

UNDERSTANDING THE ROLE OF AUDIT EDUCATION IN MINIMIZING THE AUDIT EXPECTATION GAP OF ACCOUNTING UNDERGRADUATE: AN EMPIRICAL STUDY WITHIN THE CONTEXT OF THE UNITED ARAB EMIRATES

Ahmad Faisal Hayek, Higher Colleges of Technology

ABSTRACT

Background of this study was based on the controversy that there were gap between society and the external auditor regarding, the auditor's responsibilities, audit procedures, level of assurance the auditor provides with the issuing of the audit report opinion and the management Board's responsibilities within the company. This controversy motivated the researcher to investigate the existence of audit expectation gap among Accounting Undergraduate and understand it as well. The study aims to understand the effect of audit education on the audit expectation gap in UAE's accounting graduate students. The study employ quantitative approach and questionnaire was created and divided into two sections. The first section contained three Statements. The second part dealing with the various aspects of the auditing process, that, in the researcher' opinion, highlights differences in views and expectations for different categories of respondents. The second section contained 13 semantic differential belief statements. Each of the statements in the second section is evaluated using the five-point Likert scale enabling respondents to choose their level of agreement on a scale of 1-5.

A questionnaire was created, dealing with the various aspects of the auditing process, that, in the researcher' opinion, highlights differences in views and expectations that different categories of respondents have concerning the following:

The result show that audit education plays a significant role in narrowing existing audit expectation gap in UAE. Accounting students who completed auditing courses are aware about the responsibility of auditors, the role of company management to prepare financial report for their organizations, audit reliability, and decision usefulness. The findings of this study suggest that the audit education should play a larger role to reduce audit expectation gap. The paper contributes to the existing literature by presenting evidence of the effects of audit education on reducing the AEG in the UAE context.

Keywords: Expectation Gap, United Arab Emirates, Audit, Audit Education, Accounting Graduates.

INTRODUCTION

The financial crisis and significant financial scandals have had an adverse effected on the audit profession. The public's confidence in external audit profession has adversely affected. The role of an external auditor is "to express an opinion as to whether the financial statements are prepared in accordance with an established criteria such as IFRS or GAAP." However, society and different stakeholders often expects much more from external auditors, and this gap between what societies expects and what the external auditing function actually does is known as the

audit expectation gap. The audit expectation gap is an issue that has preoccupied the finance and accounting profession for decades. A great number of studies have focused on this issue and attempted to provide an accurate definition of the audit expectation gap, to model it and to assess ways to narrow the gap (Judith, 2017).

Adeniy & Adbayo (2014) mentioned in their research that the process of educate the public of the auditors' roles, responsibilities and duties is a one of the possible means to minimize the audit expectation gap. In my opinion, the universities consider as a suitable platform to educate students and society on the auditors' duties and it could contribute effectively to reduce the audit expectation gap. Hence, this study attempts to examine the effect of audit education on audit expectation gap among the accounting students in United Arab Emirates Universities.

Research Objective

The aim of this research is to explore the audit expectation gap's existence among accounting. Undergraduate students and investigate the effect that audit education has on the gap. To achieve this aim the researcher intends to answer the following research questions:

1. Does an audit expectation gap exist among UAE's accounting graduate students?
2. What is the effect of audit education on the audit expectation gap in UAE's accounting graduate students?

LITERATURE REVIEW

Audit Education and Audit Expectation Gap

The society has expectations that go beyond the actual responsibilities of the auditors, as set by auditing standards and related relevant regulations and this expose the external audit function to several deceptive impressions regarding its responsibilities, roles and duties. Many researchers provide an excellent starting point on what the Audit Expectation Gap is: a misunderstanding between the stakeholders and external auditors, regarding what the stakeholders believe the responsibilities of the auditors are, and what auditors actually consider to be their responsibilities.

Dennis (2010) defined an audit expectation gap as the "*differences in beliefs and desires*" about the duties of the auditors. The same, in a more recent study, Ruhnke & Schmidt (2014) finds that the audit expectation gap can be attributed to a failure by either the public, because of an extravagant expectation of the auditor responsibility, or the standard setter (because proposed changes can also increase uncertainty), or the auditor (because they sometimes do not recognize some of their responsibilities). Bui & Porter (2010) concluded in their research that the external audit and accounting education are an issue that has not been resolved yet, as many accounting graduates still lack the skills the profession expects them to have. In addition to that, they mentioned if the accounting graduates are not educated in audit responsibilities, so, how can we expect non-professional investors to be?

Kose & Erdogan (2015) confirmed in their research that the audit expectation gap can be narrowed through audit education. Monroe & Woodliff (1993) found that the undergraduate student's perception in regards to the role of an external auditor changed significantly after they received an audit education. Boyle & Canning (2005) believed that receiving an audit education reduces the users misunderstanding of the auditing profession. The researchers concluded also

that providing society with an audit education reducing the common misperceptions surrounding the public, but also giving users the knowledge to criticise the auditing profession.

Siddiqui et al. (2009) found that while an audit education did provide students with a more reasonable expectation of what the auditing profession does, some students actually developed a misperception of the auditing professions responsibilities. Ojo (2006) found that the audit education does reduce the audit expectation gap, that education is more effective in reducing the unreasonableness gap as suppose to the deficient standards gap and the deficient performance gap. The researcher believes that more education needs to be put in place to reduce the deficient performance and deficient standards gap. Rehana (2010) found while education had a positive impact on reducing the unreasonableness gaps, to reduce or eliminate the deficient performance gap, the auditing profession needs to expand their duties where reasonable.

Schelluch & Gay (2006) believed that the information gap and communication gap can be reduced by educating society regarding the information in the audit report and the way this information is communicated. Ferguson et al. (2000) carried out a study that explored formal undergraduate education and work experience under a co-operative education program, as an alternative means of educating students about auditing. The findings of the study suggested that while audit education did reduce the extent of the education gap between students and auditors, the gap reduced significantly when the students undertook work experience in audit related areas.

Components of the Audit Expectation Gap

Problems arising from different components of the audit expectation gap requires different solutions and that make the identifying components of the audit expectation gap very important. Possible tools to reduce this gap can be assigned only after identifying the gap and its components. Melinda et al. (2018) defined an AEG as a misunderstanding between the stakeholders and auditors, regarding what the stakeholders believe the responsibilities of the auditors are, and what auditors actually consider to be their responsibilities.

These researchers consider that the AEG has two components: a reasonable (or performance) gap and a reasonableness gap. The deficient standards gap should not be mistaken for the “*deficient performance gap*” when auditors do not follow standards. Unfortunately, the society cannot differentiate these differences because most users/investors lack proper audit education. On the other hand, the society’s expectation of auditors is a component of the AEG that is much more difficult to reduce because it is driven by the reasonableness gap. How can the IAASB reduce a deficiency which exists because of unreasonable expectations of the public, only by revising auditing standards? It is simply not enough.

In my opinion, the audit education has an impact on this issue and being a possible solution to this type of deficiency. Porter (1993) attempts earlier to determine the causes of the expectation gap in New Zealand context, the researcher categorized the expectation gap into two major categories, the reasonableness gap, and the performance gap.

As per Porter definition, the reasonableness gap is a difference between society’s expectation of the auditor and what auditors can reasonably be expected to achieve. And this gap relates to society’s unreasonable expectations of auditors (Siddiqui et al., 2009). Porter (1993) further defined the performance gap as the “*difference between what the society expects the auditors to achieve and what they can reasonably be expected to accomplish.*”

Dennis (2010), defined the performance gap as a difference between what regulation states the responsibility of the auditor is, and what the general public expects or wants auditors to do.

In my opinion, the performance gap consist of deficient standard gap and the deficient performance gap. The deficient standard gap as the difference between the duties public reasonably expects of auditors, and the current responsibilities of external auditors as defined by audit regulations, laws and other relevant statutes and established criteria. In addition to that this gap occurs when society reasonably expects auditors to perform a task, but there are no current audit regulations to fulfill these reasonable expectations. Whereas, the deficient performance is the difference between the expected standards of performance of external auditors as required by the law and the perceived level of performance by society of the auditor. This gap could be narrowed by expanding and developing audit standards with responsibilities which society reasonably expects of the auditor.

On other hand, Hassink et al. (2009), mentioned that the external audit expectation gap can be attributed to three different deficiencies:

1. A reasonableness gap: The society has set high and unreasonable expectations from the auditor that cannot be achieved.
2. A deficient performance gap – which appears because either lack of or inefficient corporate governance structures which could prohibit the external auditor from taking actions or acting on a lower level that expected.
3. A deficient standards gap – because society expectations are not reflected in current external auditing standards.

Based on above and in my opinion, the performance gap can be sealed by revising standards. Whereas, the society's expectation of auditors is a component of the audit expectation gap that is much difficult to close by revising the auditing standards because it is driven by the reasonableness gap. So, the audit education can have an impact on this issue, and being a possible solution to that.

Research Methods

To achieve the objective of the study, the questionnaire method was applied. Previous studies measuring AEG have also used the questionnaire approach (for example, Humphrey et al., 1993; Frank et al., 2001; Dewing & Russell, 2002; Pierce & Kilcommins, 1997, etc.). The final version of the questionnaires contained two sections.

1. The first section (Section A) contained general questions about respondents which is HCT's Students). The accounting undergrad students were asked about their gender, study year and courses completed .
2. Section B comprised questions regarding perceptions of audit.

A total of 14 questions were developed. Questions 1-6 were regarding auditor responsibilities; questions 7-12 were regarding reliability of audit, whereas questions 13 and 14 were regarding decision usefulness of audited financial statements. The questionnaire was mainly divided into two sections; the first section contained three Statements. The second section contained 13 semantic differential belief statements. Each of the statements in the second section is evaluated using the five-point Likert scale enabling respondents to choose their level of agreement on a scale of 1-5 in Tables 1 to 9.

A questionnaire was created, dealing with the various aspects of the auditing process, that, in the researcher' opinion, highlights differences in views and expectations that different categories of respondents have concerning the following:

1. The auditor's responsibilities and the procedures the auditor applies in the audit mission.
2. The level of assurance the auditor provides with the issuing of the audit report opinion.
3. The management Board's responsibilities within the company.

Table 1		
AUDITING PROCESS		
Q.	Statement	Reasoning
Audit Responsibility		
1	The auditor is responsible for the preparation of the financial Statements.	This question seeks to find whether students know that it is NOT the auditor's responsibility to prepare the financial statements, but the company's management
2	The auditor is responsible for detecting all fraud.	With this question, the researcher test whether students know that the auditor is, within reasonable expectations, responsible. It is evident that it is the Board's responsibility to prevent and possibly detect fraud, by verifying the management's activity but not for preventing it and deduct all fraud.
3	The auditor is responsible for soundness of internal control structure of the entity.	This question seeks to find whether students know that it is NOT the auditor's responsibility to f or soundness of internal control structure of the entity. It is company management.
4	The auditor is responsible for preventing fraud.	With this question, the researcher test whether students know that the auditor is, within reasonable expectations, responsible for detecting fraud, but not for preventing it. It is evident that it is the Board's responsibility to prevent and possibly detect fraud, by verifying the management's activity.
5	The auditor is responsible for maintaining accounting records	This question seeks to find whether students know that it is NOT the auditor's responsibility to prepare the financial statements, but the company's management
6	The board of directors of the audited entity is responsible for the preparation of the financial statements.	This is a "trick" question because the Board of Directors is not responsible to maintaining accounting records. It is company management responsibility.
Audit reliability		
7	Users can have absolute assurance that the financial statements contain no material misstatements.	Another "trick" question because the researcher want to see whether students are aware of the level of assurance the auditor provides, which is reasonable, and never absolute.
8	The extent of assurance given by the auditors is clearly indicated in the audit report	This question seeks to find whether students know that the assurance given by the auditors is clearly indicated in the audit report.
9	One has absolute (100%) assurance that the financial statements are free from all errors if the auditor issues an unqualified audit opinion.	Another "trick" question because the authors want to see whether respondents are aware of the level of assurance the auditor provides, which is reasonable, and never absolute.
10	One has reasonable assurance that the financial statements are free from all errors if the auditor issues an unqualified audit opinion.	Linked with the previous question.
11	The auditor should verify all the operations of the audited entity.	The auditor can never verify all of the operations of the audited entity. That is why sampling is critical. Whether respondents know this aspect, remains to be seen.

12	The auditor may use sampling in an audit.	Linked with the previous question.
Decision usefulness		
13	The audited financial statements are useful for making decisions	This question seeks to find whether students know that the audited financial statements are useful for making decisions.
14	The audited financial statements provide an assurance regarding the performance of the entity	This question seeks to find whether students know that the audited financial statements provide an assurance regarding the performance of the entity.

Data Analyses and Results

The Figures	Mean	S.D
The auditor is responsible for the preparation of the financial Statements.	2.91	0.943
The auditor is responsible for detecting all fraud.	3.51	1.011
The auditor is responsible for soundness of internal control structure of the entity.	3.47	0.883
The auditor is responsible for preventing fraud.	2.98	0.857
The auditor is responsible for maintaining accounting records	2.85	1.107
The board of directors of the audited entity is responsible for the preparation of the financial statements.	4.16	0.716
Users can have absolute assurance that the financial statements contain no material misstatements.	2.94	1.149
The extent of assurance given by the auditors is clearly indicated in the audit report	3.71	1.005
One has absolute (100%) assurance that the financial statements are free from all errors if the auditor issues an unqualified audit opinion.	3.29	1.185
One has reasonable assurance that the financial statements are free from all errors if the auditor issues an unqualified audit opinion.	3.87	1.112
The auditor should verify all the operations of the audited entity.	2.85	1.114
The auditor may use sampling in an audit.	2.9	1.024
The audited financial statements are useful for making decisions	3.36	1.189
The audited financial statements provide an assurance regarding the performance of the entity	3.3	1.208
Total Score	3.31	0.417

hypotheses	N	Mean	S.D	df	T-calculated
<i>Does an audit expectation Gap exist among UAE's accounting students due to gender-Male-</i>	44	3.31	0.417	43	4.642

We can conclude that the value of the arithmetic average are (3.31) is higher than the arithmetic average of the value of (3) in the measuring tool, and the value of (t) calculated are (4.642) is higher than the tabular value of t (2.704) at the significance level ($\alpha = 0.05$), which indicates that an audit expectation Gap not exist among UAE's accounting students due to gender-Male.

The Figures	Mean	S.D
The auditor is responsible for the preparation of the financial Statements.	4.26	0.928
The auditor is responsible for detecting all fraud.	2.85	1.114
The auditor is responsible for soundness of internal control structure of the entity.	2.9	1.024
The auditor is responsible for preventing fraud.	3.36	1.189
The auditor is responsible for maintaining accounting records	3.44	1.223
The board of directors of the audited entity is responsible for the preparation of the financial statements.	3.36	1.151
Users can have absolute assurance that the financial statements contain no material misstatements.	2.85	1.085
The extent of assurance given by the auditors is clearly indicated in the audit report	4.04	0.891
One has absolute (100%) assurance that the financial statements are free from all errors if the auditor issues an unqualified audit opinion.	4.14	0.798
One has reasonable assurance that the financial statements are free from all errors if the auditor issues an unqualified audit opinion.	4.06	0.87
The auditor should verify all the operations of the audited entity.	2.97	1.169
The auditor may use sampling in an audit.	2.93	1.019
The audited financial statements are useful for making decisions	3.06	1.164
The audited financial statements provide an assurance regarding the performance of the entity	2.86	1.11
Total Score	3.34	0.65

hypotheses	N	Mean	S.D	df	T-calculated
Does an audit expectation Gap exist among UAE's accounting students due to gender-Female-	56	3.34	0.65	55	3.267

We can conclude that the value of the arithmetic average are (3.31) is higher than the arithmetic average of the value of (3) in the measuring tool, and the value of (t) calculated are (3.267) is higher than the tabular value of t (2.704) at the significance level ($\alpha = 0.05$), which indicates that an audit expectation Gap does not exist among UAE's accounting students due to gender-Female and the gap is less for female students.

Items	Mean	S.D
The auditor is responsible for the preparation of the financial Statements.	1.31	0.928
The auditor is responsible for detecting all fraud.	1.15	0.59
The auditor is responsible for soundness of internal control structure of the entity.	1.13	0.36
The auditor is responsible for preventing fraud.	1.16	0.34
The auditor is responsible for maintaining accounting records	2.33	1.02
The board of directors of the audited entity is responsible for the preparation of	1.16	0.87

the financial statements.		
Users can have absolute assurance that the financial statements contain no material misstatements.	2.66	0.68
The extent of assurance given by the auditors is clearly indicated in the audit report	2.71	0.45
One has absolute (100%) assurance that the financial statements are free from all errors if the auditor issues an unqualified audit opinion.	1.11	1.14
One has reasonable assurance that the financial statements are free from all errors if the auditor issues an unqualified audit opinion.	1.30	0.94
The auditor should verify all the operations of the audited entity.	1.63	0.37
The auditor may use sampling in an audit.	2.06	0.53
The audited financial statements are useful for making decisions	2.07	0.63
The audited financial statements provide an assurance regarding the performance of the entity	2.65	0.77
Total Score	1.69	0.26

Table 7					
T-TEST TO MEASURE IF DOES AN AUDIT EXPECTATION GAP EXIST AMONG UAE'S ACCOUNTING STUDENTS DUE TO STUDENT NOT COMPLETED OR CURRENTLY STUDYING AUDITING COURSE					
hypotheses	N	Mean	S.D	df	T-calculated
Does an audit expectation Gap exist among UAE's accounting students due to student not completed or currently studying auditing course	39	1.69	0.26	38	2.467

We can conclude that the value of the arithmetic average are (1.690) is lower than the arithmetic average of the value of (3) in the measuring tool, and the value of (t) calculated are (2.467) is lower than the tabular value of t (2.467) at the significance level ($\alpha = 0.05$), which indicates that an audit expectation Gap exist among UAE's accounting students due to student not completed or currently studying auditing course.

Table 8		
STATISTICAL DATA TO MEASURE IF DOES AN AUDIT EXPECTATION GAP EXIST AMONG UAE'S ACCOUNTING STUDENTS DUE TO STUDENTS COMPLETED AUDITING COURSE OR COMPLETED ADVANCE AUDITING COURSE		
The Figures	Mean	S.D
The auditor is responsible for the preparation of the financial Statements.	4.21	0.928
The auditor is responsible for detecting all fraud.	3.85	1.114
The auditor is responsible for soundness of internal control structure of the entity.	2.85	1.024
The auditor is responsible for preventing fraud.	3.06	1.189
The auditor is responsible for maintaining accounting records	3.89	1.223
The board of directors of the audited entity is responsible for the preparation of the financial statements.	3.35	1.151
Users can have absolute assurance that the financial statements contain no material misstatements.	2.82	1.085
The extent of assurance given by the auditors is clearly indicated in the audit report	4.0	0.891
One has absolute (100%) assurance that the financial statements are free from all errors if the auditor issues an unqualified audit opinion.	3.14	0.798
One has reasonable assurance that the financial statements are free from all errors if the auditor issues an unqualified	4.46	0.87

audit opinion.		
The auditor should verify all the operations of the audited entity.	2.91	1.169
The auditor may use sampling in an audit.	3.93	1.019
The audited financial statements are useful for making decisions	3.86	1.164
The audited financial statements provide an assurance regarding the performance of the entity	3.46	1.11
Total Score	3.49	0.62

Table 9					
T-TEST TO MEASURE IF DOES AN AUDIT EXPECTATION GAP EXIST AMONG UAE'S ACCOUNTING STUDENTS DUE TO STUDENTS COMPLETED AUDITING COURSE OR COMPLETED ADVANCE AUDITING COURSE					
hypotheses	N	Mean	S.D	df	T-calculated
Does an audit expectation Gap exist among UAE's accounting students due to students completed auditing course or competed advance auditing course	61	3.49	0.62	60	3.842

We can conclude that the value of the arithmetic average are (3.49) is higher than the arithmetic average of the value of (3) in the measuring tool, and the value of (t) calculated are (3.842) is higher than the tabular value of t (2.704) at the significance level ($\alpha = 0.05$), which indicates that an audit expectation Gap not exist among UAE's accounting students due to students completed auditing course or completed advance auditing course

CONCLUSIONS AND RECOMMENDATIONS

The main objectives of this research paper was to investigate the presence of AEG and examine the effect of audit education on audit expectation gap within the context of the United Arab Emirates. The study reveals that audit education plays a significant role in narrowing existing audit expectation gap in UAE. Accounting students who completed auditing courses are aware about the responsibility of auditors, the role of company management to prepare financial report for their organizations, audit reliability, and decision usefulness.

1. Audit expectation Gap not exist among UAE's accounting students due to the female gender.
2. Audit expectation Gap not exist among UAE's accounting students due to male gender.
3. Audit expectation Gap not exist among UAE's accounting students especially for female which higher than male. On other words, the gab is less for female students.
4. Audit expectation Gap exist only among UAE's accounting students due to student not completed or currently studying auditing course.
5. Audit expectation Gap not exist among UAE's accounting students due to students completed auditing course or completed advance auditing course.

The results of this research indicate that accounting education in the United Arab Emiratis has a positive effect on the audit expectation gap. However, while the audit education has reduced the audit expectation gap, it hasn't completely eliminated the audit expectation gap. In addition to that the results of this research contribute to the literature, and support the given results generated from many other studies which recommended more focus on improving auditing standards, instead of improving the levels of audit education, as a means to reducing the gap among the stakeholders and auditors.

The research suggests that audit education should play a larger role to reduce audit expectation gap among the external auditors and society throughout providing the public with training courses. In terms of future research on the UAE context, the effects audit education on different stakeholder groups such as bankers, auditors, investors, etc could be taken.

REFERENCES

- Adeniy, S.I., & Adebayo, H.O. (2014). Impact of Auditing Education on Audit Expectation Gap in Nigeria, *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 4(3), 109-116.
- Boyle, D., & Canning, M. (2005). The impact of audit education on perceptions of deficient auditors performance. *Irish Accounting Review*, 12(1), 15-37.
- Dennis, I. (2010). What Do You Expect? A Reconfiguration of the Audit Expectations Gap, *International Journal of Auditing*, 14, 130-146.
- Ferguson, C.B., Richardson, G.D., & Wines, G. (2000). Audit Education and Training: The Effects of Formal Studies and Work Experience, *Accounting Horizons*, 14(2), 137-168.
- Judit, F.F. (2017). Factors Leading to Audit Expectation Gap: An Empirical Study in a Hungarian Context, *Club of Economics in Miskolc TMP*, 13(2), 13-23. 2017.
- Kose, Y., & Erdogan, S. (2015). The audit expectation gap in Turkey. *Journal of Accounting & Finance*, 193-213.
- Melinda, T.F., Adriana, T.T., & George, S.C. (2018). Audit education role in decreasing the expectation Gap, *Journal of Education for Business*, ISSN: 0883-2323 (Print) 1940-3356 (Online) Journal homepage: <https://www.tandfonline.com/loi/vjeb20>.
- Ojo, M. (2006). Eliminating the audit expectations gap: myth or reality. *Munich Personal ReREc Archive*, 1-13.
- Rehana, F. (2010). An empirical study on audit expectation. gap: role of auditing education in Bangladesh. *Munich Personal RePEc Archive*, 1-17.
- Schelluch, P., & Gay, G. (2006). Assurance provided by auditors' reports on prospective financial.
- Siddiqui, J., Nasreen, T., & Choudhury-Lema, A. (2009). The audit expectations gap and the role of audit education: the case of an emerging economy. *Managerial Auditing Journal*, 24(6), 564-583.