

Non-professionals' perception and Audit Expectation Performance Gap (AEG) in the context of listed firms in Sri Lanka

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Abstract

The difference between the actual and the expected performance called as the "audit expectation gap". The existence of the audit expectation gap has a negative influence on the value of auditing and the reputation of auditors in modern society. There are few studies conducted within the Sri Lankan context regarding the audit expectation gap. The present study examined the difference between auditors' perceptions and non-professionals' perceptions regarding the duties of auditors in listed firms in Sri Lanka. Sample included practicing auditors (i.e., audit partners, senior audit managers, audit managers, assistant audit managers, audit supervisors, and senior auditors) and undergraduates studying at Sri Lankan national universities. The Porter model (1993) was adopted to measure the AEG. Data were collected through a structured questionnaire and survey was done with the participation of undergraduates (the response rate was 100%) and professional auditors (the response rate was 82%) of listed firms. The analysis of 91 responses using independent sample t-tests indicates respectively significant perceptual differences in the deficient standards gap (35.33 percent), deficient performance gap (34.95 percent), and unreasonable expectation gap (29.73 percent) affect to the audit expectation performance gap in Sri Lanka. It was noted that policymakers and regulators need to increase community awareness through audit education and enhancement of auditor performance to reduce AEG in Sri Lanka.

Keywords: *Audit expectation gap, deficient standards gap, deficient performance gap, unreasonable expectation gap*