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The Role of Standards and Audit Firms in Reducing the Expectation Gap: A Qualitative Approach

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ABSTRACT: *Audit expectation gap has generated quite a number of research papers. In this the author uses a qualitative approach to find out what audit firms and standard setters can do to reduce the audit expectation gap. The result of the study shows that improved stakeholder consultation, stakeholder education, setting clear and unambiguous standards, broadening scope of work are some of the things that standard setters and audit firms can do to reduce the audit expectation gap.*

KEY WORDS: expectation gap, audit firms, standard setters.

INTRODUCTION

Investors and other users of financial statements can utilize the certainty of audited financial statements to help them decide whether to stay with or sell their stakes in organizations. Lazarus et al. (2021) assert that auditors contribute to the accurate and timely payment of taxes, the accurate maintenance of public documents, and the efficient operation of firms. They carry out financial investigations for numerous organizations, such as businesses, private clients, and the federal, state, and local governments. According to Fadzly and Ahmad (2004), independent audits of financial statements have long been associated with the role of assurance, which ensures the accuracy of management-provided information.

However, different opinions about the degree of certainty that may be expected from auditors have arisen as a result of the audit's unique position. While users of financial statements think auditors give "perfect" assurance, the auditing industry emphasizes the fairness of financial statements, as indicated by Segal (2019) that the annual financial statements (AFS) of a business are presented fairly in all material respects. Henda (2022) also believes that the trustworthiness of financial information often determines how important it is when making judgments. Because one's perception of the reliability of financial information and, consequently, decision-making is influenced by personal knowledge and experience,

According to Okafor and Otalor (2013), many users seem to have an incorrect understanding of the attestation function, particularly when it comes to an unqualified opinion, thinking that it requires flawless financial reporting. Some people think that in order for users to determine whether or not to invest in the company, the auditor should not only offer an opinion but also interpret the financial statements. Users' high expectations have not changed, even if the profession's job has moved from identifying fraud by validating all transactions and amounts to assessing truth and fairness in financial reporting. As a result, there is a discrepancy in what users and auditors expect from the audit function (Fadzly & Ahmad, 2004). Everyone with a stake in a company, including shareholders, potential investors, takeover bidders, creditors, etc., should be able to rely on its audited financial statements as evidence of its solvency, propriety, and business viability (Reza & Karim, 2018). However, financial scandals and failures at corporate titans like Enron, WorldCom, Arthur Andersen, and Xerox increased public outrage about dishonest corporate reporting.

The audit expectation gap is the outcome of a reduction in the public's trust in auditor reports in particular and an increase in stakeholders' expectations of the audit profession. It is evident that there is a mismatch in expectations between those who utilize financial statements and those who prepare them as a result (Deepal & Jayamaha, 2022). According to Okafor and Otalor (2013), the widespread criticism and legal action against auditors may be the result of their failure to live up to public expectations regarding the conditions of the organizations they audit. As a result of the financial crisis and significant financial scandals, the audit profession has suffered. The audit expectation gap (AEG) was created in part as a result of a decline in public confidence in auditor reporting and an increase in stakeholder expectations of the audit profession (Fulop et al., 2019). The history of audit expectation gaps is extensive and lasting. The "expectations gap" between the auditing profession and the general public is a subject of considerable concern. The expectation gap arises when the general public and auditors have different ideas about what an auditor should and shouldn't be doing, as well as what an audit report should and shouldn't say. What the public anticipates and what it actually obtains appear to be at odds (Koh & Woo, 1998).

Definitions of the audit expectation gap have changed dramatically over time, according to Füredi-Fülöp (2015). The research into the gap went away from its definition and toward analyzing the nature, structure, and origin of the audit expectation gap as well as the opportunities for narrowing the gap. However, the Porter (1993) description was recognized as the basic definition. The audit expectation gap, according to Fadzly and Ahmad (2004), is a result of different expectations of independent audit functions held by auditors and the general public, particularly financial statement readers. The expectation gap is also a significant and difficult problem in the audit profession, with disagreements over its definition (Fossung et al., 2020). Generally speaking, it is the discrepancy between stakeholders' perceptions and what the profession considers an audit to be and do. According to Ebimobowei (2010), the "audit expectation gap" refers to the discrepancy between what the general public and users of financial statements understand an audit's job to be and what the audit profession states is expected of them throughout the audit. The probabilistic nature of auditing, society's ignorance, naiveté, and excessive expectations, as well as the expansion of audit obligations, are, however, to blame for the expectation gap.

The purpose of this study is to investigate how auditing standards and audit firms contribute to closing the audit expectation gap. Many studies have looked at how to close the expectation gap. According to certain studies, audit education and training should be implemented (Fulop et al., 2019; Astolfi, 2021); audit reports should be expanded (Behzadian & Nia, 2017; Conteh & Hamidah, 2021); and communication should be improved (Akther & Xu, 2020; Conteh &Hamidah, 2021). There is a void regarding how auditors and standards can close the expectation gap, as only a few studies exist, such as Astolfi (2021), Nwaobia et al. (2016), and Mansur & Tangl (2018), which were conducted in more developed economies. This study extends the literature on how standards and audit firms can help reduce audit expectation gaps by providing evidence from a developing country perspective.

The preparation of financial statements is based on standards, and auditors are the professionals who examine these financial statements in accordance with those standards. Therefore, these two, taken together, have a bigger role to play in closing the expectation gap. The goal of this study is to investigate how standard-setters and audit firms can close the expectation gap. According to Astolfi (2021), auditors generally and the "Big 4" (PwC, EY, KPMG, and Deloitte) in particular make claims about their superior knowledge and skills, which are meant to enable them to carry out statutory audit missions and provide high audit quality. Nwaobia et al. (2016) find that, if full compliance is attained, the new auditor reporting standards are the proper steps and might be a suitable reaction to the expectation gap.

REVIEW OF THE LITERATURE AND FORMULATION OF HYPOTHESES

A Theoretical Foundation

The ideas that support the research on expectation gaps are examined in this section. It takes a quick look at the policeman theory and the theory of inspired confidence in particular.

The "Policeman" Theory

According to Tarus et al. (2005), this was the most frequently recognized paradigm in auditing up to the 1940s. In accordance with this view, an auditor performs the duties of a police officer, concentrating on mathematical precision as well as the avoidance and detection of fraud. Due to the theory's inability to account for the transition from auditing to the verification of the accuracy and fairness of financial accounts, it appears to have lost much of its explanatory value. According to the policeman hypothesis, an auditor's duties are restricted to fraud detection and prevention. According to the hypothesis, stakeholders expect auditors to safeguard them against fraud, forewarn them of impending insolvency, and generally reassure them of their financial well-being (Olaoye et al., 2019). The temptation to expand auditor responsibilities in detecting fraud often grows after incidents in which financial statement frauds are discovered (Ittonen et al. 2010). On the other hand, the detection of fraud continues to be a hot topic in the discussion over auditor responsibilities.

Theory of Inspired Confidence:

Limperg (1932) addresses both the supply and demand for audit services in his theory of inspired confidence (theory of rational expectations). A direct driver of the demand for audit services is the involvement of third parties (those with an interest in a firm). These stakeholders expect management to be accountable in return for their investments in the business. Quarterly financial reports are published in order to establish accountability. However, an audit is necessary to guarantee the accuracy of this information because management's information may be skewed and outside parties lack direct oversight of it. When giving audit assurance, the auditor should constantly try to live up to the public's expectations (Limperg, 1932).

These theoretical arguments unequivocally demonstrate that the majority of people support audits that combine the functions of a watchdog and a bloodhound. Since auditing is a societal creation, it must continue to be relevant in order to fulfill societal demands. Due to societal expectations, the audit professional must give up their traditional function and adopt a considerably larger one. Audit cannot continue in its traditionally defined position since society is changing rather than static (Ogoun & Odogu 2020).

Audit expectation Gap

The audit expectation gaps have a lengthy and persistent history (Koh and Woo 1998). The "expectations gap" between the auditing profession and the general public is a subject of considerable concern. The expectation gap arises when the general public and auditors have different ideas about what an auditor should and shouldn't be doing, as well as what an audit report should and shouldn't say. What the public believes it will receive and what it actually obtains seem to be at odds with one another. According to numerous reports, the audit expectation gap was originally mentioned in writing by Liggio (974). The disparity between expected performance levels as seen by both users and auditors of financial statements is known as the expectation gap, according to him. Porter (1993) broadened Liggio's concept because she believed it to be excessively restrictive. The meaning of the audit expectation gap has changed dramatically over time (Füredi-Fülöp 2015). The Porter definition, however, was considered to be the fundamental concept, and the focus of research into the gap switched from its definition to the type, structure, and origin of the audit expectation gap as well as finding opportunities for closing the gap. The expectation gap, according to Lazarus et al. (2021), is described as discrepancies in perceptions and preferences between auditors and users of financial statements brought on by irrational expectations, subpar standards, and auditor performance. The fundamental presumption was that an audit expectation gap would exist if there were notable perception gaps between users and auditors of financial statements.

According to Füredi-Fülöp (2015), the expectation gap is typically brought on by a number of failings (overestimations, incorrect interpretations, subpar performance, etc.). All impacted localities must take action because, unless prompt and effective solutions are offered, the gaps in expectations will continue. According to Fadzly and Ahmad (2004), the audit expectation gap is the outcome of different expectations of independent audit functions held by the general public, particularly financial statement users and auditors. A mismatch between user expectations and the auditor's duty is what leads to the Audit Expectations Gap (AEG) (Henda, 2022). The "audit expectation gap" refers to the discrepancy between what the general public and users of financial statements understand an audit's job to be and what the audit profession asserts is expected of them throughout the audit (Ebimobowei, 2010).

The probability-based nature of auditing, society's ignorance, naiveté, and unreasonable expectations, the evolution of audit responsibilities, which causes response time lags to changing expectations, the corporate financial crisis and accountability requirements, a conflict between the profession's minimal government regulation, and a lack of technical competence, timeliness, and relevance of auditor communication are the main causes of the expectation gap. The bulk of research studies contend that users' realistic expectations of the audit profession's performance as well as their reasonable audit expectations are the main causes of the audit expectation gap. Olojede et al. (2020) assert that, in light of the study's findings, the audit expectation gap was mostly brought on by users' unrealistic expectations as a result of their ignorance of the functions of auditors. The idea of expectation gaps and how they impact different stakeholders has been the subject of several empirical investigations. Investors have higher expectations for various audit facets and/or assurances than auditors in the following areas: disclosure, internal control, fraud, and illegal operations, according to research by McEnroe and Martens (2001) on the "expectations gap" between auditors and investors. According to our research, investors also anticipate auditors serving as "public watchdogs." Xu and Akther (2019) carried out an empirical study to examine the presence of the audit expectation gap and its effects on investor confidence. The results of the study showed that the presence of an audit expectation gap was adversely correlated with investor confidence and that the bigger the audit expectation gap, the less confidence investors had in audits. Additionally, it was discovered that the audit expectation gap was adversely correlated with auditor independence and better communication but favorably correlated with investor trust. The aforementioned illustrates how badly the attitudes of investors and stakeholders are impacted by the audit expectation gap.

Fadzly and Ahmad (2004) look into the expectancy gap in Malysia. According to the data, there are large expectations, gaps, and false beliefs regarding auditing in Malaysia. The benefit of employing reading material to inform users and dispel some myths was shown in an experiment with investors. Agyei et al. (2013) noted that there was a gap in Ghana's audit expectations. It was found that the view of financial statement users as having auditor responsibilities and audit objectives is the primary cause of the audit expectation gap, which is a very fundamental problem in every civilization throughout the world. Lazarus et al. (2021) look at whether users and auditors in Cameroon have different expectations for audits. The results demonstrate statistically significant evidence (= 0.05) of a gap in audit expectations with regard to auditors' responsibility to prevent and identify fraud, maintain the soundness of internal control systems, and address concerns with the objectivity and impartiality of auditors. Devi and Devi (2014) find the variable(s) at the core of the discrepancy in audit expectations between auditors and users of financial statements. After evaluating the data using the independent sample test, their study finds a disparity between the auditor and investor in two dimensions, namely the dependability and use of audited financial statements.

In Cameroon, Fossung et al. (2020) look into the factors that influence the audit expectation gap. This study uses Cameroon as a case study to determine the factors that affect the expectation gap between financial statement consumers (investors and bankers) and auditors from the perspective of a developing nation. They discovered that while gender, years of experience, and occupation (investors and accountants) have no discernible impact on the audit expectation gap (AEG), audits and audited financial statements, as well as the competence of auditors, are good predictors of the AEG. The expectation gap is thereby made even wider by an increase in auditor legislation and responsibilities regarding the accuracy and value of audits and audited financial statements, as well as auditors' competence.

The role of audit education in narrowing the expectation gap is examined by Fulop et al. (2019). The purpose of the study was to determine whether audit education has an impact on the existence of the audit expectation gap. The findings from a qualitative design demonstrate that audit education affects the AEG and how users perceive the auditor's duties, and that the AEG can be decreased if actions are taken to raise stakeholders' audit education in conjunction with new and revised reporting standards. Okafor and Otalor (2013) talk about how the audit profession might reduce the difference between expectations. The goal of the study was to ascertain how the auditing profession can help close the audit expectation gap. The results show that the general public has unrealistic expectations of auditors because they are unaware of their duties.

Accounting standards and performance of auditors

When auditing financial statements, auditors followed guidelines. Auditing standards cover every step of the auditing process, from the planning stage to the execution stage, from the gathering of audit evidence to the reporting stage. If standards are correctly developed and followed by practitioners, the audit expectation gap should decrease. Kassem and Higson (2012) assert, however, that the gap is also brought on by restrictions in audit professional standards and external auditors' efforts to find serious misstatements brought on by fraud. The audit standards setters released a variety of standards that specifically address the limits of external auditors' responsibilities for fraud detection in an effort to bridge the audit expectation gap. However, the expectation gap has not yet been closed as a result of these norms. The fundamental cause of this discrepancy in perception is that the role of the auditor has never been clearly defined. In the early years of the profession (the nineteenth century), auditors were employed to offer nearly complete assurance against fraud and purposeful mismanagement. The audit standard setters released a variety of standards that particularly address the limits of external auditors' responsibilities for fraud detection in an effort to reduce the audit expectation gap (Kassem & Higson, 2012). According to Willekens and Simunic (2007), professional standards-setting organizations from all over the world spend a lot of money creating guidelines for how well audit services function. Since investors and creditors rely on their judgments of audited financial statements and cannot personally observe the quality of audit services, auditing standards are typically regarded as setting a minimum acceptable audit quality level. The creation and application of suitable, high-quality auditing criteria is the first step toward quality audits. Aside from defining what an audit is and fostering consistency, auditing standards also facilitate education, assess performance, and—most importantly—influence auditor behavior. Standards also have an impact on a wide range of other elements that affect auditor conduct, including inspections, enforcement, and company procedures. Standards generally provide precise requirements and are typically designed to create consistency, comparability, and uniformity, whether they are connected to independent audits or other facets of life and work (Burns & Fogarty 2010). Burns and Fogarty (2010) state that we now have high-quality auditing standards in the United States and around the world as a result of decades of practice. Willekens and Simunic (2007) show that reducing GAAS precision initially induces an auditor to produce higher audit quality by exerting more effort. However, audit standard setters usually address perceived audit failures after they have happened rather than predicting the next audit failure. Setting standards should think about putting more emphasis on fixing potential problems in the future. Due to the complexity of accounting and auditing requirements, auditors are expected to narrow the gap between expectations by generating high-quality financial reports. The complexity and subjectivity of IFRS are believed to make investors more difficult to deal with than auditors. However, it may be unrealistic to assume that auditors can fully understand the complexity that IFRS introduces (Astolfi, 2021). I find that the contribution of IFRS to the AEG is overestimated despite being at least as significant as auditing standards, using survey data from 158 auditors and financial information preparers operating in an IFRS context (Astolfi, 2021). Through a better explanation of the auditing standards that support the meaning of the auditor's report, Dickins and Higgs (2009) seek to narrow the expectation gap.

As auditors adhere to auditing standards, their independence increases, and they create financial statements of the highest caliber. Willekens and Simunic (2007) highlight this point and contend that an auditor who adheres to auditing standards may be considered to have performed "due diligence." As a result, the auditor may be held liable for losses incurred by creditors and investors (hereafter, "third parties") who rely on grossly misstated financial statements. On the other hand, failing to comply with the requirements is considered professional negligence. This suggests that those who set standards should make sure that professional accountants do their audits while keeping in mind the auditing standards, because doing so could help close the expectation gap. Many of the other elements that influence auditor conduct, like inspections, enforcement, and firm methodology, are also influenced by standards. Standards frequently define specific requirements and are typically designed to create consistency, comparability, and uniformity, whether they are in connection with independent audits or other spheres of life and work. Standards, as a result, also create an expectation of quality (Burns & Fogarty, 2010). Using the information above, the following research question is suggested: *What can audit firms and standard setters do to close the expectation gap?*

METHODOLOGY

This study used a qualitative approach to answer the research question, "What can standard setters and auditors do to lessen the expectation gap?" Qualitative techniques are used to answer questions about experience, meaning, and perspective, typically from the standpoint of the participant. This kind of data is rarely quantifiable or countable. Semi-structured interviews with key informants for background information or an institutional perspective; in-depth interviews to understand a condition, experience, or event from a personal perspective; small-group discussions to examine beliefs, attitudes, and concepts of normative behavior; and "analysis of texts and documents," such as government reports, media articles, and websites (Hammarberg et al., 2016). According to Jackson et al. (2007), the primary objective of qualitative research is to comprehend human experiences using a humanistic, interpretive methodology. By gathering participant data using the case technique, the study especially examines what standard setters and auditors may do to bridge the expectation gap. With the aid of this research method, the researcher can narrow a complex or broad topic down to one or more particular research questions. The researcher is better equipped to understand the phenomenon by acquiring both qualitative and quantitative facts about it than they would be if they simply collected one type of data (Heale & Twycross 2018). The population of the study is the whole Sunyani District Society of the Institute of Chartered Accountants in Ghana. According to Lazarus et al. (2019), these individuals are significant to the study since they are typically seen as knowledgeable and up-to-date on auditing-related topics. The Sunyani District Society, which has 120 chartered accountants, serves the Bono, Bono East, and Ahafo Regions. The Sunyani District Society's accountants are on par with every other accountant in Ghana because they passed the required tests and were accepted into the Institute's membership. Conveniently, 18 accountants were chosen at random from the group. When discussing the sample size for this research, it must be kept in mind that sampling was carried out with the goal of obtaining comprehensive information about people's experiences (Tuckett, 2004).

The interview candidates were chosen with care. This ensured that study participants had a basic understanding of the audit reporting system and some background in their respective professions (Segal, 2014). To gauge their interest in participating in the study, the members were initially approached. Out of the thirty who consented to participate in the study, 18 of them were sampled. The participants were interviewed in semi-structured interviews on-site at their jobs. A normal interview lasts about 30 minutes. The study's design means that content analysis will be crucial. This method's capacity to gather a wide range of perspectives from the companies strengthened the robustness of the findings (Yau-Yeung et al., 2020). The interviews took place in the customers' workplaces and lasted for around 30 minutes. The respondents signed the consent forms, authorizing their participation. The primary interview questions were emailed to candidates ahead of time to help them prepare. The researchers offered a short introduction to themselves and the objectives of the study before getting in touch with each potential volunteer. A reminder was sent to the designated individuals if the request was denied (Yau-Yeung et al., 2020). Response bias was minimized by providing participants with total anonymity and the freedom to withdraw at any moment. Leading questions were avoided during the interviews to ensure objectivity. The interviewer also ensured that data collection and interviews were conducted on a regular basis throughout the interview process. Using InVIVO 7, the interviews were captured and typed. The inquiry was determined to be a good fit for the INVIVO analytical method. This analytical approach involved doing qualitative content, narrative, and discourse analyses on the collected data. The acquired information was categorized, coded, and examined. The reproducibility of an inquiry indicates its reliability. It requires that a researcher obtain comparable or consistent results when using the same techniques as a previous study. Contrarily, a measure's validity refers to how well it captures the phenomenon being studied.

This is a problem if a researcher is measuring the appropriate phenomenon and doing it holistically (Ibiamke & Ajekwe, 2017). The validity and reliability evaluations performed in quantitative studies have comparable applicability to qualitative investigations. In order to evaluate the validity (i.e., credibility) of the study's findings, the researchers used triangulation metrics. Before developing themes, the researchers used this strategy to look for any convergence between the participants and other sources of data. For a study's conclusions to be taken seriously, they must be reliable, applicable, believable, and consistent. The credibility criterion is used to assess the truth value, also known as internal validity, of qualitative research. When given context and explanations, the findings of a qualitative study are understandable to both those who have experienced the incident and those who care for or treat them. Internal validity refers to a study's ability to hold up in the correct context descriptions to both those who have had the experience and those who care for or treat it (Hammarberg et al., 2016). The dependability or consistency of the results serves as the benchmark for assessing reliability. The number of interviews done was set by the requirement to reach saturation, which was reached after doing 75% of the scheduled interviews. This was demonstrated by the study's repeated answers (Segal, 2019). Before giving the respondents the chance to discuss any other subjects not particularly covered in the interview guide, we asked if they had any further thoughts. The researcher may have asked respondents to give examples, expound on certain ideas or assertions, or predict whether or not their peers would agree with them (Segal, 2019). Each interview was recorded by the authors, who then summarized the responses. Responses that were similar to one another were arranged according to themes. A university colleague of ours assessed the responses and the coding.

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ANALYSIS AND DISCUSSION OF RESULTS

4.1 Demographic Characteristics of participants.

Pseudo	Gender	Qualification	No. of Years Experience
X1	M	ICA, Msc	19
X2	M	ICA	23
X3	M	ICA	7
X4	M	ICA, Msc	25
X5	M	MBA, ICA(3)	12
X6	F	ICA, BSc	5
X7	M	ICA, MSc	24
X8	M	ICA, Msc	16
X9	M	ICA, CIT (GH), MSc	24
X10	M	ICA, MPhil	19
X11	F	ICA, Msc	12
X12	M	ICA, BTECH	3
X13	M	ICA, MBA	12
X14	M	ICA, MBA	15
X15	F	ICA, MBA	16
X16	M	ICA, Msc	12
X17	M	ICA, MBA	13
X18	M	ICA, MBA	15
Average			15

Source: Field data, 2023

From the data above the minimum number of years of participants is 3 years and the maximum of 25 years. This brings an average of 15 years' experience. This indicates that the participants have the relevant experience to participate in the study.

How standards can help reduce the expectation gap

Standards are expected to reduce the audit expectation gap, as standards also engender an expected level of quality in audit reports (Burns & Fogarty, 2010). The responses of the interview members were of the opinion that stakeholders should be consulted when standards are set. This position was shared by many of the participants in the study, as many opine that:

> Stakeholders should be consulted in the standard setting process. A forum should be established before standards are set, and this forum should not be dominated by multinationals and only the big four audit firms. Regions on various continents should be consulted before standards are set. This will ensure the inclusion of the expectations of stakeholders.

This view has been supported by literature because the inclusion of stakeholders in setting standards helps stakeholders accept the standards. Sinclair and Bolt (2013) discovered that standard setters used legitimacy management strategies to gather the voices of third-sector stakeholders. The standard setters proactively accomplished this by conforming to the environment and achieving pragmatic legitimacy to ensure that their decisions were based on the voices of third-party stakeholders. Kidwell and Lowensohn (2018) share the view that stakeholders who do not participate on a regular basis will do so if they believe it is necessary.

Other participants intimated that there needs to be education for stakeholders once standards are set. These views were shared by participants as

> After standards are set, stakeholders should be educated on the standards. Such education will be done by accounting bodies in the respective countries on behalf of the standard-setting body.

This view was shared by Fulop et al. (2019), who indicate that audit education has an effect on the AEG and that if steps are taken to increase stakeholders' audit education, the AEG can be reduced. Devi and Devi (2014) have also advocated that the cause of this gap is a lack of proper education and understanding regarding audit standards and audit practices; therefore, this gap will be reduced by providing adequate audit knowledge and awareness to users of financial statements.Some participants also believed that having clear standards would help reduce the audit expectation gap. They had this to say.

Standards should be clear and unambiguous and it should be communicated not only to accountancy bodies but also stakeholders. Communication is an important part of the standard-setting process. Even though the standards are communicated through circulars and CPD organized by accounting bodies, that communication is geared towards accountants and professionals, and stakeholders are left behind. It reveals, in particular, that management communication has an impact on performance because it conveys to employees (stakeholders) that the organization (standard setters) cares about their well-being and their decisions (Finholt et al., 2014).

Finally, some participants expressed their belief that standards should be clear to communicate the intended meaning, as this might help reduce the expectation gap.

How audit firms can reduce the audit expectation gap.
Some participants in the study viewed the scope of the audit work to be too narrow. This is what they had to say

> Audit firms and auditors should broaden their scope to incorporate what stakeholders also want (detection of fraud and validating going concerns). This can reduce the audit expectation gap.

This finding is consistent with the literature. It is believed that expanding the existing audit scope to include fraud detection would significantly narrow the audit expectation gap (Kamau, 2022), and Asare et al. (2016) found that the accounting profession must take bold steps in embracing and responding to the constant calls for broadening the scope of the auditor's work, particularly in the area of fraud detection, after all, audit is to protect the needs of investors.

Others were of the opinion that stakeholder education is something that should be taken seriously by audit firms. On that, this is what they had to say.

> Audit firms should undertake training and education of stakeholders about the purpose of audits because stakeholders need some accounting and business background to be able to understand what auditors do.

Audit education for stakeholders has long been seen as an antidote to the expectation gap. Siddiqui et al. (2009) find evidence that audit education significantly reduces the AEG, and Fulop et al. (2019) also indicated that audit education has an effect on the AEG and that if steps are taken to increase stakeholders' audit education, the AEG can be reduced. Ihendinihu and Robert (2014) also conclude that audit education has a significant impact on AEG in Nigeria, and they urge the accounting profession, educational institutions, and regulators to develop an appropriate policy framework to increase financial statement users' knowledge and awareness of stakeholders.

The participants agreed that the auditor’s role in the financial reporting cycle should be properly articulated at the annual general meeting. Below is such a view

> At the AGM, auditors tell the stakeholders to present the role of auditors in the financial statement audit and not just leave it in reports. If auditors make stakeholders aware of their role, this can reduce the audit expectation gap.

Communicating the auditor's responsibility at the AGM properly will ensure that stakeholders present will appreciate the work of the auditor and the responsibility that has been bestowed on the auditor. This is a novel finding, as it has not been demonstrated in literature.

CONCLUSIONS AND FUTURE RESEARCH

The audit expectation gap has been well demonstrated in the literature. This study sought to find out what standard setters and audit firms can do to reduce the audit expectation gap. The study used a qualitative approach because it sought to find out the individual experiences of the respondents. The study found out that:

1. Stakeholders should be consulted in the standard setting process. A forum should be established before standards are set, and this forum should not be dominated by multinationals and only the big four audit firms. Regions on various continents should be consulted before standards are set. This will ensure the inclusion of the expectations of stakeholders.
2. After standards are set, stakeholders should be educated on the standards. Such education will be done by accounting bodies in the respective countries on behalf of the standard-setting body.
3. Standards should be clear and unambiguous, and they should be communicated not only to accounting bodies but also to stakeholders.

The study also found that audit firms must:

1. broaden their scope to incorporate what stakeholders also want (detection of fraud and validating going concerns). This can reduce the audit expectation gap.
2. undertake training and education of stakeholders about the purpose of audits because stakeholders need some accounting and business background to be able to understand what auditors do.
3. At the AGM, auditors explain to stakeholders that they should present their financial statement audit and not just leave it in reports. If auditors make stakeholders aware of their role, this can reduce the audit expectation gap.

This study has looked at some of the things that audit firms and standard setters can do to reduce the audit expectation gap. It uses a qualitative design to determine its findings. Further research can look at how the adoption of international financial reporting standards has reduced the audit expectation gap. This study has found that audit firms should embark on the education of stakeholders to reduce the audit expectation gap. a further study can also be done to look at how audit education by audit firms can help reduce the audit expectation gap. Future study can look at specific audit standards and how they affect the expectation gap.

CONTRIBUTIONS TO KNOWLEDGE

The purpose of this study was to find out what auditors and standards can do to reduce the audit expectation gap. The study has brought to light what standards setters should do when standards are being set so that the expectation gap can be reduced. This is an important contribution to knowledge. The study also contributes to knowledge in that it throws light on what auditors should do in the audit process. Overall, the study contributes to knowledge as it adds to the literature on audit expectation gaps.

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