

Accepted Manuscript

Title: An empirical study of audit expectation-performance gap: The case of Libya

Author: Najeb Masoud

PII: S0275-5319(16)30108-8

DOI: <http://dx.doi.org/doi:10.1016/j.ribaf.2017.04.012>

Reference: RIBAF 628

To appear in: *Research in International Business and Finance*

Received date: 8-6-2016

Revised date: 1-2-2017

Accepted date: 4-4-2017

Please cite this article as: {<http://dx.doi.org/>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



Full length article

An Empirical Study of Audit Expectation-performance Gap: The Case of Libya

Najeb Masoud

Department of Accounting, Aqaba University of Technology, Jordan

E-mail of the corresponding author: najeb2000@gmail.com

ABSTRACT

The purpose of this research is to empirically examine the causes of the audit expectation gap in Libya. The study builds on the frameworks developed by Porter (1993) and Porter & Gowthorpe (2004) to investigate the influence of the audit expectation gap to the auditing profession in the case of Libya. The data was collected through a questionnaire survey randomly selected members of four broad interest groups including auditors, auditees and audit beneficiaries both inside and outside the financial community were followed by in-depth interviews. A total of 988 questionnaires were distributed from which 431 questionnaires with usable responses were received from four groups. The overall usable response rate was 44%, ranging from 47% for the financial community audit beneficiaries to 41% for the auditors group. The findings of the study revealed that there exists audit expectation-performance gap and that the gap is as result of the following factors in different levels of percentages. Deficiency standards and deficient performance gaps constitute 49% and 15%, respectively, of the audit expectation-performance gap. The audit expectation-performance gap derives from society having unreasonable expectations of auditor's significant proportion 36% of the gap. As result of the following interviews demonstrated that the objectives of auditing are not as clear to the financial statement users as they are to the auditors and the financial statement preparers in Libyan business environment. Further, we observe that reducing the expectations gap is to improve knowledge responsibilities between the auditors and user groups and understanding of the auditor's role and responsibilities through the provision of auditing illegal acts.

JEL classifications: M4, M42, M48

Keywords: Audit Expectation-performance gap, auditors, auditees, audit beneficiaries, Libya

1. Introduction

The role of auditors in the financial statement has been and continues to be an important issue for the auditing profession. Historically, Humphrey et al. (1992) argue that some hints of "audit expectation gap" (AEG) can be found on the back in the 19th century with the introduction of companies auditing, which appeared to exist for more than 100 years. Meanwhile, the roles of auditors are directly related to the function of management's supervision, with the curatorship being regarded in the narrow sense of honesty and integrity (Flint, 1988). However, in early 1970s, Liggio was first used the word of 'AEG' in the literature, and continues to be debated on until today (Liggio, 1974; Lee et al., 2010). Liggio (1974, p.2) define it as the difference between the levels of expected performance "as envisioned by the independent accountant and by the user of financial statements". In turn, Ruhnke and Schmidt (2014, p.573) define the expectation gap as "when auditors' performance fails to meet the public's expectations, an expectation gap occurs".

In reviewing study investigation the AEG and the development of the standard auditor's report (Porter et al., 2009), it was noted that the AEG is not new, nor is limited geographically. Additionally, it has been

Download English Version:

<https://daneshyari.com/en/article/5107350>

Download Persian Version:

<https://daneshyari.com/article/5107350>

[Daneshyari.com](https://daneshyari.com)