AUDITOR INDEPENDENCE AND AUDIT EXPECTATION GAP IN POLYTECHNICS IN OGUN STATE

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Abstract

This study was carried out to examine the effect of auditor independence on the closure of the expectation gap in respect of the financial reports of Polytechnics in Ogun State, Nigeria, . This study examines auditor independence on audit expectation gap with a view to enhancing the credibility of the financial reports. It uses survey, descriptive, and multiple regression analyses. The study showed a significant effect of auditor's independence on users' expectation gap on financial statements of polytechnics in Ogun state, Nigeria. in relation to auditor's performance and standards. This study on auditor independence and the audit expectation gap in Polytechnics provides a deeper understanding and intimate knowledge of the specific challenges and complexities faced by stakeholders in appreciating the financial statements of Polytechnics in Ogun state. the in this sector. This knowledge can help identify the unique factors influencing the need for real independence of auditor for minimizing the expectation gap in the financial reports of Polytechnics. These factors are governance structures, funding models, and stakeholder dynamics. The study establishes that auditor's independence has positive significant effect on audit expectation gap. This study recommends that to reduce audit expectation gap and to maintain public confidence on the financial reports of polytechnics, auditors should continually assess their independence in the performance of their professional duties and take necessary measures to improve the quality of their audit work. their assessment falls short of expectation.

Keywords: Audit Expectation Gap, Auditors Independence, Financial Statements, audit quality, polytechnic.

Introduction

An audit is a systematic and independent examination of books, accounts, statutory records, documents and vouchers of an organization to ascertain how far the financial statements as well as non-financial disclosures present a true and fair view of the concern. It also attempts to ensure that the books of accounts are properly maintained by the concern as required by law. Auditing has become a ubiquitous phenomenon in the corporate and the public sectors. Auditors perceive and recognize the propositions before them for examination, obtain evidence, evaluate the same and formulate an opinion on the basis of their judgment which is communicated through their audit report. Auditing could be considered as a social phenomenon whose purpose is to fulfill social expectations while being exposed to continuous change based on the interplay between the public and the audit profession (Sikka *et al.*, 1998 cited in Kumari *et al* (2023).

Internal auditing is an important function within organizations that helps to ensure compliance with laws and regulations, identify potential risks and improve organizational efficiency. Internal audit standards serve as guidelines for internal auditors to follow in carrying out their duties and responsibilities. However, the extent to which internal audit standards are effective in promoting value-added tasks, such as strategic planning and risk management has nuot been fully explored, particularly in the context of emerging markets (Osama & Abdallah, 2023).

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).

After several high-profile business failures and financial scandals, including the bankruptcy of Equity Funding Corporation of America and the collapse of the Penn Central Railroad, the audit expectation gap first became apparent in the 1970s. The auditing profession has come under more scrutiny as a result of these occurrences, which raised questions about the efficiency of auditing and the validity of financial accounts. The audit expectation gap still exists and is difficult for auditors to manage in spite of their efforts. The gap can be caused by a number of things, including the complexity of auditing, the general public's lack of awareness of what an audit comprises, and stakeholders' potential erroneous expectations regarding the role of auditors in uncovering fraud and other irregularities (Kamau, Kavure, & Lokuta, 2023).

Statement of the Problem

The global search for a solution to the audit expectation gap by auditor has become strident; the credibility of the auditing profession appears to be at its lowest ebb. In the United State of America, the profession has lost its self-regulatory status, in these circumstances, the profession is bestirring itself and the result is a welter of fresh suggestion and initiatives aimed at solving the expectation gap problem. Some of the suggestion appears mundane while some appears controversial. However, like a sore thumb, the gap appears to have remained as wide as ever, at the local level, the recent scandal in Cadbury Nigeria Plc whereby profit were overstated by a large sum with the knowledge of auditors, and the subsequent indictment of the accounting firm of Akintola William Deloite for audit failure, has further aggravated the expectation gap conundrum (Ogbonna & Appah, 2021).

Auditors have been striving to enhance stakeholder communication and increase transparency regarding the auditing process' limitations in order to narrow the audit expectation gap. Regulators have also been putting measures in place to improve the standard and effectiveness of auditing, including stricter reporting requirements for auditors and the introduction of new technologies that will improve audit processes. The audit expectation gap is an ongoing issue for the auditing profession in Kenya and has attracted the attention of regulators, academia, and stakeholders. Stakeholders continue to have inflated expectations regarding the role of auditors in identifying fraud and other anomalies in financial statements despite the implementation of several regulatory measures aimed at enhancing the standard and efficacy of auditing. As a result of this, there is a rising perceptions that audits fail to adequately guarantee the accuracy of financial statements, which in turn damages the reputation of the audit profession and stakeholders' confidence in the system of financial reporting (Kaman, Kavure, & Lokuta, 2023).

In view of corporate scandal involving Enron and Arthur Anderson, auditor's tenure and independence took the center stage of discussions. Auditors' independence is questioned due to these corporate scandals. It is believed that it is due to the "special relationship/closeness" that exists between the clients and the auditors which has led to the auditor decreasing objectivity and independence to the client (Ardhani, Subroto & Hariadi, 2019). The discussion is on the two side of the divide, whether organizations should change their auditors on a regular basis or allow their auditor to stay for a long time in order to build a long-term client relationship.

Objective of the Study

The main objective of the study is to establish the effect of auditor independence on audit expectation gap with a view to narrowing the gap so as to enhance the credibility of the financial reports of Polytechnics in Ogun State, Nigeria. The specific objectives are to;

i. Assess the effect of auditor independence on the financial statements transparency and credibility of polytechnics in Ogun State.
ii. Evaluate the effect of auditor independence on the auditors performance in Ogun State.
iii. Examine the effect of auditor independence on audit standards application in Ogun State.

Research Questions

i. To what extent does auditor independence has effect on the financial statement transparency in Ogun State?
ii. How does auditor independence affect the auditors performance in Ogun State?
iii. What is the effect of auditor independence on audit standards application in Ogun State?

Significance of the Study

The study would be of benefit to both the public and private sectors. In the case of the private sector, shareholders of companies whose financial statement is statutorily required to be audited to know the scope and bounds of the duties and responsibilities of the auditors as defined by the statutes and standard beyond which their independence might be impaired. It would help users of audit services to understand and be enlightened as regard auditors' duties so as not have expectations which far exceed the current practice in the profession. It would help clarify the misconceived role of auditors by the public which is referred to as the audit expectation gap. It would also be a great contribution to the body of existing knowledge in the field of auditing as regard external audit functions.

Literature Review

Conceptual Review

The lack of specific regulations and guidelines for audit constitutes one of the main contributors to the audit expectation gap in Kenya. As a result, there are variations in the level of quality of the audits performed by various firms, with some audits being of a higher standard than others. The lack of awareness among stakeholders of what an audit truly encompasses is another factor contributing to the audit expectation gap in Kenya. While many stakeholders inaccurately assume that audits ensure the accuracy of financial statements in terms of fraud, in reality they only offer an acceptable degree of assurance.

To bridge the audit expectation gap in Kenya, there is a need for stakeholders to be educated on the role of auditors and the limitations of audits. Additionally, there is a need for regulators to develop clear guidelines and standards for auditors to ensure consistency in the quality of audits conducted. Stakeholder awareness of the function of auditors and the constraints of audits is crucial for addressing the audit expectation gap in Kenya. To maintain consistency in the quality of audits carried out, regulators also need to establish clear standards and processes for auditors (Kamau *et al,* 2023).

Auditor Independence

Auditor independence is an attitude of mind characterized by integrity and objective approach to professional work. It is a state of mind in which the auditor is in position to express an opinion on matters of financial reporting without bias or being under pressure (The Consultative Council of Accountant Body, CCAB, 2012 cited in Ahmed & Abdulrahman, 2019). The auditor is a third party whose professional opinion on financial statements is relied upon in making far reaching decisions about the reporting entity by investors and other users. To be able to issue an unbiased opinion, the auditor must necessarily maintain distance with the management, shareholders or not have any interest in the entity that may influence the opinion in any way. Where the auditor acts independently and in accordance with auditing standards and professional requirements, financial reporting quality is enhanced. Auditor independence has largely been measured in the literature using size of audit fee (Osamudiame, Nwadialor & Imuentinyan, 2015 cited in Ahmed & Abdulrahman, 2019).

The provision of non-audit services can harm auditor independence because client companies pay more for non-audit services so public accounting firms have economic dependence on clients (Ashbaugh et al., 2003 in Masyitah, Kesuma, & Muda, 2023). Non-Audit Services has now become a popular debate globally as well as in developing countries. NAS are those services provided by an auditor but not associated with an institution's audit or financial statement review. Today, so many NAS are offered by the auditor to its client. These are certification services, valuation services, and cost audit services.

Audit quality is a systematic examination of a quality system that helps to check the audit team's work. In fact, it is a complex, multi-faceted, and in essence, concept. AQ is a much more important point for creditors and shareholders of the company. Higher audit quality depicts that their auditor is independent in auditor opinion. Audit quality is influenced directly and indirectly. It is influenced by context factors which are governance, law, and regulation. It is influenced through inputs which are auditing standards and auditor attributes. It is also influenced by outputs which are the auditor's report and auditor communications (Ashfaq, Riaz, & Ilyas, 2023).

Expectation Gap

Audit expectation gap is a crucial issue associated with the independent auditing function and has significant implications on the development of auditing standards and practices. The auditing profession believes that the increase in litigation and criticism against the auditors can be attributed to the audit expectation gap. The audit expectation gap is defined as the difference between what the public expects from an audit and what the audit profession accepts the audit objective to be. The audit expectation gap is critical to the auditing profession because the greater the unfulfilled expectations from the public, the lower is the credibility, earnings potential and prestige associated with the work of auditors. The essence of auditing and its expectation gap is facing the problem of relevance in the world today. The users of audited account are most times not satisfied with the work an auditor does and each of the users have their different ways and purposes in which they use the report of an auditor (Ogbonna et al, 2021).

Auditor characteristics, such as experience, education, and professional qualifications, can also affect audit quality. Experienced auditors are more likely to detect material errors and fraud in financial statements, while auditors with advanced degrees or professional certifications may have a deeper understanding of accounting principles and audit standards (Rijal et al, 2023). 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 misconception by users (Bebeji, Okpanachi, Nyor & Ahmed, 2022).

Deficient standard is the gap between "what can reasonably be expected of auditors and auditors' existing duties as defined by the law and profession standards". Deficient performance is the difference between "the expected standard of performance of auditors' existing duties and auditors' perceived performance, as expected and perceived by the public". The concept of audit materiality as a component of audit expectation gap has little attention in accounting literature. However, it can be examined from two perspectives: the first relates to individual items in the financial statements, and the second relates to the financial statements as a whole (Olojede et al, 2020).

Theoretical Review

Lending Credibility Theory

This theory was derived from another public perception that the primary function of auditing is the addition of credibility to the financial statements. Audited financial statements are used by management (agent) in order to enhance the principal's faith in the agent's stewardship and reduce the information asymmetry. However, Porter, (1990) concludes, that audited information does not form the primary basis for investors' investment decisions. On the other hand, it is often asserted that financial statements have a function of confirming message that was previously issued Hayes et al. (2005). This theory suggests that the primary function of the audit is to add credibility to the financial statements. In this view the service that the auditors are selling to the clients is credibility.

Audited financial statements are seen to have elements that increase the financial statement users' confidence in the figures presented by the management (in the financial statement). The users' are perceived to gain benefits from the increased credibility, these benefits are typically considered to be that the quality of investment decisions improve when they are based on reliable information (Animasaun & Adegbite, 2016).

Policeman Theory

The policeman theory claims that the auditor is responsible for searching, discovering and preventing fraud. In the early 20th century this was certainly the case. However, more recently the main focus of auditors has been to provide reasonable assurance and verify the truth and fairness of the financial statements. The detection of fraud is, however, still a hot topic in the debate on the auditor's responsibilities, and typically after events where financial statement frauds have been revealed, the pressure increases on increasing the responsibilities of auditors in detecting fraud (Animasaun & Adegbite, 2016). This was the most widely held theory on auditing until the 1940s (Hayes et al, (2005). 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 shift of auditing to, 'verification of truth and fairness of the financial statements,' the theory seems to have lost much of its explanatory power.

Empirical Review

Ikechukwu and Okoye (2019) adopted a survey research design approach while investigating the application of forensic accounting as a means of bridging audit expectation gap in Nigerian Deposit Money banks in Enugu State. The study, among other findings, established also that there is significant relationship between forensic auditand expectation gap among Nigeria Deposit Money Bank. It recommends among others; that all organizations must be made to subject their transactions to forensic audit and evidence before the statutory auditor. Again, that the management of the banking industry should rely and consult more on forensic engagement as a way of bridging expectation gap.

Ogweno (2018) investigates the factors affecting expectation gap in listed companies in Nairobi Stock Exchange (NSE). The study looked at the auditor's independence, auditor's competence, as well as the users' knowledge of auditors role as the principle objectives.. 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 established that the auditor's independence had a negative effect on the audit expectation gap. The study further established that the auditor's competence had a negative effect on the audit expectation gap as a decline in the auditor competence led to an increase in the 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.

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.

Nwanyanwu (2017) examined auditor autonomy as a measure of audit quality by using descriptive statistics, pearson correlation as well as stepwise multiple regression Data were collected through questionnaire. Univariate, bivariate and multivariate analyses were performed using descriptive statistic, Pearson Product Moment Coefficient of Correlation and stepwise multiple regression. Findings indicate a statistically significantly positively strong relationship between the measures of audit quality (auditor independence, technical training and proficiency and engagement performance) and financial reporting (measured in terms of reliability of financial report).

Niyonzima and Akintoye (2018) explored the impact of qualitative characteristics of financial information on shareholders 'value creation and their findings revealed that qualitative characteristics of financial information have significant effect on shareholder's value creation. Adeyemi and Okpala (2011) studied the influence of auditor's autonomy on financial reporting quality and they found a significant and positive association between auditor's autonomy and the quality of financial reporting.

Yakubu and Williams (2020) examined the effect of auditor's independence on the quality of audit. They opined that where auditors exert more efforts in conducting a rigorous audit, it promotes independence and attracts higher fees. Similarly, mandatory auditor's rotation promotes independence and, therefore, improves both financial report and audit quality.

Methodology

Research Design

The research makes use of a descriptive research design and a survey approach for its methodology through the use of a well-structured questionnaire. Survey is chosen because it is simple and time saving, following the trend in Babatunde S., 2013 & Siyanbola T., 2017.

Population of Study

The population consisted of government owned Polytechnics in Ogun State. Participants in the study who are bursary staff in each of the Ogun state owned Polytechnics are the focus of the study. Therefore, this study's population comprised of 111 personnel working in six (6) Polytechnics within Ogun State. The information in determining the population were gotten through engagement with the accounting officers of the Bursary departments of the Polytechnics on the research who assisted by releasing the payroll of each Polytechnic from where the researcher targeted 111 bursary staff.

Table 3.2.1 List of Government owned Polytechnics in Ogun State

S/N	Polytechnics
1	Moshood Abiola Polytechnic, Abeokuta
2	Federal Polytechnic, Ilaro
3	Ogun State Institute of Technology, Igbesa
4	Gateway Polytechnic, Saapade
5	Abraham Adesanya Polytechnic, Ijebu Igbo
6	D.S Adegbenro Polytechnic, Itori

Sample and Sampling Techniques

Utilizing a well-designed structured close-ended questionnaire to collect data based on Taro Yamani's formula, 87 respondents was chosen at random from the population in order to participate in the study using simple random sampling, which enables all respondents to have equal chance of being selected.

Sampling Size Calculation

This is mathematically derived using the Taro Yamani's formula as: -

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n = sample size required, is unknown?
N = number of people in the population is 111
e = error margin/limit
1 = constant

Substitute Numbers in formula:

$$n = \frac{111}{1+111(0.05)^2}$$

n = 86.8

Method of Data Analysis

The copies of the questionnaire were administered on 87 participants. The inferential statistics, which comprises the descriptive and a multiple regression analysis was employed to test the formulated hypotheses to determine the level of contribution of the independent variables on the dependent variables at 0.05 level of significance to examine the relationship between the variables. E-view statistical package will be used in conducting the linear regression.

Presentation and Discussion of Findings

Descriptive Statistics

Table 4.1 Demographic Information of Respondents

Demographic Information	Frequency	Percentages	Cumulative
Gender			
Male	56	64.4	64.4
Female	31	35.6	100.0
Age of Respondents			
20-24	16	18.4	18.4
25-29	45	51.7	70.1
30-34	21	24.1	94.3
35-39	5	5.7	100.0
Education Status			
HND/B.Sc.	45	51.7	51.7
M.Sc./Ph.D./Professor	42	48.3	100.0
Level of Respondents			
8-11	33	37.9	37.9
13-14	39	44.8	82.8
15-17	15	17.2	100.0
Number of years in service			
5-10	42	48.3	48.3
11-15	45	51.7	100.0

Source: Researcher's Computation (2023)

Table 4.1 shows the background information of the respondents, according to the representation described in the table, it was indicated that the total no of questionnaires administered was 87 of which the percentage of respondents that were male are 64.4 and female 35.6 percent, while 37.9 percent of the respondents are in level 8-11, 44.8 are in level 13-14 and 17.2 percent were in level 15-17 which implies that the questionnaire were fairly distributed to individuals that have ability to give opinion on the subject matter. Table 4.1 shows how the questionnaire were distributed among the bursary staff of polytechnics in Ogun state and the percentage indicated that 48.3 percent has spent 5-10 years in service, and 51.7 percent has spent 11-15 years in service respectively. It was further shown that 51.7 percent have HND/B.Sc education status, while 48.3 percent have M.Sc/Ph.D/Professor education status. Finally, 18.4 percent are within 20-24 years of age, 51.7 percent 25-29 years old, 24.1 percent 30-34 years old, and 5.7 percent 35-39 years old respectively.

Hypotheses Testing

Dependent Variable: FST
Method: Least Squares
Date: 06/10/23 Time: 17:58
Sample: 1 87
Included observations: 87

Variable	Coefficient	Std. Error	t-Statistic	Prob.
AMC	0.152530	0.112694	1.353487	0.1796
EDAC	0.153658	0.085516	1.796841	0.0760
PNAS	-0.060630	0.185868	-0.326198	0.7451
TRF	0.149903	0.140679	1.065569	0.2897
C	10.00167	4.280739	2.336435	0.0219

R-squared	0.170229	Mean dependent var	19.90805
Adjusted R-squared	0.129752	S.D. dependent var	2.871804
S.E. of regression	2.679022	Akaike info criterion	4.864534
Sum squared resid	588.5270	Schwarz criterion	5.006253
Log likelihood	-206.6072	Hannan-Quinn criter.	4.921600
F-statistic	4.205614	Durbin-Watson stat	0.319745
Prob(F-statistic)	0.003795		

Source: Researcher's computation (2023) from E-view 9.0

Analyzing the regression result from Table 4.2.1 in more detail reveals that while the auditor's independence (as represented by PNAS) has negative coefficients, that of the auditor's independence (as represented by AMC, EDAC and TRF) has a positive but statistically significant relationship with financial statement transparency (FST) in Ogun State. Only roughly 17% of variations in FST were explained by the independent variables in this equation, according to the R^2 value of 0.170229. This demonstrates how the addition of the independent variables caused a considerable change in the dependent variable. The entire regression result was thus acceptable, and the p-value of 0.003795 and Prob (F- statistic) are statistically credible. The alternative, however, was accepted while the null hypothesis was not.

From equation I: The equation Y = a + bx is justified as follows:
FST = 10.00167 + 0.153658 (EDAC) + 0.152530 (AMC) + -0.060630 (PNAS) + 0.149903 (TRF) + e is the result of equation I. Where FST represents financial statement transparency and (EDAC, AMC, PNAS and TRF) represent proxies of auditors' independence. a is the constant, while b is the gradient/slope of the equation and x is the variable cost.

H_{o2}: Auditor's independence does not significantly affect the auditor's performance in Ogun State.

Dependent Variable: AP
Method: Least Squares
Date: 06/10/23 Time: 18:03
Sample: 1 87
Included observations: 87

Variable	Coefficient	Std. Error	t-Statistic	Prob.
AMC	0.389850	0.155719	2.503556	0.0143
EDAC	0.675219	0.118164	5.714243	0.0000
PNAS	-0.371117	0.256829	-1.444995	0.1523
TRF	-0.028217	0.194387	-0.145158	0.8849
C	0.812102	5.915059	0.137294	0.8911

R-squared	0.372795	Mean dependent var	19.93103
Adjusted R-squared	0.342200	S.D. dependent var	4.564252
S.E. of regression	3.701831	Akaike info criterion	5.511286
Sum squared resid	1123.691	Schwarz criterion	5.653005
Log likelihood	-234.7409	Hannan-Quinn criter.	5.568351
F-statistic	12.18471	Durbin-Watson stat	0.405975
Prob(F-statistic)	0.000000		

Source: Researcher's computation (2023) from E-view 9.0

When the regression result from Table 4.2.2 is examined in more detail, it becomes clear that while the auditor's independence (as represented by PNAS and TRF) has negative coefficients, the auditor's independence (as represented by AMC and EDAC) has a positive but statistically significant correlation with the auditor's performance (AP) in Ogun State. The independent variables in this equation explained only around 37.3% of the fluctuations in AP, as indicated by the R^2 value of 0.372795. This shows how the dependent variable had a significant change as a result of the independent variable's insertion. As a result, the full regression result was satisfactory, and the p-value of 0.0000 and Prob (F- statistic) are both statistically reliable. But while the null hypothesis was rejected, the alternative was accepted.

H_{o3}: Auditor's independence has no significant effect on audit standards application in Ogun State.

Dependent Variable: ASA
Method: Least Squares
Date: 06/10/23 Time: 18:14
Sample: 1 87
Included observations: 87

Variable	Coefficient	Std. Error	t-Statistic	Prob.
AMC	0.105894	0.093802	1.128910	0.2622
EDAC	0.859235	0.071180	12.07135	0.0000
PNAS	-0.553283	0.154709	-3.576289	0.0006
TRF	0.155447	0.117095	1.327526	0.1880
C	1.719966	3.563109	0.482715	0.6306

R-squared	0.664196	Mean dependent var	20.63218
Adjusted R-squared	0.647815	S.D. dependent var	3.757519
S.E. of regression	2.229906	Akaike info criterion	4.497550
Sum squared resid	407.7434	Schwarz criterion	4.639268
Log likelihood	-190.6434	Hannan-Quinn criter.	4.554615
F-statistic	40.54749	Durbin-Watson stat	0.754002

Prob(F-statistic)	0.000000

Source: Researcher's computation (2023) from E-view 9.0

A closer look at the regression result from Table 4.2.3 reveals that while the auditor's independence (as represented by PNAS) has negative coefficients, the auditor's independence (as represented by AMC, EDAC, and TRF) has a positive but statistically significant correlation with the audit standards application (ASA) in Ogun State. The R^2 value of 0.664196 shows that the independent variables in this equation only adequately described 66.4% of the variations in ASA. This demonstrates how the addition of the independent variable caused a considerable change in the dependent variable. The whole regression result was therefore satisfactory, and the p-value of 0.0000 and Prob (F- statistic) are both statistically valid results. However, the alternative was accepted while the null hypothesis was rejected.

Conclusion and Recommendations

The study aimed to assess the relationship between auditor independence and audit expectation gap of polytechnics in Ogun State. By critically analyzing the impact of these variables, the researchers sought to quantify the extent of their relationship. The study incorporated empirical literature, theoretical review, and findings to draw conclusions about the relationship and significance of auditor independence and audit expectation gap of polytechnics in Ogun State.

Based on the gathered evidence and analysis, the study concluded that auditor independence and audit expectation gap of polytechnics in Ogun State are closely related and significant. This suggests that the implementation of effective auditor independence has a direct impact in enhancing audit expectation gap within the Polytechnics in Ogun State. The findings imply that by strengthening auditor independence, the audit expectation gap can be improved, leading to more efficient and transparent financial management practices.

Recommendations

Based on the study, the following are important considerations for the management of organizations in relation to auditor independence, audit expectation gap, and creating a conducive work environment.

i. Polytechnics should establish and enforce comprehensive policies that promote auditor independence. These policies should include guidelines on financial relationships, employment, and other potential conflicts of interest that may compromise auditor independence. Clear boundaries should be set to maintain objectivity and impartiality.

ii. To reduce the risk of familiarity and over-reliance, polytechnics should consider implementing a policy of rotating audit firms at regular intervals. This practice can help prevent long-term relationships that may compromise independence and foster fresh perspectives.

iii. Effective oversight is crucial to ensure that auditors perform their duties objectively and meet the expectations of stakeholders. Polytechnics should establish robust audit committees or similar bodies composed of independent members who possess relevant expertise. These committees can provide oversight, review audit plans, and assess the performance of auditors.

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