

Role of the External Auditor in Narrowing the Expectations Gap from the Points of View of Individual Investors and Legal Auditors in the Amman Stock Exchange A Field Study

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Abstract

This study aims to identify the role of external auditors in narrowing the expectation gap among independence, fraud, and errors in financial statements, as well as the continuity and privacy of company business checker accounts of individual investors in the Amman Stock Exchange (ASE). A total of 150 questionnaires were distributed to individual investors in the ASE hall of trading. The profile of the individual investors was determined based on 106 questionnaires. Meanwhile, 180 questionnaires were distributed to licensed auditors and 128 of them have been restored. The following conclusions were drawn after conducting the necessary tests on the obtained data.

- There is no effective contribution was made by external auditors in narrowing the expectation gap among independence, fraud, and errors in financial statements, as well as in the continuity among individual investors, legal auditors based on the perspective of individual investors.
- There is an effective contribution of external auditors was determined in narrowing the expectation gap regarding the privacy of business checker of accounts between individual investors and auditors.

Keywords: Expectation Gap, Independence, Continuity, Privacy of Company Business

1. Introduction

In the last two decades of the 20th century, the auditing profession has been subjected to a crisis in responsibility and credibility, as well as lack of confidence, within the financial community. The increase in the number of issues raised in courts by the financial community against auditors exposed the shortcomings of these professionals in performing their tasks. The collapse of several huge companies in the US, such as Enron, led to the bankruptcy of the largest auditing companies in the world. The case of Arthur Anderson and other financial scandals were exposed because of the global financial crisis. Consequently, these scandals diminished the confidence of the financial community in financial statements.

The most important issues related to bankruptcy and scandals are fraud and errors in financial statements, as well as the failure of companies to provide early warning on the possibilities of their failure. Moreover, continuity and suspicion persisted regarding the performance and independence of their respective auditors. In general, such issues resulted in considerable concern on the expectation gap between auditors and the financial community. These issues led to mounting calls from the academic and professional communities regarding the necessity of auditors improving their professional performance and quality of financial statements.

2. Problems of the study

The financial community expects integrity, objectivity, and independence from auditors. Hence, auditors are expected to detect essential errors and prevent issuing false statements. Exposés on auditing scandals and the collapse of Arthur Anderson have resulted in the advancement of the auditing profession and improvement of auditing performance. Thereafter, the efficient role of auditors in offering and providing high-quality services to users of financial statements in various economic fields became necessary. Accordingly, this study addresses these issues by analyzing the points of view of legal auditors and individual investors of the Amman Stock Exchange (ASE) as members of the local community. In particular, the current study addresses the following problems.

- Do external auditors contribute in narrowing the expectation gap regarding the independence of auditors?
- Do external auditors contribute in narrowing the expectation gap regarding fraud and errors in financial statements?
- Do external auditors contribute in narrowing the expectation gap regarding the assessment of a company's ability for continuity?
- Do external auditors contribute in narrowing the expectation gap regarding the privacy of a company's

business?

3. Significance of the study

Research on the role of auditors in narrowing the expectation gap occupies a significant segment of the accounting literature. This gap is one of the negative indicators of the position and reputation of auditors and the auditing profession. Hence, the current study is crucial in the effort to identify the convergence and divergence points between external auditors and individual investors in ASE. The variables of this study include the auditors' independence, fraud and errors in financial statements, and privacy and continuity of a company's business.

4. Theoretical framework

In general, auditing is considered a social and economic function. This process is imposed by law and performed by professional bodies and associations. The auditing profession is one of the most efficient professions that raises productivity and competency of performance. Furthermore, auditing prevents squandering and waste of company resources in various fields. This profession is characterized by honesty and objectivity as well. As a service profession, auditing derives its strength from facility owners and investors, and offers high-level competency and quality. Thus, the inability of auditors to detect errors will result in a gap between investors and auditors.

In the early 1970s, the accounting and auditing professions have been criticized by authorities in the US. The low quality of accounting information has resulted in the possibility of the long-term continuity of accounting and auditing as independent professional activities. The American institution for legal accountants took interest in this issue and called this deficiency "expectation gap in auditing" Accordingly, this institution formed committees to identify the causes of this gap and the methods of addressing such gap. The most important committee was the Kahwin committee, which was established in 1974 and identified the responsibility for the gap on professionals and not on users.

The concept of expectation gap in auditing is no longer new and is associated with the emergence of auditing in its compulsory form in the late 19th century. The real history of the expectation gap in auditing dates back to the early 19th century and not 1974 (as certain sectors claimed). Porter (1993) explained that the term that appeared in 1970s was "expectation gap in the field of auditing" as used by Liggio (1974). Expectation gap was defined as the difference between the levels of auditors' expected performance as perceived by both auditors and users of financial data. Expectation gap has been associated with auditing since the term appeared in the late 19th century. In 1885, the head of the institution of legal accountants in England and Wales stated the importance of determining a real opinion for the public regarding the nature, importance, and value of the audit process, as well as the responsibilities of the auditor (Albaz 1999).

Although no precise definition of expectation gap in auditing has been agreed upon by researchers in the field of auditing, various studies have provided different definitions. However, similarities according to the view on which they based their definitions in studying this gap abound.

Shaikh and Talha (2003) defined expectation gap as the gap between the expected level of performance as perceived by auditors and users of financial statements. Koh and Woo (1998) defined expectation gap as the people's expectations of the behavior of auditors in a manner that is different from what auditors themselves expect. Monroe and Wooliff (1994) revealed that the expectation gap existed when a difference in beliefs existed between auditors and people regarding the assumed duties and responsibilities from the side of auditors and the messages that the audit statement conveys. Al Tamimi (2009) defined expectation gap as the gap between understanding the conceptions of people (i.e., users of financial statements) and auditors of the audit process and responsibilities of auditors.

From the preceding definitions, we define expectation gap in auditing as follows. The term "expectation gap in auditing" expresses the difference between auditors and users of financial statements regarding the type and quality of financial statement data. This difference is based on the variation of objectives and ambiguity of financial statement users regarding the audit process and its objectives and criteria.

The previous studies indicated two types of expectation gap, namely, reasonability and performance gaps. Reasonability gap represents the gap between the community's expectations of the services of auditors and what auditors could achieve in a reasonable manner. While, Performance gap is represented by the difference between the community's expected performance of auditors and their actual performance.

Thereafter, performance gap has been divided into two types. First, performance gap caused by the lack or deficiency of audit criteria, this gap expresses the difference in the tasks that the community expects auditors to complete in a reasonable manner and the assigned tasks of auditors in view of their profession's criteria issued by professional organizations. Thus, auditors have to perform their tasks according to the requirements of the profession's criteria, whereas the community expects an improved role from auditors without knowing the restrictions of the criteria by which auditors perform their tasks.

Second, Performance gap resulting the differences in the performance of auditors and the extent of their commitment to the settled criteria. The criteria cover the expectation gap, but the non-commitment of auditors to these criteria and the misapplication of an appropriate safe method lead to the existence of this gap (Farhat 2009).

The auditing profession necessitates different responsibilities for auditors. These responsibilities consider the necessary professional care during the implementation of the audit process to obtain a neutral professional opinion and the results of a company's activities. Hence, such practices narrow the gap between auditors and users of financial statements.

4.1 Responsibility of auditors on the gap regarding independence

This responsibility focuses on the deviation of the actual conduct of auditors from the independence expected of them according to the rules of professional conduct and the expectations of society from them. This deviation leads to an increase in suspicion on the part of financial statements of users regarding the independence of auditors in the planning, implementation, and statement of results stages of the audit process.

Accordingly, auditors have to avoid relations and conditions that cause suspicion on their independence. For example, the financial community trusts auditors when they offer services to clients other than auditing in the company they are assigned to audit. These services include administrative consultation, tax consultation, selection and candidacy of managers and employees, bookkeeping and recordkeeping, and processing accounting data and services related to company consolidation.

4.2 Responsibility of auditors on the gap regarding fraud and errors

Auditors are considered responsible if they are able to prevent errors and fraud. Hence, they have to take professional appropriate care that requires studying and evaluating internal control systems, as well as identifying the necessary tests and procedures and their timing. A comprehensive review program includes additional procedures if the auditor is expected to determine material deviation in the records and financial statements. Furthermore, auditors have to inquire from the management of the facility about detecting any serious errors or fraud in the accounts (Ellamae and Tucker, 1992)

4.3 Responsibility of auditors on the gap regarding continuity

Most problems and issues raised against auditors were due to the issuance of a clean opinion in their statements without reservation. Opinion without reservation means that financial statements concerning the financial center and the results of business and monetary flow are expressed honestly. Revelation of essential errors affects the accounts, internal control system, fraud, and illegal contracts; creates suspicion on external auditors regarding their lack of competency and low-quality professional performance; and shows the inconvertibility of the facility to advance in the next period. Hence, the lack of reservation in the statement of external auditors concerns imposing continuity when necessary, and is considered the most important factor in the failure of the audit process (Godsell, 1991).

4.4 Responsibility of auditors on the gap regarding the professional specialization of the industry to which the client of auditors belongs

The lack of professional specialization of auditors in the industry to which the client belongs prevents them from addressing the dangers of the company's business that they are auditing. For example, the study and analysis of the administrative aspects, management integrity, competition in the industry or activity, financial trends of the company, and checker accounts are considered. The lack of professional specialization in the industry to which the client of auditors belongs to does not facilitate the understanding and completion of the audit process, as well as the efficient and competent implementation of the required procedures; these drawbacks negatively reflect on the quality of the auditors' professional performance (Al Haddad 2007).

5. Previous studies

Al Fadel (2012) tested the effects of the number of personal variables, such as experience, control center, and analytical thinking, on the expectation gap. Respondents included auditors and investors, with each category comprising 40 items. This study yielded the following results.

The professional and scientific experiences of auditors and users of the audit process outputs are considered important personal variables that have evident effect on the size of the expectation gap.

- The influence of experience and control center variables in causing the expectations gap is evident when they are integrated or when they are with the analytical thinking variable. Testing these three variables together leads to different results than when testing each variable separately.
- The existence of the expectation gap is inevitable; thus, the existence in the application field is real and not merely perceived.

Gherai (2011) aimed to analyze the development of expectation gap in auditing in Romania. This study

broached recognizing the extent of understanding the role of external auditors by different users of accounting information, such as accountants, executive managers, and bankers. Accordingly, this study concluded the existence of a logical clear gap and noticeable variation in understanding the role of external auditors in detecting fraud. Furthermore, information is limited regarding the importance of education and teaching in reducing the expectation gap. Gherai's study attempted to consider the importance of education and public sectors in narrowing this gap.

Al Bamirni and Al Shujait (2010) identified the features of the audit expectation gap between sides that benefit from the information presented by external auditors and what they actually do according to the demands of professional criteria, as well as legal and ethical responsibilities. Auditors also considered the precaution they take in performing audits. In addition to searching for the reasons behind this gap, this study investigated the factors that contributed in narrowing it in Kurdistan, Iraq. This study provided the following important conclusions.

The existence of audit expectation gap in Kurdistan (i.e., reasonability and performance gaps) is caused by the lack of professional criteria, quality control systems, educational qualifications, and practical experience of auditors.

Salihi and Rostomi (2009) concentrated on concepts and proofs of expectation gap, as well as clarified the development of audit and causes of the gap. This study revealed the nature of expectation gap in different countries, such as Australia, Singapore, Malaysia, the UK, New Zealand, the US, Saudi Arabia, Bangladesh, China, and Egypt.

Salihi and Rostomi (2009) study revealed variations in realizing the audit expectation gap in various sectors of society. Furthermore, consensus among researchers indicated that this gap arises because of the high expectations of users concerning auditing, as well as lack of information on the role and responsibilities of auditors.

This study recommended the necessity of improving the connection methods between auditors and the financial community on the one hand and auditors and professional organizations on the other hand. In addition, this study identified the role of auditors and their responsibilities.

Al Tamimi, (2009) identified the nature and concept of expectation gap between auditors and investors as users of financial statements in Iraq, as well as identified the factors and reasons that influence this gap. This study provided the following conclusions.

- Users of financial statements are investors who expect auditors to provide instructions and advice concerning the possibility of a company's failure or financial distress by performing audit process according to local and international criteria.
- Narrowing the expectation gap between auditors and investors is possible by properly designing and planning the audit process, as well as selecting the internal control system.

ChoChowdhury and Innes and Kouhy (2005) conducted their study in Bangladesh and determined the expectation gap between auditors and auditors of the public sector and parliament commissions. These commissions analyzed the audit statements and agencies of international financing.

This study discussed the responsibility and independence, proportional significance, justice of proofs, and performance of auditors. The results of their study revealed the existence of significant variations in the perceptions of auditors of the public sector and parliament commissions, which analyzes audit statements, and international agencies of financing in terms of responsibility, independency, competency, proofs of existence, and performance quality. However, the existence of the expectation gap between the public sector and parliament commission auditors indicates the absence of any obligatory training program. Training was voluntarily conducted; thus, this study recommended that public sector auditors should receive extensive training to recognize the needs of users of statements in narrowing the expectation gap. This study also recommended the cooperation among all sides to raise the level of responsibility in the public sector.

Lin and Chen (2004) conducted their study in the Chinese community and aimed to recognize the expectation gap between the responsibility of auditors in the Chinese business environment and the independence of auditors in the current business. Their study considered the point of the commitment of auditors in detecting fraud and the failure of audit or carelessness, as well as essential variations among those who benefited from the audit. Moreover, auditors were concerned with the objectives of dependent audit. To obtain the data, a survey was conducted involving those who benefited from auditing (i.e., investors, debtors, responsible government persons, and business managers) and auditors.

The auditors and beneficiaries agreed that independent auditing improved the justice and credibility of financial statements. Hence, many investors are supporters of the validity of auditing services for all public and private establishments. Their study determined that the expectation gap related to the objectives of audit, commitment of auditors to detect fraud and errors, and government guarantee of justice and credibility of audit services. This variation between auditors and beneficiaries is attributed to the special nature of establishments to auditing in China. Accordingly, auditing in China is subject to government intervention, and auditors prefer the

prevailing professional approach from the point of their responsibilities in disclosing fraud. This necessary step aims to develop the profession in China by separating the traditional role of government management and the auditing profession. Hence, auditors have to mull thinking of addressing the needs of beneficiaries by offering credible and reliable services.

Jarbouh (2004) aimed to recognize the factors that led to the existence and methods of narrowing the expectation gap. The analytical descriptive approach was based on studies, journals, and references from 1970 to 2000. The results indicated that the expectation gap resulted from the ambiguity of the role and responsibilities of auditors, suspicion on the independence and neutrality of auditor, lack of professional competency of the auditor, non-existent internal control of the profession, reduction of the quality of performance, and statements that do not conform with changes in society.

This study recommended supporting the independence and neutrality of auditors and professional organizations in accounting and auditing. Furthermore, Jarbouh's study suggested recognizing and achieving the requirements of the beneficiaries, as well as providing information about the role and responsibility of auditors in society.

6. Distinct qualities of the current study from previous studies

The current study reveals the difficulty of excluding the expectation gap. One requirement is the stability of the audit concept, which is difficult because of the development of auditing criteria and the removal of ambiguity of users of financial statements about audit and its objectives and criteria. Hence, this study focuses on estimating the proportional significance between auditors and investors on the role of the former in narrowing the expectation gap regarding independence, errors and fraud in financial statements, continuity, and privacy of a company business checker account. In addition, this study aims to recognize the fields where this gap widens or narrows from the point of view of individual investors in ASE. Legal auditors emphasize that when the difference in personal assessment of the proportional significance (i.e., for the role of external auditors in narrowing such gap) increases, the gap widens. Furthermore, when the difference decreases, the gap narrows.

7. Hypothesis of the study

We formulate the following hypotheses based on the theoretical framework, previous studies, and possible answers to the problems of this study.

First hypothesis: External auditors do not contribute in narrowing the expectation gap regarding independence.

Second hypothesis: External auditors do not contribute in narrowing the expectation gap regarding fraud and errors in financial statements.

Third hypothesis: External auditor do not contribute in narrowing the expectation gap regarding the estimation of a company's ability for continuity.

Fourth hypothesis: External auditors do not contribute in narrowing the expectation gap regarding the privacy of a company's business.

8. Methodology of the study

8.1 Sample of the study

The community and sample of this study can be divided into two parts.

First part: Individual investors who are in the ASE trading hall: A total of 150 questionnaires were distributed to individual investors who were in the ASE trading hall. Out of the 150 questionnaires, 122 were returned, 10 of which were excluded because of incomplete data and 6 were rejected because the responses were not objective. Hence, the final number of questionnaires (106) represented 70.67% of the entire distributed questionnaires.

Second part: Jordanian licensed auditors working in audit offices licensed by the commission of Jordanian legal accountants: The records of the commission revealed that the number of licensed auditors as of November 2015 was 567. Auditors who worked outside the kingdom (i.e., 100 auditors) were excluded. Thus, the population of auditors qualified for our study was 467 as of November 2015. A total of 180 questionnaires were distributed to the auditors. The number of returned questionnaires was 140 and the number of questionnaires used for search and analysis was 128. A total of 12 questionnaires were excluded because of lack of objectivity; thus, 71.11% of the distributed questionnaires were used.

8.2 Data sources

The current study relied on primary and secondary data sources. Data were gathered directly through field visits to ASE and audit offices and by conducting a survey, which was the source for primary data. Thereafter, this study depended on the relevant secondary data, which were represented by office collectibles, such as studies in journals, scientific magazines, and books.

8.3 Tool for collecting data

The questionnaire was designed based on the accounting literature on expectation gap. The draft was evaluated by faculty members of the Accounting Department and a group of legal auditors. This step ensured that the questionnaire will be considerably accurate and objective. These features lead to the possibility of adopting the results of the study and credibility to achieve the objectives of the study.

The questionnaire included the following sections. The first section aimed at collecting demographic data (i.e., scientific qualification, specialization, job title, years of experience) of the individual investors and auditors involved in this study. Data in this section determined if the respondents had sufficient knowledge to answer the questionnaire. The second section aimed at measuring the extent of the contributions of external auditors in narrowing the expectation gap regarding independence. The third section aimed at measuring the extent of the contributions of external auditors in narrowing the expectation gap regarding fraud and errors in financial statements. The fourth section aimed at measuring the extent of the contributions of external auditors in narrowing the expectation gap regarding assessing a company's ability for continuity. The fifth section aimed at measuring the extent of the contributions of external auditors in narrowing the expectations gap regarding the privacy of a company's business.

This section summarizes the results of the questionnaire and the questions specified for measuring each variable in this study.

Table 1. Sections of the questionnaire and the questions measuring each variable in the study

Sections of the questionnaire	Variable	Questions that measure variable
First section	- Qualification	1
	- Specialization	2
	- Job title	3
	- Years of experience	4
	- Investment years	5
Second section	Independence) 1–5 (
Third section	Fraud and errors in financial statements	6–12)(
Fourth section	Continuity	(13–18)
Fifth section	Privacy of a company's business	(19–25)

Table (2) shows the characteristics of the respondents (i.e., individual investors and auditors).

Table 2. Characteristics of the respondents

No	Variable	Statement	Number		Percentage	
			Individual investors	Auditor	Individual investors	Auditor
1	Scientific qualification	Below bachelor	38	-	35.85%	-
		Bachelor's degree	61	107	57.55%	83.59%
		Master's degree	7	17	6.60%	13.38%
		Doctorate/PhD	-	4	-	3.12%
		Others	-	-	-	-
		Total	106	128	100%	100%
2	Scientific specialization	Accounting	25	111	23.58%	88.72%
		Management specialization	33	17	31.13%	13.28%
		Others	48	-	45.28%	-
		Total	106	128	100%	100%
3	Job title	Individual investor	106	-	100%	-
		Auditor	-	128	-	18.75
4	Number of experience years for auditor	Below 5 years	-	24	-	33.59
		From 5 to below 10	-	43	-	32.03
		From 10 to below 15	-	41	-	15.36
		15 years and above	-	20	-	100%
		Total	-	128	-	-
5	Number of investment years for the investor	Below 5 years	11	-	10.38%	-
		From 5 to below 10	36	-	33.96%	-
		From 10 to below 15	33	-	31.13%	-
		15 years and above	26	-	24.53%	-
		Total	106	-	100%	-

The results of the first section of Table 2 indicate that 57.55% of individual investors hold bachelor's degrees, thereby implying that they have good scientific qualification.

For auditors, 83.59% had a minimum of bachelor's degree and respondents who specialize in accounting account for 86.72%. Note that one of the conditions in gaining a certificate to practice as an auditing professional in the Hashemite Kingdom of Jordan is that a candidate must hold a bachelor's degree in accounting, as well as have the minimum accredited hours in accounting according to item (22) of the law regulating the profession of temporary legal accounting number (73) 2003.

Enhancing the confidence in the results is that the respondents (whether investors or auditors) were highly experienced in their respective fields of business. The percentage of individual investors who have experience in investment for under 5 years was 33.96% and above 10 years was 31.13% + 24.53% for auditors. The percentage of auditors who have experience in their business of below 5 years was 33.59% and over 10 years was 32.03+15.63%. Subsequently, most individual investors and auditors are substantially experienced in investment. Hence, the respondents were able to answer the questionnaire competently and efficiently, as well as able to provide relatively realistic opinions.

9. Statistical analysis

This study relied on the analytical statistical method, apart from descriptive statistics, in indicating the role of external auditors in narrowing the expectation gap. Ready-made software package (SPSS) was used to extract the results related to statistical methods.

- Descriptive statistics: Percentages were used for frequencies in comparing and differentiating between dimensions that measure the variables of the study in addition to the mean.
- Comparing means: T-test was used for one sample that is advantageous in detecting the significant difference for an average community. Thereafter, the sample was taken for fixed value, which is identified in the study as the value 3.

9.1 Reliability

To test the stability of the study tool, Cronbach's alpha was calculated for internal consistency. The values of the coefficients between all items for individual investors and auditors were 0.9308 and 0.8977, respectively. These values indicated the stability of this study's tool. Table 3 illustrates the reliability coefficients of the variables of the current study.

Table 3. Reliability coefficients of the variables of this study

Items sequence	Variable	Cronbach's alpha Individual investor	Cronbach's alpha Auditor
1–5	Independence of auditor	0.9220	0.8847
6–12	Fraud and errors	0.8901	0.8132
13–18	Continuity	0.8352	0.7632
19–25	Privacy of a company's business	0.7911	0.7989
1–25	Overall rate of a firm	0.9308	0.8977

To test the measurement of the questionnaire, the supporting degree was divided into three levels (i.e., high, medium, and low) according to the scale $(5 - 1)/3 = 1/33$. The result is the length of the category, which have been divided as follows.

Mean	Degree of support
5.00–3.60	High
3.67–2.34	Medium
2.33–1.00	Low

9.2 Testing hypotheses

First hypothesis: External auditors do not contribute in narrowing the expectation gap regarding independence.

This hypothesis has been tested depending on questions 1 to 5 in the questionnaire. Table (4) illustrates the results of the statistical analysis of the questions related to the extent of contributions of external auditors in narrowing the expectation gap regarding independence.

Table 4. Results of the responses on external auditors' contributions in narrowing the expectation gap regarding independence

No	Statement	Individual investor		External auditor	
		Mean	Standard deviation	Mean	Standard deviation
1	The independence of auditors is not influenced by their offer of advisory and administrative services to the company that is subject to auditing.	2.17	1.75	3.77	1.51
2	The independence of auditors is not influenced by their design of the accounting information system.	1.88	1.64	2.28	1.50
3	The independence of auditors is not influenced by their continuity in auditing the accounts of the client for a relatively long time.	2.14	1.88	2.90	1.25
4	The independence of auditors is not influenced by intensive competition among auditors to attract clients.	2.66	1.86	2.85	1.28
5	Auditors often earn only audit fees and do not gain other benefits.	2.67	1.061	3.87	0.99
Total	Items (1) to (5) are accumulated and related to independence.	2.304	1.12	3.134	0.70

Regarding individual investors, all responses had relatively low mean (low degree of support). From the point of view of individual investors, this result indicates that auditors offering advisory and managerial services, their design of accounting systems, and their continuous auditing of the client for a long time are considered real threats to the independence of auditors. The reason is that they create conflict of interest in simultaneously offering these services and offering audit services. This situation is in addition to the intensive competition among auditors to attract clients, thereby reflecting negatively on narrowing the expectation gap.

Related to the auditor, Item number 2 had a mean of 2.28 (low degree of support) and a standard deviation of 1.50. Hence, the auditors designing accounting systems of companies influences negatively their independence. Items 3 and 4 had a mean of 2.85 and 2.90, respectively (medium degree of support), thereby indicating the correlation of auditors with company checker accounts. Competition among auditors weakened the contribution in narrowing the expectation gap.

In general, the results of analyzing data related to this hypothesis have been measured using the second part of the questionnaire. This part revealed the extent of external auditors' contributions in narrowing the

expectation gap regarding independence. The total mean and standard deviation are as follows.

- For individual investors: Mean was 2.304 (low degree of support) and standard deviation was 1.12.
- For auditors: Mean was 3.134 (medium degree of support) and the standard deviation was 0.70.

A one-sample T-test was used to verify the statistical significance of the preceding results and to test the first hypothesis. Table 5 illustrates the results of testing the first hypothesis.

Table 5. Results of testing the first hypothesis using to T-test

Variable	Statement		T tabulated	T calculated	Statistical significance	Freedom degree	Results of test
	Sample	Number					
Gap regarding independency	Individual investors	106	1.660	0.488	0.626	105	Accept
	External auditors	128	1.657	2.156	0.023*	127	Reject

*Variations with statistical significance at the 0.05 level

We obtained the following points from the results of the T-test.

- For individual investors: The value of T-calculated was 0.448, which was less than that of T-tabulated (1.660); statistical significance was at 0.626. The base of decision indicated acceptance of the nihilism premise if the value of T-calculated was less than that of T-tabulated. Accordingly, we rejected the nihilism premise if the value of T-calculated was more than that of T-tabulated. In this section, the nihilism premise is accepted, thereby stating that no actual contribution from external auditors was determined in narrowing the expectation gap regarding independence.
- For auditors: The value of T-calculated was 2.156, which was more than that of T-tabulated (1.657); statistical significance was 0.033. Hence, the nihilism premise is rejected and the alternative hypothesis is accepted. This hypothesis states that contributions were determined from auditors in narrowing the expectation gap regarding independence.

Second hypothesis: External auditors do not contribute in narrowing the expectation gap regarding fraud and errors in financial statements.

This hypothesis has been tested based on questions 6 to 12 of the questionnaire.

Table 6. Results of the responses on the extent of external auditors' contributions in narrowing the expectation gap regarding fraud and errors in financial statements

No.	Statement	Individual investor		External auditor	
		Mean	Standard deviation	Mean	Standard deviation
6	The management of a company is considered responsible for fraud and errors in financial statements	3.69	1.55	3.98	1.01
7	Auditors are considered responsible for fraud and errors in financial statements	1.14	1.49	1.95	0.93
8	Auditors are considered responsible for detecting fraud and errors in financial statements	3.72	1.33	3.76	1.22
9	Auditors seriously abide by accounting estimations related to financial statements	1.74	1.67	3.82	1.10
10	External auditors inform a company's management regarding the possibility of fraud that has material effect on financial statements	3.6	1.66	4.04	0.90
11	Auditors consider the risks of existing material variations in financial statements resulting from fraud and errors	1.71	1.50	3.90	1.16
12	Auditors veer away from improving and purifying the financial data of financial statements	1.17	1.37	3.88	0.94
Total	Items (6 to 12) are accumulated regarding fraud and errors in financial statements	2.319	0.74	3.619	0.50

Table (6) shows an agreement in the responses of individual investors and auditors in items 6, 8, and 10 because

their values are all with high and medium degree of support. The results of the other items are as follows.

Item number (7): The responses of individual investors and auditors are in agreement that external auditors are not responsible for fraud and errors in financial statements. The mean and standard deviation for auditors were 1.95 (low degree of support) and 0.93, respectively. In addition, the mean and standard deviation for investors were 1.14 (low degree of support) and 1.49, respectively. In both cases, the degree support was low.

Item number (9) The mean and standard deviation of the responses of individual investors were 1.74 (low degree of support) and 1.67, respectively. From the point of view of investors, these results for external auditors did not abide by the seriousness of accounting estimations of financial data related to financial statements. The mean and standard deviation of the auditor responses were 3.82 (high degree of support) and 1.10, respectively.

Item number (11) The mean and standard deviation of the responses of individual investors were 1.71 (low degree of support) and 1.5, respectively. This result indicates that individual investors want a comprehensive review program to include additional procedures if auditors expected material deviation in records and financial statements. The mean and standard deviation for the auditor responses were 3.90 (high degree of support) and 1.16, respectively.

Item number (12) The mean and standard deviation of the responses of individual investors were 1.17 and 1.37, respectively. These values indicate that investors expected the usual concord between auditors and management to improve and display financial data. The mean and standard deviation for auditor responses were 3.88 (high degree of support) and 0.94, respectively.

In general, the results of analyzing data related to this hypothesis disclosed the extent of the contributions of external auditors in narrowing the expectation gap regarding fraud and errors in financial statements. The overall mean and standard deviation are as follows.

- For individual investors: Mean was 2.319 (low degree of support) and standard deviation was 0.74.

- For auditors: Mean was 3.619 (low degree of support) and standard deviation was 0.50.

A one-sample T-test was used to verify the statistical significance of the preceding results and for testing the second hypothesis. Table 7 illustrates the results of testing the hypothesis.

Table 7. Results of testing the second hypothesis

Variable	Statement		T tabulated	T calculated	Statistical significance	Freedom degree	Results of test
	Sample	Number					
Gap regarding fraud and error	Individual investors	106	1.660	0.728	0.469	105	Accept
	External auditors	128	1.657	11.952	*0.000	127	Reject

Variations with statistical significance at the 0.05 level

The following observations were based on Table (7).

For individual investors: The value of T-calculated was 0.728, which was less than that of T-tabulated (1.660); the statistical significance was 0.469. Hence, the nihilism premise is accepted, which means that no actual contribution from external auditors in narrowing the expectation gap regarding fraud and errors in financial statements was indicated. This result may be caused by the exaggeration from individual investors in the lack of commitment of external auditors to their duties and responsibilities toward the validity of accounting numbers in financial statements. Furthermore, the inefficient connection between auditors and individual investors could have been the result.

For auditors: The value of T-calculated was 11.952, which was more than that of T-tabulated (1,657); the statistical significance was 0.00. Thus, the nihilism premise is rejected and the alternative hypothesis is accepted. This hypothesis reflects the view that external auditors contribute in narrowing the expectation gap regarding fraud and errors in financial statements.

Third hypothesis: External auditors do not contribute in narrowing the expectation gap regarding the ability of a company for continuity.

This hypothesis has been tested based on questions 13 to 18 of the questionnaire. Table (8) illustrates the results of the statistical analysis for the questions related to the extent of contributions of external auditors in narrowing the expectation gap regarding a company's ability for continuity.

Table 8. Results of responses on the contributions of external auditors in narrowing the expectation gap regarding a company's ability for continuity

Number	Statement	Individual investor		External auditor	
		Mean	Standard deviation	Mean	Standard deviation
13	Auditors are considered responsible for predicting future conditions and events	1.38	1.61	1.87	1.02
14	Auditors conduct financial analysis to ensure the safety of a company's liquidity	2.21	1.69	3.91	1.33
15	Auditors use evidence and proofs to facilitate the induction possibilities of a company's financial distress	2.16	1.64	3.42	1.75
16	Auditors study and analyzes the profits of a company if they are low and loses if they are high.	3.01	1.39	3.88	0.99
17	Auditors refer to their statement for litigation between the company and others.	3.07	0.97	3.74	1.07
18	Auditors refer to their statement on technological developments, which may lead to obsolescence of a company's product.	1.97	1.58	3.24	1.18
Total	Items (13–18) are accumulated and related to continuity	2.3	1.12	3.34	0.45

Table (8) shows that the responses of the individuals for item (13) for investors indicated a mean of 1.38 (low degree of support) and standard deviation of 1.61; for auditors, the mean was 1.87 and standard deviation was 1.02. Both means had low degree of support, thereby indicating that auditors were not considered responsible for predicting future conditions and events whether by investors or auditors.

The responses of individuals for item (14) for investors indicated a mean of 3.91 (high degree of support) and standard deviation of 1.33 for auditors; for investors, the mean was 2.21 (low degree of support) and standard deviation was 1.96. These results indicated that investors lacked commitment from auditors for financial studies necessary in ensuring the safety of company liquidity. Responses of individuals for sample items 16 and 17 indicated a medium mean for investors and high mean for auditors, respectively. These results indicate an agreement between these two categories on an efficient contribution from the auditor from profit analysis or referring to litigation in assessing a company's ability for continuity. The responses of individuals to item 18 had a mean of 3.24 and a standard deviation of 1.18 for auditors; for investors, the mean was 1.97 (low degree of support). These results indicated that auditors are not interested in evaluating technological developments, which may have an effect on a company's product. This point of view comes from investors.

In general, the results of data analysis related to this hypothesis, which has been measured through the third part of the questionnaire, revealed the extent of contributions of external auditors in narrowing the expectation gap regarding the evaluation of a company's ability for continuity. The total mean and standard deviation are as follows.

For individual investors: Mean was 2.3 (low degree of support) and standard deviation was 1.12.

For auditors: Mean was 3.34 (medium degree of support) and standard deviation was 0.45.

A one-sample T-test was used to verify the statistical significance of the preceding results and for testing the third hypothesis. Table (9) illustrates the results of the hypothesis test.

Table 9. Results of testing the third hypothesis using the T-test

Variant	Statement		T Tabulated	T calculated	Statistical significance	Freedom degree	Results of hypothesis test
	Sample	Number					
Gap regarding continuity	Individual investors	106	1.660	1.301	0.196	105	Acceptance
	External auditors	128	1.657	8,651	0.000	125	Rejection

Variations are statistically significant at the 0.05 level.

The results of the T-test in Table (9) indicated the following points.

For individual investors: The value of T-calculated was 1.301, which was less than that of T-tabulated (1.660); the statistical significance was 0.196. Hence, we accept the nihilism premise, which means that contributions from external auditors in narrowing the expectation gap regarding estimation of a company's ability for continuity are low. This result reflected the raised issues against auditors as a result of their issuing a clear

opinion without reservation in their statement. Thereafter, a company is unable to continue its business.

For auditors: The value of T-calculated was 8.561, which was more than that of T-tabulated (1.657); the statistical significance was 0.000. Hence, the nihilism premise is rejected and the alternative hypothesis is accepted. From the point of view of external auditors, they contributed in narrowing the expectation gap regarding company continuity.

Fourth hypothesis: External auditors do not contribute in narrowing the expectation gap regarding the privacy of a company's business.

This hypothesis has been tested based on questions 19 to 25 of the questionnaire. Table (10) illustrates the results of statistical analysis for the questions related to the extent of external auditors contributions in narrowing the expectation gap regarding the privacy of a company's business.

Table 10. Results of the responses on the extent of external auditors' contributions in narrowing the expectation gap regarding the privacy of a company's business

Number	Statement	Individual investor		External auditor	
		Mean	Standard deviation	Mean	Standard deviation
Adequate knowledge on external auditors with the privacy of a company's business checker accounts contributing in narrowing the expectation gap through					
19	Studying and analyzing the administrative aspects of the company in an efficient and competent manner	3.46	1.53	3.84	1.35
20	Conducting audit procedures efficiently and competently	3.27	1.21	3.16	1.13
21	Studying and analyzing financial aspects of a company in an efficient and competent manner	3.66	0.73	3.72	1.28
22	Recognizing items and accounts represented by their nature dangers for the company	3.62	0.97	3.98	0.83
23	Confronting financial fraud	3.41	0.85	3.13	1.03
24	Detecting irregular contracts	3.70	1.16	3.84	1.03
25	Knowing competency and consistency of management	3.22	1.50	3.16	1.21
Total	Items (19–25) are accumulated and related to the privacy of company's business	3.48	0.63	3.55	0.51

Table (10) shows that all responses of the individuals of the sample, whether investors or auditors, to items 19 to 25 had medium and high means. This result indicates the importance of auditor knowledge of the type of company business checker accounts in understanding and completing the audit process, as well as implementing the required procedures in an efficient and competent manner. This practice reflects positively on simultaneously narrowing the expectation gap regarding the privacy of a company's business from the points of view of investors and auditors.

In general, the results of data analysis related to this hypothesis were measured in the fifth section of the questionnaire. The results disclosed the extent of auditors' contributions in narrowing the expectation gap through adequate knowledge of the privacy of a company's business where the mean of the total questions is as follows.

- **For individual investors:** Mean was 3.48 (medium degree of support).
- **For auditors:** Mean was 3.55 (medium degree of support).

The standard deviation for the total questions is as follows.

- **For individual investors:** The standard deviation was 0.63.

These values indicated clear conformity and lack of variation in the answers of the respondents.

A one-sample T-test was used to verify the statistical significance of the preceding results and for testing the fourth hypothesis. Table (11) illustrates the results of testing the fourth hypothesis.

Table 11. Results of testing the fourth hypothesis using the T-test

Variant	Statement		T Tabulated	T calculated	Statistical significance	Freedom degree	Results of hypothesis test
	Sample	Number					
Gap regarding the privacy of a company's business	Individual investors	106	1.660	7.793	0.000	105	Reject
	External auditors	128	1.657	12.123	0.000	127	Reject

Variations with statistical significance at the 0.05 level

For individual investors: The value of T-calculated (7.793) was more than that of T-tabulated (1.660) and was statistically significant at 0.000. Hence, the nihilism premise is rejected and the alternative hypothesis is accepted. External auditors contributed in narrowing expectation gap regarding the privacy of company's business, which is the subject of audit.

For auditors: The value of T-calculated (12.133) was more than that of T-tabulated and was statistically significant at 0.000. Therefore, the nihilism premise is rejected and the alternative hypothesis is accepted. Hence, a real contribution was determined from external auditors in narrowing the expectation gap regarding the privacy of a company's business checker accounts.

10. Results and Recommendations

10.1 Results of the study

The following results have been obtained based on the theoretical study and the results of statistical analysis of data.

Gap regarding independence of auditors

From the point of view of individual investors

No real contribution from external auditors in narrowing the expectation gap between individual investors and auditors was determined. This result may be attributed to many reasons. The most significant reason is that auditors offer consulting and administrative services for a company, designing for accounting systems for a company, and correlation between the auditor with the company for a long time. The auditor often receives private benefits other than audit fees. The total mean for this hypothesis was 2.304 (low degree of support) and standard deviation was 1.12. These results indicate that these acts negatively influence the independence of auditors, thereby increasing the expectation gap.

From the point of view of auditors

The contributions of auditors in narrowing the expectation gap is expressed through the total mean of this hypothesis, which was 3.134 (medium degree of support) and standard deviation was 0.7. Offering administrative and consulting service does not affect the independence of auditors, which was confirmed through the high mean of this item.

Gap regarding fraud and errors in financial statements

From the point of view of individual investors

No actual contribution from external auditors in narrowing the expectation gap between individual investors and external auditors was determined. This finding was due to the lack of actual commitment from auditors to their duties concerning detecting fraud and errors, taking accounting estimates seriously, focusing attention to the risks of distortions, avoiding refining, and improving financial statements. The total mean of this hypothesis was 2.319 (low degree of support) and the standard deviation was 0.74.

From the point of view of auditors

A contribution from auditors in narrowing the expectation gap is indicated by the high total mean of this hypothesis, which was 3.619 (medium degree of support) and the standard deviation was 0.5. These results confirmed the commitment of auditors in detecting fraud and errors in financial statements. Accounting estimates and risks of distortions and informing the management of a company regarding any possibility of fraud are indicated by the high mean of these items (high degree of support).

Gap regarding the assessment of the ability of a company for continuity

From the point of view of individual investors

No actual contribution from external auditors in narrow the expectation gap was determined between individual investors and external auditors. This result was due to the lack of actual commitment from auditors to their duties concerning predicting future events and conditions, analysis of financial statements, non-optimal use of evidence and clues that could assist them in the induction of cases of financial distress, and not providing sufficient importance for technological changes that may lead to the obsolescence of a company product. The mean of this hypothesis was 2.3 (low degree of support) and the standard deviation is 1.12.

From the point of view of auditors

A commitment in narrowing the expectation gap is reflected by the high mean of this item, which is 3.34, and standard deviation of 0.45.

Gap regarding the privacy of a company's business under scrutiny

An actual contribution from external auditors in narrowing the expectation gap between individual investors and auditors is indicated. This result is based on the point of view of the two sides to the actual commitment of external auditors to their duties concerning the study, analysis of administrative aspects, and financial trends of the company; recognition of items that represent risks for the company; and detection of irregular contracts. For individual investors, the mean was 3.48 (support of medium degree) and standard deviation of 0.63. For auditors, the mean was 3.55 (support of medium degree) and standard deviation was 0.51.

10.2 Recommendations

This study presents the following recommendations based on the results obtained.

- Providing a practical environment to achieve independence of auditors through professional criteria should be considered in the process of appointing or excluding them, as well as in determining costs. Moreover, these criteria revealed the acts that are prohibited for auditors.
- Although auditors may experience difficulties, they should be held responsible for not detecting fraud caused by deficiencies inherent in the audit process. Hence, auditors have to develop analysis procedures in detecting fraud and errors in financial statements to present a comprehensive program that would achieve all the necessary regulatory aspects.
- The necessity of developing a strategic business plan by auditors is required. Such business plan will facilitate the actual assessment of the ability of a company under scrutiny for continuity, studying additional tests for regulatory controls, performing analytical procedures, and analyzing plans.
- Considering the professional specialization of auditors in the fields of industry of the auditing client is a necessity. Similar backgrounds will lead to understanding the nature of risks surrounding company performance and reducing the degree of uncertainty. This consideration will narrow the expectation gap.

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