

Audit Expectation-Performance Gap (AEG) and independent audit report, in the context of listed companies in Sri Lanka

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Abstract

Corporate scandals across the globe have recently brought the auditing profession to the spotlight. The difference between the perceived performance of auditors and society's expectations regarding their services known as the 'Audit Expectation-Performance Gap' (AEG). AEG has a long history and its pervasiveness of AEG is not in doubt. Nevertheless, it appears that there has been a lack of studies in Sri Lanka concerning the AEG and the independent auditors' report. Therefore, the present study attempted to determine the AEG resulting from the audit report in Sri Lanka. A positivist approach was adopted, and a structured questionnaire survey was conducted involving 50 professional auditors (the response rate was 100 per cent) and 50 investors from listed companies (the response rate was 100 per cent). The findings of the independent sample t-test showed that there was a statistically significant difference between the perceptions of professional auditors and investors regarding the duties of auditors in the Sri Lankan context. The relative contribution to the overall AEG was much of the gap in the AEG was attributable to auditors' duties regarding the audit report. Thus, auditors' duties regarding the audit report are the leading cause of AEG. The policymakers and regulators need to initiate the appropriate policy framework to minimize the AEG in Sri Lanka.

Keywords: *Audit expectations gap, audit report, duties of auditors.*