AUDIT EXPECTATION GAP IN ORGANIZATIONS IN GHANA: AN ASSESSMENT OF KEY DETERMINANTS, LEVEL OF GAP, AND MITIGATION STRATEGIES

Abstract

This study examines the audit expectation gap (AEG) in Ghanaian organizations, integrating agency theory, role conflict theory, and inspired confidence theory to analyze determinants, levels, and mitigation strategies. Using a quantitative approach with descriptive and explanatory designs, primary data were collected from 260 respondents, including auditors, accountants, managers, and financial report users across diverse sectors. The research addresses a critical gap in developing economy contexts where limited empirical evidence exists on AEG dynamics. Results reveal that auditors' skills level constitutes the primary AEG determinant (mean = 4.57), followed by independence (4.28), societal perceptions (4.20), and auditing process nature (4.18). Gap analysis demonstrates significant expectation disparities in fraud detection (-3.31), account maintenance (-3.39), and financial misconduct disclosure (-3.36), indicating users' limited understanding of International Standards on Auditing. Structural equation modelling explains 65.1% of AEG variability, with operations and efforts, skills level, and auditing process nature showing positive significant impacts on gap scores. The study highlights that strategic mitigation requires legislative board interventions to clarify auditor-client roles, institutional reforms to focus on stakeholders' education, and continuous professional development. The study's theoretical synthesis reveals that while agency theory explains stakeholder demands for comprehensive assurance, role conflict theory illuminates auditors' navigation between professional compliance and public expectations. Findings suggest technical competence supersedes independence in maintaining public confidence within Ghana's regulatory context. This research contributes novel insights to auditing literature in emerging economies, providing empirical evidence for regulatory bodies, professional associations, and practitioners to enhance audit quality while managing stakeholder expectations in developing financial markets.

Keywords: *Determinants of AEG, AEG Levels, Mitigation Strategies, Audit Expectation Gap, Ghanaian Organizations*

1.0 INTRODUCTION

Although large manufacturing businesses emerged in the seventeenth century, the relationship between auditing and the gaps in auditing has since remained. Audit Expectation Gap (AEG) represents the discrepancy between professional auditors' expectations and what users of financial accounts consider auditors to do (Adagye & Bashir, 2020). AEG indicates that audit beneficiaries and auditees are not satisfied with the auditing process. The audit profession stands at a crossroads of users' expectations and compliance with professional standards regarding trust in auditors' reports. Auditors' competence has been highlighted in the public domain due to international auditing and accounting controversies, attracting a variety of opinions and comments. According to Gacheru (2020), misalignment between auditors' expectations and societal and stakeholders' perceptions causes mistrust in the audit work.

With the increasing complexity of business operations, restructuring large-scale industries, cross-border transactions, and globalisation, the public and investors in companies have come to depend on auditors to verify and ensure the accuracy of financial statements (Hai, 2020). The public outcry over the exposure of large-scale corporate accounting and reporting scandals, including Xerox, WorldCom, and Enron, has compelled auditors to defend themselves against related claims. Audit criticism and lawsuits against auditors are detrimental to the profession. The public perceives an expectation gap in the auditing process owing to the audit profession's incapacity to respond effectively (Hussein et al., 2020). This implies that the expectation gap between the public and auditors' accountability is primarily a time lag impact.

Public trust remains the pulse of an audit, and when it is lost, credibility issues and the value of the profession follow. Therefore, users of an audited financial statement expect auditors to follow ethical practices and the code of professional behaviour, which requires critical review, reporting, and investigating the company's financial statements, records, and data to provide a qualified opinion on the financial reports. With this, professionalism, honesty, objectivity, neutrality, and independence must all be present in such an opinion.

Globally, AEG is gaining popularity due to a string of business catastrophes, economic scandals, and audit flaws in the US, UK, New Zealand, Germany, and Singapore, influencing the audit profession. Some auditors have failed to provide audit reports that meet public satisfaction. Auditors are bribed to provide audit reports that meet the company's satisfaction at the expense of public expectations (Gacheru, 2020). Regardless of the steps to alleviate AEG concerns, including audit workshops for auditors based on international standards, the volatility of the auditing process due to differences in public expectations and what auditors are expected to provide continues to grow. There have been audit failures and financial scandals in Sub-Saharan Africa, including many financial scandals (Gaye & Colley, 2020). In Nigeria, financial institutions were involved in corporate financial irregularities and associated fraud incidents, drawing the attention of investors and regulators alike (Adeyemi & Uadiale, 2011).

In Ghana, there are complaints that auditors do not conduct their tasks well (Asiedu & Deffor, 2017). This leads to differences in public perceptions about what auditors are legally obliged to do and what the auditors believe they should do as part of their responsibility. Ghana's 2017/2019 financial crisis provides evidence of mistrust that most Ghanaians developed in the financial sector. The financial irregularities that led to the closure of sixteen banks can be traced to weak auditing. Therefore, AEG is crucial in auditing, as any unmet expectations from society can reduce the credibility and financial viability of the audit business, which can affect stakeholders.

Many studies on AEG focused on the developed economy context. Therefore, due to cultural, legislative, and environmental differences, most auditing processes and factors that influence audit expectation gaps do not apply to developing countries. In Ghana, few studies have focused on the audit expectation gap. These studies either used a small sample size or restricted the respondents to a subset of the population. Due to the nature of public sector activities and the methodologies employed, these studies were conducted in public organizations and limited the related theories in AEG. Therefore, this research aims to advance knowledge by bridging a gap in the existing literature, integrating agency theory, role conflict theory, and the theory of inspired confidence to analyze the factors that influence AEG, the level of AEG, as well as the strategies for mitigating AEG in public and private organizations in Ghana. In specifics, the study seeks to achieve the following objectives:

1. To identify the causes of AEG in Ghanaian organizations.
2. To assess the level of AEG in Ghanaian organizations.
3. To determine strategies for mitigating AEG in Ghanaian organizations.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

Different theories can be used to explain why audit services are necessary and how to investigate AEG. Some of these theories rely on perceptions to generate research ideas, guide the interpretation of study results, and assess the quality of the research (Grant & Osanloo, 2014). In this study, Agency Theory, Role Conflict Theory, and the Theory of Inspired Confidence serve as the theoretical foundation. These theories provide a deeper knowledge and support to the public's perception of auditors.

2.1.1 The Agency Theory

The concept of agency theory discusses the legal contracts that exist between principals and agents. The basic paradigm of this theory is to identify the ideal level of risk-sharing among various stakeholders. The interests of the principal and the agent are distinct. This different interest often results in inappropriate decision-making by the agent (Namazi, 2013). The division of ownership and management provides opportunities for management to abuse their powers in ways that are not in the best interests of the owners. This implies that there is a propensity for management to purposefully defraud the principal by hiding their fraudulence to provide more accurate financial reports. This necessitates the need for an independent party to offer owners a guarantee on the company management’s reports.

With the agency theory, auditing is essential for the development and maintenance of confidential financial information. Auditors can comprehend principal-agent conflicts of interest (Namazi, 2013). Auditors can reduce the potential management fraud in financial systems by evaluating financial reports and identifying signs of manipulation. They monitor managers' actions to make sure they are acting in the principal’s interest. Under this theory, auditors are part of the existing management structure as they monitor quality control and financial reporting. Therefore, auditors are required to provide excellent audit quality to lessen the mismatch between institutions and society.

2.12 The Role Conflict Theory

This theory describes how an expectation gap occurs (Abiola, 2015). This theory suggests that the public expects auditors to supervise financial accounts truthfully as required. This positions auditors in conflict because, in addition to adhering to the rules and regulations governing auditor independence, they must also endeavour to address the public's demands by preventing financial fraud and other illegal activities, including corruption. Therefore, auditors are to choose between following professional standards and guidelines and what the public and other groups expect. Because the needs of the two opposing components cannot be satisfied simultaneously, auditors decide which one is to be achieved at the expense of the other. In this, auditors are placed in situations with multiple roles and expectations. For example, the public expects auditors to protect their interests and expose management fraud (Hong et al., 2020). Meanwhile, auditors focus on evaluating the true, fairness and accuracy of adopted regulatory accounting practices and the reported financial statements. This can cause the public to conflate the auditor's role with what they expect from them.

2.1.3 Theory of Inspired Confidence

This theory pertains to the independent auditor's social responsibility to ensure that audit processes meet the needs of user confidence. One of the auditor's functions is rooted in public confidence in the success of auditing and the prudence of accountants. The function's existence is predicated on this trust, and when it is broken, the purpose is unproductive and thwarted. This means that whereas auditors are responsible for offering checks and balances for management in their audit services, these auditors should provide credible information required of them. Given their role as a watchdog, auditors should have an interest in persuading users that the financial accounts are reliable and the audit report contains accurate information, fostering public confidence (Hay & Cordery, 2018).

The inspired confidence theory describes the amount of audit assurance that the auditor should deliver. This includes providing autonomous, dependable, and impartial information to users about corporate activities based on sufficient and appropriate evidence, that assures liability and openness, and maintains sustainable trust in the prudent use of finances and assets. Furthermore, auditors are required to ensure management is accountable, transparent, and successful in reducing the potential for corruption. In doing so, auditors are entrusted with duties that are a crucial part of the corporate accountability framework.

In all, the auditors' agency role, their conflicting role and expectations of regulatory standards and the public, and their benchmark for assurance and public confidence in the profession, integrating these theories will be necessary to achieve the research objectives.

2.2 Empirical Review

Several studies have been conducted to examine the causes of AEG in many jurisdictions. Nonetheless, there have been variations in their findings and conclusions. A study in Malaysia used interview guides and identified auditors' operations and efforts as the cause of AEG (Lee et al., 2009). Their analysis revealed complex and multiple causes of inconsistencies between auditors and users, including the complex nature of the audit work, disagreements between users, incorrect regulations, and tasks below the standards of auditors. For two reasons, the authors feel there is a need for public awareness of the auditor's required responsibilities.

Research identified that auditors' abilities and skills are a contributing element to AEG (Mahdi, 2011). The author noted that, in addition to audit discrepancies, the fundamental answer is the degree of audit independence and duty, with greater disciplinary action reducing corporate reporting flaws. He suggested that auditors must confirm all reports and adhere to the international auditing standards to improve their capabilities. Research highlights that auditors often choose the incorrect audit sample due to insufficient knowledge, skills, and experience (Wakiriba et al., 2014). Auditor duties must be developed, different users must be educated, and new standards must be enforced to close this gap (Sayed et al., 2018).

Society's knowledge about auditors has a significant effect on the extent of disagreement between users and auditors. Society perceives auditors as all-knowing and relies on them to detect every misstatement in financial reports, placing a significant burden on auditors. However, the audit profession is governed by standards that outline the nature, scope, and direction of engagements (Wakiriba et al., 2014). Research highlights that drastic enhancement of audit tasks and obligations generated a shift in what is expected from auditors (Ebimobowei, 2010). The author attributed this gap to a lack of knowledge about the auditors' role and the extreme societal views. Readers of audit reports have distinct beliefs about the activities and obligations that auditors are expected to do, although the audit profession does not share those perspectives (Yee et al., 2017). Research suggests that improved communication between auditors and society may help close the gap (Ebimobowei, 2010).

Lin and Chen (2004) address auditing methodology in research on the inconsistencies between audit report users and Chinese auditors. Findings revealed that the demands of audit report users significantly influence the gap between auditors and users. Auditors may have high expectations due to growing user demands. However, the authors stated that the auditing method is based on selecting a sample from all financial transactions that occurred over a period and forming an opinion based on the observations identified from the sample. Hence, auditors do not provide absolute assurance but reasonable assurance.

Independence has always been the backbone of the auditing job, both philosophically and historically. Research highlights that to avoid disagreement between the user and the auditor, the professional code of conduct emphasizes independence (Salehi et al., 2012). The authors stated that independence is essential if financial reports are to be trusted by users. A study employed correlation and regression analyses involving 302 Dutch respondents (auditors, bankers, and accountants). Findings revealed that the AEG in the banking sector is primarily due to organizational interference and auditors' inability to obtain relevant financial statement materials (Litjens et al., 2015).

According to Saladrigues and Grañó (2014), public high expectations, excessive expectations of auditors' limits and obligations, and disagreements between auditors and administrators constitute wrong audit expectations, causing AEG. The authors stated that users believe auditors review every document under audit, but auditors often use sampling techniques due to high transaction volumes. They suggested that the public should be informed about auditing standards and their extent.

Vanstraelen et al. (2012) aver that auditing financial statements is perceived as complex and time-consuming due to users' lack of understanding of the process and its guidelines. The authors identify that while auditors provide reasonable assurance rather than absolute assurance, users perceive the process as inefficient auditing standards. The structure of the audit process creates an expectation gap, leading users to believe that weak reports are due to internal controls and financial systems (Vanstraelen et al., 2012). While the auditor's role is not to detect errors or fraud, but to provide a report on the truthfulness of financial statements, the public believes otherwise. Auditors' contradictory function and the apparent notion in the public have contributed to an increased auditing expectation gap (Dibia, 2015).

While extensive studies have been conducted on the causes of AEG, none have examined the extent of their influence and strategies to mitigate the causes in the Ghanaian context. Again, diverse environmental, regulatory, institutional, and human behavioural elements can affect the generalizability of the findings across different jurisdictions. A study employed a purposive sampling technique and a survey to examine AEG in Ghana. Findings reveal only two causes:

auditors' accountability for fraud and their independence in detecting and preventing fraud (Agyei et al, 2013). Hence, this research provides extended empirical evidence on AEG within the Ghanaian context.

3.0 METHODOLOGY

The study used both explanatory and descriptive research designs. The quantitative research approach, which applies statistical data analysis methodologies to draw conclusions and generalise findings, was used. Due to the undefined number of the study's target population, which includes auditors, accountants, managers, and other users of financial reports in Ghanaian firms, the study considered similar studies (Agyei et al., 2013; Adagye & Bashir, 2020; Gacheru, 2020; Bebeji et al., 2021) to select an adequate sample size. Following Marczyk et al.'s (2019) recommendation that a sample greater than 250 is suitable for an unknown population, a total sample of 275 respondents was employed in this study. The study employed a mixed sampling approach. The study used a purposive stratified sampling technique to select knowledgeable respondents, specifically accountants, managers, and auditors. A convenience sampling approach was used to select other users of financial reports, including investors, clients, employees, owners, and tax officers, from diverse organizations.

3.1 Data Source, Collection Instrument and Procedure

The study relied solely on a primary data source. A web-based survey tool (Qualtrics) was used to gather data, reducing research costs and avoiding bottlenecks on respondents' busy schedules. The study verified questionnaires with other researchers to ensure content reliability and authenticity. After a thorough literature review and consultation with auditing specialists, a draft web-based survey was shared for ethical peer review. Closed-ended questions were used to ensure consistent responses and data analysis. The survey was divided into four sections: A, B, C, and D, focusing on demographic features, causes of AEG, the extent of the gap, and strategies for mitigating it. A 5-point Likert scale was used to assess certain statements. This method ensured a clear and understandable data analysis.

The research survey was distributed to respondents using an online link via email and the WhatsApp app. This made it reasonably simple for respondents to access the web-based survey platform. Answering the surveys takes roughly 10 to 15 minutes on average. The respondents are given complete freedom to complete the web-based survey platform without intervention or influence from the researcher or any other third party. After completing the questionnaire, responses were automatically collected online.

As a matter of ethics, respondents' permission was obtained on the online survey's opening page, which outlines the research aim, how data will be used, the privacy of personal and sensitive information, and who will benefit from the research. Respondents were assured of 100% voluntary participation. Furthermore, the web-based survey platform ensures the ethical requirements for security, privacy, and discretion of responses, including storage and data backup, de-identification, and coding measures.

3.2 Profile of the Respondents

The study aims to avoid a skewed representation of findings in a particular sector. Therefore, respondents were selected from a diverse pool of industries, including banking and financial services, education, agriculture, construction, general trade, and many others. To pleat insights from professionals, educated under modern accounting standards and practices, the study's first cohort of respondents, including accountants, auditors, and managers, were selected from academic and professional educational bodies, such as the Association of Chartered Certified Accountants (ACCA), the Institute of Chartered Accountants Ghana (ICAG), and the Chartered Institute of Management Accountants (CIMA), who graduated since 2015.

The study considers experienced, certified accounting and audit professionals who have informed perspectives on AEG in Ghana. Sampling certified accountants and managers ensures respondents have proven expertise in accounting and assurance services. The users of audited financial reports, including owners, investors, customers, employees, and tax officers, represent the other cohort of respondents in the working population, operating in both private and public sectors. Organization size varied from smaller local firms to large multinational corporations. Geographically, respondents were located in major urban centres across Ghana, where most companies base their accounting and finance functions. The diversity of respondents' specializations and industries supports the collection of well-rounded data on this phenomenon.

3.3 Validity and Reliability

This research used tested questionnaires from other researchers to ensure the validity, dependability, and authenticity of the research instrument's content. Furthermore, weblinks of a draft version of the web-based survey were shared with other researchers and specialists in auditing for a quick ethical peer review of question wording and orderly arrangements. A pilot study involving 15 respondents was conducted to identify ambiguities and improve item clarity. Reliability of the Likert-scale items was assessed using Cronbach's alpha, yielding a coefficient of 0.81, which is considered acceptable for social science research.

3.4 Data Processing and Analysis

Data were cleaned automatically by the web-based survey platform. The study employed the Software Package for Social Sciences (SPSS) version 21 to analyze the data. Multiple statistical analysis techniques, including descriptive statistics, gap analysis, and the structural regression equation model, were employed. The descriptive statistics were used to analyse the central tendency and standard deviation of the causes of AEG and the level of the gap. Tables and charts were used to present the descriptive statistics results. The study measured the AEG score by using the variations between the ratings of the auditors and the ratings of the users, which comprises management, accountants, and primary financial report users. Therefore;

$$\text{Gap Score (AEG)} = \text{Auditors' ratings} - \text{Users ratings} \quad \ldots\ldots\ldots\ldots\ldots\ldots.. (1)$$

A negative gap score indicates that users' ratings exceed auditors' ratings, suggesting public dissatisfaction with the auditors' responsibilities. This specifies that the audit expectation gap exists because the users do not understand the scope of the auditors' responsibilities. A positive gap score for each question indicates that no expectation gap exists, suggesting that both the users and the auditors are fully aware of the scope of the auditor's responsibilities. Furthermore, a zero gap score indicates null expectation gap for that specific audit responsibility or issue, suggesting that both auditors and users agree on the extent of the auditor's responsibility (whether high or low). However, this reflects agreement in perception and does not necessarily mean satisfaction or adequacy.

The study employed a structural regression model to calculate the coefficients and statistical impact of the associations between the determinants of AEG and AEG score. This model was developed and analysed to determine the direction and magnitude of impacts of the relationships. Therefore, the study used the regression model below.

$$AEG_{it} = \beta_0 + \beta_1(OE)_{it} + \beta_2(SL)_{it} + \beta_3(PS)_{it} + \beta_4(DU)_{it} + \beta_5(IN)_{it} + \beta_6 (WE)_{it} + \beta_7(NA)_{it} + \beta_8(RA)_{it} + \varepsilon_{it} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots. (2)$$

Where

β_0 is an intercept

β_1, β_2, β_3, β_4, β_5, β_6, β_7, and β_8 are the separate coefficients of the determinants

ε denotes the error term that checks for omitted variables.

AEG denotes the gap score

OE denotes the operations and effort of the auditors

SL denotes the auditors' skills level

PS denotes the perception of society about the auditing job

DU denotes the demands of the users of the audit report

IN denotes the independence of the auditors

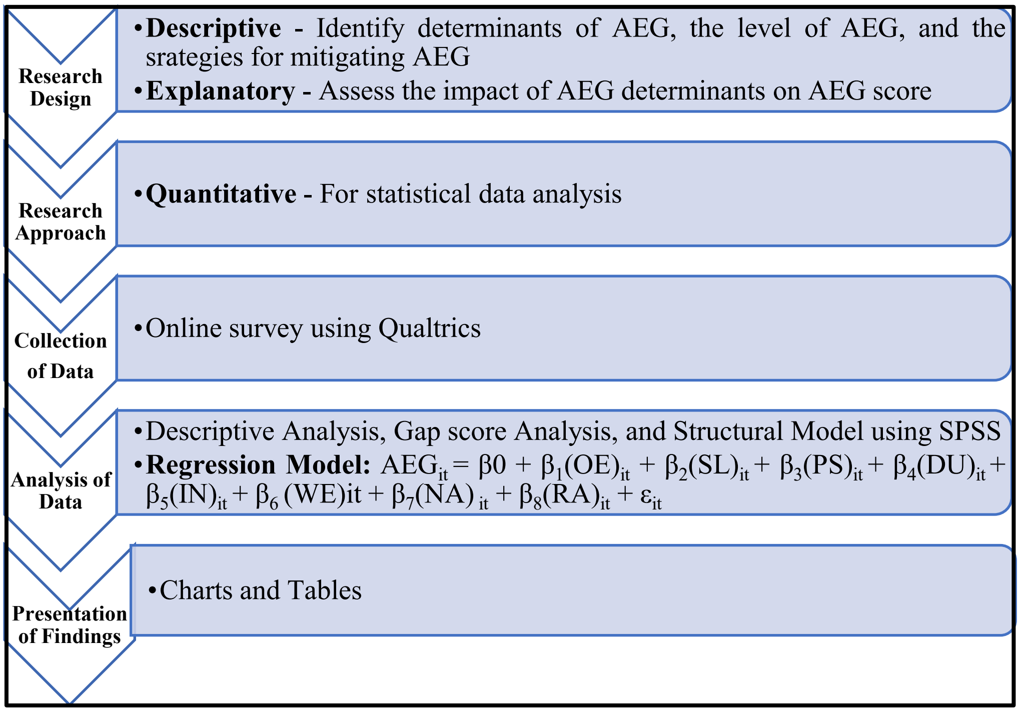
WE denotes wrong expectations

NA denotes the nature of the auditing process, and

RA denotes the role of the auditor

In all, the study adopted the research methodology flowchart below

Figure 1: Research Methodology Flowchart



Sources: Author's Construct (2025) with Microsoft 365

4.0 RESULTS AND DISCUSSION

The study modified a response rate model, requiring that a response rate be measured as the number of usable responses divided by the eligible sample chosen (Krishnamurty, 2018). The study used the equation below to maintain that the sample reflects the population.

$$R_r = \frac{n-1(X_1+X_2+X_3+X_4)}{n} \times 100\% \quad \ldots\ldots\ldots\ldots (3)$$

Where Rr = the response rate

n = Sample size

X_1, X_2, X_3 and X_4 = Nonresponse factors (incomplete responses, failed delivery, refusals, and accidental loss of the survey's online link, respectively).

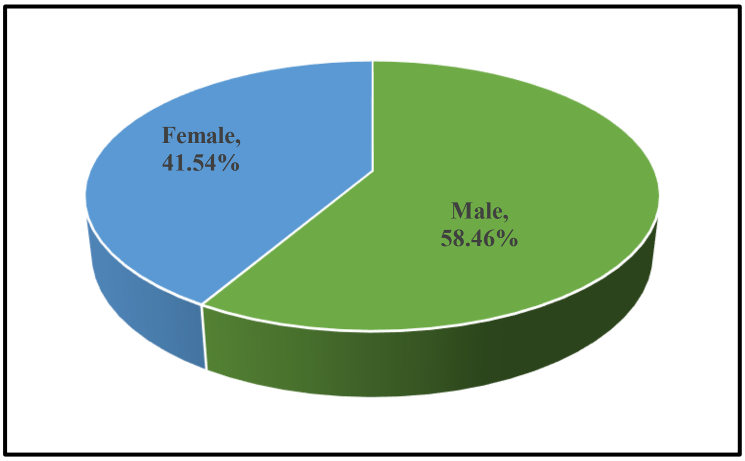
After substitution, n = 94.54%. Out of the 275 questionnaires distributed, 260 were valid and useful for analysis. Studies reveal that a response rate of 70% is great, 60% is average, and 50% is sufficient for analysis and presentation (Kothari, 2011; Mugenda & Mugenda, 2012). The study's response rate remained satisfactory and admissible, increasing confidence in the generalizability of findings.

4.1 Demographics of the Respondents

The study presents a summary of respondents' demographic features, including sex, age, educational level, number of years worked, and industry associated with audit reports. Findings are presented below.

4.1.1 Sex

Figure 2: Gender Distribution



Sources: Author's Construct (2025) with SPSS (version 21)

Figure 2 presents that 58.46% of the total respondents were male, while 41.54% were female. This is consistent with earlier research showing male dominance (Gbadago, 2015; Osei-Assibey, 2021). However, the variance in the gender of respondents is minimal, raising no issue of bias in the responses.

Table 1: Other Socio-Demographic Characteristics of Respondents

Construct	Category	Percentage (%)
Age (Years)	20 - 29	4.62
	30 - 39	35.38
	40 - 49	40.77
	50 +	19.23
Highest Qualification	Bachelors Degree	23.08
	Masters Degree	31.92
	ACCA/ICAG/CIMA	34.23
	Ph.D. and Others	10.77
Industry/Sector	Education	14.62
	Banking and/or Financial	31.15
	Construction	18.08
	Agriculture	1.92
	Trade and/or Industrial	22.69
	Others (specify)	11.54
Years of Experience	< 5	5.38
	5 – 10	35.77
	11 – 15	32.31
	≥16	26.54

Sources: Author's Construct (2025) with SPSS (version 21)

4.1.2 Analysis and Interpretation of Respondents' Demographics

The findings revealed that 40.77% of the respondents were between 40 and 49 years, followed by 35.38% who were between 30 and 39 years. Those between 20 and 29 years constituted 4.62% while those who were 50 years and above constituted 19.23%. This indicates that most respondents are older adults with an average age of 30 years and above.

Furthermore, the study indicates that 34.23% of the respondents hold professional accounting and management-related certificates such as ACCA, ICAG, and CIMA, followed by 31.92% Master’s Degree, and 23.08% Bachelor’s Degree holders. Those with a Ph.D. and other qualifications, including the Chartered Institute of Marketing (CIM) and the Chartered Institute of Bankers (CIB), represent 10.77%. This posits that understanding the auditing process necessitates a solid educational background.

Regarding the industry of the respondents, the findings revealed that 31.15%, representing the majority, were in Banking and/or Financial institutions, followed by 22.69% in the Trade and/or Manufacturing sector, and 18.08% in the Construction sector. Again, 14.62% of the respondents were from the Education sector, and 11.54% from other sectors, including consultancy and transport. The Agricultural Sector constituted 1.92%, which can be represented as a trivial proportionate share of the study participants.

The findings revealed that most respondents have been in their profession for 5 – 10 years (35.77%), followed by 32.31% who have been in the profession for 11 – 15 years, and then 26.54% have been working for over 16 years. Meanwhile, those who have been working for less than 5 years constituted 5.38%. This means that most respondents have experience in their vocation for more than 5 years.

According to Wilmot (2005), any research that considers socioeconomic status, among other characteristics, might influence respondents' opinions, attitudes, and knowledge toward the accomplishment of study objectives. Hence, these findings reflect the respondents' attributes in the auditing environment, their awareness, and, to a larger extent, the overall discussion of this study.

4.2 Factors Affecting AEG in Organizations in Ghana

The study's first objective was to assess the causes of AEG in Ghanaian organizations. Using a Likert scale from 1 (Very Low Extent) to 5 (Very Great Extent), Table 2 presents the findings.

Table 2: Factors Affecting AEG in Ghanaian Organizations

Element	Mean	Std. Deviation
The skills level of the auditors	4.5682	.60775
The independence of the auditors	4.2803	.76482
The perception of society about the auditing job	4.1970	.81437
The nature of the auditing process	4.1818	.74974
The demands of the users of the audit report	4.1742	.78630
Wrong primary expectations, like fraud detection	4.1061	.69081
The role of the auditor	3.8030	.82369
The operations and efforts of the auditors	3.7803	1.12782

Sources: Author's Construct (2025) with SPSS (version 21)

4.2.1 Analysis and Interpretation of Key Determinants of AEG in Ghana

As presented in Table 2, the respondents indicate that the skills level of auditors is the major factor that causes AEG in Ghanaian organizations, with a mean score of 4.57. The standard deviation value of approximately 0.61 indicates that there are few disparities in respondents' ratings. This aligns with other studies, which highlight that auditors need to possess specific skills to be efficient and influential in reducing AEG (Mahdi, 2011; Kato et al, 2017; Sayed et al., 2018).

The findings revealed that auditors' independence (mean = 4.28) also affects AEG in Ghanaian organizations. Since auditors' independence serves as the centre of the AEG debate, such that the greater it is, the higher the assurance in auditors' work and the smaller the AEG (Agyei et al., 2013), this study's findings suggest that auditors maintaining perceived independence will reduce AEG and induce members' trust (Akther & Xu, 2020).

Furthermore, Table 2 reveals that the society's perception regarding the auditing job (mean = 4.20), the nature of the auditing process (mean = 4.19), and the demands of the audit report by users (mean = 4.17) also causes AEG. The findings align with other studies, suggesting that audit procedures require auditors to provide reasonable assurance rather than absolute assurance (Salehi et al, 2012; Agyei et al., 2013; Saladrigues & Grañó, 2014). The findings indicate that when audit report users place high demands on the auditor, it affects the auditors' efficiency, thereby extending the gaps in the auditing process (Tiberius & Hirth, 2019).

Wrong primary expectations, such as fraud detection (mean = 4.11), the role of auditors (mean = 3.80), and auditors' operations and effort (mean = 3.78), contribute to AEG. The findings support the notion that incorrect expectations and perceptions of fraud detection in the audit process cause an AEG (Tiberius & Hirth, 2019). This supports the argument that a lack of understanding and awareness of auditors' responsibilities causes incorrect expectations in the audit process (Porter et al., 2012; Agyei et al., 2013). In perspective, these findings confirm that since people are unfamiliar with established auditing processes and standards, they often believe that auditors are being overly strict during the audit (Fossung et al., 2020). However, other studies refute this claim (Akther & Xu, 2020; Sayed et al., 2018).

4.3 Level of AEG in Ghanaian Organizations

Using a Likert scale from 1 (Strongly Disagree) to 5 (Strongly Agree), the study used a list of statements to ascertain AEG scores from the respondents. Table 3 presents the analysis of the gap scores for each item, where AR represents the auditors' rating, UR represent the users of audited financial reports' ratings, and GS represents the AEG score.

Table 3: AEG Scores in Ghanaian Organizations

Statement	AR	UR	GS
Auditors must detect all errors and fraud	1.3545	4.6667	-3.3122
Financial data and numbers are the auditors' concern	1.2879	4.3636	-3.0757
Auditors do not ensure proper account maintenance	1.4242	4.8182	-3.3940
Auditors must make judgments in the audit process	3.5076	3.2424	0.2652
Auditors do not reveal every financial misconduct	1.5758	4.9318	-3.3560
Auditors reveal material misstatements in the reports	4.7652	4.6333	0.1319
Auditors ensure no discrepancies in audit reports	4.8318	3.7106	1.1212
Auditors provide adequate assurance in audit reports	4.6212	4.0985	0.5227

Sources: Author's Construct (2025) with SPSS (version 21)

4.3.1 Analysis and Interpretation of AEG Scores in Ghana

Table 3 reveals areas where users' expectations exceed auditors' responsibilities, thereby causing AEG. For instance, the users strongly agree that auditors must be showing a charge for detecting all errors and fraud (mean = 4.667); that auditors are only concerned about financial data and numbers (mean = 4.364); that auditors must ensure proper maintenance of accounts (mean = 4.818), and that auditors must have the duty to reveal every financial misconduct (mean = 4.932).

These findings reveal how the study's integrated theoretical framework explains the complex relationship between stakeholder expectations and auditor responsibilities. For instance, while agency theory explains that principals demand competent agents to detect management fraud and ensure accurate financial reporting, findings reveal that the auditors' skills level is the primary determinant of AEG. The gap scores in fraud detection responsibilities (-3.312) and account maintenance duties (-3.394) reflect users' expectations for quality audit services that extend beyond statutory obligations.

Inversely, auditors believe that they are not responsible to detect all errors and fraud (mean = 1.354); that financial data and numbers are not their only concern during audit (mean = 1.288); that they ensure proper accounts keeping in the audit process (mean = 1.424); and that they reveal every financial misconduct (mean = 1.576). The variations in users' expectations on these auditors' responsibilities highlight the presence of AEG with scores of -3.312, -3.076, -3.394, and -3.356, respectively.

The findings indicate that users of audit reports are not in congruence and are dissatisfied with what auditors are expected to do, including fraud detection, accounts maintenance, exposure of financial misconduct, and auditors' only concern with financial data and numbers, aligning with previous studies (Sayed et al., 2018; Tiberius & Hirth, 2019).

Additionally, the findings indicate that users of auditing reports do not understand the requirements of the International Standards on Auditing (ISA), particularly ISA 240, where the auditors' objective is not to detect fraud. The findings align with other studies (Agyei et al., 2013; Dai & Li, 2016) but contradict Fulop et al.'s (2019).

Furthermore, auditors do not engage in unregulated activities by the auditing standard. Auditors are aware of the scope, extent, and direction of their audit methodologies, and they know the degree of adequate and suitable evidence on which to base their views (Agyei et al., 2013). Therefore, findings suggest that auditors never veer out of their legal and professional mandate to satisfy users of financial reports, thereby causing AEG.

Table 3 indicates a null expectation gap for auditors' judgment in the audit process (gap score = 0.265) and auditors' revealing material misstatements in the reports (gap score = 0.132). The findings suggest that both auditors and users agree on the extent of these audit responsibilities. However, this does not necessarily mean satisfaction or expectations met. Meanwhile, both the users and the auditors are fully aware of the scope of the auditor's responsibilities, including ensuring no discrepancies in audit reports (gap score = 1.121) and providing adequate assurance in audit reports (gap score = 0.523). The positive gap scores indicate why auditors' performance exceeds users' expectations, supporting confidence-building.

The findings align with Enyi et al.'s (2012), which indicates that both auditors and users acknowledge no discrepancies in audit reports and auditors' assurance of audited financial reports. Previous studies highlight that an auditor is not responsible for making a judgment in the audit process (Agyei et al., 2013; Dibia, 2015).

4.3.2 Regression Analysis and Structural Modelling

The study further employed a structural model and regression analysis to assess how the determinants impact the AEG score. The analysis illustrates and tests the nature of the relationship between the determinants of AEG and respondents' ratings analysis of the gap score. Table 4 and Figure 2 present the findings.

Table 4: Regression Weights of the Determinants of AEG

			Estimate	S.E.	C.R.	P
GPSCOR	<---	OE	.222	.023	9.627	.000
GPSCOR	<---	SL	.160	.035	4.605	.000
GPSCOR	<---	PS	- .121	.033	-3.639	.000
GPSCOR	<---	DU	.079	.034	2.310	.021
GPSCOR	<---	IN	- .057	.038	-1.505	.132
GPSCOR	<---	WE	- .081	.032	-2.567	.010
GPSCOR	<---	NA	.216	.032	6.751	.000
GPSCOR	<---	RA	.129	.043	3.009	.003
(Constant)		**1.606**				
R-Square		**0.651**				
F – Statistic		**28.684**				
p-value		**0.000**				

Independent Variables: OE – Operations and Effort; **SL** – Skills Level; **PS** – Perception of Society; **DU** – Demands of Users; **IN** – Independence of Auditors; **WE** – Wrong Expectation; **NA** – Nature of Auditing; and **RA** – Role of Auditor

Sources: Author's Construct (2025) with SPSS (version 21)

4.3.3 Analysis and Interpretation of the Structural Regression Model

According to Table 4, the R-Square value of 0.651 indicates that the determinants of AEG collectively explain 65.1% of the variability in the AEG score. Also, the structural equation model is statistically significant as the level of significance (p-value = 0.00) is less than 0.05.

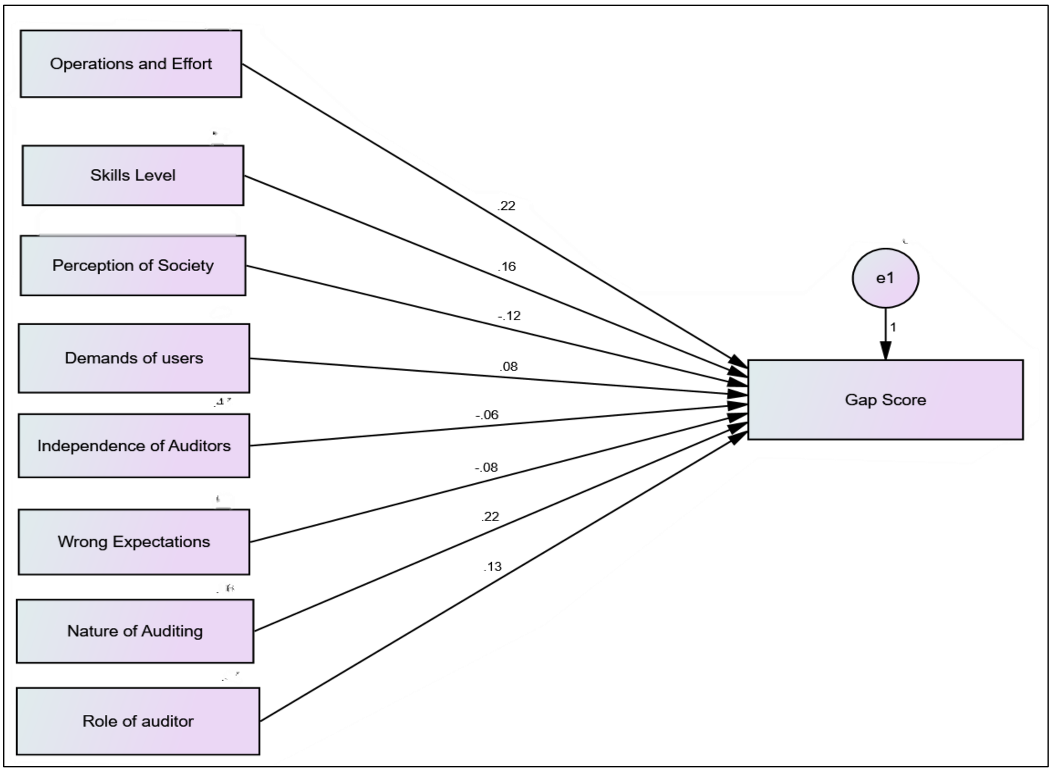
Based on the above, the substituted structural equation model is shown below.

$$\text{AEG} = 1.606 + \widehat{0.222}(OE) + \widehat{0.16}(SL) - \widehat{0.121}(PS) + \widehat{0.079}(DU) - \widehat{0.057}(IN) - \widehat{0.081}(WE) + \widehat{0.216}(NA) + \widehat{0.129}(RA)$$

Table 4 depicts an estimated coefficient value of 0.22, indicating the level of the relationship between the AEG score and the operations and efforts of the auditor. The findings indicate a significant impact with the p-value of 0.00 (i.e. < 0.05). This suggests that the auditor's operations and efforts have a substantial influence on the AEG score.

Additionally, the auditors' skills level, the demand of the users of the audit report, the nature of the auditing process, and the auditors' role were estimated at the coefficients of 0.16, 0.08, 0.22, and 0.13, respectively. All these variables have respective p-values of 0.00, 0.02, 0.00, and 0.00, less than 0.05, suggesting that they have a positive impact on the AEG score. In other words, a percentage change in any of these variables will cause a significant influence on the AEG score through its coefficient. Figure 3 presents the pictorial view of the structural regression model.

Figure 3: Relationship Between Determinants of AEG and AEG Score



Sources: Author's Construct (2025) with SPSS (version 21)

Figure 3 further depicts that the perception of society about the auditing job and users' wrong expectations had estimated coefficients of -0.12 and -0.08, with p-values of 0.00 and 0.01, respectively. This implies that society's perception of the auditing job and the wrong expectation of the users of audit reports have a negative and significant impact on the AEG score. The findings demonstrate how auditors navigate opposing demands between public expectations and professional standards, illuminating the role of conflict theory. This conflict creates tension between maintaining professional integrity and satisfying stakeholder expectations. However, the findings explain the role of conflict theory, illustrating that because auditors prioritize compliance with auditing standards over broader societal demands, they consistently rated fraud detection lower than users expected.

Furthermore, the independence of auditors was estimated at a coefficient of -0.06 with a p-value of 0.132, which is above 0.05. This indicates that auditors' independence has a negative and insignificant impact on the AEG score. While independence generally underpins audit credibility, the findings suggest that in Ghana's context, technical competence and transparent role definition matter more for maintaining public confidence, illustrating the theory of inspired confidence.

4.4 Strategies for Mitigating AEG in Ghanaian Organizations

The study also seeks to determine the strategies for mitigating the AEG in organizations in Ghana. In doing so, a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) was used to allow respondents to rate their opinions on some statements that determine the strategies for relieving AEG. Table 4 presents the findings.

Table 4: Strategies for Mitigating AEG in Ghana

Statement	Mean	Std. Deviation
1. There is a need for legislative board resolution of the confusion between auditors and clients	4.3788	.59937
2. There should be institutional reforms	4.1818	.80853
3. The auditors should constantly acquire the requisite auditing skills	3.9773	.84226
4. The users of the auditing report must be educated about auditors’ roles and limits	3.8409	.88187
5. There is a need to provide complete capacity building for auditors	3.8030	1.04436
6. Improvement in the quality control components of the auditing process	3.6515	.89940
7. There is a need to change the wording in the audit report.	3.6288	.91138

Sources: Author's Construct (2025) with SPSS (version 21)

4.4.1 Analysis and Interpretation of AEG Mitigation Strategies

According to Table 5, both auditors and users of audit reports agree that there should be a legislative board resolution of the confusion between auditors and clients (mean = 4.379) and institutional reforms (mean = 4.182). As emphasized in research, this study's respondents also believe that a legislative board will be able to clarify the uncertainty between auditors and users, thereby reducing AEG (Sun & Vasarhelyi, 2018). Again, respondents believe that the need for institutional reforms should emanate from reforming and educating the users of the auditor's report to clarify the auditing process and standards to the clients. This is in support of the other findings (Siddiqui et al., 2009). The findings align with the perspective that financial standards and auditing standards must be improved so that people do not question the job of the auditor (Agyei et al, 2013).

Table 5 also reveals that respondents somewhat agree that auditors should constantly acquire the requisite auditing skills (mean = 3.977). This aligns with Tiberius and Hirth (2019), who stated that AEG necessitates the auditor's constant acquisition of the required auditing skills. Meanwhile, respondents agree that users of the auditing report must also be educated about auditors' roles and limits (mean = 3.841). The findings indicate that training and awareness not only benefit the person acquiring it but also the entire institution or company. While some of AEG's variables can be satisfied by the auditor, the users must be informed of the auditors' roles and limits (Envi et al., 2012). Therefore, the findings echo that it is important to educate the public on the function and duties of auditors, including the common misconceptions concerning fraud and mistake identification (Dai & Li, 2016).

Respondents somewhat agree that there is a need to provide complete capacity building for auditors (mean = 3.803), improve the quality control components of the auditing process (mean = 3.651), and change the expression in the audit report (mean = 3.629). The findings can be summed up as enhancing quality assurance in audit firms. According to Salehi et al. (2012), to resolve AEG, the quality control components within auditing companies need to be improved. The findings confirm that, if the quality control part of the audit is maintained closely, the quality of the audit statement will be increased, thereby reducing AEG (IIA, 2012). This implies that users must know what audit quality is in audit statements. Meanwhile, Raphael (2017) observed that audit quality is multi-functional and fundamentally not monitored.

5.0 CONCLUSIONS

This study provides empirical evidence on AEG in Ghanaian organizations. It reveals significant disparities between auditors' responsibilities and users' expectations. The study identifies auditors' skills level as the primary determinant of AEG, followed by independence, societal perceptions, and auditing process nature. The integration of agency theory, role conflict theory, and inspired confidence theory effectively explains these phenomena, where principals demand comprehensive fraud detection and auditors navigate conflicting professional standards and public expectations. The negative gap scores in fraud detection responsibilities, account maintenance duties, and financial misconduct disclosure reveal substantial disconnects. These findings underscore users' limited understanding of International Standards on Auditing, particularly ISA 240, which defines auditors' fraud detection scope. The structural equation model demonstrates operations and efforts, skills level, and auditing process nature, showing significant positive impacts. The study highlights that strategic mitigation of AEG requires legislative board interventions to clarify auditor-client confusion, institutional reforms to emphasize user education, and continuous professional development for auditors. The study's theoretical synthesis reveals that while agency theory explains stakeholder demands for quality assurance, role conflict theory illuminates auditors' navigation between professional compliance and public expectations. The inspired confidence theory emphasizes technical competence over independence as crucial for maintaining public trust in Ghana's context. These findings contribute significantly to auditing literature in developing economies and provide practical guidance for regulatory bodies like ICAG to strengthen professional integrity while addressing legitimate stakeholder expectations in Ghana's evolving financial landscape.

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