

THE EXISTENCE OF AUDIT EXPECTATION GAP IN MALAYSIA

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Abstract

This study is an extension of the authors' previous study which was conducted at Universiti Tenaga Nasional (UNITEN) in 2005 on the effect of undergraduate audit education in reducing audit expectation gap. The present study aimed to provide greater empirical evidence on the existence of audit expectation gap in Malaysia. The methodology was developed based on Gramling and Schazberg's (1996) study. An instrument of audit expectation gap was distributed to auditors, accountants and accounting educators in Malaysia to ascertain whether there was evidence on the existence of an audit expectation gap between these groups of respondents. The results indicated the existence of an audit expectation gap between auditors, accountants and accounting educators.

Keywords: *audit expectation gap, auditor's roles and auditor's responsibility*

Introduction

The audit expectation gap has a long history since there is widespread concern with the existence of the expectation gap between the auditing profession and the public. The term expectation gap was first applied to auditing by Liggio (1974), and ever since then, the evidence has increasingly indicated the existence of an expectation gap (Godsell, 1992; Boyle and Canning, 2005; Ariff and Rosmaini, 2005 and Dixon, Woodhead and Sohlman, 2006). An expectation gap exists when auditors and the public hold different beliefs about the auditors' duties and responsibilities and the messages conveyed in audit reports. Apparently, there is a gap between what the public expects and what they actually get (Hian and Woo, 1998).

In recent years, the auditing profession has been the focus of attention, particularly because of certain well-publicized corporate collapses. Godsell (1992) argued that there is a belief that a person who has any interest in a company such as shareholders, potential investors, take-over bidders and creditors, should be able to rely on company audited accounts as a guarantee of its solvency and

business viability. Hence, if it is known, without any warning that the company is in serious financial difficulty, the stakeholders felt that somebody should be made accountable for this financial disaster, and it is always perceived to be the auditors. These misconceptions by the public result in the legal liability crisis faced the accounting profession (Maccarrone, 1993). The primary objective of the study is to provide evidence on the existence of an audit expectation gap with regards to the role and responsibilities of auditors and the nature of the audit process in Malaysia.

Literature Review

An audit expectation gap exists when there are differences in beliefs between auditors and the public about the duties and responsibilities assumed by auditors and the information provided by audit reports (Monroe and Woodcliff, 1994). According to Epstein and Geiger (1994), auditors were engaged to provide almost “absolute” assurance against fraud and intentional mismanagement during the early development of the profession.

However, users’ expectations remained unchanged although the audit profession has experienced a transition from the role of detecting fraud by verifying all transactions and amounts to giving truth and fairness opinion of financial statements. Thus, this suggests the existence of expectation gap towards audit functions between auditors and users of financial statements. The Cohen Commission indicated that a gap might exist due to the difference in the public’s expectations and needs and what auditors can and should reasonably expect to accomplish (AICPA, 1978). In addition, Monroe and Woodcliff (1994) stated that the gap also relates to the differences in the interpretation of the information conveyed by the audit report.

Various empirical studies conducted in the US on the nature and structure of the expectation gap aim to elicit the actual as well as the perceived roles and responsibilities of auditors and attempt to uncover the factors contributing to the expectation gap. Most of the studies ascertain the auditors’ and the public’s view of the roles and responsibilities of auditors through the use of questionnaire surveys. For example, Epstein and Geiger (1994) measured investors’ views, as to perceive auditor responsibility for detecting errors and irregularities. They then compared the views of the investors with the auditing standards. They concluded that an *expectation gap* did exist regarding the level of assurance that auditors should provide for the detection of errors and irregularities. Miller, Reed and Strawser (1990) conducted research in this area based on the survey of loan officers, their evidence suggested that the change in audit report format (pre and post SAS No. 58) did alter views of loan officers on some audit issues. In addition, Lowe and Party (1993) compared the views of potential jurors with the views of auditors on eight questions addressing the knowledge of auditing, the auditor’s role and general attitudes toward the profession. Their study provided evidence of an *expectation gap*.

The researchers in UK have made significant efforts to measure the expectation gap across a number of relevant issues. For example, the comparative study by Humphrey et.al., (1993) on the perception of accountants in public practice, corporate finance directors,

investment analysts, loan officers and financial journalists confirms the presence of an expectation gap in the UK on the nature of audit functions and perceived performance of auditors. A similar comparative study by Garcia-Benau, Moizer and Turley (1993) suggests the existence of an expectation gap in Britain and Spain.

Dixon, Woodhead, and Sohlman (2006) conducted a study in Egypt on audit expectation gap. The objectives of their study were to verify the existence of the audit expectation gap in Egypt as well as to compare the extent of the gap to the findings of similar prior studies. Their results revealed substantial evidence of the expectation gap in Egypt, particularly, in the relation to the level and nature of auditor's responsibilities. The expectation gap was found to be particularly wide on the issue of the auditor's responsibilities for fraud prevention and detection and the auditor's responsibility for maintenance of accounting records, exercise of judgment in the selection of audit procedures, soundness of internal control, and whether the auditor was unbiased and objective. To a lesser extent, an expectation gap was found concerning the reliability of audit and audited financial statements, and the usefulness of audit.

Few studies on expectation gap were conducted in Singapore such as Best, Backby and Tan (2001); Low, Foo and Koh (1988) and Low (1984). Best et al. (2001) reported a wide expectation gap in Singapore particularly in the area of auditors' responsibilities in fraud prevention, detection, maintenance of accounting records and auditors' judgment in the selection of audit procedures. A study was also conducted that involved a survey amongst auditors and analysts in Singapore and Australia. The result reported a significant difference in the perception on areas regarding the extent of assurance over fraud detection and reliabilities of information presented in audited financial statements (Low, 1984).

To date there is little research on audit expectation gap in Malaysia, for example, Mohamed and Zauwiyah (2004) conducted a study involving investors and auditors. Their result suggested the existence of a wide audit expectation gap and misconception about audit in Malaysia. In addition, they also reported the effectiveness of the use of reading materials to educate users of financial statements and correct some misconceptions.

A study conducted by Ariff and Rosmaini (2005) further revealed the evidence of an audit expectation gap in the education setting. The study aimed to ascertain whether the perceptions of *undergraduate* business students at UNITEN about audit *expectations* issues would be changed after the completion of an *undergraduate* auditing course. The perceptions of students subsequent to the completion of an auditing course were also compared to the perceptions of auditors. The result indicated the existence an expectation gap between the students and auditors. In contrast to previous studies on the effect of audit education on expectation gap, this study revealed very little influence of audit education in bridging the expectation gap.

Similar patterns of results were found by Azham, Nor Zalina, Teck and Rosli (2007) through their study that investigated whether academic internship programme could reduce the audit expectation gap in Malaysia. Their results indicated a significant change in perceptions among students after the internship programme. However, the

changes in perceptions did not warrant an internship programme as a means to reduce the audit expectation gap as misperceptions were still found among respondents on issues of auditing after the completion of the internship programme. They concluded that an internship programme could still be used to complement the auditing education in university.

Research Design

This section highlights the details of the research design of the present study including data collection, instrumentation, variables and discussion on the types of data as well as the statistical tools used to achieve the research objective.

Variables of the Study

The study utilized the research instrument developed by Gramling, Schazberg and Wallace (1996) which involved six independent variables. The definition of audit expectation gap in the present study was limited to these six variables. The six independent variables were: 1) auditors and audit process; 2) auditors' roles with respect to audited financial statements; 3) auditors' roles with respect to audited client; 4) parties to whom auditors should be responsible; 5) possible prohibition and regulation on audit firm and 6) performance attributes of auditors. Literature on audit expectation gap suggested various methods in assessing the audit expectation gap such as investors' view on auditors (Epstein and Geiger, 1994), wording of audit report (Miller et al., 1990) and view of possible jurors and auditors on eight questions related to auditor' role and general attitude towards the profession (Lowe and Pany, 1993). The following paragraphs highlight the variables.

Auditors and Auditing Process

This variable measured the extent to which the respondents view auditors and the auditing process. The questions asked were very general regarding overall audit and nature of audit process. There were 13 items included in the variable and respondents needed to indicate their level of agreement and disagreement on four point Likert-based scale of 1) strongly disagree; 2) disagree; 3) agree and 4) strongly agree. An example of the question asked was whether: 1) the quality of company audits has increased in recent years; 2) too much is expected of auditors by the investing community and 3) auditors are too concerned with keeping company management happy.

Auditors' Roles with Respect of Audited Financial Statements

The second independent variable measured the extent to which respondents viewed auditors' roles and responsibility with regard to audited financial statements. The variable consisted of four items and an example of the questions asked was: 1) auditors need to ensure financial statements comply with Generally Accepted Accounting Principles (GAAP); and 2) ensure financial statements are consistent with conventional accounting.

Auditors' Roles with Respect of Audited Clients

The third independent variable measured the respondents' view on auditors' roles and responsibilities on their audited clients. There were six items in the variable and an example of the questions asked was: 1) ensure all significant fraud is detected; 2) ensure a satisfactory system of internal control is being operated and 3) ensure the future viability of the company is not in doubt.

Parties to Whom Auditor Should Be Responsible

The fourth independent variable in the study measured respondents' views on group or parties to whom auditors would be held liable. There were four parties included in the variable 1) existing shareholders; 2) potential shareholders; 3) existing creditors and 4) potential creditors. The question specified that if a company audited financial statements were significantly misstated and the audit report failed to disclose the true position, to what extent did respondents agree that the company's auditor had legal responsibility to the above four parties from any losses arising from their reliance on the audited financial statements.

Possible Prohibition and Regulation on Audit Firm

The fifth variable measured the extent to which respondents' views on various propositions on prohibitions and regulations on an audit firm. There were nine items in the variable and an example of the questions asked was: 1) prohibit its members from owning shares in its audit clients; 2) not provide management advisory services to its audit clients and 3) not act primarily to make a profit.

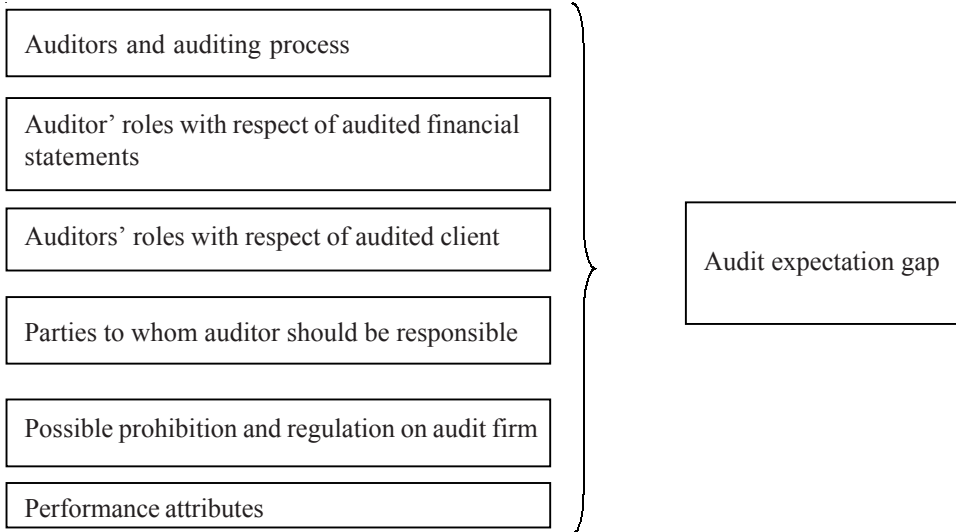
Performance Attributes

The sixth independent variable measured respondents' views on various attributes related to auditors' performance. There were nineteen items in this variable and respondents were required to indicate their responses on four scales of 1) extremely unsuccessful; 2) unsuccessful; 3) successful and 4) extremely successful. Examples of the questions were: 1) diagnosing problems; 2) prescribing remedies to problems and 3) acquiring information.

Methodology and Data Collection

Data for the study were obtained through the distribution of questionnaires to respondents which comprised auditors, accountants and accounting educators (i.e., accounting lecturers). The collection of data was assisted by 83 students enrolled in UNITEN who had their industrial training. They distributed the questionnaires to accountants or auditors in their industrial training organizations. These students were attached to audit firms, accounting departments of various commercial companies including few government agencies nationwide. Return paid envelopes with five copies of questionnaires each were mailed to each student based on the company's address that they were attached to on 10 February 2006. The total numbers of questionnaires distributed were 415 copies.

Schematic diagram on the variables in the study



Instrumentation

The survey instrument used was based on an instrument developed, tested and used in various studies of audit expectation gap in Britain and United States (Humphrey et al., 1993 and Grambling, Schatzberg and Wallace, 1996). Across these international studies, the survey instruments, which were utilized, were very similar. These instruments included questions designed to elicit opinions on the role and nature of auditing, including assertions addressing existing and possible audit roles, regulations and the audit environment.

The survey instrument consisted of three primary sections: (1) a set of questions designed to obtain biographical information and personality variables about the respondents; (2) a set of questions designed to elicit opinions on the role and nature of auditing and (3) a set of questions used to identify the attributes that subjects associate with aspects of auditor performance.

Statistical Analysis

SPSS version 12 was utilized to facilitate statistical analysis in this study. This section highlights the data analysis for achieving research objectives. In deciding the appropriate statistical tests to be utilized, it is vital to identify the types of data gathered. All data are gathered via self-reported questionnaires that required respondents to report views on auditors using 4-point Likert-based scale thus eliminating the no-opinion option.

According to literature, offering a no-opinion option should reduce the pressure to give substantive responses felt by respondents who have no true opinions. By contrast, the survey suggests that no-opinion options may discourage some respondents from doing the cognitive work necessary to report the true opinions they do have. Krosnick et al. (2002) addressed these arguments using data from nine experiments carried out in three

household surveys. Attraction to no-opinion options was found to be greatest among respondents lowest in cognitive skills, among respondents answering secretly instead of orally, for questions asked later in a survey, and among respondents who devoted little effort to the reporting process. The quality of attitude reports obtained (as measured by over-time consistency and responsiveness to a question manipulation) was not compromised by the omission of no-opinion options. These results suggest that inclusion of no-opinion options in attitude measures may not enhance data quality. Instead they may preclude measurement of some meaningful opinions.

In addition, the use of Likert-based scale creates another issue in the types of data gathered. Some of the research method text books considered it as interval data but others as ordinal (Sankaran and Bui, 2001). However, according to Keller and Warrack (2000) if data can be ordered or ranked, those data are termed as ranked data and are said to have an ordinal scale. The responses using a 4-point Likert-based scale as above are considered as non-quantitative categorical as the data can be ranked in the preferential rating. The first response in the instrument (i.e., strongly disagree) is the lowest rating; the second response (i.e., disagree) is the second lowest and so on. We cannot interpret the difference between values for ranked data because the actual number used to rank the preferences are arbitrary. Therefore, it is important to note that when the data are ranked, mean or average is not the appropriate measure. Keller and Warrack (2000) proposed the use of non-parametric tests for ranked data. The study involved three groups of respondents; auditors, accountants and accounting educators. In order to achieve the primary research objectives, it is important to make comparisons between the groups in terms of their views towards auditors by using the Kruskal-Wallis test.

This study utilized a well-established research instrument. However, because the data was collected from very different groups of respondents and in order to condense the items in the variable, the factor analysis was performed. The factor analysis is a statistical approach that can be used to analyze interrelationships among large numbers of variables (items) and to explain those variables in terms on their common underlying dimensions (factors). The analysis involved condensing the information contained in a number of original variables into the smaller set of dimensions known as factors with a minimum loss of information.

Results and Interpretation

The purpose of this study was to identify the existence of audit expectation gap in Malaysia and to provide evidence on the existence of audit expectation gap in the academic setting. The first part of this section highlights the descriptive statistics of the respondents and the second part reports on the result. The results are organised based on the arrangement in the research variables as follows; (1) perception about auditor and audit process; (2) perception of auditors' roles with respect to audited financial statement; (3) perception on auditor's roles in relation to audited client; (4) view on parties to whom auditors should be responsible; (5) view about possible prohibitions and regulations on audit firm and (6) view on performance attribute of auditing.

Descriptive Analysis

A total of 301 valid completed questionnaires were keyed using SPSS version 12 from 13 June 2006 through 25 July 2006. Table 1 below highlights the descriptive statistics about the respondents. The differences between the total valid questionnaires were due to missing values, i.e., no response from the respondents.

Table 1: Descriptive Analysis

	Description	Frequency	Percentage (%)
Categories	Auditors	132	43.85
	Accounting Educators	44	14.62
	Accountants	125	41.53
	Total	301	100

Normality of Data.

All data are based on a 4 point-Likert-based scale which is considered as ordinal data. Thus, the study utilized a non-parametric test in all the analyses performed. However, the use of the factor score changed the nature of data from ordinal to ratio which triggered the parametric test, provided the data is normally distributed. The K-S test was utilized to test the normality of each of the new five factors that resulted from the factor analysis. The p-value of all the five factors was less than 0.05 which indicated that the variables were not normally distributed. Therefore, the non-parametric test was the best option to proceed with all the analyses.

Perception About Auditor and Audit Process

Section Two of the instrument asked the respondents about their views on auditors and auditing process. This section comprised 13 items and examples of the items asked were; a) the quality of company audit has increased in recent years; b) too much is expected of auditors by the investing community and c) auditors are too concerned with keeping company management happy.

It was hypothesized that there was no significant difference between auditors, accountants and accounting educators with regards to all items on their views on auditors and auditing process. The result of this analysis was presented in Table 2. The present study utilized the Kruskal-Wallis to assess whether there was a significant difference among three groups of respondents. The data were ranked in nature and the Kruskal-Wallis analysed the differences based on mean rank of each group. The table obviously indicated that the null hypothesis was rejected in favour of the alternative hypothesis. There was clear evidence of the existence of an audit expectation gap with regards to auditors and auditing process. Auditors, accountants and accounting educators did not have similar views on all items as shown in Table 2.

Table 2: Perception about Auditor and Audit Process

Item	Description	p-value	Mean Rank		
			Aud	Edu	Acc
1 A2	Too much is expected of auditors by the investing community	0.015	157.25	164.52	134.52
2 A3	Auditors are too concerned with keeping company management happy	0.041	145.53	178.67	144.81
3 A4	The auditing process is seriously weakened by imprecise accounting standards	0.004	131.66	161.15	162.14
4 A6	An audit is of very little benefit to a company	0.026	142.68	133.70	164.78
5 A7	Audits generally take too long to complete	0.001	132.55	146.41	168.66
6 A8	Auditors do not understand the problems of business	0.000	128.12	144.44	174.45
7 A10	Auditors should be identifying ways to improve management efficiency	0.039	139.73	142.66	163.65
8 A11	Auditors should report to shareholders on management efficiency	0.016	136.60	168.92	158.76

Perception of Auditors' Roles with Respect to Audited Financial Statement

The second independent variable was related to the auditors' roles in respect to audited financial statement. There were four items in this variable and examples of questions asked were; a) the auditor should ensure audited financial statement comply with Generally Accepted Accounting Principles (GAAP); b) the auditors should ensure it is consistent with conventional accounting practices and c) the auditors should ensure it contains no significant deliberate distortions.

Table 3: Perception of Auditors' Roles with Respect to Audited Financial Statement

Item	Description	p-value	Mean Rank		
			Aud	Edu	Acc
1 B1	They comply with Generally Accepted Accounting Principles (GAAP)	0.005	157.21	176.01	135.64
2 B2	They are consistent with conventional accounting practices	0.039	148.68	175.36	142.66

It was hypothesized that there was no significant difference in all items on the view of auditors' roles with respect to audited financial statement among auditors, accountants and accounting educators. The results presented in Table 3 revealed that only two items had a significant difference between the groups. The items were: (1) the auditors should ensure audited financial statements comply with Generally Accepted Accounting Principles (GAAP) (p-value 0.005) and (2) the auditors should ensure it is consistent with conventional accounting practices (p-value 0.039). Thus, the null hypothesis was rejected in favour of

the alternative hypothesis. However, these groups of respondents had similar views on the other two items which are: a) audited financial statement contain no significant deliberate distortions and b) audited financial statement contains no significant accidental errors. From the above results, we may conclude that there was evidence of the existence of an audit expectation gap in the views of auditors' roles with respect to the audited financial statement.

Perception on Auditor's Roles in Relation to Audited Client

The third independent variable focused on the roles of auditors in relation to audited clients. There were six items included in this variable and examples of question asked were; auditors should ensure (1) all significant frauds are detected; (2) a satisfactory system of internal control is being operated and (3) the future viability of the company is not in doubt. It was hypothesized that there is no significant difference in all items with regards to the views on auditor's roles in relation to audited client between auditors, accountants and accounting educators. The result of Kruskal Wallis analysis presented in Table 4 reported two items with significant differences; (1) all significant frauds are detected (p-value 0.000) and (2) the company is being run efficiently (p-value 0.037). It indicated an overwhelming evidence to reject the null hypothesis in favour of alternate hypothesis which support the existence of audit expectation gap.

Table 4: Perception on Auditor's Roles in Relation to Audited Client

Item	Description	p-value	Mean Rank		
			Aud	Acc Edu	Acc
1	C1 All significant fraud is detected	0.000	130.82	137.98	176.89
2	C2 The company is being run efficiently	0.037	138.76	149.53	163.23

View on Parties to Whom Auditors Should Be Responsible

The fourth independent variable was related to the parties to whom auditors should be responsible. There are four parties included in this variable; (1) existing shareholders; (2) potential shareholders; (3) existing creditors and (4) potential creditors. It was hypothesized that there is no significant difference in all items with regards to the views on parties to whom auditors should be responsible between auditors, accountants and accounting educators. The result are presented in Table 5 which indicated a significant difference in all items thus, demonstrating the existence of an audit expectation gap.

View about Possible Prohibitions and Regulations on Audit Firm

The fifth independent variable measured the view of respondents with regard to prohibitions and regulations on audit firms. There were nine items in the variable and examples of the questions asked were: (1) the audit firm should prohibit its members from owning shares in its audit clients; (2) the audit firm should not provide management

Table 5: View on Parties to Whom Auditors Should Be Responsible.

Item	Description	p-value	Mean Rank			
			Aud	Acc Edu	Acc	Acc
1	D1 Existing shareholders	0.008	136.94	179.23	146.80	
2	D2 Potential shareholders	0.005	131.38	142.55	163.55	
3	D3 Existing creditors	0.003	132.60	179.76	151.04	
4	D4 Potential creditors	0.050	132.74	150.57	156.88	

Table 6: View about Possible Prohibitions and Regulations on Audit Firm

Item	Description	p-value	Mean Rank			
			Aud	Acc Edu	Acc	Acc
1	E2 not provide management advisory, services to its audit clients	0.000	129.89	202.80	151.75	
2	E3 not act primarily to make a profit	0.000	131.24	188.59	155.23	
3	E4 not be able to earn more than 15% of total income from any one audit client	0.004	135.31	180.33	150.13	
4	E5 have a maximum tenure period for auditing a particular client	0.003	136.79	183.69	149.88	
5	E6 have its audit methods checked by a professional standards body	0.001	130.92	165.39	161.46	
6	E7 have its appointment and fee determined by a body independent of the client company	0.001	122.30	178.00	163.74	

advisory services to its audit clients and (3) the audit firm should not act primarily to make a profit. It was hypothesized that there was no significant difference in the view on all items in the variable with regard to prohibitions and regulations on an audit firm between auditors, accountants and accounting educators. The result is presented in Table 6. There was a significant difference in six items: a) not provide management advisory services to its audit clients (p-value 0.000), b) not act primarily to make a profit (p-value 0.000), c) not be able to earn more than 15% of total income from any one audit client (p-value 0.004), d) have a maximum tenure period for auditing a particular client (p-value 0.003), e) have its audit methods checked by a professional standards body (p-value 0.001) and f) have its appointment and fee determined by a body independent of the client company (p-value 0.001).

Thus, there was overwhelming evidence to reject the null hypothesis in favour of the alternative hypothesis. There was clear evidence of audit expectation gap but limited to the above items. However, auditors, accountants and accounting educators had similar views on these items: a) prohibit its members from owning shares in its audit clients, b) have limited liability determined by statute and c) be subject to proportionate rather than joint and several liabilities.

View on Performance Attribute of Auditing

The sixth independent variable was mainly to measure how successful the auditors are in various situations which also implied the performance of auditors. There were nineteen items in this variable where respondents needed to indicate their ratings on four scale of (1) extremely unsuccessful, (2) unsuccessful, (3) successful and (4) extremely successful. Due to various items included in the variable, the factor analysis was performed in condensing the items into smaller variables or factors. The results of the factor analysis are highlighted in Table 7.

Table 7: Rotated Factor Matrix

Item	Factor				
	1	2	3	4	5
Item F19	Providing a useful service to society	0.644			
Item F15	Reporting truthfully	0.589			
Item F18	Providing a useful service to clients	0.514			
Item F08	Detecting errors and irregularities	0.491			
Item F13	Acting independently without regard to self-interest	0.466			
Item F14	Communicating effectively	0.415			
Item F02	Prescribing remedies to problems		0.559		
Item F09	Preventing errors and irregularities		0.533		
Item F04	Coping with risk and uncertainty		0.524		
Item F01	Diagnosing problems		0.514		
Item F05	Predicting the future		0.495		
Item F03	Acquiring information		0.378		
Item F11	Enforcing legal requirements			0.587	
Item F12	Forming correct judgments			0.484	
Item F10	Coping with professional rules			0.448	
Item F17	Limiting their own legal responsibility				0.815
Item F16	Being even-handed with the interests of others				0.489
Item F07	Making a profit				0.772
Item F06	Marketing their services				0.494

The factor analysis is a statistical tool used to analyze the interrelationship among large number of variables. The Keiser-Meyer Olkin (KMO) test is a statistical tool to measure sampling adequacy. The result of this test should be greater than 0.6 in order to have good sampling adequacy. In this study, the result of KMO was 0.835, which indicated a good level of sampling adequacy. In addition, the Bartlett's test of sphericity was significant with p-value of 0.000.

The percentage of variance explained in the column showed that all the factors extractable from the analysis together with respective eigenvalue. The eigenvalue is the ratio that indicates the importance of the factors. Lower eigenvalues indicate little contribution to the explanation of the variance in the variable. The result yielded five factors from the 19 items where factors with eigenvalues more than one were extracted. The first factor accounted for 27.69 percent (eigenvalue 5.262), second factor accounted for 7.99 percent

(eigenvalue 1.519), third factor accounted for 7.107 (eigenvalue 1.350), fourth factor accounted for 6.588 (eigenvalue 1.252) and the fifth factor accounted for 5.698 percent (eigenvalue 1.083).

The result from Rotated factor Matrix (Table 7) with varimax rotation method reported five distinct factors. The result was consistent with a study by Grambling, Schatzberg and Wallace (1996). The five factors were named accordingly. The names were: factor 1, servicing stakeholders; factor 2, risk consideration; factor 3, compliance; factor 4, independence and factor 5, business focus. It was hypothesized that there was no significant difference in the view of auditors' performance between auditors, accountants and accounting educators. The result presented in Table 8 indicated overwhelming evidence on the existence of an audit expectation gap. There were significant difference on the views between auditors, accountants and accounting educators on factor 1, factor 2 and factor 3.

Table 8: View on Performance Attribute of Auditing

Item	Description	p-value	Mean Rank		
			Aud	Edu	Acc
1	F1	0.000	162.85	107.12	138.58
2	F2	0.010	160.96	139.40	128.92
3	F3	0.001	165.20	131.47	127.29

Discussion and Conclusion

The primary research objective in this study was to provide evidence on the existence of audit expectation gap. The results indicated the existence of the expectation gap for all the independent variables among auditors, accounting educators and accountants. The result also supports the findings of previous studies particularly by Mohamed and Zauwiyah (2004) and Ariff and Rosmaini (2005) who reported the existence of a great gap and misconception on audit in Malaysia.

Marriane (2006) provides valuable input to the literature by summarizing various reasons for the existence of audit expectation gap. She highlighted three categories termed as sub-standard performance by auditors, deficient standard components and unreasonable expectation by the public. The sub-standard performance was mainly originated by the lower quality of audit work performed by the auditors. It is argued that the elimination of fraud detection role by the external auditor contribute to the deterioration in the quality of audit work. In this context, auditors certainly believed that they were not primarily responsible to detect fraud in their client company while the public still believed that the main purpose of audit was to detect any fraud or wrongdoing by management.

The second component was deficiency of auditing standard particularly the use of broad and subjective wordings in the standard itself. One of the obvious examples was the use

of word “true and fair view” in the audit report. For auditors, the word does not justify that the financial statement was 100 percent perfect. However, the users of the financial statement may perceive that auditor had performed thorough auditing so that the financial statement free from any misstatement whether it is due to fraud or error. The same concept applies on issue on materiality which was subject to different interpretations for various groups of financial statements users.

The third reason was the unreasonable expectation by the users of financial statement. Apparently, well published cases on corporate collapse originated from manipulation of financial statement. Public are now expect more from auditors as the primary controlling element. However, at the same time, the auditors had to follow their standard that governed their roles and responsibilities in performing the audit i.e., subject to the use of sample and materiality concept. This is an obvious reason contributing to the existence of an audit expectation gap.

Sikka, Puxty, Willmott and Cooper (2003) supported the existence of an audit expectation gap and argued that it was difficult to eliminate the gap. The expectations from various entities change almost everyday, thus taking great and integrated efforts to bridge the gap. Sikka et al. (2003) proposed two ways to reduce the gap by expending the roles and responsibilities of auditors in fraud detection as well as audit education. With reference to the role of auditor in fraud detection, Malaysia had revised its Company Act 1965 particularly section 174, in which it is now compulsory for auditors to report any fraud found in their client company to the registrar of companies. The auditors are subjected to penalty and imprisonment should they fail to comply with this new requirement. This new measures by Malaysia may bridge the expectation gap as proposed by Sikka et al. (2003).

In addition, another solution to reduce the gap was the use of education. It is important to educate the public on the role and responsibilities of auditors. One of the obvious ways of education is the formal auditing course at university or college level. It is hope that once students complete their auditing classes, they will appreciate and be aware of the limitation of the roles and responsibilities of auditors.

Limitations

The study suffers several limitations due to the limited theoretical support on the research framework. Such theories are crucial to conform various previous studies on the audit expectation gap and may also allow the authors to test the applicability of the theories in the present setting. In addition, the findings may subject to argument especially on the generalisability of the research as there is no formal population frame utilized for data collection.

Acknowledgement

The research team would like to thank the anonymous reviewers for their valuable comments and recommendations to improve this paper. Thanks to Assoc. Prof. Dr Isahak Kasim from UiTM for the guidance and comments on the statistical analysis.

The data and instrument used in this study are available for conducting comparative analysis. The authors can be contacted at: 012-6097503 / 012-3273441 / ariff@uniten.edu.my; rosmaini@uniten.edu.my or www.ariffrosmaini.net

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