

AUDIT EXPECTATION PERFORMANCE GAP AMONG EXTERNAL AUDITORS AND STATE UNIVERSITY UNDERGRADUATES IN THE ECONOMIC CRISIS SITUATION OF SRI LANKA

D.M.H.D. Dissanayake^{1,*} and J.S. Kumari²

^{1,2}*Department of Accountancy & Finance, Faculty of Management Studies Rajarata
University of Sri Lanka*

*Corresponding Author (Email: dinalhimanka@gmail.com)

ABSTRACT

In recent years, auditors have faced increasing complexity due to the intricate nature of financial reporting and rising utilization of technology. The economic downturn and external factors such as COVID-19 have significantly impacted auditors' role in recent history, prompting notable changes. This economic crisis has led many undergraduates, especially those studying accounting and finance, to form stronger opinions on the role of auditors in financial oversight. They may have heightened auditors' expectations, particularly regarding detecting fraud and ensuring the financial integrity of institutions during turbulent economic times, thus contributing to the expectation gap more than ever. This study attempts to analyze the audit expectation gap (AEG) between external auditors and state university undergraduates in Sri Lanka, and the factors contributing to AEG. Being the research methodology deductive, quantitative data was gathered from a targeted cohort of state university undergraduates pursuing management degrees across all state universities in Sri Lanka. For the analysis in this study, the identified 49 duties of external auditors were categorized as deficient performance, deficient standards, and unreasonable expectations. For this study, an independent sample t-test, descriptive analysis, and one sample t-test were performed to achieve the research objectives. The findings reveal that no significant audit expectation gap exists between external auditors and state university undergraduates concerning deficient performance, standards, and unreasonable expectations, aligning with the pre-crisis evidence. Moreover, demographic factors, particularly audit education, play a critical role; among external auditors, audit education significantly influences the formation of deficient performance and standards gaps. Conversely, a lower level of audit education among undergraduates contributes to a notable audit expectation gap regarding inadequate performance. This research provides valuable insights into the significance of understanding the audit expectation gaps between university students' and external auditors.' By incorporating a sound audit-related education system in Sri Lanka, this study offers a solid theoretical foundation for the audit expectation gap to decrease to an acceptable level. Particularly in the Sri Lankan context, this study significantly advances the necessity of audit education in general, for the benefit of many related fields.

Keywords: Audit expectation gap, economic crisis, external auditors, state university undergraduates