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Straitening The Audit Expectation Gap In Zimbabwe's Public Sector: Doing Things Right Versus Doing The Right Things

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ABSTRACT

The rapid metamorphoses in Zimbabwe's public sector have intensified the concerns of the widening audit expectation gap between the public and the country's supreme audit institution (SAI). Zimbabwe has been battling systemic corruption, pervasive fraudulent activities and weak finance management in the public sector. As a consequence, three critical issues have morphed up; the litigation risks created by the auditor expectation gap, loss of trust and erosion of public confidence in the country' SAI. The main aim of this study was to explore strategies that can be used to diminish the audit expectation gap in Zimbabwe and re-establish public buoyancy, conviction and public value of external audits. Qualitative data was collected using a combination of one brainstorming session and a focus group discussion made up of civil society organisations, accountants, audit professionals, academics and members of the public. Our findings demonstrate the need for policy makers to extend the remit of the country's SAI to go beyond forming opinions of truthfulness and fairness of fair statements, but also to assume responsibility for detecting public corruption and fraud in the public sector. The study recommends that external auditors should produce reports that engender public trust, public sector accountability, public value and sustainable use of public resources. Hence, there is an imperative need to amend various laws that govern the SAI to bring them in tandem with international best audit standards.

Key Words: Zimbabwe, Auditor Expectation Gap, Public Finance Management, Public Sector, Supreme Audit Institutions

INTRODUCTION

The principles of sound public finance management (PFM) that include; effective stakeholder management, good corporate social responsibility, public sector accountability, financial integrity, transparency and, ethical leadership underpin the efficient provision of public goods and services by the public sector. The public sector contributes to the country's economic growth and development through provision of; clean energy, quality public infrastructure, clean environment, and the delivery of positive education, social and health outcomes (Bonga, 2021; Dzomira, 2017: Zhou and Zinyama, 2012; Machnjike et al., 2018; Matamande, 2016). In Zimbabwe, all financial statements prepared by public sector entities are audited annually by the country' SAI, that is the Office of the Auditor General (OAG) hereinafter also referred to as the country's supreme audit institution. The main functions of the country's SAI are spelt out in the Public Finance Management Act [Chapter 22:19], the Auditor Office Act [Chapter 22:18], the Public Accounts and Auditor's Act [Chapter 27:12] and the Constitution. According to these legislations, the roles of the country's (SAIs) include; expressing an opinion on the truthfulness and fairness of financial statements prepared by the public sector, ensuring the development of sound PFM, independently monitoring public finance management systems and practices, safeguarding public funds and assets, and evaluating the integrity of financial statements prepared by the public sector entities. Regarding the auditing of financial statements, the country's SAI has a general responsibility for obtaining reasonable assurance that financial statements prepared by the public sector entities are free from material misstatements, whether caused by weaknesses in internal control systems, error of omissions and commissions. The responsibility for preventing and detecting corruption, fraud and other financial lassitude in the public sector is not explicitly enunciated in these legislations. However, section 298 of the country's Constitution that deals with sound PFM and national development seems to implicitly arrogate the responsibility for detecting fraud and corruption on the OAG.

In discharging its core mandate, the OAG is expected to comply with the requirements of the International Auditing Standards (IAS) and International Financial Reporting Standards (IFRS). In particular, IFRS and legal empirical literature seem to confirm the position that the external auditor has no responsibility for detecting corruption and fraud. This avowal is clear in the case of Kingston Cotton Mill Co, (No 2) (1986) 2 Ch 279: 299, where the learned judge said "An audit is not a substitute or management control and no guarantee is given or implied that an audit will necessarily disclose fraudulent misappropriations. Responsibility for the financial control and accounts of an undertaking rests upon those who are entrusted by the proprietors with its direction and management. It is for them to ensure that adequate records are maintained and that such accounts as may be required by statute or for other reasons are prepared so as to give a true and fair and such information as may be required by law or is considered desirable or useful as the particular circumstances may suggest. Management is responsible for safeguarding the assets of the undertaking and is not entitled to rely upon the auditor for protection against defects in its administration"

The problem is that Zimbabwe is one of the top ten countries in the world with high public corruption (Transparent International, 2021). For instance, in 2021 the country's supreme audit institution reported that all government ministries in Zimbabwe collectively failed to account for US$1.3 billion paid to them by Treasury, US$ 18 million was paid to some suppliers in opaque transactions, and that US$9 million of public funds was wasted in duplicate payments (OAG, 2022). The continued leakage of public resources has accelerated the erosion of public confidence, public value and public trust of financial statements prepared by the public sector. Given the continued public resource seepages, most members of the public believe that the role of the country's OAG should be an overarching one including; investigating and detecting fraud, money laundering, public corruption, and other illicit activities that have become systemic in the public sector.

There now exists a huge gap of what the public thinks the OAG should do and what the country's supreme audit institution actually does in practice during audits. The different perceptions is what is termed a gap of audit expectation, which is differences between societal views on the scope of external audit responsibility and those of external auditors. This gap can be considered a knowledge gap on the part of the public who may not be accountants or auditors. The audit expectation gap has also manifested in a performance gap where the OAG is accused for not performing its work as required by the law and international auditing standards. However, of particular significance to the audit expectation gap in Zimbabwe is the growth of an evolution gap where the public are demanding a change in the core mandate of the country's supreme institution. In response, the external auditors contend that the public misunderstands their role, and that detecting fraud or corruption is not a major audit objective. The widening gap of expectation between the public and external auditors is not peculiar only to Zimbabwe, but to most developing countries (see Carlson et al., 2013; Ge and Zhang, 2016; Heald, 2018; Gustavson and Sundstrom; INTOSAI, 2021; Yalcin, 2018). Due to the ever-widening audit expectation gap, the is now a clear possibility of a litigation risk rising from the members of the public who are dissatisfied with the performance of the OAG.

In recent years, the debate on the need to reduce the external auditor expectation gap has gained significant traction against the background of deteriorating public services, wastages of public resources through public corruption, poor public sector governance, economic degrowth and underdevelopment (see Matamande, 2016; Muzurura, 2018; 2019. There are now urgent calls by members of the public regarding the need to broaden the mandate of the OAG to enable it to formulate and implement audit plans that prevent and detect public corruption and fraud in public sector entities. If a society has very little trust and no confidence in the audits produced by supreme audit institutions, then the audit reports are considered worthless by the public (Dowling et al., 2018; Hoos et al., 2018; Ruhnke and Schmidt, 2014).

A number of studies demonstrate a strong correlation between effective supreme institutions, public corruption and economic growth (Svärdsten, 2019; Nicoll, 2020; Parker et al., 2019). Whilst, the country's supreme audit institution may be doing things right in terms of their legally recognised mandate, nevertheless, in terms of the broad interpretation of the country's constitution, it may not be doing the right things by failing to recognise the degenerative impact of public corruption and fraud on national development during audits. The first objective of this paper is to contribute to the debate about the auditors' responsibility for detecting public corruption and fraud. The second object is to provide some strategies for reducing public-auditor expectation gap in order to increase the confidence of the public on financial statements prepared by public entities.

The study is important for many reasons; First, the growing schism on whose responsibility for detecting corruption and fraud in public organisations has become a major concern for most developing economies as seen by an ever-expanding debate in empirical literature (see Matamande, 2016; Zinyama, 2012; Fisman and Golden, 2017; Greenbolt et al., 2018). Addressing the audit expectation gap is important especially if one views the public as agents in the principal-agent framework. Members of the public bears the burden of inefficient tax systems in most developing economies. Treating public corruption and fraud as either an internal control weaknesses or as poor public sector governance is therefore a fecund ground for breeding more corruption and fraudulent activities in the public sector.

Second; in exercising their oversight mandate over the public sector, SAIs are supposed to be autonomous public institutions that are accountable to the public. The disinclination by SAIs to assume responsibility for detecting public corruption, money laundering and fraud during external audits could be seen as a contributory factor in the existence of weak public finance management in many developing economies. On the other hand, expecting law enforcement and anti-corruption agents to unravel public corruption, money laundering and fraudulent activities in financial statements prepared by the public sector is both credulous and imprudent. This is because most anti-corruption and law enforcement agencies lack the necessary expertise and proficiency required to deal with complex and multifaceted white-collar crimes that are often associated with the accounting and public finance. Therefore, extending this responsibility to SAIs could be a crucial nexus for reducing audit expectation gap and, building public trust and value of audited public sector financial statements. Third, the study is significant to developing economies in that the findings may raise awareness on the need to extend the remit of supreme auditing institutions to include monitoring the implementation of public sector polices especially those that impact on economic growth, inflation, interest and exchange rate stability, social responsibility, and external public debt sustainability. These are important challenges that still face many developing economy like Zimbabwe. In the past decade, Zimbabwe has failed to make sustained progress towards the attainment of Sustainable Development Goals (SDGS especially, those that are associated with reduction of poverty, provision of equitable quality education, sustainable consumption and production patterns, health lives, sustainable management of water and sanitation, inclusive industrialisation, inclusive and sustainable economic growth, and building resilient public infrastructure and institutions. Some of the SDGs include public goods and services are provided by the public sector and, hence the need to recognise that independent SAIs and an efficient public sector can play a huge role in the attainment of Social Development Goals (SDGs).

Fourth, for the past 20 years, Zimbabwe has consistently been ranked as one of the top ten countries with highest corruption in the world and also one with a weaker public finance management in Sub-Saharan Africa. It is therefore imperative that public corruption, fraudulent activities and money laundering should be mainstreamed in SAIs' audit plans in order to reduce the audit expectation gap. This may also enable the country to lower its economic de-growth and under-development. Fifth, both the public sector and the country's supreme audit institution are funded by members of the public through taxation revenue. Therefore, this infers that the OAG owes a duty of care to the public on how Zimbabwe's public finance is managed on behalf of the public and other stakeholders. There is also a clear authority for this position due to the proximal relationship between the country's SAIs, the public sector and taxpayers.

Other than paying taxes, the public also relies on reports produced by the OAG on the state of the public sector, hence, the existence of a relational proximity. The threefold test of foreseeability of damage to the public due to ineffective audit reports, proximity of relationship between the public and the supreme audit institution and, the question whether it is fair, just and reasonable to impose a duty on the supreme audit institutions to detect fraud and corruption, is met. Hence, the need to find an amicable solution that will enable the country to reduce the audit expectation gap and engender public value of audit reports. This paper is organised in four main sections. The first section covers the background of the study and literature review is presented in section two. Section three covers methodology adopted in the study. The last sections covers findings and recommendations.

2 THEORETICAL LITERATURE REVIEW

One of the most well-known theories that explain weak public finance management in the public sector is the principal-agent theory

(Jensen and Meckling, 1976). This model assumes that public officials serve to protect the interests of the principal. However, in real practice the interests of public officials frequently deviate from the interests of the principal (Rika et al., 2016; Tara et al., 2016; Hay and Cordery, 2021; Bonollo, 2019; Khaile, 2020). While the principal can prescribe the pay-off rules in the principal-agent relationship by instituting legislations (Pierre et al., 2018; Pulay and Simon, 2020), procedures and processes (Zuccolotto and Teixeira, 2014; Novo-Cort and Picatoste, 2019), there is informational asymmetry that favours the public official who is the agent (Jensen et al., 1976; Muzurura, 2020). The principal-agent theory differentiates between the ownership and control of public organisations (Eisenhardt, 1989). The owners and/or the government are the principal and those that are employed to take responsibility over management of an entity are called the agents. If) both parties to the relationship strive to maximise their utility, there is the probability that the agent will choose to act in his own selfish interest, whilst neglecting the interest of the principal (Heald, 2018; Kastberg and Osterberg, 2017). Therefore, the conflict-of-interest problem arise when it is hard for the principal to monitor the agent's actions (Jensen et al., 1976; Yalcin, 2018: Zeti et al., 2020). Jensen et al (1976) say that to resolve this conflict, the principal has the option in coming up with the incentives for the agent in order to limit the conflicting activities of the agent. For example, the principal can establish appropriate monitoring and internal controls to mitigate the effect of conflicting activities. Eisenhardt (1989) said that the agency theory was largely focused on resolving conflicts that are inherent in the agency relationship and problems of risk sharing. For instance, the problem of risk sharing occurs when the principal and the agent have different risk tolerance levels or risk appetites. An agency problem occurs where the public officials choose to engage in corrupt and fraudulent transactions to further their own individual interests. This in turn disadvantages the interests of the principal resulting in lower payoffs (Bonga, 2021; Jeppesen, 2018; Chen et al., 2018; Bringselius, 2018). To limit the agency problem, the principal may come up with several incentives and schemes that include; monitoring and bonding of the agent in order to constrain the agent's potential abuses and excesses (INTOSAI, 2021; Ge and Zhang, 2017; Gustavson et al., 2018; Rodriguez-Vives, 2019; Zeti et al., 2020). In addition, the principal may incur agency costs such as engaging supreme audit institutions or independent external auditors to monitor the agent's actions, especially financial statements.

Fama et al. (1983) aver that agency costs are the costs of structuring and monitoring if there is conflicting interest in a contractual arrangement. Cox (2015) on the other hand, argues that in order to ensure optimal level of interest alignment and information asymmetry, both the principal and agent incur contrasting costs. The principal incurs monitoring cost in subjecting the financial statements prepared by the agent to external audits and the later incur costs for internal controls. On the other hand, the agent incurs transaction costs in trying to conceal corruption rents (Muzurura, 2019). Related to agency theory are also additional problems such as adverse selection and moral hazard problems (Bryson et al., 2017). In the adverse selection problem, the principal is able to observe the agent's behaviour but not the actual performance of work (Cameran et al., 2018).

If the performance of the agent cannot be properly measured, there is an increased probability that the agent's performance will be sub-optimal and hence, below expectations (Zeti et al., 2020). In the principal-agent framework, moral hazard refers to the situation where the agent has an incentive to act contrary to the principal's instructions. This situation arises when the principal is not able to judge the agent's behaviour but is able to judge the outcome. Antohi et al (2020) argue that the requirement by the principal for complete finance reporting and adequate disclosures arises from information asymmetry and conflict of interests between the Board, management and outside shareholders. According to Van Doreen et al (2015), the credibility and adequacy of management disclosures are enhanced by regulations, laws, auditing and capital market intermediaries.

The information asymmetry can be used by the public official for his/her personal benefit by embarking on fraudulent activities (Karabev et al., 2021). There are three broad groups of principal-agent relationships, based on the power and responsibilities enjoyed by the agent (Assakaf et al., 2018; Dobrowolski, 2020; Matshona, 2020). The two main sources of an agent's power come from informational asymmetry and contractual incompleteness (Bardash and Baranjuk, 2016; Khaile, 2020). First, the agent who is the public official may have a purely information-gathering role. In such instance, the power will come from the ability to manipulate such information like, board allowances and fees, tendering documents, changing bids and tempering with tender specifications (Muzurura, 2022; Nicoll, 2020). Second, the principal may set some broad objectives for the agent such as ensuring most efficient governance processes and procedures; however, the agent has the power to choose the exact incentive mechanism for the clients. The principal has some control, but delegates not only the implementation but also the design of the incentive mechanism to the Board (Mubangizi, 2020; Gramlingi and Schneider, 2018; Jeppesen et al., 2017). Third, the principal may also simply transfer all the power to manage the public entity to the agent (Rika et al., 2019). Johnsen (2019) avers that in the case where the public official has excessive powers, the agent acts like a private monopolist. The second popular theory that explains corporate governance and weak public finance management in the public sector is the stewardship model. In this theory the emphasis is on public accountability in the management of the public sector (Crosby et al., 2016; Head, 2018). The stewardship theory says that democracy and national development are only effective if public officials are held accountable by the public for their; acts, omissions, commissions, decisions, policies, and public expenditure policies (Hartley et al., 2017;

SvardstenNymans, 2019; Torres et al., 2019). In public sector management, the stewardship theory came into being due to the growing complexity of social relationships in public organisations (Jeppesen, 2018). However, in accounting literature, the genesis of this theory is generally traced to the medieval period also known as the feudal or the manorial system (Littleton and Zimmerman, 1962).

3 EMPIRICAL LITERATURE REVIEW

Researchers have defined the audit expectation gap using many perspectives. According to Liggio (1974), an audit expectation gap is the difference between the levels of expected performance as seen by auditors and by the users of financial statements. The Commission on Auditors' Responsibility (1978) said that audit expectation gap exists between what the public expect and what auditors can and should reasonably accomplish. Porter (1993) defined the expectation gap as the gap between society's expectations of auditors and, the auditor's performance as perceived by society. The audit expectation gap can be divided into two parts that is the reasonableness and performance gaps (Bryson et al., 2017; Heald, 2018). The importance of supreme auditing institutions is clearly interrogated in terms of their contribution to the building of sound public finance management architecture and how they anchor economic growth and national development (World Bank, 2020; Machinjike et al., 2021; Pierre et al., 2018; Rika and Jacobs, 2019).

Supreme audit institutions play a significant role within the public finance management architecture of many developing countries (Zinyama, 2013; Matamande, 2016; Dzomira, 2017; Bonga, 2021, Bryson et al., 2017; Dascălu, 2016; Heald, 2018). On of the most important goal of supreme audit institutions is providing reports to parliament about the state of public sector finances (Assakaf et al., 2018; Mudeme, 2017; Bringelius, 2015). Strong and independent supreme audit institutions play a kingpin role in ensuring quality provisions of public goods and services (Rodrigues-Vives, 2019; Rika and Jacobs, 2019 Mubangizi, 2020; Nicoll, 2020; Reichborn-Kjennerud and Johnsen, 2012).

Both in developing and developed countries studies show a positive correlation among sound public finance management, strong supreme audit institutions and the achievement of social development goals (SDGs) (Pierre et al., 2018; Novo-Corti and Picatoste, 2019; Raudla et al, 2015; Ortiz et al, 2015; Hay and Cordery, 2021). Supreme audit institutions contribute to the provision of quality education (Okere and Ogundana, 2017; Nyamita et al., 2015), to the delivery of positive social and health outcomes (Karabev et al., 2021; Machinjike et al., 2021; Antohi et al., 2020; Avis et al, 2018), and to the protection of human, animal and plant health (World Bank, 2020; Dobrowolski, 2020). In many countries the public depend on independent supreme audit institutions for the monitoring of the public sector (Khaile, 2020; Matshona, 2020). Supreme audit institutions often ignore public sector objectives such as protecting the environment, improving societal surplus and government policies, hence the widening of audit expectation gap (Tara et al ., 2016; Torres et al., 2016; Zeti et al., 2020; Pierre an Lichat, 2017). Due to the requirements of integrated financial reporting, some supreme audit institutions in developing economies are assuming responsibility for the detection of corruption and fraud in order to reduce the audit expectation gap (World Bank, 2020; Parker et al., 2019; Nicoll, 2020). Bostan et al (2021) used a panel data of European countries for the period 2002 to 2019. They showed that if supreme audit institutions are legally and factually independent and, adhere to high levels of professionalism they contribute to the reduction of public deficit and sustainability of domestic and external debt. However, the concept of auditor independence has proven difficult to define. Others see independence as the conditional probability of reporting a discovered financial lassitude (Tara et al., 2016; Stephenson, 2015; De Angelo, 1981). Other researchers see auditor independence as the ability to resist pressure (Matamande, 2016; Kastberg et al., 2017; Jeppesen, 2018), an attitude or state of mind (Bardash and Baranjuk, 2016; Chen et al., 2018; Ge and Zhang, 2017; INTOSAI, 2021), a function of character, the absence of interests that create an unacceptable risk of bias.

When SAIs are well-functioning and independent, they play a critical role in ensuring the effective use of public resources (Fisman and Golden, 2017; Pierre et al., 2018; Parker et al., 2019; Cameran et al., 2018), sound public finance management (Zuccolotto and Teixeira, 2014; Nyamita et al, 2015; Matamande, 2016) and, proper execution of administration activities (World Bank, 2020; Bryson et al., 2017). Public officials become disadvantaged by supreme audit institutions if they engage in fraudulent activities (Torres et al., 2019), corrupt activities (Rika and Jacobs, 2019; Raudla, 2020) and money laundering (Muzurura, 2022). Organisational independence permits the supreme audit institution to conduct external audits without interference by the government or the entity being audited (Nicoll, 2020; Heald, 2018; Brusca et al., 2018). Karabayev et al (2021; Crosby et al., 2016). Jeppesen (2018) concurs, the auditor should have sufficient independence in order to conduct audits without government interference. When the supreme audit independence is increased, tax rates, tax burden, public expenditure decreases and the audit expectation gap diminishes (Brusca et al., 2018).Blume and Voigt (2011) in a study of South Africa show no major relationship between SAI's independence and fiscal policy, government effectiveness and national productivity.

Supreme audit institutions contribute to good governance, transparency, and accountability if they provide credible and timely audit findings and recommendations to legislatures, government, civil society, and the general public (Zeti et al 2021; Hay and Cordery, 2021; Masood ad Kodhi, 2021; Machinjike et al., 2021; Ahlbäck et al., 2015). In many developing countries, some stakeholders expect financial statements prepared by public sector entities to cover a number of objectives such as; effective and efficient delivery of social outcomes, fairness and justice (Stephenson, 2015; Machinjike et al., 2021; Meynhardt, 2015; Hartley et al., 2017). World Bank (2015; 2021) cite several challenges that impinge on SAIs contribution to public finance management as including; undue political influence affecting functional independence, restricted access to information required to perform effective external audits; lacking the ability to enforce compliance with auditing findings and recommendations, inadequate budget to fund audit plans and salaries, lack of relevant professional competencies required for effective auditing, and weak interactions with parliament.

Akther and Xu (2020) examined the existence of audit expectation gap and its impact on stakeholder confidence using a sample of 174 respondents drawn from investors, credit analysts, and regulatory agencies in Bangladesh. They reported that increasing auditor independence and improving communication with users of financial statements reduces audit expectation gap. Audit expectation gap can be reduced by strengthening the external auditor's willingness and ability to comply with existing auditing standards regarding fraud detection, narrowing unreasonable expectations and improving existing auditing standards (Ruhnke and Schmidt, 2014; Hoos et al., 2018; Dowling et al., 2018; Cohen et al., 2017; Gold et al., 2012). Jeppesen (2019) also argues that if supreme audit institutions are to gain a more prominent role if the fight against corruption, auditing standards must include corruption in the definition of fraud and that the auditing profession must embrace effective preventive measures such as anti-corruption certification.

3. METHODOLOGY

Data was collected using a combination of a brainstorming session and one focus group discussion. The brainstorming session was held with ten participants that were drawn using random sampling from experts in external auditing and included; members from civil society organisations (3), Harare residents (2), from public entities and parastatals (2) and professional auditors (3). Brainstorming sessions have been used by a number of scholars to evaluate factors related to audit training and capacity, measuring audit transparency, stakeholder management and auditor independence (see Saunders et al., 2013; (Ritchie et al., 2013; Parker et al., 2019; Tara et al., 2016; Muzurura, 2020). The purpose of the brainstorming session was to generate a wide range of ideas surrounding audit expectation gap and to explore strategies that could be adopted to reduce this gap. In particular, the brainstorming session sought to gather many ideas, experiences and thoughts related to issues thought to be widening the audit expectation gap in Zimbabwe.

Some of the issues discussed were the impact of public corruption, money laundering, the extent of external auditor responsibility, the duty of care towards the public, and weak finance management systems in the public sector. The participants were also asked to debate the reasons for the widening auditor/public expectation gap, the shortcomings in the country's legal and audit provisions, how to create public value from audit reports, the reasons for mistrusting external auditors and, audit capture. After the brainstorming session, content analysis was carried out which later helped in developing themes that was used for the focus discussion session. The brainstorming session took three hours. Themes arising from the brainstorming session were used to form the basis of the interviewer guide that was used in the next stage of the research that is, the focus group discussion. Ritchie et al (2013) indicate the value of using different qualitative approaches in a single study, especially combining brainstorming sessions with either in-depth interviews or focus group discussions.

Focus groups discussions are used in qualitative studies to explore relevant key issues that rose from the brainstorming sessions (Chase and Alvarez, 2000; Ritchie et al 2013). As shown in Table 3.1, one focus group session was conducted comprising 10 participants drawn using purposive sampling from public sector officials, members of the public, civil society organisations, accountants and auditors. The focus group discussions allowed participants to introduce emerging issues on audit expectation gap using findings from the brainstorming session. The focus group discussions also enabled the researchers to obtain participants' impressions and point views on what public auditors do in practice and, what they ought to do in order to close the auditor expectation gap. It took 45 minutes to conduct the focus group discussion and, responses were recorded electronically for further analysis.

3.1Table One: Focus Group Discussion

Sector	number	position
State entities	1	Accountant
Parastatals	1	Auditor
Local Authority	1	Corporate governance
Civil Society organisation	3	Public advocates
Private citizens	2	Harare residence
External Auditing	1	Public Auditor
Legal	1	Lawyer

4 MAIN FINDINGS AND DISCUSSIONS

The participants in the brain storming session noted that the widening audit expectation gap was a result of growing public corruption and weak public finance management in Zimbabwe's public sector. The majority were of the opinion that; increasing financial accountability, transparency, stakeholder management, societal responsibility, and audit professionalism could reduce the audit expectation gap in Zimbabwe. Similar finding on financial accountability and stakeholder management affecting audit expectation gap are reported in empirical literature that focus on Zimbabwe (see Matamande, 2016, Zhou and Zinyama, 2012; Zinyama, 2013) and in South Africa see for example; (Matshona, 2020; Khaile, 2020; Koma, 2016; Melnyk et al., 2014). Improving public trust, public value and stakeholder management contributes to sound public finance management in Zimbabwe's public sector and these in turn help to reduce audit expectation gap.

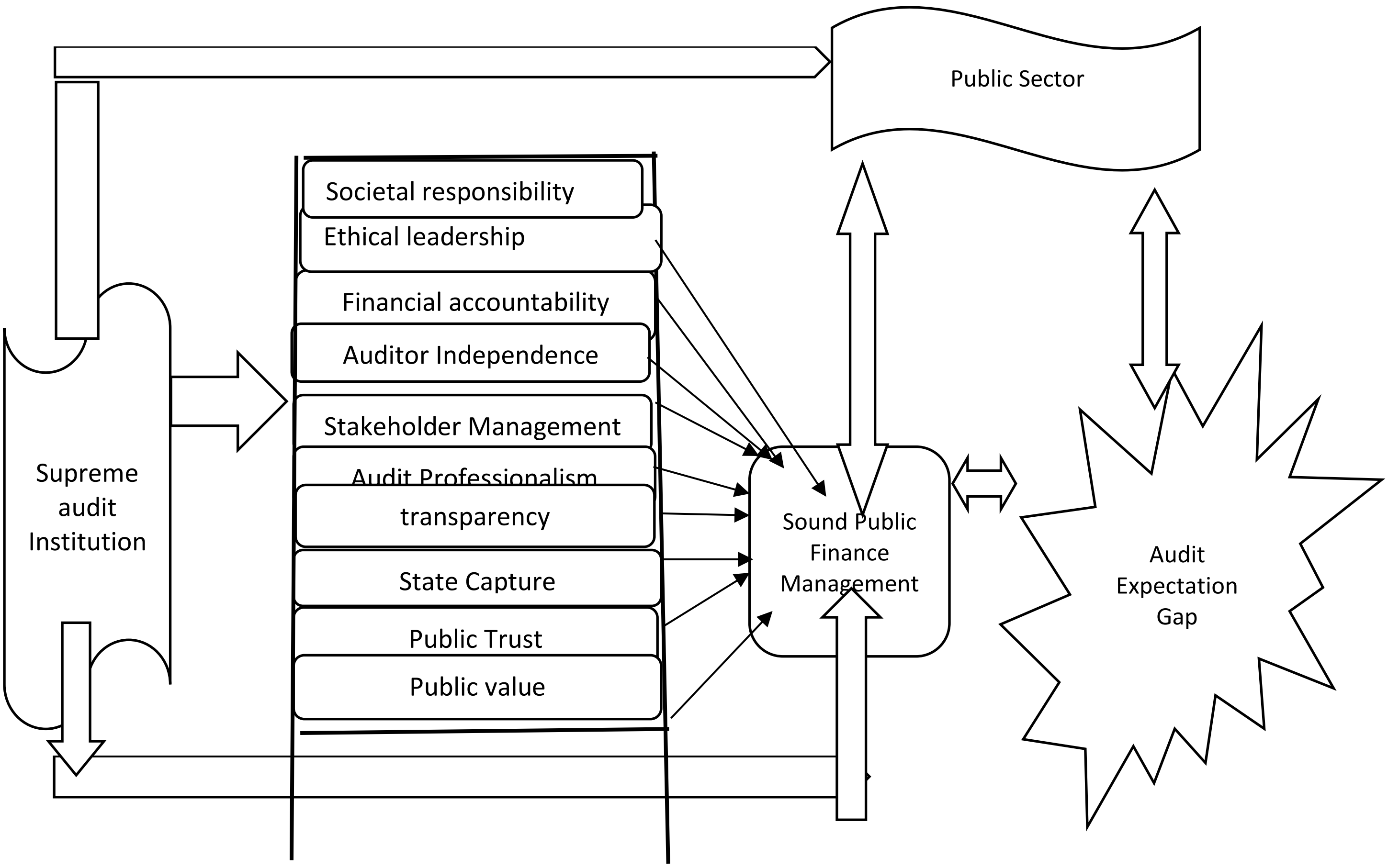

Figure 3.1: Brainstorming Sessions Finding

Focus Group Discussions Findings

The discussants in focus group session generally agreed that whilst supreme audit institutions have a professional responsibility of complying with international auditing standards, the also have a moral responsibility of ensuring that financial statements prepared by the public sector address critical issues that affect national development such as; reducing public corruption, frauds and money laundering. In fact, 80% agreed that the Office of the Auditor General of Zimbabwe should assume a responsibility for reducing public corruption in Zimbabwe's public sector. However, twenty percent of the participants argued that the country's supreme institution should stick to its mandate in line with international best standards in auditing and financial reporting. 70% of the participants blamed the widening audit expectation gap to the lack of auditor autonomy and the possibility of political and bureaucratic capture. The majority of the participants concurred that whilst the country's supreme audit institution was legally independent as per the country's constitution, the main challenge facing this institution was the lack of factual independence. This finding is supported by INTOSAI (2021) that reports that an open and competitive process in the nomination of the head of a country's supreme audit institution ensures auditor independence.

The majority of participants said that the country's supreme audit institution concentrated more on compliance and regularity auditing. Whilst auditing of financial statements are still relevant in the public sector, at least 75% of the participant wanted the external auditors to explicitly assume the responsibility over the reporting of public corruption and fraud given the pervasiveness of systemic corruption and consequent money laundering in the public sector. Auditors and accountants argued that there is need for the country's supreme audit institution to maintain close stakeholder management as the expectation gap was caused by lack of knowledge on the responsibility of external auditors. These views were rebutted by the majority of participants who argued for the need to overhaul the redundant audit approaches used by the country's supreme audit institution in order to respond the concerns of systemic corruption in the country's public sector. Two discussants with legal background called for the amendment of the country's laws and regulations, especially the Constitution to clearly capture auditor responsibility for detecting fraud and corruption.

5. RECOMMENDATIONS

Policy makers should amend sections 28 and 82 (1) of the PFM Act [Chapter 22:19] in order to broaden the mandate of the country's supreme audit institution to include responsibility for preventing and detecting public corruption, fraud and money laundering in the public sector. These are critical developmental impediments that face Zimbabwe. This might also involve amending the Constitution to make the country's supreme audit institution functionally and legally independent. Widening the mandate of the OAGZ may also assuage fears by the various stakeholders including civil society organisations and members of the general public that the OAGZ is politically and bureaucratically captured.

Whilst under common law, the external auditor has no explicit duty of care to third parties who rely on audited reports, we recommend that for a developing country like Zimbabwe that faces enormous developmental challenges in the public sector, it is necessary to amend the relevant laws in order to impose the duty of care on the external auditors especially in the auditing of the public sector. Traditionally, supreme audit institutions focus their audit plans around three key issues; economy, efficiency and effectiveness. The study recommends that the country's supreme audit institution must also focus on ethical leadership as the fourth E. Focus on the ethical leadership in the public sector might help the supreme audit institution to go beyond the letter of the law in favour of the spirit of the law given the background of increasing frauds and corruption in the public sector. This strategy may help to reduce the audit expectation gap by restoring public confidence on audit reports produced by the OAG. This might also enable the country's supreme audit institution to achieve an optimal balance in doing things right and doing the right things in the country's public sector.

6. CONCLUSION

The public sector if effectively monitored by an independent supreme audit institution could be a culvert for building sound public finance management system in Zimbabwe. The public sector plays a critical developmental role in the country by suppling public goods such as; health, education, clean environment, water and sanitation and energy. The provision of public goods are critical antecedents for high economic growth and national development. There gap of what the public think the auditor must do and what the auditor actually do has widened in Zimbabwe leading to urgent calls for overhauling of the country's supreme audit institution. The audit expectation gap has caused the public to lose confidence and trust of the country's supreme audit institution. On the other hand, the auditors are blaming the public for lacking knowledge on the objective of public audits and who is responsible for detecting corruption and fraud in public organisations. The study argues that the country's supreme audit institution must explicitly assume responsibility for detecting corruption, money laundering and fraud in Zimbabwe's public sector.

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