	1.488
Receiving payment for non – audit services	0.552	1.810
The regulatory framework	0.683	1.464
The corporate governance system	0.505	1.979
The greater use of audit committees	0.667	1.498
Professional ethics guidance	0.663	1.509
Receiving gifts and presentations from management	0.712	1.405
Prospects of reappointment	0.742	1.347

Source: SPSS Output (2019).

**Table 8.** Collinearity diagnostics results.

Collinearity Dimension	Eigenvalue	Variance proportions			
		Condition Index	Expressing an independent opinion	Economic dependence of the auditor on the client	Professional ethics guidance
1	11.37	1	0	0	0
2	0.12	9.93	0.02	0	0.02
3	0.1	10.63	0	0.02	0.01

a. Predictors: (Constant), Prospects of reappointment, expressing an independent opinion, In Nigerian Business Environment Auditors Lacks independence. The regulatory framework, Receiving gifts and presentations from management, Audit market competition , Professional ethics guidance, The greater use of audit committees, Receiving payment for non – audit services, auditor's Economic dependence on his client, The corporate governance system.

Source: SPSS Output (2019).

### Diagnostic tests for independence factors

The following diagnostic tests have been carried out to examine the significance of the independence factors of audit expectation gap. The R-Square of 0.188 indicate that Prospects of reappointment, expressing an independent opinion, auditors are not independent in Nigeria t, the regulatory framework, receiving gifts and presentations from client, audit market competition, professional ethics guidance, the use of audit committees, receiving payment for services not auditing related, auditor's economic dependence on the client, the corporate governance system as components of independence factors collectively have moderate positive impact on audit expectations gap in Nigeria. Also to check the independence of observations, Durbin Watson

was used. The Durbin-Watson statistic of 1.570 implies that there is no autocorrelation in the model, since the value of 1.570 is near 2 clearly implies that there is no autocorrelation in the model. Hence, the regression model is good (Table 6).

The error variances are homoscedastic and not hetrodastic, since none of the VIF is up to 10 throughout the model. The Collinearity diagnostics shows the variance inflation factor (VIF) tolerance of 0.663, 0.510 and 0.702 respectively, which signifies absence of serious multicollinearity in the data, because the independent variables do not interfere with each other. Hence, we conclude that the model is sufficient in terms of exploring linear relation as well as for prediction and control (Table 7). Another way for carrying out collinearity diagnostics test is by use of eigen value and condition

**Table 9.** Regression results (coefficients of the model).

Model	Unstandardized coefficients		Standardized coefficients	t	Sig.
	B	SE	Beta		
(Constant)	1.637	0.277		5.910	0.000
Expressing an independent opinion	0.160	0.054	0.168	2.968	0.003
Auditors are not independent in the nigerian business environment	0.032	0.043	0.039	0.740	0.460
Economic dependence of the auditor on the client	0.109	0.055	0.131	1.973	0.049
Audit market competition	-0.057	0.052	-0.063	-1.093	0.275
Receiving payment for non - audit services	0.019	0.048	0.026	0.401	0.689
The regulatory framework	0.074	0.053	0.080	1.393	0.164
The corporate governance system	0.031	0.057	0.037	0.550	0.583
The greater use of audit committees	0.087	0.057	0.089	1.529	0.127
Professional ethics guidance	0.128	0.053	0.141	2.421	0.016
Receiving gifts and presentations from management	-0.024	0.045	-0.030	-0.526	0.599
Prospects of reappointment	-0.039	0.043	-0.049	-0.896	0.371

Dependent variable: Audit Expectation Gap

b. Dependent Variable: Audit expectation gap.  
Source: SPSS Output (2019).

**Table 10.** ANOVA results.

Model	Sum of square	df	Mean square	F	Sig.
Regression	349.736	8	43.717	15099.106	0.000b
Residual	1.057	365	0.003		
Total	350.793	373			

Source: SPSS Output (2019).

index. The results shows that all the condition index values are less than 30, while the eigenvalues are small; this shows that there is no serious multicollinearity problem (Table 8 and Figure 3).

### Regression analysis

The following regression analyses were used to build linear models that explore predictability and relations among independence factors of audit expectation gap. The result of the regression equation provide a constant of 1.673 and the value of the regression coefficient which ranges from 0.031 to 0.16 this shows that independence factor accounted for between .031 percent and 16 percent of audit expectation gap problem. The entire standardized beta coefficient shows significant positive results (Table 9).

### Tests of hypothesis

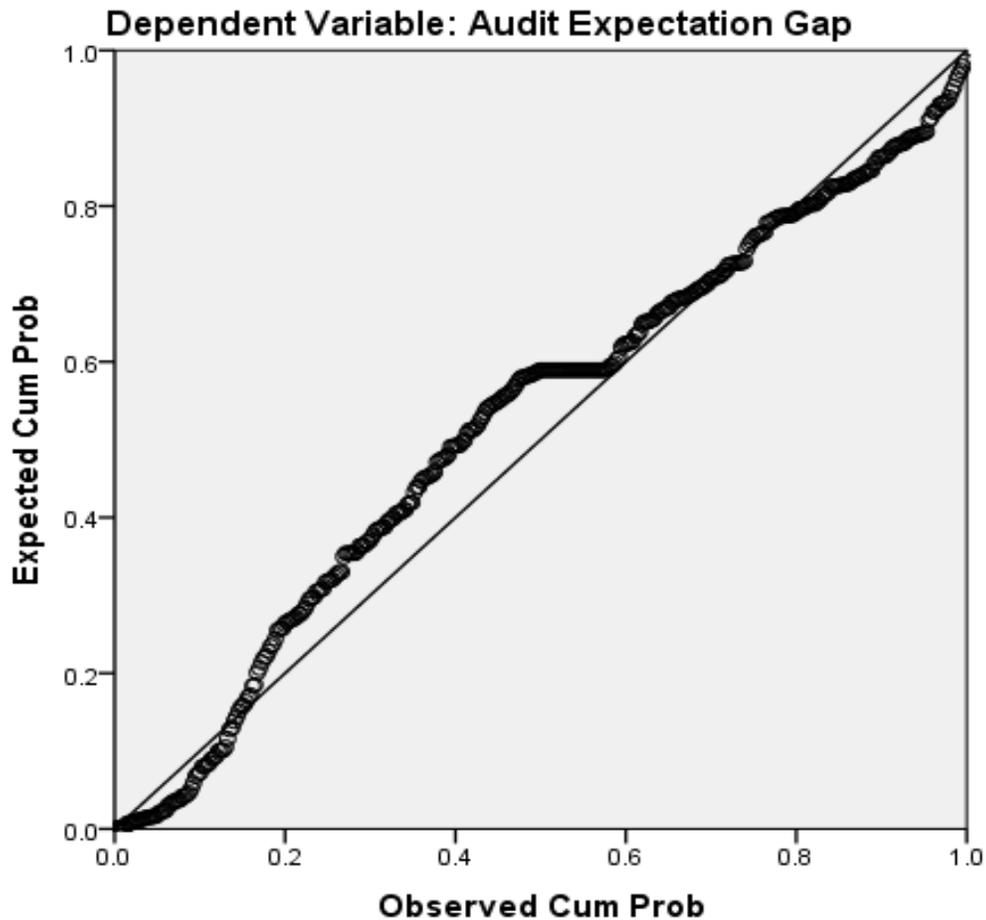
The hypothesis tested is;

H<sub>01</sub>: Auditors independence factors do not significantly impact on the audit expectation gap in deposit money banks in Nigeria. ANOVA Table 10 was used to test the research hypothesis at the 5% level of significance. The aim is to examine the significance of the factors of audit expectation.

### Decision criteria

At the 5% level of significance, in each case for the regression coefficients, the null hypothesis can be rejected if the  $p < 0.05$ , otherwise accept the null hypothesis. The computations using the SPSS are as follows. Table 10 shows that the independent factors are statistically significant ( $p < 0.05$ ). In other words, the model is good in terms of exploring linear relationship among independent factors of audit expectations gap in Nigeria as well as for prediction and control. Hence, the components of independence factors collectively have positive impact on audit expectations gap in Nigeria. Using the t-test, the model coefficients are also statistically significant ( $p < 0.05$ ) for expressing an

### Normal P-P Plot of Regression Standardized Residual



**Figure 3.** Observed cumulative probability. The observed cumulative probability plots above shows the goodness of fit of the model. The plots show an approximate linear relationship. Therefore, components of the independence factors have significant positive impact on audit expectations gap in Nigeria.

independent opinion, auditor’s economic dependence and professional ethics guidance.

The result of various diagnostics tests carried out shows that; 82.4% of the respondents agreed that auditors are responsible for expressing an independent opinion on financial statements based on their audit is an independence factor for audit expectations gap in Nigeria. Also, 63.6% of the respondents agreed that auditors are not independent in the Nigeria. Again, 63.6% of the respondents agreed that the auditor’s economic dependence on client is an independence factor for expectations gap in Nigeria. Also, 60.4% of the respondents agreed that audit market competition is an independence factor for audit expectations gap in Nigeria. Again, 54.8% agreed that auditors receive payment for non-audit services is an independence factor for expectations gap in Nigeria.

Furthermore, 63.9% of those who participated agreed

that the regulatory framework is an independence factor for audit expectations gap in Nigeria. Again, 70.9% of the respondents agreed that the corporate governance system in Nigeria is an independence factor for audit expectations gap. Also, 71.1% of those questioned agreed that the greater use of audit committees is an independence factor for audit expectations gap in Nigeria. Again, 73.0% of the target population agreed that the professional ethics guidance is an independence factor for audit expectations gap in Nigeria. Also, 58.0% of those who filled the questionnaire agreed that receiving gifts and presentations from management is an independent factor for audit expectations gaps in Nigeria. Again, 69.0% of the respondents agreed that a prospect of reappointment is an independence factor for audit expectations gaps in Nigeria. In general, the respondents agreed with the independence factors.

The components of independence factors like

expressing an independent opinion, auditor's economic dependence on the client, market competition for audit, receiving payment for non-audit duties, greater use of audit committee, regulatory framework, receiving gifts from management and prospects of reappointments collectively have positive impact on audit expectations gap in Nigeria. That is to say the independence factors are determinants of audit expectation gap in listed deposit money banks in Nigeria. This is in line with the findings of Salehi et al. (2019), Onulaka et al. (2019) and Amaechi and Chinedu (2017) but contradicts the findings of Kamau (2013).

## Conclusion

The result of the hypothesis tested showed that independence factors have significant impact on audit expectation gap in listed deposit money banks in Nigeria. The study thus found out that independent factors such as expression of an independent opinion, auditor's economic dependence on the client, audit market competition, receiving payment for non-audit services, receiving gifts and presentations from management, prospects of reappointment have positive impact on audit expectation gap. This shows that independence factors are determinants of audit expectation gap in listed deposit money banks in Nigeria. The study recommends that auditors should avoid dependence on the client for economic survival, engaging in non-audit services, avoid collecting gifts from management and that the regulatory authority of the Central Bank of Nigeria (CBN) has to emphasize on auditors tenure and that appointment of auditors shall be through a centrally controlled organize body; thus checking individual audit firms from competing among themselves.

A study can be carried out on behavioral component of audit expectation gap determinants such as auditors efforts, auditors skills etc. The study considers primary users of financial statements as target population comprising of existing investors/shareholders, lenders and other creditors.

## CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

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