

Narrowing the Expectation Gap in Auditing: The Role of the Auditing Profession

Chinwuba Okafor¹ John I Otalor^{2*}

1. Department of Accounting, University of Benin, P. M .B 1154, Benin City, Edo State, Nigeria
2. Chris Awili & co (Chartered Accountants), 8, Akpakpava Street, P. O. Box 4390, Benin City, Edo State, Nigeria

* E-mail of the corresponding author: john.otalor@gmail.com

Abstract

The study sought to ascertain the role of the auditing profession in narrowing the audit expectation gap. Self-administered questionnaires were used in the study. The data generated from the responses of the subjects were analyzed using descriptive and statistical analysis through the computer (SPSS 16.0).

The result shows that the public is ignorant of the duties of the auditor and this lack of knowledge is responsible for unreasonable expectations of the public from auditors.

Based on the findings and conclusion, it was recommended that the public need more education on the duties and responsibilities of the auditor, the standard auditor's report should be expanded to include disclaimer clauses clearly showing that it is not a certificate or guarantee of the financial soundness of the auditee, it should be clearly stated in the audit report that the auditor is not the Compliance Officer of the audited company and that the auditors report should add that the opinion expressed by the auditor should not be construed to mean a guarantee of accuracy of the financial statements.

Keywords: Audit expectation gap, auditing profession, public knowledge, and public confidence.

1. Introduction

Accounting and auditing are critical components of any economic enterprise as they play an important role in contributing to the effectiveness and efficient functioning of business operations, the capital markets, and the economy by adding credibility to financial statements (Lee, Azham and Kandasamy, 2008). While accounting keeps track of transactions as basis for providing information about the enterprise through financial reporting to users of the information, audit expresses an opinion on the financial statements whether it presents a true and fair view of the enterprise.

The auditing profession believes that the widespread criticism and litigation against auditors may be due to auditors not meeting the Public's expectations of them on the state of affairs of the companies audited. Lueng, Coram, Cooper, Cosserat and Gill (2004) posit that for more than 30 years or so, the auditor played an "enhancing role" by improving the credibility of the financial information. Thus, auditors occupy a prime place in bridging the expectation gap between management and the users of the published financial reports.

Many users do not seem to understand the nature of the attest function, especially in the context of an unqualified opinion as they believe that an unqualified opinion means foolproof financial reporting. Some feel that the auditor should not only give an opinion, but also interpret the financial statements to enable users evaluate whether to invest in the company. These expectations create a gap between auditors and users expectation of the audit function. Moreover, users place the responsibility for narrowing the gap on auditors and others involved in preparing the financial statements. This study intends to explore the role of the auditing profession in narrowing the audit expectation gap if not eliminating it. The objectives of this study were to ascertain whether the public is conversant with the legislative, regulatory and professional pronouncements on the responsibility of the auditors, and whether the duties and responsibilities are such that the auditors should reasonably be expected to perform. To that end the following hypotheses were formulated:

H₁ the audit expectation gap is not caused by the public's lack of knowledge of the legal, regulatory and professional bodies' pronouncements on the duties and responsibilities of auditor.

H₂ the audit expectation gap does not result from the public expectation of the auditor to perform the duties and responsibilities; therefore, the auditor should not reasonably be expected to perform the responsibilities.

2. Literature Review and Theoretical Framework

The term expectation gap has been used not only in the accounting literature, but also in other fields. For example, to describe the perceptions of the information systems industry relating to the academic preparation of graduates (Trauth, Farwell and Lee, 1993); difference in expectations of advertising agencies and their clients with respect to campaign values (Murphy and Maynard, 1996); differences in relation to various issues associated with corporate environmental reporting on one hand and the clash between auditors and the public over preferred meanings of the nature, objectives and outcomes of an audit (Sikka, Puxty, Wilmott and Cooper, 1998 and Deegan and Rankin, 1999); the gap in banks between the transaction-audit approach that evolved during the industrial age and the information age (Singh, 2004); and a financial reporting expectation gap (Andrew, 2003).

The term 'audit' is derived from the Latin word 'audire', which means 'to hear' and auditor literally means 'hearer.' The use of this term was based on customary role of audit function in the sense that the persons responsible for maintenance of accounts were expected to go to some impartial and experienced persons, normally judges, who used to hear the accounts prepared by the persons in charge and express their opinion about their correctness (Salehi and Rostami, 2009).

Liggio (1974) was the first to introduce the term "audit expectation gap" to audit literature. He defines expectation gap as the difference between the levels of expected performance as perceived by both users of financial statement and the auditor. In 1978, the definition was extended by the Commission on Auditors Responsibilities (CAR) (Cohen 1978) which examined whether a gap exist between what the public expects or needs and what auditors can and should reasonably expect to accomplish (Porter and Gowthorpe, 2004). The audit expectation gap has also been defined as the difference in beliefs between auditors and the public about the duties and responsibilities assumed by auditors and the message conveyed by the audit reports and the difference between what the public expects from the auditing profession and what the profession actually provides (Monroe and Woodliff, 1993; Jennings, Reckers and Kneer, 1993).

Liggio (1974) cited in Limperg (1985) and Porter (1993) observe that these definitions do not embrace the notion that auditors may not accomplish 'expected performance' or what they 'can and reasonably should'.

Empirical studies conducted in different countries of the world attempt to expose the nature of audit expectation gap dominant in those climes. These studies reveal the difference in perceptions on audit expectation gap among the different segments of the society (Lee, 1970; Beck, 1974; Baron, Johnson, Searfoss and Smith, 1977; Humphrey, Moizer and Turley, 1993; Porter, 1993; Fadzly and Ahmad, 2004; Dixon, Woodhead and Sohlman, 2006; Okaro, 2009; McEnroe and Martens, 2001; Low, 1980; Low, Foo and Koh, 1988; Best, Buckby and Tan, 2001; Hian, 2000; Martins, Kim and Amy, 2000; Chandler, Edwards and Anderson, 1993; Cameron, 1993; Lowe, 1994; Epstein and Geiger, 1994; McInnes, 1994; Gloeck and Jager, 1993; Chung, 1995; Gramling and Schatzberg, 1995; Noordin, 1999; Hudaib, 2002; Siddiqui and Nasreen, 2004; Lin and Chen, 2004; Hooks, 1991; Forgarty, Heian and Knutson, 1991; Gaa, 1991)

A number of studies have been conducted to examine the causes of audit expectation gap. These studies reveal the following as factors contributing to the existence of the gap: the complicated nature of audit function, Conflicting Role of Auditors, Retrospection Evaluation of Auditors' Performance, Time Lag in Responding to Changing Expectations, Self Regulation Process of the Auditing Profession and the Unawareness and Unreasonable Expectations (Lee and Azham, 2008a).

As a result of the detrimental effects of the audit expectation gap on the financial reporting and auditing process, researchers and the auditing professional bodies have conducted various studies to identify effective methods for narrowing the gap. The methods that have been identified include: Education {Lee, Azham and Kandasamy, (2008), Monroe and Woodliff (1993), Ariff and Rosmaini (2005) and Gramling et al, 1996}, Expanded Audit Report {Nair and Rittenberg (1987), Gay and Schelluch (1993) Monroe and Woodliff (1994), Hatherly, Jones and Brown, (1991)},

Structured Audit Methodologies {Purvis (1987); Koh and Woo (1998), Boritz, Gabor and Lemon (1987)}, Expansion of Auditors' Responsibilities and enhancement of Auditor Independence { Lee, et al. (2008), Humphrey et al, 1993, Knutson, 1994 and O'Malley, 1993), Rabinowitz (1996)}

Others include:

- (a) Porter (1993) advocated the adoption of the following approaches in order to narrow the audit expectation-performance gap: strengthening and monitoring auditors' performance , improving the quality control in audit firms, enhancing the education of auditing practitioners, and introducing new auditing standards
- (b) Strengthening the role of the Audit Committee in monitoring and control of the auditors' work (Okaro, 2006).

3. Methodology

Data was collected by self-administering questionnaires to 130 respondents randomly sampled from Accounting students and teachers of the University of Benin, Benson Idahosa University and Ambrose Alli University, Ekpoma, Accountants in Practice in Edo State and the investing public in Edo State. Out of the 130 questionnaires administered only 94 were returned constituting about 72 %. We consider this response rate to be very satisfying and large enough to be able to make conclusions and generalizations.

4. Results

The data generated from the responses of the subjects were analyzed using descriptive and statistical analysis through the computer (SPSS 16.0).

Table 1: ANOVA Results

Variables	Df	F	Reliability
PUBKRPP	1	16.137	0.000
PEAUDPR	1	54.592	0.000

The result of the analysis of variance output as generated by the SPSS is reported in table 1 above. In the result, the factor analyzed is audit expectation gap (AUDEXGAP). The critical calculated f-value for the variance between AUDEXGAP and public knowledge of the regulatory and professional pronouncements on the duties of the auditor (PUBKRPP) is 16.383 which is greater than the critical f-value of 9.78 at the 5 percent level of significance. This implies that the more the ignorance of the public about the duties and responsibilities of the auditor the higher the expectation gap. Thus, we reject the null hypothesis and accept the alternative hypothesis that a significant relationship exist between the dependent and independent variables. The f-value for variance between AUDEXGAP and public expectations of the auditor to perform the responsibilities (PEAUDPR) is 54.952 which is greater than the critical f-value of 9.78 at the 5 percent level. This implies that public expectation of the auditors to perform the stated responsibilities which are unreasonable causes audit expectation gap. Thus, we accept the alternative hypothesis which implies that a significant relationship exists between audit expectation gap and the public expectation of the auditor to perform the responsibilities.

Table 2: The Logit and Probit Results

Variables	Logit		Probit	
	Coefficient	z-statistic	Coefficient	t-ratio
Constant	-37.3686	-2.939	-21.314	-3.113
PUBKRPP	1.061	3.309	0.6045	3.509
PEAUDPR	0.8975	3.146	0.5089	3.373
Mac.Faden R ²	0.785		0.79	

The result of the multiple regression models is presented in table 2 above. In the result, the probit and logit outcomes are placed side by side. The results have impressive diagnostic statistics. The McFadden r-squared value for the logit result is 0.785, while the value for the probit model is 0.793. Thus, over 78 percent of the probabilistic distribution of an exact representation of the responses is captured in the model.

To investigate the direct relationship among these variables, the estimations are performed in form of simple regression equations. Moreover, the probit model is used for the estimation since the method produced better results in the multiple regression models. The results are presented under the respective hypotheses in equations (1) and (2) as follows:

A. Hypothesis I

The audit expectation gap is not caused by the lack of public knowledge of the statutory (legal), regulatory and professional bodies' pronouncements on the duties and responsibilities of auditors.

Equation (1):

$$\text{AUDEXGAP} = -1.997 + 0.1021 \text{ PUBKRPP}$$

(-2.095) (2.964)*

McFadden R² = 0.14

The results of the model above are similar to that of the regression models. The positive and significant relationship indicated between audit expectation gap and public knowledge of statutory, regulatory and professional bodies' requirements of the auditor shows that the public is ignorant of the duties and responsibilities of the auditors as required by law, regulatory and professional bodies. The significance of this impact is seen by considering the slope coefficient in the model. The z-value of the coefficient is 2.964. This value is greater than the 5 percent critical z-value of 1.96. Thus, we accept that a significant and positive relationship exists between AUDEXGAP and PUBKRPP. Once again, it is shown that the more the public lack of knowledge of regulations on auditors, the higher the audit expectation gap.

B. Hypothesis II

The audit expectation gap does not result from the public expectation of the auditor to perform the duties and responsibilities; therefore, the auditor should not be expected to perform the responsibilities.

Equation (3):

$$\text{AUDEXGAP} = -1.9277 + 0.1394 \text{ PEAUDPR}$$

(-3.234) (4.664)*

McFadden R² = 0.375

In this model, the results are quite impressive. The McFadden R² value of 0.375 is high considering that a simple model was estimated. From the result of the slope coefficient, it is seen that the z-value of 4.664 is greater than the 5 percent critical z-value of 1.96. Therefore, we accept the alternative hypothesis. This implies that public expectation of the auditors to perform the responsibilities which are largely unreasonable creates audit expectation gap.

Thus it is shown that many of the public expectations of the auditor are unreasonable. For example, expecting the auditor to examine every transaction entered by the client or expecting the auditor to examine the client's entire annual report will be expecting too much from the auditor.

4.1 Discussion of Findings

From the investigations, it was revealed that 598 out of 891(67.12%) of respondents are actually not aware of what is expected of the auditors as enshrined in the statute books and other relevant document from other bodies (regulatory and professional). This is depicted by the positive and significant relationship that exists between audit expectation gap and public knowledge of legal, regulatory and professional bodies' pronouncements on the duties and responsibilities of auditors. This result is in consonance with the findings of Porter & Gowthorpe (2004) where about 52% and 59% of the society group in the United Kingdom(UK) and New Zealand(NZ) respectively, exhibited 'knowledge gap' in respect of auditors responsibilities (i.e. they were unsure or in error about auditors'

responsibilities).

It was also observed that many believed that it is the responsibility of the auditor to guarantee the client with a 'clean' audit report as well as ensure that financial statements are accurate. For example Porter & Gowthorpe (2004) finds that 45%, 42% of the public in UK and NZ respectively and this study find that 44 out of 90 (44%) of the public in Nigeria expected auditors to guarantee that an auditee whose financial statements receive an unqualified audit report is financially sound. Moreover, the survey revealed unreasonable expectations from the auditors by the public. This is depicted by the positive impact of public expectation of the auditors to perform the responsibilities on audit expectation gap. This agrees with the findings of the study conducted by Porter (1993) and Porter & Gowthorpe (2004) in the United Kingdom and New Zealand which revealed that many of the 'publics' expectation of the auditors are 'unreasonable expectations' and that the reasonably expected responsibilities are not currently required of the auditors. For example {477 out of 873(54.64%), } are of the opinion that auditors should perform the following duties: examining and reporting on the reliability of information in the entire annual report, examining and reporting on compliance with all stock exchange governance requirements to listed companies, examining and reporting on auditee's non-financial performance, and examine and report on the reliability of information on directors/senior executive remuneration policy and records, etc.

In order to determine whether valid conclusions could be drawn from the survey result, we used a parametric statistical method – Analysis of Variance to investigate the relationship between the variables (AUDEXGAP, PUBKRPP and PEAUDPR) and econometric analysis to empirically investigate the direction of the hypothesized relationships among the variables through regression analysis (Ordinary Least Square and Probit and Logit techniques), while Porter & Gowthorpe (2004) used Wilcoxon-signed ranks test to determine whether the responses of the survey sample could be extrapolated to and accepted as representing the opinions of the relevant interest groups as a whole and Mann-Witney test to establish whether the difference in opinions of the interest group could be accepted as reflecting the opinion of the interest group from which the samples were drawn.

5. Conclusion

The public appears ignorant of what is expected of the auditors as enshrined in the statute books and other documents issued by regulatory and professional bodies. This public's lack of knowledge no doubt is responsible for their unreasonable expectations from the auditors. This work shows that it is necessary to educate the public the more to enhance their understanding of the duties and responsibilities of the auditor and thereby reduce their unreasonable expectations from the auditors. Therefore, efforts should be made by all concerned to implement the recommendations made below.

On the strength of the conclusion of this study, the following recommendations are made:

1. The public need to be educated more on the duties and responsibilities of the auditor to improve their understanding of the work of the auditor.
2. The standard auditor's report should be expanded to include disclaimer clauses clearly showing that it is not a certificate or guarantee of the financial soundness of the auditee.
3. It should be clearly stated in the audit report that the auditor is not the Compliance Officer of the auditee.
4. The auditors report should add that the opinion expressed by the auditor should not be construed to mean a guarantee of accuracy of the financial statements

References

- Ariff, M.K. & Rosmaini, S. (2005), An empirical study on the effects of undergraduate auditing course in reducing audit expectation gap at UniversitiTeneaNasional (UNITEN), Paper Presented at AAAA Conference.
- Andrew , H.(2003), Corporate financial reporting: theory and practice,SAGE Publication, London.
- Azham,M.d.,Yusof, N.Z.M., Lee, T.H., Mohamad, R. & Ojo, M. (2007), Practical training and audit expectation gap: the case of accounting undergraduates of Universiti Utara, Malaysia, paper presented at 4 A Conference, Jogjakarta. Available at: <http://ssrn.com/abstract=1575602>. Viewed 8th August, 2011.

- Baron, C.D., Johnson, D.A. Searfoss, D.G. & Smith, C.H. (1977), Uncovering corporate irregularities: are we closely the expectation gap? *Journal of Accountancy*, Vol. 144, October, pp. 243-50.
- Beck, G.W. (1974), Public accountants in Australia – their social role, *Australia Accounting Research Foundation*, Melbourne.
- Best, P.J., Buckby, S. & Tan, C. (2001), Evidence of the audit expectation gap in Singapore, *Managerial Auditing Journal*, Vol. 16, No. 3, pp. 134-144.
- Boritz, J.E., Gabor, B.J. & Lemon, W.M. (1987), *An experimental study of review of preliminary audit strategies by external auditors*, Canadian Academic Accounting Association, Canada.
- Cameron, A. (1993), Do chartered accountant live up to small business expectations? *Accountants' Journal*, Vol. 72, June, pp. 76-8.
- Chandler R, Edwards, J.R. & Anderson, M. (1993), Changing perceptions of the role of the company auditor, 1840-1940, *Accounting and Business Research*, 23, No. 92, pp. 443-459.
- Chung, J. (1995), Auditors' confidence and the audit expectation gap, *Australian Accountants*, Vol. 65, No. 5, pp. 26-30.
- Cohen Commission: Commission on Auditors' Responsibilities {CAR}, (1978), *Report, Conclusions and Recommendations*, New York: AICPA.
- Degan, C. & Rankin, M. (1999), The environmental reporting expectation gap: Australian evidence, *British Accounting Review*, No 31, 313-348.
- Dixon, R., Woodhead, A.D. & Sohliman (2006). An investigation of the expectation gap in Egypt, *Managerial Auditing Journal*, 21, 3: 293-302.
- Epstein, M.J. & Gaiger, M.A. (1994), Investor views of audit assurance: Recent evidence of the expectation gap, *Journal of Accountancy*, Vol. 177, January, pp. 60-6.
- Fadzly, M.N. & Ahmad, Z. (2004), Audit expectation gap: the case of Malaysia, *Managerial Auditing Journal*, Vol. 19, No. 17, pp. 897-915.
- Fogarty, T.J, Heian, J.B. & Knutson, D.L. (1991), The rationality of doing nothing: Auditors responses to legal liability in an institutionalized environment, *Critical Perspectives on Accounting*, 2, pp. 201-226.
- Gaa, J.C. (1991), The expectation game: Regulation of auditors by government and the profession, *Critical Perspectives on Accounting*, 2, pp. 83-107.
- Gay, G. & Shelluch, P. (1993), The impact of the jongform audit report on users' perception of the auditor's role, *The Australian Accounting Review*, Vol. 3, November, pp. 1-11.
- Gloek, J.D. & Jager, H. (1993), *The audit expectation gap in the Republic of South Africa*, Working Paper, School of Accountancy, University of Pretoria, South Africa.
- Gramling, A.A., & Schatzberg, J.W. (1996), The role of undergraduate auditing coursework in reducing the expectation gap, *Issues in Accounting Education*, Vol. 11, No. 1, pp. 131-60.
- Hartherly, D.J. Innes, J. & Brown, T.A. (1991), "The expanded audit report – an empirical investigation, *Accounting and Business Research*, Vol. 21, Autumn, pp. 311-19.
- Hian, C.K. (2000), The audit expectation gap in Singapore: An empirical study of company audit objectives, *Asian Review of Accounting*, Vol. 8, No. 1, pp. 83-105.
- Hooks, K.L. (1991), Professionalism and self interest: A critical view of the expectation gap, *Critical Perspectives on Accounting*, 3, pp. 109-136.
- Hudiab, M. (2002), An empirical investigation of audit perception gap in Saudi Arabia, available at www.ex.ac.UK/rbp/research/discussionpapers/AccFin/AccFin_2002. viewed 8th August, 2011.
- Humphrey, C.G, Moizer, P. & Turley, W.S. (1993), The audit expectation gap in Britain: An empirical investigation, *Accounting and Business Research*, Vol. 23, summer, pp. 395-411.
- Jennings, M.M., Reckers, P.M.J & Kneer, D.C. (1991), The Auditors dilemma: The incongruous judicial notions of

- auditing profession and actual audit practice, *American Business Law Journal*, Vol. 29, spring, pp. 99-125.
- Knutson, P.H. (1994), In the public interest – is it enough?, *CPA Journal*, Vol. 64, January, pp. 32-4.
- Koh, H. & Woo, E. (1998), The expectation gap in auditing, *Managerial Auditing Journal*, Vol. 13, pp. 147-154. Available at <http://www.rackerspel.se/upload-files/P147.pdf> viewed 10th August, 2011.
- Lee, T.A. (1970), The nature of auditing and its objectives, *Accountancy*, 81 (920), pp. 292-296.
- Lee, T.H. & Azham, M.A. (2008), The audit expectation gap: A review of contributing factors. *Journal of Modern Accounting and Auditing*, Vol. 4, No. 8 (39), 30-36 Aug.
- Lee, T.H.; Azham, Md. Ali & Kandasamy, S. (2008), Towards reducing the audit expectation gap: Possible mission? *Accountants Today*, pp. 18-22, Feb. Available at: <http://www.mia.org.my/at/at/200802/06.pdf>. Viewed 8th August, 2011.
- Leung, P., Coram, P., Cooper, B., Cosserat, G. & Gill, G. (2004), *Modern auditing assurance service*. Australia: John Wiley & Sons, 2nd Edition.
- Liggio, C.D. (1974), The expectation gap: the accountant's waterloo, *Journal of Contemporary Business*, Vol. 3, Spring, pp. 27-44.
- Limperg, T. (1932, 1933), *The social responsibility of the auditor*, reproduced in Limperg Instituut, (1985), Limperg Institute, The Netherlands.
- Lin, Z. and Chen, J. (2004), Auditors responsibility and independence: Evidence from China, *Research in Accounting Regulation*, Vol. 17.
- Low, A.M. (1980), The auditor's detection responsibility: Is there an expected gap? *Journal of Accountancy*, Vol. 150, October, pp. 65-70.
- Low, A.M., Foo, S.L. & Koh, H.C. (1988), The expectation gap between financial analysts and auditors – Some empirical evidence, *Singapore Accountant*, Vol. 4, May, pp. 10-13.
- Lowe, D.J. (1994), The expectation gap in the legal system: Perception difference between auditors and judges. *Journal of Applied Business Research*, Vol. 10, summer, pp. 39-44.
- Maccarrone, E.T. (1993), Using the expectation gap to close the legal gap, *CPA Journal*, Vol. 63, march, pp. 10-16.
- Martinis De M., Kim, E; & Amy A., (2000), An examination of the audit expectation gap in Singapore, *Asian Review of Accounting*, Vol. 8, No. 1, pp. 59-82.
- McEnroe, J.E., & Martens, S.C. (2001), Auditors' and investors' perception of the expectation gap *Accounting Horizons*, Vol. 15, No. 4, Dec., pp. 345-358.
- McInnes, W.M. (1994), The audit expectation gap in the Republic of South Africa, *Accounting and Business Research*, Vol. 24, Summer.
- Monroe, G.S. & Woodliff, D.R. (1994), An empirical investigation of the audit expectation gap: Australia evidence *Accounting and Finance*, Vol. 34, May, pp. 47-74.
- Murphy, P. & Maynard, M. L. (1996) , Using judgement profiles to compare advertising agencies' and clients' campaign values, *Journal of Advertising Research*, Vol 36, No 2, 19-27.
- Nair, R. & Rittenberg, L. (1987), Messages perceived from audit, review, and compilation reports: extension to more diverse groups, *Auditing, a Journal of Practice and Theory*, Vol. 7, Fall, pp. 15-38.
- Noordin, H.D. (1999), The existence of expectation gap and the usefulness of auditors report. Available at: <http://www.alrinhan.com/thisis/ack.sta>. Viewed 10th August, 2011.
- O'Malley, S.F. (1993), Legal liability is having a chilling effect on the auditor's role, *Accounting Horizons*, Vol. 7, June, pp. 82-7.
- Okaro, S. C. (2009), Bridging the audit expectation gap: The perception of ICAN members, Unpublished M.Sc research project, submitted to the Department of Accountancy, University of Nigeria, Enugu campus. Available at <http://ssrn.com/abstract=1730705>.
- Porter, B. (1993), An empirical study of the audit expectation-performance gap, *Accounting and Business Research*,

Vol. 24, No. 93, Winter, pp. 49-68.

Porter, B. & Gowthorpe, C. (2004), The audit expectation-performance gap in the United Kingdom in 1999 and comparison with the gap in New Zealand in 1989 and in 1999, Scotland: The Institute of Chartered Accountants of Scotland. Available at <http://www.icas-org.uk/site/cms/download/res-porta> viewed 10th August, 2011.

Purvis, C. (1987), The Impact of documentation format on auditors' preliminary evaluation of internal accounting control, *Working Paper*, Centre of Accounting Research, University of Southern California.

Rabinowitz, A.M. (1996), Rebuilding public confidence in auditors and organizational controls, *CPA Journal*, Vol. 66, January, pp. 30-4.

Salehi, M. & Rostami, V. (2009), Audit expectation gap: International evidences, *International Journal of Academic Research*, Vol. 1, September, pp. 140-145. Available at: [http://www.ijar.lit.az/pdf/1/2009\(1-2\).pdf](http://www.ijar.lit.az/pdf/1/2009(1-2).pdf). Viewed 10th August, 2011.

Siddiqui, J., & Nasreen, T. (2004), Audit expectation gap in Bangladesh: Perceptual differences between accounting professionals and students, June, <http://ssrn.com/abstract=557542>

Sikka P, Puxty, A., Willmott, H. & Cooper, C. (1998), The impossibility of eliminating the expectations gap: Some theory and evidence', *Critical Perspectives on Accounting*, 9, pp. 299-330.

Trauth, E. M., Farwell, D.W. & Lee, D. (1993), The IS expectation gap: Industry expectations versus academic preparation, *MIS Quarterly*, Vol.17, No. 3, 47-72.

ANOVA RESULT FROM SPSS16.0

		Sum of Squares	df	Mean Square	F	Sig.
PUBKRP	Between Groups	523.383	1	523.383	16.137	.000
	Within Groups	2951.521	91	32.434		
	Total	3474.903	92			
PEAUDPR	Between Groups	2132.451	1	2132.451	54.592	.000
	Within Groups	3554.581	91	39.061		
	Total	5687.032	92			

REGRESSION RESULT FROM SPSS 16.0

Dependent Variable: AUDEXGAP

Method: ML - Binary Logit

Date: 05/08/12 Time: 20:27

Sample(adjusted): 1 93

Included observations: 93 after adjusting endpoints

Convergence achieved after 8 iterations

Covariance matrix computed using second derivatives

Variable	Coefficient	Std. Error	z-Statistic	Prob.
PUBKRPP	1.060619	0.320519	3.309067	0.0009
AUDPERRS	-0.239831	0.120784	-1.985612	0.0471
PEAUDPR	0.897511	0.285321	3.145615	0.0017
C	-37.36858	12.71518	-2.938895	0.0033

Mean dependent var	0.784946	S.D. dependent var	0.413087
S.E. of regression	0.194053	Akaike info criterion	0.309375
Sum squared resid	3.351447	Schwarz criterion	0.418304
Log likelihood	-10.38594	Hannan-Quinn criter.	0.353358
Restr. log likelihood	-48.41357	Avg. log likelihood	-0.111677
LR statistic (3 df)	76.05525	McFadden R-squared	0.785475
Probability(LR stat)	2.22E-16		
Obs with Dep=0	20	Total obs	93
Obs with Dep=1	73		

Dependent Variable: AUDEXGAP

Method: ML - Binary Probit

Date: 05/08/12 Time: 20:16

Sample(adjusted): 1 93

Included observations: 93 after adjusting endpoints

Convergence achieved after 8 iterations

Covariance matrix computed using second derivatives

Variable	Coefficient	Std. Error	z-Statistic	Prob.
PUBKRPP	0.604463	0.172245	3.509328	0.0004
AUDPERRS	-0.134945	0.061575	-2.191557	0.0284
PEAUDPR	0.508998	0.150904	3.372996	0.0007
C	-21.31396	6.846115	-3.113293	0.0019
Mean dependent var	0.784946	S.D. dependent var	0.413087	
S.E. of regression	0.193328	Akaike info criterion	0.304221	
Sum squared resid	3.326450	Schwarz criterion	0.413150	
Log likelihood	-10.14628	Hannan-Quinn criter.	0.348204	
Restr. log likelihood	-48.41357	Avg. log likelihood	-0.109100	
LR statistic (3 df)	76.53457	McFadden R-squared	0.790425	
Probability(LR stat)	2.22E-16			
Obs with Dep=0	20	Total obs	93	
Obs with Dep=1	73			

This academic article was published by The International Institute for Science, Technology and Education (IISTE). The IISTE is a pioneer in the Open Access Publishing service based in the U.S. and Europe. The aim of the institute is Accelerating Global Knowledge Sharing.

More information about the publisher can be found in the IISTE's homepage:

<http://www.iiste.org>

CALL FOR PAPERS

The IISTE is currently hosting more than 30 peer-reviewed academic journals and collaborating with academic institutions around the world. There's no deadline for submission. **Prospective authors of IISTE journals can find the submission instruction on the following page:** <http://www.iiste.org/Journals/>

The IISTE editorial team promises to review and publish all the qualified submissions in a **fast** manner. All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Printed version of the journals is also available upon request of readers and authors.

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar

