



Auditing Concepts and Stakeholders' Expectations

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Abstract: The mixed reactions occasioned by disappointing top-level financial reporting failures has not dampened the unsettling loss of confidence of key players and other financial statement users on the relevance of audit and financial statements in making the right investment decisions. There is a contemporary debate trying to resolve mixed feelings and misplaced perceptions of auditing concepts in filing widened expectation gaps of auditor's expression of opinion. Contributing to the argument involves a detailed review of auditing concepts and broadening the understanding and educating the stakeholders on the essence of auditing. In this consideration, the study employed an exploratory research approach, reviewed related materials, journals, and periodicals in the field of auditing and financial accounting. The outcome of the review showed that Auditing concepts are specific and inclusive. Auditors are guided by these concepts and standards set out by the international standards on auditing. While these concepts are valid, there are divergences and misconceptions of what stakeholders expect from the audited financial statements. The study recommended that stakeholders require audit education and understand the essence of auditors' reporting dilemma of regulated auditing guidelines or go beyond the auditing standards to please the stakeholders' expectations.

Keywords: Auditing concepts, stakeholders, true and fair, due diligence, integrity.

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1. INTRODUCTION

The complexities and intricacies in interpreting auditing reports and problems in meeting diverse expectations of various stakeholders are quite challenging and multidimensional. The perceptions of shareholders and other stakeholders of what auditing concepts entail are quite challenging. This concern informed the motivation to investigate auditing concepts as there are divergences in perceptions and meanings of auditing concepts worldwide. This divide in meanings of auditing concepts is more pronounced as productive

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resources owned by one person or group are managed by another set of people or group of persons, who are expected to account or report to the owners of the business their stewardship (Iwanowicz & Iwanowicz, 2019). Since the owners are different from the resource managers, an independent person who is a third party is appointed by the owners to scrutinise the establishment resources utilisation, its records, and the financial statements prepared regularly, and thus form an opinion on the accuracy and veracity of the financial statements (Stradberg & Grahame, 2020). However, with the growing and expanding nature and volume of business transactions and the significance of information for investment decisions, the paradigm shifted from the earlier objective of ascertaining correctness arithmetical accuracy alone to the expression of a true and fair view opinion independent auditors. Hence, an independent external professional person called the auditor is strictly guided by auditing standards to present a regulated measure of opinion to guarantee a reasonable extent of the audit quality to be presented to the accounting information users (Akther & Xu, 2020).

Auditing standards provide comprehensive conceptual guidelines regulated and moderated to serve as models and prototypical for all statutory auditors. These guidelines are relatively regulated to ensure uniformity and strict compliance in meeting minimum audit quality. The Generally Accepted Auditing Standards (GAAS) are international standards published by the American Institute of Certified Public Accountants. Also, the Auditing Standards Board makes pronouncements referred to as a statement of auditing standards (SASs). International Standards on Auditing (ISAs) being set by the International Audit and Assurance Standards Board (IAASB), a subset of the auditing regime of the International Federation of Accountants (IFAC). Unfortunately, despite the all-inclusive auditing concepts, evidence abounds on the diminishing confidence and decreasing trust of audited financial statements by the users, consequent to reported financial scandals, and declining results of investments failures due to faulty decisions based on the accounting information (Tilbury, Walsh & Osmond, 2016). The high-profile cases of Enron and Arthur Andersen, Adelphia, Parmalat, WorldCom, Global Crossing, Lucent, Tyco, and Xerox have caused huge losses and several harms to several shareholders the related corporate organisations (Persakis & Iatridis, 2016).

The face of auditing is changing in meeting stakeholder's expectations from the traditional auditing to a new landscape that should address the case of detection and reporting of misstatements, fraud and due consideration of establishing the going concern and economic health status of clients for the consumption of the shareholders and other stakeholders.

1.1 Statement of the Problem

Across the world, there are complexities and huge perceptions of bias, distrusts, and doubts of the credibility of financial statements prepared by the management, hence the high demand for an independent umpire and third party to lend credence and credibility to the financial statement to affirm the true position of the corporation's financial position, evidence of a physical presence of assets and verification of their cost and confirm if there are incidents of fraud and errors in the statements. In most cases, there are problems with the vast disparity between the reported and the shareholders' expectations and other stakeholders (Simpson & Lord, 2015). This lack of trust is hinged on the possibilities of opportunistic disposition and tendencies of the managers who, in most cases, pursue self-interests agenda, leveraging on privileged information asymmetry causing moral hazards and adverse effects to the disadvantage of the owners.

1.2 Objective of the Study

This study examines a comprehensive review of auditing concepts to consider the whole totality of audit from the origin of an audit, the essence of audit, and why it is necessary to the contemporary and digital business environment. The rest of the study is structured in this manner: Section 2 is considered a literature review. Next is the methodology in section 3, and the study concluded in section 4 with the conclusion, recommendations, and contribution to knowledge.

2. LITERATURE REVIEW

2.1 Introduction

This section comprises a discussion on auditing (i.e., the evolution of auditing, Nigerian auditing developmental perspective, Nigerian auditing regulations), the essence of auditing, classes of audit, other audits, auditing values and ideologies, stakeholders expectations, meeting stakeholders expectations, underpinning theory, and empirical review.

2.1.1 Auditing

Auditing, according to American Accounting Association (AAA), is a methodical and meticulous process of accurately obtaining and examination of evidence concerning statements about an underlying economic and business activities and events of an entity to determine the extent of correspondence between those assertions and established criteria and reporting the result of such investigation to potential users (Wei, Wang, Wu & Li, 2012). Furthermore, auditing has been defined as an investigation of companies accounting books and the associated documentary evidence so that a statutory auditor may be in a proper position to establish the accuracy of accounting numbers and may therein make a report on the books of accounts of a statement of financial position and other financial statements which have been prepared from therein. According to Abid, Shaniqua & Haq, (2018), auditing is an examination of financial statements and information prepared by the management of an establishment by an auditor to enable the expression of an opinion. It requires a systematic procedure.

2.1.2 Evolution of Auditing

Generally, prior studies have shown that auditing evidence had been in traditional practice in the Babylonian period, around 300 before Christ (BC), equally in ancient China, Greece, Egypt, and Rome (Tian & Xin, 2017). According to Tian and Xin (2017), in Rome, traditional auditors were appointed to hear and/or listen to farmer give a public account of the business activities to ascertain tax due, while in China and Egypt, auditors who were supervisors of the accounts of the then Chinese Emperor and Egyptian Pharaoh around the 300 BC. Crips (2015) posited that the local authorities in the accounting system of Zhao dynasty in China included elaborate budgetary procedures and audits of all government units. The Egyptian dynasty explored some trusted and appointed scribes (auditors) who were given much respect to listen and verify reports such as oral statements to determine tax obligations. Auditors' role as hearer and verifiers of reports have revolved from listening to verifying written documents to verifying. The Latin word "audire," meaning to hear in the then period, has passed through various stages and progressed to the modern auditing standards and guidelines. Furthermore, the discovery and documentary on double-entry bookkeeping system in Italy by a renowned Catholic

Priest, Luca Pacioli in his book *Summa de Arithmetica* around a recorded period of 14 November 1494 provided many incentives and the required impetus to auditing development to its current status (Skouteris, McCabe, Fuller-Tyszkiewicz, Henwood, Limbrick & Miller, 2016).

Going down the memory lane, Zaman, Hudaib, and Haniffa (2011) asserted that the essence of the audit was made prominent to act as the umpire who was needed to lend credence and assurance of the credibility of reports stewardship on behalf of the owners as business principal (shareholders) based on the stewardship account of financial statement prepared by the agent (managers). An agency relationship arises whenever one or more individuals, called principal, hired one or more other individuals, called agents, to perform some services and then delegate decision-making authority to the agents (Baldocchino, Tabone & Demanuele, 2017). The agency relationship is concerned with one of such conflicts between the principal (owners of the business) and the agent (the business managers). In large firms, the common shareholders are likely to be diversely located. So, the action of the shareholders is likely to be restricted in practical terms. The responsibility of running and managing the company will be with the managers on behalf of the shareholders. In any business contract, there is the possibility of conflict, especially when the owner is different from the day to day running and management of the company (Yip & Pang, 2017). The conflict could come in various ways: Conflict of interests, payment terms disagreements, dividend policy issues, and many more. The Agency relationship posits that the relationship between the principal (shareholders) and the principal's agent (company's managers). This suggests that the firm can be viewed as a nexus of contracts (loosely defined) between resources holders.

2.1.3 Nigerian Auditing Developmental Perspective

Owolabi, Jayeoba, and Ajibade (2016) opined no evidence of professional auditing or accounting body in Nigeria before Nigerian independence. However, the skeletal form of audit followed the British colonial system carried out by non-professionals. Companies were empowered by the then company ordinances to appoint auditors. Owolabi *et al.* (2016) some accountant was trained by the British and Akintola Williams was the first Nigerian qualified chartered accountant having been trained by British professional accounting body, either in England and Wales or Scotland, as a result in 1952, before Nigerian independence, Akintola Williams & Co., became the first auditing and accounting firm in Nigeria, now known as Akintola William Deloitte as the foremost indigenous accounting firm. Akintola William Deloitte grew to an international, enviable reputation accounting firm as the largest with over 600 staff as of 2004 (Owolabi *et al.*, (2016).

In 1960, the first local professional accounting body was formed by a group of British trained accountants who masterminded the Association of Accountants' formation in Nigeria (AAN) as the forerunner of professional accounting body (Ajayi, 1997, Owolabi *et al.*, 2016). However, this professional body was given a legal backing of Act of Parliament in 1965 to a new name Institute of Chartered Accountants of Nigeria (ICAN) with over 250 members. Besides ICAN, another professional accounting body, the Association of National Accountants (ANAN), came on stream in 1979 and given legal backing in September 1983.

2.1.4 Nigerian Auditing Regulations

According to Okafor and Otalor (2013), the development of auditing practice in Nigeria has reached such height that it required regulatory guidelines. There are three sources of auditing regulations available in Nigeria. (i) Legal regulations and frameworks are required for audit assurance service, and other financial services providers and Nigerian are not exceptional. Nigerian legal framework is found in the Companies and Allied Matter Act (CAMA) of 2004; Institute of Chartered Accountants Act of 1965; Financial Reporting Council of Nigeria (FRCN); the Audit Act, and other that regulate financial service providers: Banks and other Financial Institutions Act of 1991, Security and Exchange Commission's Act 2007; (ii) Ethical regulation is another auditing regulation, as auditors are mandatorily ethically guided by audit regulatory bodies of the Institute of Chartered Accountants of Nigeria and International Federation of Accountants, which regulate all practising chartered accountants' ethical conduct; (iii) Asides from the legal and ethical regulations, Okpala (2015) declared auditors are under professional auditing regulation. In this respect, auditors must carry out their auditing exercise in conformance with professional auditing standards by International Standards on Auditing (ISA) and Nigerian Standards on Auditing (NSA). Okafor and Otalor (2013) submitted that Nigeria's financial reporting council operates closely with some institutions like the Institute of Chartered Accountants of Nigeria, Nigerian Standards on Auditing in line with standards issued by International Audit and Assurance standards boards (IAASB).

2.2 Essence of Auditing

Since the management who runs the company's activities is the same that prepare the company's financial statement, there is a possibility of inherent unbiased and credulity gaps. Auditing is, therefore, necessitated to bridge these gaps to infuse credibility and acceptance of the financial statement by the shareholders and other stakeholders. More so, to discover issues that could emanate from moral hazard and information asymmetry between managers and shareholders, auditing is necessitated (Salem, 2012). According to Kim (2010), the moral hazard could arise due to managers having privileged information that could induce self-interest at the detriment and disadvantage of shareholders (Beaver, 1989). Beaver (1989) further stressed that auditing exercise is required to act as a monitoring mechanism to check against manager's excesses and, at the same time, reduce the chances of manager withholding vital and material information from the owners of the company.

Fundamentally the demand for audit was occasioned by the potential conflict of interest that exists between the owners of the companies (shareholders) and the agents (managers) (Wei, Wang, Wu & Li, 2012). Since there is a contractual agreement between the shareholders and the managers that require management periodic feedback accountability and stewardship are reporting on the company's affairs, an independent third party (Auditor) is needed to verify and ascertain the credibility of such a report. Consequently, the services of auditors were essentially required. Generally, an investment decision is taken based on the accounting number extracted from the financial statements. Investors and financial analysts are carefully sensitive and sceptical to make investment decisions without authentication of the veracity and validity of the information in the financial statements (Salehi, 2008).

2.2.1 Primary Essence

There has been a misconception of the primary aim of auditing. The International Standards on Audit (ISA) stipulates that the primary aim of auditing for the statutory auditors provide a true and fair opinion on the underlying realities of the operating results as presented by the statement of profit or loss and statement of financial position and other related statements of the clients been audited; (ii), is to make a thorough examination of the system of internal control put in place; (iii) scrutinise the arithmetical accuracy of the books of account presented to the auditor, verify each entry, casting and balancing; (iv) read-through the appropriateness of distinction of capital and revenue nature of expenses and transactions; (v) confirming evidence, ownership, and value of assets and ensure that each treatment indeed is in line with relevant accounting and auditing guidelines as stipulated in the standards and verify in totality whether or not statutory requirement was fully adhered to in total compliance to the regulatory framework (Belar, Spencer, Cater & Zhu, 2017).

2.2.2 Secondary Essence

The secondary objective of an audit includes detection and prevention of fraud and errors; extensive examination and evaluation of the effectiveness and appropriateness of internal control over financial reporting and making known to the management issues that require improvements; assessing and reporting on the possibility of the clients business going concern status, and providing valuable advice where necessary to the client audited on such areas of accounting principles and system, taxation, risk assessment management areas and other essential matters (Stephen, 2018).

2.3 Classes of Audit

The audit may be classified according to the nature of the work being carried out. However, an audit is categorised into two major types: the statutory audit and non-statutory audit

2.3.1 Statutory Audit

Statutory audits are the required audits backed up by legal framework as stipulated by the country's statutory jurisdiction law and guided by international auditing standards. In Nigeria, the Companies and Allied Matters Act (CAMA) regulates that all entities incorporated under the Act must and compulsorily on yearly bases carry out an audit of their operational activities. Such audit scope was expressly stated, and the audit must be carried out by a qualified independent auditor (Okafor & Otabor, 2013).

2.3.2 Non-Statutory Audit

A non-statutory audit is an audit not required by law and optionally at the discretions of the management of a concerned establishment. In this case, the person or company that engages the auditor could influence the audit's scope. However, in cases of determination of tax obligations, the government tax authorities might insist that an audit be carried out by an independent auditor and in line with CAMA to establish real tax obligations due to the government (Olagunju, 2011).

2.4 Other Forms of Audits

2.4.1 Internal Audit

An internal audit is a kind of audit carried out by an establishment otherwise called an internal auditor. While the internal auditor is responsible to the management, the essence of internal audit is to ensure that there are strict adherence and compliance to policies and internal control measures put in place by the management to safeguard the assets, improve on deviations, if any, on the effectiveness of governance, prevent theft and risk management (Stephen, 2018).

2.4.2 External Audit

An external audit is an audit carried out by an external auditor who is not an employee of the establishment, who examines the reports of operation of financial and non-financial statements prepared by the internal auditor on behalf of the management. The external auditor carried an evaluation of the effectiveness and appropriateness of the internal control system over financial reporting and submitting a report to management for needed improvements, evaluating and reporting on the likelihood of the business continuing as a going concern and providing valuable advice to the entity audited on areas such as accounting systems, taxation matters, risk management practices and other incidental matters (Stevenson, 2019).

2.5 Auditing Values and Ideologies

According to IAASB (2015a), there are indispensable values and auditing ideologies that give auditing concepts impetus in legitimising audit exercise. The basic ones are:

2.5.1 Integrity

Professional auditors are expected to act and be seen by all financial statement users, to be honest, shown integrity, and carry out the audit exercise with all fairness and truthfulness in all its conduct. Integrity and honesty isolate and insulate auditors from all accomplices with the management and help instil confidence and trust as the bane of the auditing profession.

2.5.2 Independence and Objectivity

Globally, the expectation of auditors' perceived independence by stakeholders is mixed, as many still believe that the independence of auditors is standards prescriptive and not realistic (IAASB (2015b)). The auditor should act independently in all ramifications and avoid petty gifts from clients or management that could compromise their independence and undermine the quality of auditing and financial reporting.

2.5.3 Professional Competence

Professional competence, sound accounting knowledge, and auditing skills are the audit profession's hallmarks and auditing exercise. Mastering the processes and auditing standards will ensure audit quality and fewer audit liabilities (Iwanowicz & Iwanowicz, 2019). It is expected that auditors should be qualified, competent, and exhibit professional proficiency in all respects.

2.5.4 Due Diligence and Care

Auditors are expected to exercise care and follow methodically and systematically the rigorous procedural guidelines required in professional service of auditing, not negating the audit liabilities and litigations associate with laxity and negligence associated with the audit exercise.

2.6 Stakeholders Expectations

The stakeholders are many, and so are their expectations. Each of the groups has high expectations from the management and the auditors. Shareholders expect higher dividends as a result. In order achieve their expectation, they put pressure for wealth maximisation, growth of the company, and share price; Employees expectation include higher welfare, higher remuneration, job security, and work safety environment; the government expects higher tax returns, suppliers expect quick payment; customers expect quality product and services, the society expects peaceful relationship, response to social responsibilities of an economic, social and clean environment and other stakeholders' expectation include integrity, respect of environmental standards, transparency and accountability (Olajede, Erin & Asiriwa, 2020).

One of the main expectations of stakeholders is to see the protection of their interests, especially when it is evident that they are not privy to the privileged information at the managers' disposal. In most cases, the manager is poised and motivated, pursuing the shareholder's high equity returns at the other stakeholders' expense (Owolabi & Omotilewa, 2020). There have been strong critics of shareholder's wealth maximisation. This argument is anchored on the philosophy of exploiting the other stakeholders (employees, creditors, government, labour union, and other stakeholders whose interests were undermined and sacrificed for wealth maximisation (Mansur & Tangi, 2018). Shareholder's wealth maximisation encourages short-sightedness and manipulative tendencies to ensure increased earnings while at the same time, surcharging the other stakeholders (Owolabi & Folarin, 2020). According to Gelter (2013), opponents criticised shareholder's wealth maximisation as the managers could lower quality and sacrifice industrial competitiveness and long-term goals for short-term earnings.

Furthermore, against to public expectation, the auditors are mere watchdogs rather than a bloodhound, Furedi-Fulop (2017) documented that the auditing standard should consider the concern of the stakeholders, make provision to make financial reporting accommodate the concern of the stakeholders, the more information of financial and nonfinancial disclosure in the annual financial report, auditors fair reporting is highly solicited. Auditors can give more honest, explicit, and detailed information to protect users of financial statements and security, relying on them for investment decisions (Nwaobia, Onuoha & Aguguom, 2016). Managers should uphold a high level of integrity, fairness to all, and ethical uprightness, protection all stakeholders' interest, fair treatment of its employees and ensure right welfare package, the honesty of none adulteration of products, honesty in tax returns to the government, protection of the environment, and ensure transparency, compliance to regulatory guidelines and honest reporting (Mohs, 2017).

2.7 Meeting Stakeholders Expectation

In narrowing the expectation gap, contrary to public expectation, the auditors are mere watchdogs rather than a bloodhound, who cannot act beyond the guiding rules and auditing standards. However, the auditors are expected to exercise more competence and professional care in audit exercise. The auditors are required to be mindful of the public expectation of honesty, unbiased in expressing their opinions. Auditors should be more reasonable and exhibit proactiveness rather than reactivity in misstatement and fraud detection and prevention. The stakeholders ought to be equally reasonable in the demands, as some of them do not have a full understanding of the dynamics of audit exercise and, in most cases, ignorant of the contents of the financial statement audited by the auditors (Nwaobia, Onuoha & Agugom, 2016; Owolabi & Omotilewa, 2020).

2.8 Underpinning Theory

In consideration of a comprehensive review of auditing concepts, the study had reviewed four auditing theories considered significant in this regard. However, the lending credibility theory is considered useful and appropriate as the underpinning theory of this study because of the public perception and reliance that the primary function of auditing is to add credibility to the management's financial statements.

2.8.1 Lending Credibility Theory

The lending credibility theory was proposed by Watts and Zimmerman in the year 1996 (Watts & Zimmerman, 1979). The theory postulates that the key players do not have much confidence in the financial report prepared by the agents (managers) because of the conflicts of interest, as there are possibilities that the managers may not present the true position of the state of affairs that have transpired in the company (Stevenson, 2019). The shareholders and other interested stakeholders want a third party who is an independent umpire to verify and certify the truism and factual facts of the financial position and the profit as presented by the management. Consequently, if stakeholders such as investors, government, and creditors must make an economic decision based on the financial statement prepared by the managers who manage the company's affairs, they must have faith that the report is a fair representation of the economic value of the company.

Generally, it is believed that auditing will add credibility to financial statement and at the same time reduce information asymmetry created by the separation of ownership and management, possibly biased due to conflict of interest, mostly where managers often are seen to be opportunistic in their action, since they have privilege information that the other stakeholders do not have, as such they can use it to pursue their interest to the detriment of the shareholders and other stakeholders. The demand and supply of audit services have gone to the point that a joint audit must enhance credibility and lend credence to the financial statements. According to Watts and Zimmerman (1979), a joint audit is being solicited based on the prior cases of compromised and financial scandals of high profile cases of the likes of Enron and Arthur Andersen. Some of the problems started when Arthur Anderson acted and played dual roles of management in preparing the financial statement and turning back to playing the statutory auditor's role in the same financial statement. This incident led to one of the problems of doubts about such reports' credibility (Belar, Spence, Cater & Zhu, 2017).

2.8.2 Theory of Inspired Confidence

Limberg developed a theory of inspired confidence in the year 1932 (Limberg, 1932). The facts behind the inspired confidence theory arose due to the high need for audit services and the supply of the needed audit services. This demand is in response to financial users of financial statement, otherwise called interested third parties in the affairs of companies, who desire accuracy and accountability from the managers saddled with the responsibility of managing the operational activities of the company in return for their investments and also to ensure that the report prepared by the managers reflect the true position of the affairs and health condition of the companies (Chen, Su & Zhao, 2012). The theory of inspired confidence suggests that auditors' certification in its expression of opinion after audit exercise gives the shareholders and other stakeholders' confidence regarding the credibility and reliability of companies' financial statement (Ahmed, 2017). The issuance of the company's periodic financial statement gives investors and interested parties a basis to make informed investment decisions.

It is possible that managers could provide a biased financial statement owing to possible conflicts of interest. The managers do have privileged information not available to the shareholders since the shareholders do not have direct and complete control of all documents nor have the expertise to verify the facts as presented. It is rather imperative and fair that a third party and independent person be allowed to vouch for the credibility and true position of the management's financial report. Limberg (1932) further stresses that auditors should endeavour to meet the growing demands of audit services to enable the user to make investment and portfolio diversifications decisions.

2.8.3 Policeman Theory

The policemen's theory stated that detecting and preventing fraud seems a complicated and severe responsibility of auditors. The theory suggested that auditors' responsibility and duty to search, discover, and possibly prevent companies' fraud. Chaney and Philipich (2002) documented that in the early stage, fraud detection and prevention was the hallmark of audit; however, according to the new auditing standards, the audit's primary objective is not fraud detection. Rather expression of a true and fair position of the financial statement presented prepared by the management and availed to the auditor for audit exercise (Baker, 2014). The new standards expect auditors to provide reasonable assurance and authenticate the company's financial statements' true and fair position. The issue of fraud detection and prevention as a sole audit exercise had raised lots of debates in literature, mainly where cases of fraud, insolvency, and bankruptcy have been recorded after a true and fair expression and reported by the auditors, thereby putting tremendous pressure and reasons to doubt the thoroughness and quality of audited financial statements.

2.8.4 Agency Theory

Agency theory reflects a mutual and contractual relationship between the agent and the principal. In contrast, the principal willingly handed its productive resources to the agent to manage on its behalf, believing that the agent will act in the principal's best interest. However, the agent instead acted on its interest to the principal's disadvantaged (Fama & Jensen, 1983). The principal, in this case, represents the shareholders. At the same time, the agents are the managers, who are saddled with the responsibility of managing companies' operational activities on behalf of the owners (shareholders) of the companies.

The agency theory was developed by Jensen and Meckling (1976). They postulated that the principal (shareholders) delegated the responsibility with authority to agents (managers) to manage their productive resources, with the mind that the agents (managers) will be faithful and manage the company in the best interest of the owners. Incidentally, the case of conflict of interest arose, as the managers acted in their interest against the shareholders' interest (Wright & Davidson, 2000). Watts and Zimmerman (1986) posited that due to the apparent conflict of interest due to the privileged information available to the managers not availed to the shareholders, there is a need to appoint auditors in the interest of both the shareholders and to certify the true and fair position of the affairs of the company.

Besides shareholders and management, Watts and Zimmerman (1986) further stressed that other groups whose interests must be protected (employees, suppliers, customers, government, banks, and others) that these stakeholders contribute directly or indirectly to the growth of the company. As a result, the managers ought to protect all the stakeholders; every strategic plan and decision should be tailored to all the stakeholders' best interest.

2.8.5 Stakeholder Theory

Stakeholder theory is accredited to Edward Freeman, who states that any identifiable group or individual who can affect an organisation's objectives or is affected by the achievement of an organisation's objectives is a stakeholder (Freeman & Reed, 1987). Stakeholder implies that it is not only the investors or the shareholders who are affected by the company's objectives and activities. It then means that the achievement and misfortune of the organisations affect all the stakeholders. The stakeholders include all concerned and those affected directly or indirectly by the company's existence: (shareholders, employees, creditors, political groups, government, trade unions, host communities, and customers). The number of stakeholders tends to have increased since the corporate governance became prominent following the collapse of some prominent and high-profile companies and the belief that firms with excellent and robust corporate governance tend to perform better than firms with weak corporate governance.

It then means that firms' success or failure does not depend on stakeholders with explicit contracts and financial interests. However, it instead depends on all the stakeholders with explicit and implicit contracts. Stakeholder theory is attributed to Freeman when he introduced stakeholder theory in 1984. Freeman contended that the firm exists primarily to serve and synchronise the collective interest of those who benefit directly or indirectly from the firm's activities (Schilling, 2000). The going concern and corporate objective of profit maximisation and long-term sustainability require managers' more sensitive approach to ensure all the stakeholders' interests and benefits are protected (Schilling, 2000). The stakeholder theory is relevant to this study because when the interest of the capital market participants and all other interest groups are protected, conflict of interests is minimised.

2.9 Empirical Review

Tian and Xin (2017) undertook a literature review of the audit opinion. The aim was to find any limitations of auditors' expression of opinion and the general perception of the foreign community's stakeholders on the Chinese audited reports. The study employed an exploratory approach to reviewing what could influence the quality of auditors' opinions and the impact of such opinions on the companies' financial statements and the capital

market. The value stakeholders attach to audit opinion and the cases of different demand for audit opinions to meet and satisfy the different financial statements. The government confidence of those opinions for tax revenue purposes, especially on the reported turnover, fund lenders on the creditworthiness to be sure of their loan facilities' security and a general overview of audit opinion and its implications for the stakeholders. The study found that in most cases, audit opinion had been viewed as contagious and misleading and recommended that auditors accommodate the stakeholders' expectations.

Wei, Wang, Wu, and Li (2012) investigated the market's current reactions to audit opinion among the Chinese users of financial statements audited by the auditors. Secondary data were employed for the study where a total of 1,555 listed firms on the Shanghai Stock Exchange were explored for a period of 4 years spanning from 2006 to 2009. The study concluded that the general perception of financial statement users was that audit opinion did positively influence the cost of liabilities and improved the environmental capital market and efficiency of assets deployment in China. The study further revealed that companies' opinions of non-qualified auditors were received by companies seeking higher costs to acquire debts.

Strandberg and Grahame (2020) investigated the nature of literature on audit conduct opinions of stakeholders published in Australian Social works for a period of 11 years, 2007 to 2017. The study explored a total of 21 literature reviews using exploratory review methods. Some of the literature used a systematic method, meta-analysis, scoping review, and narrative review techniques. Strandberg and Grahame found that most of the literature on audit opinion in Australia was comparatively consistent in their findings. A good number of studies used systematic and scoping review methods frequently. In contrast, some others did not specify the method adopted in their study. The study concluded that the previous literature published in Australia provided a strong base for advancing quality audit for future researchers.

Abid, Shaique, and Haq (2018) investigated statutory auditors' role in possibly endorsing and restricting earnings management practising in some corporate establishments, especially the companies that do not or do incentive before the auditors could provide audit quality. The study employed secondary data in sourcing data, using discretionary method and performance adjusted accruals as the measuring proxies of earnings management, while audit opinion of qualified and unqualified opinions as audit quality measures. A sample of 183 companies listed on the Karachi Stock Exchange in Pakistan was employed for five years 2009-2013. The auditing firms of Big-4 and non-Big-4 were considered for the study. The study found that statistically, no significant relationship between earnings management undertakings was practised by corporate establishments. The study also found that earnings management was prevalent among family-owned and controlled companies. The big-4 firms do not audit families to moderate the association between family companies and earnings management practices. The study found that owing to small market environment and absence of audit risk, strong economic bonding of auditors with their clients, insufficient investors protection, inadequate regulatory enforcement mechanisms peculiar among non-big 4 brought about a loss of audit independence and lack of objectivity in the conduct of the audit and reporting in Pakistan.

Persakis and Iatridis (2016) examined audit quality, investor protection, and earnings management through the financial crisis issues of 2008. The study employed a sample of international countries. The study results revealed that audit quality had a positive relationship with investors' protection and that good audit quality was more significant in

companies that had more vital investors' protection and legal enforcement within a selected cluster of countries. Furthermore, audit quality had a positive association with earnings management. Earning quality is higher in countries with more vital investors and other stakeholders' protection. The study results suggested the relative significance of more robust investor protection and legal framework and enforcement in establishing higher audit and earnings quality.

Akther and Xu (2020) investigated the existence of the audit expectation gap and effect of expectation gap on stakeholders' confidence and dully moderated by the economic council's dynamic role. The study employed a pragmatic exploratory method, structured questionnaire to source data from selected respondents. 174 questionnaires were administered to auditors, investors, investment and credit analysts, and financial regulators in Bangladesh. The use of the partial least square structural equation model was employed for the study. Audit expectation gap from various stakeholders resulting from statutory auditor's responsibility in fraud detection and reporting, benefits of audit report, provision of non-audit services, going concern report, and perceived expectation not met by the auditors to give financial statement user assurance of reliability were considered. The study revealed that the audit expectation gap is inversely related to stakeholders' confidence. Hence the higher expectation gaps resulted in lowering stakeholders' confidence in the audit. It also showed that consistent audit independence positively affected the audit expectation gap reduction and increased stakeholders' confidence.

3. METHODOLOGY

A comprehensive review of auditing concepts had been carried out in this study. The review was facilitated using an exploratory research approach. A review of extant literature of related materials, journals, and periodicals in the field of auditing and financial accounting was systematically carried out. Going through the memory lane, the study examined the origin of audit, developmental processes, and up to the current contemporary stage of auditing from traditional listening and verifying arithmetic accuracy up to the current international standards on auditing in relevance the modern digitalised global businesses.

4. CONCLUSION

An attempt had been made in carrying out a detailed review of auditing concepts and stakeholders' expectation from the perspective of the fundamental and indispensable economic roles of auditing in providing expert service to the generality of stakeholders, instilling confidence of block-building of reinstating and reinforcing eroded trust and confidence in audit reports and financial reporting (Akther & Xu, 2020). The auditing concepts have lost their focus and relevance due to some reported carefree and unprofessional reckless disposition by some auditors involving some cases of financial scandals in the likes of Enron and Arthur Andersen. Most recently, in the case of 2018 involving the collapse of a Carillion Construction company in the United Kingdom, users of audit reporting are deeply concerned about the persistent abuses of public confidence (Stephen, 2018). It is quite disturbing, the continuing widening audit expectation gap owing to a few auditors' unethical practices as this, unfortunately, keeps lowering credibility and dispersion disdain on audit opinions. If confidence is compromised, audit and accounting professionals become highly endangered. The profession losses its respect, and financial reports become mare tissue paper of no value.

The study recommended that to reclaim and rejuvenate stakeholders eroded confidence. Auditors must rise to the professional calling that demands absolute independence, professional competence, due diligence, and care to protect the enviable and noble accounting profession. While being guided by the prescribed auditing standards, the auditors should be firm and exercise true independence beyond perceived independence. Auditors should consider the interest of stakeholders who rely on the integrity of audit reporting made from systematic auditing concepts and guidelines to give an honest, true, and fair expression of opinion of the state of affairs of the economic realities of the firms audited on behalf of the stakeholders.

While there have been studies on auditing, few studies had considered a comprehensive review of auditing concepts in emerging Nigerian literature. In addressing this gap and contributing to knowledge, this study had extended the frontiers in literature, as a comprehensive review of audit concepts and stakeholders' expectations was carried out.

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