

FACTORS AFFECTING ON THE AUDIT EXPECTATION GAP OF AUDITORS IN CENTRAL PROVINCE IN SRI LANKA

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ABSTRACT

The auditor's role is to express opinions on whether financial statements are materially misstated. Users of financial statements often have expectations exceeding the actual scope of an audit, leading to an Audit Expectation Gap (AEG). The audit expectation gap can be defined as the difference between what users believe auditors are responsible for and what auditors believe their responsibilities are. However, this study mainly aimed to identify the factors affecting auditors' AEG in the Central Province of Sri Lanka. Only the Central Province was selected because of time and resource limitations. The study focused on independent variables such as audit education, auditor efforts, skills, and public knowledge. This study considered one of the largest audit firms in the country and 24 audit firms. Thus, the target population was identified using the CA Sri Lanka website and each firm's website. The necessary information was gathered from 150 auditors based on the rules of thumb using the developed questionnaire. Convenience sampling was also applied. Descriptive and inferential statistics were used as analytical tools in SPSS. This study found that four factors (audit education, auditors' efforts, auditors' skills, and public knowledge) positively impact the audit expectation gap, with an R² of 0.794. P-values for all individual variables were <0.05. The results of this study could be beneficial for making better decisions to focus on quality work by setting realistic expectations. These findings provide valuable insights to users in the Central Province of Sri Lanka. Furthermore, we could consider initiatives to enhance public financial literacy and promote ongoing auditor training programs.

Keywords: Audit expectation gap, audit education, auditors' efforts, auditors' skills, and public knowledge