BRIDGING THE AUDIT EXPECTATION GAP

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Abstract:

The role of external audit is crucial in today's corporate world. This is due to the separation of ownership from management as a result of numerous shareholders in companies. The credibility of auditors is being questioned in many countries, and is evidenced by criticisms and litigations against auditors. One major criticism by users of financial statements was that the auditors were unable to detect and report frauds. Even though auditors insist that their roles are not primarily fraud detection, somehow users of financial information expect the auditors verification function over the financial reports to assure society that management's prepared financial statements is free of fraud and is of a high quality. This misunderstanding between the auditors' perception of financial reporting and what the public expects such perception to be has been a recurring issue in the auditing literature and has often been referred to as the audit expectation gap. The study examines the issues associated with audit expectations gap and identifies the role of (i) Auditor adherence to Auditing standard, (ii) differences in the public's and (iii) auditor's perception regarding the duties of the auditors as possible factors influencing audit expectations gap. The recommendation is for the regulatory bodies of the accounting and auditing practice in Nigeria to set up appropriate regulatory frameworks and guidelines to reduce expectations gap.

Keywords: Audit expectations gap, financial reporting and accounting standards.

INTRODUCTION.

Over the years, there has been increasing concern about audit expectation gap and its effect on the firms operating in Nigeria. The extent of such gap and its effects on the ultimate owners who are the absentee shareholders has been a source of concern to the stakeholders. Audit expectation gap is the difference between what the public and other users of audited accounts expect from the auditor and what the auditor provides in compliance with his statutory duties and responsibilities.

While the auditor seeks to express an opinion as to whether the financial statements present fairly, in all material respects the enterprise's financial condition, results of operations, and cash flows free of material misstatements in conformity with generally accepted accounting principles, many users expect that an unqualified audit report implies that an auditor has performed a hundred percent check and guarantees the preciseness of the financial statements for business decision making (Barrrett, 2003), (Porter and Gowthorpe, 2004). Asien (2007) argued that the unqualified audit opinion is wrongly seen as a certification that the firm is solvent, liquid and has the capacity to adapt to the dynamics of the environment which continuity of existence implies. Expectation gap can be defined as the gap between the auditor's actual standard of performance and the various public expectations of required standard of performance (as opposed to their required standard of performance). This gap that is caused by unreasonable expectations of users of audited accounts is also referred to as the 'knowledge gap', because it results from users having not enough knowledge with respect to the auditors' existing responsibilities (Porter and Gowthorpe, 2004). This gap has been generating current interest and controversy. It is the auditors who see the gap as "unreasonable expectations by the users of audited accounts". As far as the users of audited accounts are concerned, Companies Act, 1984 provides that the auditor should state, among others, whether, in his opinion, the accounts gave "a true and fair view" of the Company's profitability and state of affairs and the financial statements were presented in a form which complied with statutory requirements. Statutory requirements according to section 360 of Companies and Allied Matters Act (CAMA), 1990, require, among others, that: "the auditor should ensure proper accounting records have been kept by the company and proper returns adequate for their audit have been received from branches not visited by them" Besides, the International Federation of Accountants (IFAC), 2005 has in respect of "detection of error or fraud", required the auditor to assess the risk of material error and fraud and design the audit to provide reasonable assurance of detecting significant errors or fraud and report accordingly.

Some Theoretical Issues

One of the theoretical issues on auditing is the "Policeman Theory". The proponents of this theory believe that an auditor's job is to focus on discovering and detection of fraud like a policeman. This was the most widely held theory on auditing until the 1940s. Under this theory an auditor acts as a policeman focusing on arithmetical accuracy and on prevention and detection of fraud. However, due to its inability to explain the paradigm shift of auditing, verification of truth and fairness of the financial statements; the theory seems to have lost much of its explanatory power. Current auditing literature does not support this theory. The latest view is that the responsibility for the prevention and detection of fraud and irregularities is that of the management (directors) of the enterprise who may obtain reasonable assurance that this responsibility has been discharged by establishing an adequate system of internal control (Limperg, 1992). The foregoing current view on the auditor's responsibility is in line with Justice Lopes landmark judgment on the Kingston Cotton Mill Case in1896, which states, among others, that in relation to the auditor's failure to have detected a fraud on the part of the management of that company: "It is the duty of an auditor to bring to bear on the work he has to perform that skill, care and caution which a reasonably competent, careful and cautious auditor would use. He stresses that an auditor is not bound to be a detective, or, as was said, to approach his work with suspicion, or with a foregone conclusion that there is something wrong. He is a watchdog, but not a bloodhound. He is justified in believing tried servants of the company in whom confidence is placed by the company. He is entitled to assume that they are honest and to rely upon their representations, provided he takes reasonable care.

However, there are some common misconceptions according to Adeniji (2012) in relations to the role of the auditors, even among "financially aware" people; these include the following:

(a) Many people think that the auditor's report to the directors of a company, rather than members.

(b) Some think that a qualified audit report is more favourable than an unqualified audit report; whereas the converse is true.

As a result of high rate of corruption in Nigeria which audit reports have not been able to control effectively due to audit expectation gap, the Nigerian economy is really faced with poor human developmental and economic indices as evidenced by declining GDP, low per capita income and high rate of perennial inflation with their attendant social stigma, integrity complex, national and international image problems (Ogbonna and Ebimobowei, 2012:15-16).

Some Empirical Studies

Empirical study by Barrett (2003) revealed exactly why Andersen's audits of Enron failed to uncover the pervasive accounting fraud at the company, and showed the several factors that likely contributed to the audit failure. Some of these factors are: unconscious bias, compounded by organizational flaws and a culture at Andersen that emphasized marketing non-audit services to audit clients in an effort to boost profits; significant conflicts of interest and self-interest and greed, all help explain why Andersen did not (1) catch the problems at Enron, and (2) tell the world that such problems existed.

A study in USA by Baron et al (1977) examined the extent of auditors' detection responsibilities with respect to material errors, irregularities and illegal acts. They attempted to establish whether there are any differences in the perceptions regarding auditors' detection and disclosure duties between the auditors and users of accounting reports. They found that auditors and users of accounting reports have significant different beliefs and preferences on the extent of auditors' responsibilities for detecting and disclosing irregularities and illegal acts (Salehi and Rostami, 2009).

Studies by Barrett (2003) revealed that almost half of the investors surveyed believed that audited financial statements provide absolute assurance against errors or unintentional misstatements. Best et al (1999) examined auditors, bankers and investors in Singapore and found that moderate gap exists. Out of sixteen areas, a significant area of gap concerns the auditors, they believe that the auditors are responsible for detecting all fraud, and they are not responsible for preventing fraud.

AUDIT EXPECTATIONS GAP

The audit expectation gap has a long history since there is widespread concern about the existence of the expectation gap between the auditing profession and the public. The term expectation gap was first applied to auditing by Liggio (1974), and ever since then, the evidence has increasingly indicated the existence of an expectation gap (Boyle and Canning, 2005; Ariff and Rosmaini, 2005 and Dixon, Woodhead and Sohliman, 2006). An expectation gap exists when auditors and the public hold different beliefs about the auditors‟ duties and responsibilities and the messages conveyed in audit reports. Apparently, there is a gap between what the public expects and what they actually get (Hian and Woo, 1998).

In recent years, the auditing profession has been the focus of attention, particularly because of certain well-publicized corporate collapses. Godsell (1992) argued that there is a belief that a person who has any interest in a company such as shareholders, potential investors, take-over bidders and creditors, should be able to rely on company audited accounts as a guarantee of its solvency and business viability. Hence, if it is known, without any warning that the company is in serious financial difficulty, the stakeholders felt that somebody should be made accountable for this financial disaster, and it is always perceived to be the auditors. These misconceptions by the public result in the legal liability crisis faced by the accounting profession (Maccarone, 1993).

Any enterprise worldwide relies on two very important and integral components of accounting and auditing. The former one tracks all transactions of the firm and provides information via financial reporting, while audit is performed to indicate the correctness of this track and to ascertain the validity and reliability of information. The purpose of audit is „to enhance the degree of confidence of intended users in the financial statements by expression of an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework‟ (IASB, 2010).The role of auditors in the financial statement has been and continues to be an important issue for the auditing profession.

According to Leung, Coram, Cooper, Cosserat and Gill (2004) auditing practice has undergone various important evolution stages. During the early 1990s, the detection of fraud was the primary purpose of external financial audit (Rezaee and Riley, 2010). With time, Lee and Ali (2008) claim that auditing practice became more related to „enhancing role‟, with special focus on integrity and credibility of the information provided in financial statements; while Boynton, Jonson and Kell (2005) declare that, besides enchasing credibility of financial statements, auditors nowadays are providing other services such as reporting on irregularities, identifying business risks, and management consulting on internal controls. In other words, auditors are supposed to bridge the communication between the managers of the company and final users of published financial reports through authentication, reliability and correctness of financial reporting (Salehi and Rostami, 2009).

According to Porter (1993), the existence of an auditor’s perception on financial reporting quality has been made more significant with relation to what other stakeholders perceive by examining certain grey areas. Firstly there is the part of this disparity in perception is results from a “performance gap”. Porter (1993) notes that this performance gap refers to the different perception between “what society can reasonably expect auditors to accomplish and what they are perceived to achieve”. This later component then is divided further and are presented by deficient standards (“a gap between the duties which can reasonably be expected of auditors and auditors’ existing duties as defined by the law and professional promulgations”) and the deficient performance (“a gap between the expected standard of performance of auditor’ existing duties and auditors’ perceived performance, as expected and perceived by society) (Porter, 1993).

COMPONENTS OF THE EXPECTATION GAP

Brindle, B. (1990), recognized two components of the expectation gap as (1) Requirement Gap, (2) Feasibility Gap. The requirement gap was further decomposed into (a) Performance Gap, (b) Standard Gap

1. Requirement Gap: The requirement was identified as the gap between auditor’s actual standard of performance and the performance required of them by the current standards of society. The standard of performance set out both professional standards and statutes, the later being subject to interpretation through courts of law is the required standard of performance.

(a) Performance Gap: This is the gap between the standard of performance set out by the professional standard and statues and how the auditors are by themselves actually performing.

(b) Standard Gap: This is the gap between the society’s requirement standard of performance on one hand and the standard of performance as determined by reference to professional standard and statute on the other hand. Society’s required standard of performance is the standard of performance set out in the statutes professional standards augmented by the decisions handed down in the court of law.

2. Feasibility Gap: The feasibility gap is the gap between society’s required standard of performance and various public expectations (i.e. expected standard of performance).

AUDITORS AND THE EXPECTATION GAP IN FINANCIAL REPORTING.

As stated earlier, the audit expectation gap has a long history since there is widespread concern about the existence of the expectation gap between the auditing profession and the public. And in recent years, the auditing profession has been the focus of attention, particularly because of certain well-publicized corporate collapses. Boyd, Boyd, and Boyd (2001) argue that another reason that may provide a basis for auditors in pushing for public understanding of their perception of reporting quality is the unreasonable expectations and a misunderstanding by the audit reports users. User misunderstanding forms part of the elements that compromise the concepts of the audit expectations gap. This view appears to be advanced by the audit profession as a defense to the growing criticism on auditors. As stated by Sweeney (1997) the main conclusion of the profession was that user's perceptions of the audit were flawed, rather than with any significant problem with the audit itself. This view is consistent with the finding of Porter and Gowthorpe (2004). That is, unreasonable expectations by the public at large were the main factor representing 50% of the audit expectation-performance gap in the U.K. Turley (1992) argued that the differences in auditors perception and users perception of financial reporting quality is caused by the public`s misunderstanding of the audit function, by over-exaggerated responses to the isolated failings of individual auditors and by miss-appreciation of the event to which the profession is actively responding to public interest demands and enhancing the quality of audit services.

FACTORS INFLUENCING THE PERSISTENCE OF THE AUDIT EXPECTATIONS GAP.

In this section, we examined the factors that influence the persistence of the audit expectations gap in financial reporting. The following factors are examined; Society's failure to understand the auditor's duties, Auditor adherence to Auditing standards and differences in the public's and auditor's perception regarding the duties of the auditors. 5.1. Society's Failure to understand the Auditor's Duties For nearly four decades Chandler and Edwards (1996) noted that there has been a mismatch between society's expectations of auditors and auditors' performance; that is, auditors have not met society's expectations. The findings of Porter's (1993) and Porter and Gowthorpe's (2004) research indicate that the gap results from three main causes; (i) society having unreasonable expectations of auditors, (ii) auditors not meeting society's reasonable expectations and (iii) society being dissatisfied with the standard of auditor's performance of some of the responsibilities they are required to perform by law, regulations or professional promulgations. The findings of these studies (Porters 1993; Porter and Gowthorpe 2004) also suggest that, while society's unreasonable expectations of auditors are increasing, auditors are better meeting society's reasonable expectations and performing their responsibilities to an improved standard. However, studies conducted in countries such as China and Saudi Arabia indicate that society's expectations of auditors and its perceptions of their performance (and, hence, the extent and composition of the audit expectation gap) may be significantly affected by institutional and cultural factors. Attempts by the auditing profession to narrow the audit expectation gap, globally or in individual countries, will need to be cognizant of the impact of these and similar factors. Robinson and Lyttle (1991) found Society's Failure to understand the auditor's role in relation to the detection and reporting of fraud to be the most important cause of the expectations gap. Humphrey et al (1992) noted that fraud has been an important element in the debate on audit expectations throughout the history of the statutory audit. The credibility of auditors is being questioned in many countries, and is evident by criticisms and litigations against auditors (Porter, 1993). Audit expectation gap contributes partially to these litigations and criticisms against auditors. One major criticism was that the auditors were unable to detect and report frauds, causing bankruptcy costs. Public misperceptions are a major cause of the legal liability crisis facing the accounting profession. Many users misunderstand the nature of the attest function, especially in the context of an unqualified opinion. Some users of financial reports feel that the auditor should not only provide an audit opinion, but also interpret the financial statements in such a manner that the user could evaluate whether to invest in the entity. There are also users who expect auditors to perform some of the audit procedures while performing the attest function like penetrating into company affairs, engaging in management surveillance and detecting illegal acts and/or fraud on the part of management. It is these high expectations on the part of users of financial statements that create a gap between auditors' and users' expectations of the audit function.

AUDITOR ADHERENCE TO THE AUDITING STANDARDS.

The Oxford Dictionary of Accounting (2008) describes auditing standards as the basic principles and essential procedures with which auditors are required to comply in the conduct of any audit of financial statements. This is the basic principles which govern the auditors professional responsibilities and which must be complied with whenever an audit is carried out. Auditing standards are a number of rules accepted by the profession as guidelines to measure transactions, event and circumstances which affect financial results and financial information supplied to beneficiary parties (Igbinosun, 2011). In Nigeria, the International Standards on Auditing (ISA) are mandatory for the companies quoted on the Nigeria Stock Exchange (NSE) where Nigerian Auditing Standards do not exist. But due to the peculiarity of the Nigerian environment on July, 2006 nine (9) Nigerian Standards on Auditing (NSA) were issued. These claimed priority over the ISAs in the Nigeria context. The objective of the audit of financial statements is to enable the auditor to express an opinion on whether the financial statements were prepared, in all material respects, in accordance with an identified financial reporting framework. The auditor's opinion is intended to enhance the credibility of the financial statements. To achieve these objectives there are requirements that should be satisfied according to the ISAs and NSAs. These standards should be related to the relevant objectives of the audit, which should be relevant and appropriate within the social environment. Therefore, these standards should satisfy the four criteria of relevance, acceptability, consistency and suitability. The Auditing Practices Committee issued a series of auditing standards between 1980 and 1991. The standards issued by its successor body, the Auditing Practices Board (APB) are known as Statement of Auditing Standards (SAS). The APB also issues practices notes (to assist the auditor in applying auditing standards of general application to particular circumstances and industries) and Bulletins (designed for issue when guidance is needed on new or emerging issues). International Auditing Practice Committee believes that the issue of such standards and statements improve the degree of uniformity of auditing practices and related services throughout the world (IFAC, 1997). It is however, clarified that the guidance's do not override statutory or professional regulations. Though the International Auditing Guidelines apply (IAG) primarily to independent financial audits, it is recognized that they may also have application, as appropriate, to other related activities of auditors. IAG are not automatically binding on the auditors in a particular country. However, they provide an authoritative view of what is internationally recognized as Generally Accepted Auditing Practices (GAAP) and thus, serve as the basis for the development of auditing pronouncements by professional bodies.

DIFFERENCES BETWEEN PUBLIC AND AUDITOR'S PERCEPTION OF AUDITOR'S DUTIES.

In 1988, the Canadian Institute of Chartered Accountants (CICA) established a Commission (the Macdonald Commission) to study the public's expectations of audits. If the Commission found a gap existing between what the public expects or needs and what auditors can and should reasonably expect to accomplish, it was to develop recommendations on how the disparity should be resolved (CICA 1988). Like earlier studies, the Commission found that amongst its respondents (including the financial community group) there was substantial misunderstanding about the role of the auditor. In 1990, Humphrey, Moizer and Turley (1993) conducted a survey in the UK to investigate the opinions of auditors, auditees and financial statement users about auditors and their work. Like the earlier studies, Humphrey et al.'s survey found that the opinions of the auditor group differed markedly from those of the financial directors and financial statement users. The largest difference related to the assertion: "Too much is expected of auditors by the investing community" (Humphrey et al. 1993). Eighty two percent of the accountants and 73 per cent of the auditors agreed with the assertion, the financial directors were almost equally divided in their opinion but an average of 67 per cent of the financial statement users (investment analysts, bankers and financial journalists) disagreed with it. Significant differences were also evident in respect of the assertions: “Auditors do not understand the problems of a business” and “Auditors should report to shareholders on management efficiency”. While the auditors and, to a lesser extent, the accountants disagreed with the statements, the financial directors and financial statement users conveyed their agreement. However, while the auditors disagreed with the notion that they should report on management’s efficiency, they agreed (as did the other groups) that they should be “identifying ways to improve management efficiency. Lin and Chen (2004) investigated the audit expectation gap in China by means of a survey of auditors and audit beneficiaries (investors, creditors, government officials, business management and academics). They found that the auditors and audit beneficiaries agreed that there is a need to increase auditors’ independence. However, the groups’ opinions differed in respect of the objectives of a financial statement audit, auditors’ responsibility to detect fraud, third-party liability of auditors. While the auditors strongly agreed that the objective of a financial statement audit is to ensure the auditee’s financial statements are presented in a true and fair manner, the audit beneficiaries indicated that they expect the objectives of an audit to include detecting and reporting fraud, other corporate irregularities and management inefficiencies. The audit beneficiaries also expressed the view that auditors should be liable for third party losses caused by their negligence or failure to perform their responsibilities properly. Perhaps not surprisingly, the auditors disagreed with this proposition. Haniffa and Hudaih (2007) investigated the possible existence of an audit expectation gap in Saudi Arabia. Using a questionnaire, they ascertained the opinions of 174 auditors and members of various audit interest groups about the standard of auditors’ performance of their duties that are (i) required by Saudi law and (ii) not legally prescribed but, nevertheless, are expected of auditors. The survey participants were also asked whether they thought that auditors’ performance is affected by environmental factors such as auditors’ licensing policy and recruitment process, the political and legal structure, and societal values. To support the quantitative data, and to probe the underlying motivations, feelings, values, attitudes, and perceptions about the audit environment in Saudi Arabia. Haniffa and Hudaih (2007) conducted 48 semi-structured interviews with selected members from each of the interest groups (Haniffa & Hudaih 2007). The study found significant differences of opinion between the auditors and the interest groups about auditors’ performance of their duties. Auditing standards are a number of rules accepted by the profession as guidelines to measure transactions, event and circumstances which affect financial results and financial information supplied to beneficiary parties (Igbinosun, 2011). These standards should be related to the relevant objectives of the audit, which should be relevant and appropriate within the social environment. Therefore, these standards should satisfy the four criteria of relevance, acceptability, consistency and suitability. Auditing standards are important to the user of accounting report. According to the World Bank Report on the Observance of Standards and Codes (ROSC, 2004), at the international level, standards enhance transparency. They identify weaknesses that may contribute to economic and financial vulnerability. They foster market efficiency and discipline. At the national level, standards provide a benchmark to identify vulnerabilities and guide policy reform. To best serve both international and national objectives, the scope and application of such standards need to be assessed in the context of a country’s overall development strategy and tailored to individual country circumstances. International standards have been formulated to harmonize auditing practices between different nations and are to be applied where there are no local standards. In Nigeria, the International Standards on Auditing (ISA) are mandatory for the companies quoted on the Nigeria Stock Exchange (NSE) where Nigerian Auditing Standards do not exist. But due to the peculiarity of the Nigerian environment on July, 2006 nine (9) Nigerian Standards on Auditing (NSA) were issued. These claimed priority over the ISAs in the Nigeria context. The need to address the challenges with domestic standards in terms of the deficiencies has led to the dominance of the International Standards on Auditing (ISA) which has been less contentious. Many countries have taken the ISAs as the foundations for national standards and supplemented them with additional requirements, believed to be appropriate to their domestic market. The ROSC reports points to two important areas in which most domestic standards are contentious and this may be as a result of the deficiencies in the standards themselves. Firstly, is a weakness in the standards resulting from undue political or lobbying influence in standard-setting activities and lack of detailed rules. For example, many stakeholders in many countries believe that fraud detection should be recognized as a responsibility of statutory auditors. They contend that the scope of audits must be expanded beyond the current requirements of International Standards on Auditing, and looking for fraud must be made an affirmative audit obligation. The international standards on auditing are clear and detailed about what the expectation of stakeholders in terms of fraud detection should be and also the extent to which the auditor will be liable. Second, is the practice in most countries where a principal auditor bases his or her audit opinion on the financial statements taken as a whole solely upon the report of another auditor regarding the audit of one or more components. This could simply lead to the persistence of audit weaknesses where it is the case that the audit report to be depended on has not be done in line with best standards. However, with the ISA the auditor bears full responsibility for the audit report.

AUDITORS' DUTIES AND RESPONSIBILITIES IN THE NIGERIAN ENVIRONMENT

The Companies and Allied Matters Act (CAMA), CAP C20, LFN 2004 is the principal law which sets the tone for the incorporation and conduct of business in Nigeria. Section 357 of the Act requires that every company shall at each Annual General Meeting (AGM) appoint an auditor(s) to audit the financial statements of the company. The Act further requires that the audit must be performed by an approved company's auditor as defined under Section 358 of CAMA 1990. Under Section 360 (4) of the CAMA 1990, auditors are required to include in their report if any of the requirements of the Act have not been complied with in the accounts. Specifically, the Act states that it shall be the duty of the company's auditor, in preparing their report, to carry out such investigations as may enable them to form an opinion as to the following matters whether: (a) proper records have been kept and adequate returns received from branches not visited by him; and (b) the company's balance sheet and profit and loss accounts are in agreement with the accounting records and returns. The auditors' report shall state the matters set out in the Sixth Schedule to CAMA as follows:

(i) Basis of preparation of the entity's financial statements (that is, the financial statements have been prepared on the basis of the entity's accounting policies);
(ii) Respective responsibilities of the directors and the auditors;
(iii) Basis of the auditors' opinion;
(iv) Whether proper books of account have been kept;
(v) Compliance with the provisions of the Companies and Allied Matters Act, Cap. C20 LFN 2004;
(vi) Compliance with the statements of accounting standards issued by the Nigerian Accounting Standards Board (NASB).

CONCLUSION.

The role of external audit is crucial in today's corporate world. This is due to the separation of ownership from management as a result of numerous shareholders in companies. The external auditors' are usually perceived as independent and unbiased, thus, users of financial statements rely on these audit reports for decision making. In essence, the auditor's role is carried out to add credibility to financial statements released after the end of a company's financial year. The credibility of auditors is being questioned in many countries, and is evident by criticisms and litigations against auditors. One major criticism by users of financial statements was that the auditors were unable to detect and report frauds. Even though auditors insist that their roles are not primarily fraud detection, somehow users of financial information expect the auditors verification function over the financial reports to assure society that management's prepared financial statements are free of fraud and are of a high quality. This misunderstanding between the auditors' perception of financial reporting and what the public expects such perception to be has been a recurring issue in the auditing literature and has often been referred to as the audit expectation gap.

The major recommendations are for the regulatory bodies of the accounting and auditing practice in Nigeria to set up appropriate regulatory frameworks and guidelines, as it is experienced in some developed countries like US and UK. Such issues of auditor's independence should be protected by the relevant regulatory bodies. Also, to move towards bridging the gap in the long term, the audit profession will have to expand services and undergo a fundamental change in attitude from self-defence and self-preservation to meeting society's expectations. This orientation will mean an expansion of services including more work to detect fraud and more internal control audits and disclosure. It will also mean increasing scope of services provided, increasing the quality and diversity of audits and decreasing liability exposure due to not meeting existing user demands. Fraud audit or forensic audit should be legislated just as financial audit is legislated or routine as part of the services package offered by auditor. Lastly, the gap may be narrowed partly through increased public enlightenment of what audit is, its nature and inherent limitations. This could be achieved at the shareholders meetings.

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