An Empirical Study on Audit Expectation Gap: Role of Auditing Education in Bangladesh.

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Abstract

Audit expectation gap is the difference between what auditors actually do and what third parties think auditors do or should do in conducting the audit practice. Conflicting views have been expressed regarding the role of auditing education in narrowing this gap. This study has been carried out to investigate whether there is evidence that the provision of auditing subject as part of business degree programmes contributes to narrowing that part of the audit expectation gap which results from a misunderstanding of audit regulations.

Keywords: Auditor, Audit expectation gap, Auditing education.

Introduction

The “audit expectation gap” is a crucial issue associated with the independent auditing function and has significant implications on the development of auditing standards and practices (Lin and Chen, 2004). The auditing profession believes that the increase in litigation and criticism against the auditors can be attributed to the audit expectation gap. The audit expectation gap is defined as the difference between what the public expects from an audit and what the audit profession accepts the audit objective to be. The audit expectation gap is critical to the auditing profession because the greater the unfulfilled expectations from the public, the lower is the credibility, earnings potential and prestige associated with the work of auditors (Lee et al., 2009).

Ever since Liggio (1974) first used the term “audit expectation gap”, numerous studies have been conducted in attempts to identify such gaps in different countries. There is a widespread apprehension regarding the perceptual differences between auditors and the public, concerning different aspects of audit. After the very widely publicized recent auditing failures in America, and later in Europe, as the users have started losing confidence on profession, such concerns have almost turned into distresses for the standard setters. One major reason for such a concern would be that people might have unreasonable expectations from the auditors. Again, another point of concern would be the underperformance of the auditors. Therefore, it is important to identify the presence, and subsequently, the reasons for the audit expectations gap in a particular country.
The phrase "Audit Expectations Gap" was first introduced into the literature over twenty years ago by Liggio (1974). It was defined as the difference between the levels of expected performance "as envisioned by the independent accountant and by the user of financial statements" (p.27).

The rise of the expectation gap in auditing may be attributed to the changing role of audit. In early years, audit was restricted only to its primary objective of detecting frauds. During the early parts of the twentieth century, a number of court cases (for example, London and general Bank, 1895; Kingston Cotton Mill, 1896) became the most active factor for defining the role of audit, bringing in the concept of ‘due care’. From the 1920s onwards, the scope of audit expanded gradually to ensure fair presentation of the financial statements for efficient and effective capital markets. This required reviewing the internal control system of an entity, ensuring that the entity use proper accounting principles and ensuring that there was no material error. The concept of professional skepticism and reasonable care came into limelight during this period and onwards. This expanded role of audit gave rise to a number of misunderstandings in the users’ mind.

**Objective of the study**

The main objective of the study is to examine the role of auditing education in narrowing the audit expectation gap in Bangladesh.

**Methodology of the study**

To fulfill the objective of this study, total 300 students were selected purposively. They were divided into three groups. Each group consists of 100 students. First group of students will take their auditing subject in next semester, second group has just completed their auditing subject and third group has completed both auditing and advanced auditing subjects. Samples were collected from a renowned private university. This study has been based on both primary and secondary data. Primary data were obtained through a structured survey questionnaire. Total ten questions under the head of three factors (auditor’s responsibilities, reliability of information attested by an independent auditor and decision usefulness of those information) are included in the survey questionnaire. For the purpose of the study, 7 point Likert scale has been used. The response scales for each statement in the survey questionnaire were as follows:
Moreover, different local and international published articles were also reviewed to strengthen theoretical backgrounds of the study. Different standard text books on accounting dealing with this issue had also been gone through. In order to identify the gap between expected values according to ISA and observed values from the survey in respect of each group descriptive statistic has been applied.

**Literature Review**

A good number of studies were attempted at identifying the audit expectation gap in different countries around the world. Most of the studies related to this issue were done in the context of the developed countries in the world. Very few studies were done relating to the developing countries and especially in the context of Bangladesh.

Baron et al (1977) investigated the differences in perceptions regarding auditor’s fraud detection duties between auditors and users of accounting information in USA. The study revealed significant difference between such perceptions.

Humphrey et al (1992, 1993) examined the audit expectation gap in UK regarding the role of auditors through a series of unstructured interviews, questionnaire and mini case studies. The studies revealed an insignificant level of differences regarding perceptions of the audit functions but significant difference between auditors and respondents regarding their perceptions on the role of auditors, indicating the presence of an expectation gap.

The finding of the study of Dewing and Russel (2002) was UK fund managers were aware of the presence of an audit expectation gap and were particularly concerned with the duties and responsibilities of the auditors. Low et al (1988) conducted on the audit expectation gap in Singapore. Significant differences were found in the areas of fraud prevention, guaranteeing the
accuracy of the financial statements, effective use of government grants and management efficiency.

Schelluch (1996) found that users were generally unhappy with the role played by the auditing profession, particularly with respect to audit independence. There was very wide expectation gap in Singapore.

Best et al (2001) found that significant difference existed regarding users’ perceptions in the areas of auditor responsibility for fraud detection and prevention, maintenance of accounting records and auditor judgment regarding selection of audit procedures.

Hudaib and Haniffa (2002) investigated the presence of a “perceptions gap” in Saudi Arabia. It was found that divergence in opinions on the official and expected roles of auditing and issues related to audit environment in between the various groups were apparent. The role of education in affecting the audit expectations gap was investigated by a number of studies.

Bailey et al. (1983) found that knowledgeable users placed less responsibility on auditors and more responsibility on management regarding the preparation of financial statements.

Epstein and Geiger (1994) concluded that educated users are less likely to demand higher level of audit assurance.

Monroe and Woodliff (1993) examined the effect of education on students’ perceptions of audit reports in Australia. It was found that auditing students’ beliefs regarding the responsibility of auditors, the reliability of financial information and assurance about the future prospects of the company changed significantly with knowledge. It was found that more knowledgeable students assume a much lower level of responsibility of the auditor, less confidence on the reliability of financial statements and assurance over the future prospects of the company. All the studies mentioned above suggest that education plays a role in narrowing the audit expectation gap.

Pierce and Kilcommins (1996) addressed the effect of auditing education over reduction of the expectation gap. A questionnaire survey was conducted with undergraduate students in Ireland.
The study suggested a significant reduction in the misunderstanding of audit regulations by students who have studied at least a single course on auditing.

Frank et al (2001) investigated the perceptual differences between auditors, jurors and students. Results revealed a large divergence in perceptions of auditors and jurors regarding their expectations of the auditing profession. However, the accounting students responded in a manner consistent with the practitioners. From this, the study concluded that accounting students had apparently adopted many of the views of the profession and considered themselves as members of the profession.

Chowdhury and Innes (1998) conducted the study on audit expectations gap in Bangladesh. This interview-based research explored whether or not an audit expectations gap existed in the public sector of Bangladesh between public sector auditors, members of the public accounts committee in the parliament and international funding agencies. The interviewees’ responses revealed important differences between the public sector auditors and the audit report users in such important areas as auditor accountability, auditor independence, auditor competence, truth and fairness of the reported information and the role of the performance audit. It was found that auditors in the public sector provided information of mainly financial and compliance nature but users were more interested in managerial performance related information. Users believed that the reports were too long and irrelevant. On the other hand, auditors believed that through their efforts, public interest was being protected, which was contradicted by the users. In the issue of audit independence, the government auditors believed that they were reasonably free from external influence. However, users believed that independence was hampered because of budgetary and administrative control by the government, poor salary structure and status of public sector auditors, and competence. The user groups expressed their dissatisfaction over the lack of auditing skills and training facilities.

Another study by Nasreen (2006) was conducted on students of Bangladesh. She considered two groups of students, first group did not do audit course and second group did one audit course. Findings revealed that students who completed one audit course still had unreasonable
expectation regarding auditor’s responsibility for detecting and preventing fraud and audit assurance. Major differences were also found in decision usefulness of audited information area.

The above discussions portray that the prior studies emphasized on the expectation gap among the users of accounting information, managers, officials, jurors and students etc. Different studies were conducted in USA, UK, Ireland, Singapore, Saudi Arabia, Bangladesh etc. This study has focused on the present gap between the auditors’ performance and the students’ expectations regarding this and whether there is role of auditing education in lessening this gap.

**Overview of the Statements for Audit Expectation Gap**

The questionnaire consists of 10 statements under three factors regarding the perceptions of audit. They are as follow:

A) Auditor’s responsibilities (5 statements).

B) Reliability of information attested by an independent auditor (2 statements).

C) Decision usefulness of those information (3 statements).

**A) Auditor’s responsibilities:**

**Statement-1: The auditor is responsible for detecting all fraud.**

According to BSA-240, misstatements in the financial statements can arise from fraud or error (Paragraph-3).

The term “fraud” refers to an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage. Although fraud is a broad legal concept, the auditor is concerned with fraudulent acts that cause a material misstatement in the financial statements (Paragraph-4).

According to BSA -200, the objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework. An audit conducted in accordance with BSAs is designed to provide reasonable assurance that the financial statements taken as a whole are free from material statement, whether caused by fraud or error (Paragraph-2).
According to BSA-240, an auditor cannot obtain absolute assurance that material misstatements in the financial statements will be detected. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements will not be detected, even though the audit is properly planned and performed in accordance with BSAs. An audit does not guarantee all material misstatements will be detected because of such factors as the use of judgment, the use of testing, the inherent limitations of internal control and the fact that much of the evidence available to the auditor is persuasive rather than conclusive in nature. For these reasons, the auditor is able to obtain only reasonable assurance that material misstatements in the financial statements will be detected (Paragraph-14).

As it is evident that the people should reasonably expect that the auditors will detect only material frauds and not all frauds, it would be appropriate to assign 7 point as response to this statement.

**Statement-2: The auditor is responsible for soundness of internal control structure of the entity.**

According to BSA-400, the auditor should obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach (Paragraph-2).

“Internal control system” means all the policies and procedures (internal controls) adopted by the management of an entity to assist in achieving management’s objective of ensuring, as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information (Paragraph-8).

This BSA implies that the auditor cannot not be held responsible for the soundness of internal control systems of the entity. It is the duty of the management to make sound internal control structure of the entity. The auditor has to asses the entity’s internal control system in order to identify audit risk. So, it would be appropriate to assign 7 point as response to this statement.
**Statement-3: The auditor is responsible for maintaining accounting records.**

According to BSA-200, while the auditor is responsible for forming and expressing an opinion on the financial statements, the responsibility for preparing and fairly presenting the financial statements in accordance with the applicable financial reporting framework is that of the management of the entity (Paragraph-24).

According to BSA-700, the report should include a statement that the financial statements are the responsibility of the entity’s management and a statement that the responsibility of the auditor is to express an opinion on the financial statements based on the audit (Paragraph-9).

On the basis of this, a score of 7 has been assigned for this statement.

**Statement-4: Management has responsibility for producing the financial statements.**

According to BSA-700, financial statements are the representations of management. The preparation of such statements requires management to make significant accounting estimates and judgments, as well as to determine the appropriate accounting principles and methods used in preparation of the financial statements. This determination will be made in the context of the financial reporting framework that management chooses, or is required, to use. In contrast, the auditor’s responsibility is to audit these financial statements in order to express an opinion thereon (Paragraph-10).

Therefore, the assigned score for this statement is 1.

**Statement-5: The auditor is responsible for preventing fraud.**

According to BSA-240, the primary responsibility for the prevention and detection of fraud and error rests with both those charged with the governance and the management of the entity. The respective responsibilities of those charged with governance and management may vary by entity and from country to country. Management, with the oversight of those charged with governance, needs to set the proper tone, create and maintain a culture of honesty and high ethics, and establish appropriate controls to prevent and detect fraud and error within the entity (Paragraph-10).

It is the responsibility of those charged with governance of an entity to ensure, through oversight of management, the integrity of an entity’s accounting and financial reporting systems and that appropriate control are in place, including those for monitoring risk, financial control and compliance with law (Paragraph-11).
It is the responsibility of the management of an entity to establish a control environment and maintain policies and procedures to assist in achieving the objective of ensuring, as far as possible, the orderly and efficient conduct of the entity’s business. This responsibility includes implementing and ensuring the continued operation of accounting and internal control systems which are designed to prevent and detect fraud and error (Paragraph-12).

The fact that an audit is carried out may act as a deterrent, but the auditor is not and cannot be held responsible for the prevention of fraud and error (Paragraph-13).

Therefore, the assigned score for this statement is 7.

**B) Reliability of information attested by an independent auditor:**

**Statement-6: The auditor is unbiased and objective.**

According to BSA-200, the auditor should comply with the Code of Ethics for Professional Accountants issued by the Council of the Institute of Chartered Accountants of Bangladesh. Ethical principles governing the auditor’s professional responsibilities are: independence, integrity, objectivity, professional competence and due care, confidentiality, professional behavior and technical standards (Paragraph-4).

According to Code of Ethics for Professional Accountants, a professional accountant should be fair and should not allow prejudice or bias, conflict of interest or influence of others to override objectivity.

So, it is substantiate that the assigned score should be represented by 1.

**Statement-7: The auditor does not exercise judgment in the selection of audit procedure.**

According to BSA-200, the work undertaken by the auditor to form an opinion is permeated by judgment, in particular regarding:

(a) The gathering of audit evidence, for example, in deciding the nature, timing and extent of audit procedures; and

(b) The drawing of conclusions based on the audit evidence gathered, for example, assessing the reasonableness of the estimates made by management in preparing the financial statements (Paragraph-10).

On the basis of this, a score of 7 has been assigned for this statement.
C) Decision usefulness of those information:

Statement-8: Users can have absolute assurance that financial statements contain no material misstatements.

According to BSA-200, an audit in accordance with BSAs is designed to provide reasonable assurance that the financial statements taken as a whole are free from material misstatement. Reasonable assurance is a concept relating to the accumulation of the audit evidence necessary for the auditor to conclude that there are no material misstatements in the financial statements taken as a whole. Reasonable assurance relates to the whole audit process (Paragraph-8).

An auditor cannot obtain absolute assurance because there are inherent limitations in an audit that affect the auditor’s ability to detect material misstatements. These limitations result from factors such as:

- The use of testing.
- The inherent limitations of any accounting and internal control system (for example, the possibility of management override or collusion).
- The fact that most audit evidence is persuasive rather than conclusive.

Therefore, it is evident that it is not reasonable to expect an audited financial statement to be fully free from material misstatements and the argument for this statement should be point 7.

Statement-9: Users can have absolute assurance that the entity is free from fraud.

According to BSA-210, the fact that because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatement may remain undiscovered (Paragraph-6).

Therefore, the people should not expect that the auditor will give absolute assurance that the entity is free from fraud and on this ground the score should be 7 for this statement.

Statement-10: The audited financial statements provide an assurance regarding the performance of the entity.

According to BSA-200, although the auditor’s opinion enhances the credibility of the financial statements, the user cannot assume that the opinion is an assurance as to the future viability of the entity not the efficiency or effectiveness with which management has conducted the affairs of the entity (Paragraph-3).

So, it indicates that the assigned score should be represented by 7 for this statement.
Findings and Analysis

The survey was conducted on 300 students. They spontaneously responded to this survey questionnaire. So the no. of respondents is 100%. At first the questionnaire was distributed to those 100 students who will take audit subject in the next semester. The result of their response is as follows:

Table-2: Perceptions of Students who will take Audit subject in next semester

<table>
<thead>
<tr>
<th>Statements</th>
<th>ISA based score</th>
<th>Observed Mean</th>
<th>Expectation Gap in absolute values</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A) Questions relating to auditor’s responsibility</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) The auditor is responsible for detecting all frauds.</td>
<td>7.00</td>
<td>2.43</td>
<td>4.57</td>
</tr>
<tr>
<td>2) The auditor is responsible for the soundness of the internal control structure of the entity.</td>
<td>7.00</td>
<td>2.79</td>
<td>4.21</td>
</tr>
<tr>
<td>3) The auditor is responsible for maintaining account records.</td>
<td>7.00</td>
<td>3.46</td>
<td>3.54</td>
</tr>
<tr>
<td>4) Management has responsibility for producing the financial statements.</td>
<td>1.00</td>
<td>2.14</td>
<td>1.14</td>
</tr>
<tr>
<td>5) The auditor is responsible for preventing fraud.</td>
<td>7.00</td>
<td>3.89</td>
<td>3.11</td>
</tr>
<tr>
<td><strong>B) Questions relating to audit reliability</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6) The auditor is unbiased and objective.</td>
<td>1.00</td>
<td>4.29</td>
<td>3.29</td>
</tr>
<tr>
<td>7) The auditor does not exercise judgment in the selection of auditor procedures.</td>
<td>7.00</td>
<td>2.39</td>
<td>4.61</td>
</tr>
<tr>
<td><strong>C) Questions relating to decision usefulness of audited information</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8) Users can have absolute assurance that the financial statements contain no material misstatements.</td>
<td>7.00</td>
<td>2.86</td>
<td>4.14</td>
</tr>
<tr>
<td>9) Users can have absolute assurance that the entity is free from fraud.</td>
<td>7.00</td>
<td>2.57</td>
<td>4.43</td>
</tr>
<tr>
<td>10) The audited financial statements provide an assurance regarding the performance of the entity.</td>
<td>7.00</td>
<td>2.18</td>
<td>4.82</td>
</tr>
</tbody>
</table>

Table -2 shows that there are significant differences in some statements. Particularly students have lack of knowledge about the decision usefulness of audited information and then about the audit reliability. They have reasonable knowledge about the auditor’s responsibility.

Secondly, the questionnaire was distributed to those 100 students who have just completed one audit subject in the last semester. The result of their response is as follows:
Table-3: Perceptions of Students who have just completed one Audit subject

<table>
<thead>
<tr>
<th>Statements</th>
<th>ISA score</th>
<th>Observed Mean</th>
<th>Expectation Gap in absolute values</th>
</tr>
</thead>
<tbody>
<tr>
<td>A) Questions relating to auditor’s responsibility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) The auditor is responsible for detecting all frauds.</td>
<td>7.00</td>
<td>3.50</td>
<td>3.50</td>
</tr>
<tr>
<td>2) The auditor is responsible for the soundness of the internal control structure of the entity.</td>
<td>7.00</td>
<td>4.29</td>
<td>2.71</td>
</tr>
<tr>
<td>3) The auditor is responsible for maintaining account records.</td>
<td>7.00</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>4) Management has responsibility for producing the financial statements.</td>
<td>1.00</td>
<td>3.18</td>
<td>2.18</td>
</tr>
<tr>
<td>5) The auditor is responsible for preventing fraud.</td>
<td>7.00</td>
<td>3.21</td>
<td>3.79</td>
</tr>
<tr>
<td>B) Questions relating to audit reliability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6) The auditor is unbiased and objective.</td>
<td>1.00</td>
<td>4.32</td>
<td>3.32</td>
</tr>
<tr>
<td>7) The auditor does not exercise judgment in the selection of auditor procedures.</td>
<td>7.00</td>
<td>3.79</td>
<td>3.21</td>
</tr>
<tr>
<td>C) Questions relating to decision usefulness of audited information</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8) Users can have absolute assurance that the financial statements contain no material misstatements.</td>
<td>7.00</td>
<td>5.46</td>
<td>1.54</td>
</tr>
<tr>
<td>9) Users can have absolute assurance that the entity is free from fraud.</td>
<td>7.00</td>
<td>5.18</td>
<td>1.82</td>
</tr>
<tr>
<td>10) The audited financial statements provide an assurance regarding the performance of the entity.</td>
<td>7.00</td>
<td>3.14</td>
<td>3.86</td>
</tr>
</tbody>
</table>

Table -3 illustrates that students after completing one audit subject have moderate expectation gap regarding audit reliability and then auditor’s responsibility. They have insignificant expectation gap in respect of decision usefulness of audited information. Overall they are in better position than the students who did not do the audit subject before.

Lastly, the questionnaire was distributed to those 100 students who have completed both audit and advanced audit subjects in previous semesters. The result of their response is as follows:

Table -4 demonstrates that there are insignificant differences in maximum statements. Students after learning two audit subjects have improved their knowledge about the auditor’s responsibility, audit reliability and then about decision usefulness of audited information. Obviously they have good knowledge about overall audit performance than the students who did not do the audit subject and also who have done one audit subject.

From the above tables, it is noticeable that though the expectation gap is reducing according to the role of audit education, there is also some exception in case of some statements. In statement
Management has responsibility for producing the financial statements; the expectation gap is higher in 2nd group and 3rd group whereas this gap is in moderate level in case of 1st group. Regarding the statement -5: The auditor is responsible for preventing fraud; the expectation gap is higher for 2nd group than 1st group.

**Table-4: Perceptions of Students who have completed both Audit and Advanced audit subjects**

<table>
<thead>
<tr>
<th>Statements</th>
<th>ISA based score</th>
<th>Observed Mean</th>
<th>Expectation Gap in absolute values</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A) Questions relating to auditor’s responsibility</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) The auditor is responsible for detecting all frauds.</td>
<td>7.00</td>
<td>5.14</td>
<td>1.86</td>
</tr>
<tr>
<td>2) The auditor is responsible for the soundness of the internal control structure of the entity.</td>
<td>7.00</td>
<td>5.32</td>
<td>1.68</td>
</tr>
<tr>
<td>3) The auditor is responsible for maintaining account records.</td>
<td>7.00</td>
<td>5.14</td>
<td>1.86</td>
</tr>
<tr>
<td>4) Management has responsibility for producing the financial statements.</td>
<td>1.00</td>
<td>3.04</td>
<td>2.04</td>
</tr>
<tr>
<td>5) The auditor is responsible for preventing fraud.</td>
<td>7.00</td>
<td>4.32</td>
<td>2.68</td>
</tr>
<tr>
<td><strong>B) Questions relating to audit reliability</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6) The auditor is unbiased and objective.</td>
<td>1.00</td>
<td>4.61</td>
<td>3.61</td>
</tr>
<tr>
<td>7) The auditor does not exercise judgment in the selection of auditor procedures.</td>
<td>7.00</td>
<td>5.14</td>
<td>1.86</td>
</tr>
<tr>
<td><strong>C) Questions relating to decision usefulness of audited information</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8) Users can have absolute assurance that the financial statements contain no material misstatements.</td>
<td>7.00</td>
<td>6.14</td>
<td>.86</td>
</tr>
<tr>
<td>9) Users can have absolute assurance that the entity is free from fraud.</td>
<td>7.00</td>
<td>6.50</td>
<td>.50</td>
</tr>
<tr>
<td>10) The audited financial statements provide an assurance regarding the performance of the entity.</td>
<td>7.00</td>
<td>4.14</td>
<td>2.86</td>
</tr>
</tbody>
</table>

Table-4 portrays the significant differences among the three groups. It also shows the standard deviation for each group.

**Table-5: Descriptive Statistics on Expectation Gap among three groups**

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Sum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected score</td>
<td>10</td>
<td>1.00</td>
<td>7.00</td>
<td>58.00</td>
<td>5.8000</td>
<td>2.52982</td>
</tr>
<tr>
<td>1st group</td>
<td>10</td>
<td>2.14</td>
<td>4.29</td>
<td>29.00</td>
<td>2.9000</td>
<td>.73977</td>
</tr>
<tr>
<td>2nd group</td>
<td>10</td>
<td>3.14</td>
<td>5.46</td>
<td>41.07</td>
<td>4.1070</td>
<td>.87726</td>
</tr>
<tr>
<td>3rd group</td>
<td>10</td>
<td>3.04</td>
<td>6.50</td>
<td>49.49</td>
<td>4.9490</td>
<td>.99334</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

On average the expected score about auditor’s responsibility, audit reliability and decision usefulness of audited information according to ISA is 5.80 with standard deviation being about
2.53. The first group who did not do any audit subject obtained mean score 2.90; it means the expectation gap is 2.90. The second group who has just completed one audit subject has got 4.1070 mean score; it means the expectation gap is 1.693. The third group who has learned both audit and advanced audit subjects achieved mean score 4.9490; it means the expectation gap is 0.851. It is apparent that the expectation gap among the groups is becoming insignificant according to the role of audit education.

The findings of this study are consistent with the prior studies in different countries, for example, Baron et al (1977) in USA, Pierce and Kilcommins (1996) in Ireland, Humphrey et al (1993) and Dewing and Russel (2002) in UK, Schelluch (1996) and Best et al (2001) in Singapore, Hudaib and Haniffa (2002) in Saudi Arabia etc. However, it is mentionable that except for statement 4 and statement 5, the expectation gap is wider among the groups according to their learning about auditing subject(s). Support for such view can be found from the study of Pierce and Kilocommins (1996), which instituted from a survey questionnaire that audit education, might have a wider role to play in addressing and reducing the expectation gap.

**Conclusion**

In recent years there has been considerable debate about the nature and scope of audit practices, and the so-called audit expectation gap, namely the differences between what auditors actually do and what third parties think auditors do or should do in conducting the audit practice. So far, three components of audit expectation gap have been identified. According to some researchers, the nature of the expectation gap may never be eliminated, but it may be reduced. This paper focuses on the reasonableness expectation gap and believes that for reducing such a gap a possible way is through audit education of the nature and limitation of audit. Findings show that audit education has significant effect in narrowing the audit expectation gap. The audit expectation gap needs to be addressed from a number of different perspectives in order to eliminate deficient performance by auditors to widen the scope to encompass reasonable expectations and reduce expectations where they are deemed to be unreasonable.
References


