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An Empirical Study of Audit Expectation-performance Gap: The Case of Libya

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ABSTRACT

The purpose of this research is to empirically examine the causes of the audit expectation gap in Libya. The study builds on the frameworks developed by Porter (1993) and Porter & Gowthorpe (2004) to investigate the influence of the audit expectation gap to the auditing profession in the case of Libya. The data was collected through a questionnaire survey randomly selected members of four broad interest groups including auditors, auditees and audit beneficiaries both inside and outside the financial community were followed by in-depth interviews. A total of 988 questionnaires were distributed from which 431 questionnaires with usable responses were received from four groups. The overall usable response rate was 44%, ranging from 47% for the financial community audit beneficiaries to 41% for the auditors group. The findings of the study revealed that there exists audit expectation-performance gap and that the gap is as result of the following factors in different levels of percentages. Deficiency standards and deficient performance gaps constitute 49% and 15%, respectively, of the audit expectation-performance gap. The audit expectation-performance gap derives from society having unreasonable expectations of auditor's significant proportion 36% of the gap. As result of the following interviews demonstrated that the objectives of auditing are not as clear to the financial statement users as they are to the auditors and the financial statement preparers in Libyan business environment. Further, we observe that reducing the expectations gap is to improve knowledge responsibilities between the auditors and user groups and understanding of the auditor's role and responsibilities through the provision of auditing illegal acts.

JEL classifications: M4, M42, M48

Keywords: Audit Expectation-performance gap, auditors, auditees, audit beneficiaries, Libya

1. Introduction

The role of auditors in the financial statement has been and continues to be an important issue for the auditing profession. Historically, Humphrey et al. (1992) argue that some hints of "audit expectation gap" (AEG) can be found on the back in the 19th century with the introduction of companies auditing, which appeared to exist for more than 100 years. Meanwhile, the roles of auditors are directly related to the function of management's supervision, with the curatorship being regarded in the narrow sense of honesty and integrity (Flint, 1988). However, in early 1970s, Liggio was first used the word of 'AEG' in the literature, and continues to be debated on until today (Liggio, 1974; Lee et al., 2010). Liggio (1974, p.2) define it as the difference between the levels of expected performance "as envisioned by the independent accountant and by the user of financial statements". In turn, Ruhnke and Schmidt (2014, p.573) define the expectation gap as "when auditors' performance fails to meet the public's expectations, an expectation gap occurs".

In reviewing study investigation the AEG and the development of the standard auditor's report (Porter et al., 2009), it was noted that the AEG is not new, nor is limited geographically. Additionally, it has been reported that the main reason for the gap derived from a failure by the profession, which ceased to keep pace with the changing situations in business, and in this view the onus lies with the auditing process and not with the users (The Cohen Commission AICPA (1978). However, this then resulted in concerns being raised about the auditor's report becoming long, complex and less understandable. Porter (1991), states that the gap exists due to a deficiency in an auditor's performance and auditing standards. However, most recently an empirical study conducted by Humphrey (1997), classified issues about the AEG in four key areas: audit reports and ensuring audit, audit independence and audit regulation.

To solve the problem, due attention has been paid to the issue of the expectation gap by both the auditing professional societies and researchers all over the world. Numerous empirical studies in advanced countries conducted on the issue of the AEG including the USA (AICPA, 1978; Schelluch, 1996; Frank et al., 2001; Almer and Brody, 2002), the UK (Holt and Moizer, 1990; Hatherly et al., 1991; Humphrey, 1991; ICAI, 1992; Sikka et al., 1992; Innes et al., 1997), Australia (Gay and Schelluch, 1993; Schelluch and Gay, 2006), Canada (CICA, 1978), Germany (Ruhnke and Schmidt, 2014), and New Zealand (Porter and Gowthorpe, 2004). Most have focused on establishing whether an AEG exists in the country where they study was conducted and identifying some of its contributing factors. It is also noted that institutional factors may have a significant effect on any expectations of auditors and the perception of their performance and, thus, on the extent and composition of the AEG. For instance, Poter (1993), in his empirical study of the AEG, believes that the definition of the gap as the gap between society's expectations of auditors and auditors' substandard performance, as perceived by society. This definition is also supported by Liggio (1974) in his research as the different sight between what the society names as auditors' responsibilities, and what auditors believe their responsibilities are.

Afterwards, many others investigated the existence of an AEG in emerging economies such as: Egypt (Dixon et al., 2006), Lebanon (Sidani and Olayan, 2007), Iran (Salehi, 2011), Bangladesh (Chowdhury and Innes, 1998; Chowdhury et al., 2005), Saudi Arabia (Haniffa and Hudaib, 2007), South Africa (Gloeck et al., 1994), Singapore (Best et al., 2001), and Nigeria (Adeyemi and Uadiale, 2011) have prevails other countries in terms of research for AEG as this topic was considered to an important issue for auditors particularly after a number of corporate failures (Jedidi and Chrystelle, 2009). It is assuming that the empirical studies that were conducted in the 1970s and 1980s by Lee (1970), Beck (1973), Arthur Andersen and Co (1974), Steen (1990), Porter (1991), Porter and Gowthorpe (2004), and Porter et al. (2012) demonstrate that the public still perceive the detection of fraud as the auditor's major concern; they still have inadequate knowledge of the depth of inspection necessary for an auditor to detect all instances of fraud and unlawful acts.

The present study aims to contribute on the current state of auditing in Libya by investigating whether an audit expectations gap exists in professional in the Libyan business environment. So, the principal research question of interest is: In the Libyan context, however, if such a gap does exist it might be presented as a result of different situations and beliefs? Indeed, the main task of this study is to investigate the extent of the AEG may exist between auditors and users of audited financial statements in terms of audit responsibility and reliability, liability, objective, duties in detecting and developing the external financial reports and external auditing, and irregularities in the Libyan business environment. In other word, it is related to the highlights problems attributable to the AEG and identifies possible topics for further research and to make suggestions and recommendations.

Our study should be of interest to both academics and emergent economies participants and contributes to the extant accounting literature in the following ways. In the first place, is to review the literature on the audit expectation gap along the following lines: definition of the expectation gap; identify the causes and the stereotypical nature of the audit expectation-performance gap in one of the emergent economies, namely Libya after interpreting and evaluating the results of previous research studies, with the aim of finding appropriate combinations; and ways to reduce the expectation gap. Second, Libya is among the emergent economies whose auditing profession has not been fully investigated or explored. The aim of this study is to bridge this academic gap by giving a deep insight into the Libyan emergence of the auditing profession and audit regulations. Third, most of the studies undertaken on the audit expectation gap have been carried out by applying the quantitative approach.

This study aims at bridging this gap by implementing the qualitative approach to support the quantitative approach and to cultivate confidence to cope with that variable, thus enriching and corroborating one another (Creswell & Plano Clark, 2007). In addition, the qualitative approach will deepen understanding of the expectation gap in an emerging economy. Fourth, the outcomes will be of interest to those concerned with developing the reliability of auditing in Libyan environment in the future, and the academic community, and it will contribute to improving the auditing profession and audit regulations. Finally, is to examine the effectiveness of the audit report communications in current unqualified audit reports used in the Libya context.

The study is based on the survey which presents the analysis of factors that form the different expectations between the society and auditors, and therefore the framework model of the audit expectation-performance gap proposed by Porter (1993), Porter and Gowthorpe (2004), and Porter et al. (2012). Thus, the findings, prescriptions and different courses of treatment proposed for one society in terms of the business environment that impact the nature, objective, potentials and restraints of auditing, may not be applicable or practical for another (Haniffa and Hudaib, 2007). Thus, it becomes vital to explore the perceptions of the stakeholders who are involved in the financial reporting in one of the emerging economies, specifically Libya.

The research findings are important to stakeholders in the financial reporting process, including auditors, the society, investors, accounting academics, creditors, and other parties involved in audit regulation and rule making which are still in the process of development. This is supported with some recommendations, based on the study findings, on ways in which the audit expectation-performance gap might be narrowed and the audit process to be more rigorous and the audit report to be more useful and understandable.

The rest of this paper is structured as follows. 1. Introduction, 2. Background of the study, 3. Empirical literature review, 4. Theoretical framework, 5. Research methodology, 6. Empirical analysis and discussion, and 7. Summary and conclusion.

2. Background of the study

A short history of the Libyan financial accounting and professional background of the auditors started in 1952 back to the era of Libyan liberation from the Italian occupation. Since in 1975, the Libyan Accountants and Auditors Association (LAAA) were established, since the Certified Public Accountant (CPA) system was introduced officially by Law (no.116/1973) (Masoud, 2014). During in 2006, (LAAA) declared the first draft of Libyan Accounting Standards (LASs) including 29 accounting standards based on (IASs) (Masoud, 2016), but not yet required officially and supplied its members with a standard audit report format. This is due to the Libyan audit context suffers from absence of national accounting principles and practices, auditing standards, and rules of professional conduct and ethics (Agbara, 2011) as there were no laws or regulations to ban Western accounting practices (Buzied, 1998) from the early 1970s to the present day (Masoud, 2016). As a result, Zakari and Menacere (2012) believe that the state of auditing in Libya is undeveloped; it is often difficult to incriminate the auditors' skills for corporate misconduct. As a matter of fact, auditors fail to voice their qualms about the position of affairs for fear of future retaliations for their statements (Masoud, 2016). Furthermore, Libya's audit market consists of large local auditors, small audit offices and Big-4 audit companies include: "Ernst and Young, PWC, KPMG and Deloitte" all have their offices in Tripoli.

It can be noted that the accounting profession in Libya seeking for further study and analysis, thus this study will be helpful in future studies, since it contributes to re-organising and promoting accounting and regulatory reform, which outlined numerous reasons that explain why the accounting and auditing profession in Libya is still regarded as one that does not have a high professional position. Some of these reasons embrace the failure of the LAAA in carrying out its theoretical role in promoting accounting and auditing. There are new issues that need to examine, particularly those that are caused by the unrestrained process of auditor employment and payment, dominance of public corporation, the absence of an active Libyan stock market, and the lack of knowledge among the Libyan society members concerning the accounting and auditing profession and the role it plays. Consequently, the present literature on the audit expectation gap will be considerably improved.

3. Empirical Litterateur Review

The growing literature on the AEG can be seen as an indicator that it is a significant problem, which needs additional research. The issue of "gap" between society's expectations of auditors and what auditors expect "or are perceived by society" to provide is not new. Certainly, extant literature suggests that, while the term AEG was not applied to the gap between society's "or financial statement users" and auditors' expectations of an audit until about 30 years ago, the existence of the gap was recognised more than 100 years ago, therefore, for the review of the empirical literature we intend to cover studies based on previous research. Libby (1979) investigates the issue of bankers' and auditors' perceptions. He finds that fears of miscommunication between auditors and users were perhaps unjustified. Porter and Gowthorpe (1999) investigate the 1,610 and select members of four groups; auditors, audit beneficiaries from inside, and from outside, the financial community in the UK, and 1,534 members of the same groups in NZ. They illustrate that the existence of performance gap and reasonableness gap in the UK and in NZ. The study also suggests various solutions to bridge this gap without investigating the possibility of experimenting with any of these solutions. Gay et al. (1997) investigate the existence of the AEG in Australia. A questionnaire was administered to 581 Australian auditors, 304 company secretaries/ accountants, and 495 shareholders. They find that users may have "unreasonable" expectations of auditors' responsibilities for irregularities. Also, a "deficient standards" gap may exist in relation to immaterial fraud. Ruhnke and Schmidt (2014) conclude that strategies, which are being adopted in order to reduce the expectation gap, might be impossible due to the fact that the environment of financial statements and social roles are in constant change and so is the need for audit change. The audit profession work towards strengthening their legitimacy, mainly by filling the public's interests, or at least accepting the excessive expectations.

Porter (1993) investigates the audit expectation performance gap. 1,698 questionnaires were sent to randomly selected members of interested groups, that is, those who are affected in some way by the work of external auditor. The results demonstrate that there exists AEG and the gap is as result of the following factors in various percentages levels. Deficiency in standard 50% unreasonable expectation auditors 34%, and perceived substandard performance by auditors 16%, perceived substandard performance by auditors 16%. The research provides new insights into the structure, composition and extent of the audit expectation-performance. It should be made cumbering with study by Humphrey et al. (1993) examine the AEG in the UK in 1990. Their research is, therefore, contemporaneous with Porter's (1993) study in NZ and consequently could, potentially, be comparable. In each case the research instrument was a detailed and, as a consequence, the detail of the survey instrument and groups of survey participants differed. The purpose of the Humphrey et al's (1993) study is state as being: "to provide direct evidence of comparative differences between the views of practicing auditors and those of the recipients of audit services". By contrast, the key objective of Porter's (1993) study and that of the research detailed in this report is to identify and analyses the nature, composition and extent of the audit expectation-performance gap. The general finding was the same, namely, that there was a wide "statistically significant" gap between the opinions of auditors and the beneficiaries of their services about various aspects of the audit function and auditors' responsibilities. Lee and Ali (2008) finding reveals that the existence of "knowledge gap" and "deficient performance gap" between auditors and corporate managers. To complement the findings of Lee et al. (2007) examine whether an expectation gap existed in Malaysia among the auditors, auditees and audit beneficiaries in relation to auditors' duties. It is assuming that the study analyzed the nature of the gap using Porter's framework. The results prove the existence of an AEG in Malaysia.

Mahadevas et al. (2008) investigate the existence of AEG and to find similarities and differences in responsibilities of AEG among auditors and investors between two countries, and the extent of the auditor responsibility. In India sample respondents chosen for the study were 300 auditors and 650 investors. In Iran sample respondents chosen for the study were 600 auditors, and 600 investors. It was found that wide AEGs in both the countries in the area of auditors' responsibilities exist. There was not much difference between the opinion of auditors as well as investors in both the countries. However, the study considers the gaps in general and did not consider the elements within. Chukwudumebi et al. (2012) find some factors contributing to this gap such as the responsibilities of external auditors, the extent to which audit reports are used in making investment decisions, and the massage of audit reports and the independence of external auditors.

However, the extent, or even existence of such a gap, is still vague and has not been investigate in many Arab countries (Sidani and Olayan, 2007). For instance, Al Otaibi (2003) examines communication through the unqualified audit report in Saudi Arabia and the usefulness of modifying the wording to the audit report. A questionnaire was administered to 90 auditors group, 58 the financial statement preparers of the Saudi corporations and financial statement user groups consisting of 60 individual investors, 20 financial analysts, 20 credit managers, and 20 institutional investors. He finds that the AEG mainly in relation to the responsibility and purpose audit factors, the extent of assurance given by auditors, the term present "fairly" and the extent of performed of auditors, in relation to the future viability factor, over the question of whether the unqualified audit report communicates management efficiency and whether the audited financial statements are useful in monitoring the performance of the entity. In addition, AEG exist regarding to disclose of additional information. Dixon et al. (2006) find that the existence of a wide AEG in Egypt in the area of auditors' responsibility and reliability of audit statements. However, the study considers the gaps in general and did not consider the elements within. Thus, consistent with the finding of Schellunch (1996), Best et al. (2001) and Fadzly and Ahmad (2004) that conform the reliability and usefulness of the audit and audited financial statement.

It could be argue that the AEG is acknowledged as a worldwide problem, for instance, in the US in 1988, new auditing standards that became known as the expectations gap standards were introduced as a response to the AEG issue. The AEG was also recognized in the UK and other developed and emerging countries. Consequently, in the Libya context, the potential for the development of an expectations gap arises due to: firstly, Libya is an emerging country and it is at a transition stage; as a result, auditing and audit professional needs to be research to meet users' need. Secondly, from 1992 onwards, there were sign an increasing number of private companies related to the company business. Thirdly, matching with the increase in a number of private companies the Big-4 accounting firms began to see a developing market in Libya and set up offices. Finally, international Accounting Standards were being adapted in the banking sector and Libyan stock market. Thus, similar to other emerging economics, the demand for audit was increasing. As a result, this study seeks to reduce this gap in the literature.

4. Theoretical Framework

This framework will highlight specific factors closely related to this occurrence of an AEG as related to the auditors' commitments and responsibilities, besides the understanding of unqualified audit report use in Libya. However, as the existing literature pointed out, the gap do not embrace the notion that auditors may not accomplish "expected performance" (Liggio, 1974) or what they "can and reasonably should" (Cohen Commission, 1978). Looking at the expectation gap from the point of view of a solvable problem, Porter (1991, 1993) argues that it is more proper to rephrase the expectation gap as: "the audit expectation performance gap". Adopting the title "audit expectation performance gap", she defined it as "the gap between society's expectations of auditors and auditors' performance, as perceived by society". She proposed that the gap comprises two major components, namely:

- **Reasonableness gap**: represented a gap between what society expects auditors to achieve and what they can reasonably be expected to accomplish "this coincides approximately with the Cohen Commission's definition of the gap".
- **Performance gap**: represented a gap between what society can reasonably expect auditors to accomplish and what society perceives they achieve. This component may be further subdivided into: (a) *the deficient standards gap*: represented a gap between the responsibilities that can reasonably be expected of auditors and auditors' existing responsibilities as defined by statute and case law, regulations and professional promulgations; and (b) *the deficient performance gap*: represented a gap

between the expected standard of performance of auditors' existing responsibilities and auditors' performance, as expected and perceived by society.

Additionally, the existence of the expectation gap is due to the shortage of regulations, and to the auditing and accounting standards being founded by the profession; i.e., where users rationally anticipate the auditors to call the users' attention to a special issue, but the profession does not want this since an inadequate standards gap exists. The structure of the audit expectation-performance gap is depicted (in Figs.1).

The model has been extensively in empirical studies used to test the audit expectation (or expectation-performance) gap that have been conducted in a wide range of countries, indicate that the gap is a matter of concern to the auditing profession in many parts of the world. With regard to the Libyan context, the financial statement user groups may have two types of expectation gap as defined by (CICA, 1988; Porter, 1991). Yet the most important questions have been raised which challenge the notion whether a clean audit report is even possible without knowing which accounting standards were used to prepare its financial statements, mainly because the auditor is seen as a 'watchdog' of the company. In order to guarantee stable and reliable attest function for the audit expectation (or expectation-performance) gap needs to set up national accounting and auditing standards to ensure governance over accounting and auditing practices in Libyan business environment.

5. Research methodology

5.1 Methodology

Survey method is the most common research technique on "the audit expectations gap" (Beasley, 1996), with minor modifications of Porter (1993), Porter and Gowthorpe (2004), and Porter et al. (2012) questionnaire survey employ in the current study of the needs to examine whether an audit expectation gap exists to the auditing profession in the case of Libya. Questionnaires, frequently define as a list of carefully structured questions (Collis and Hussey, 2003), are the most popular method for collecting data required (Oppenheim, 1992; Easterby-Smith et al., 2002; Collis and Hussey, 2003; Sekaran, 2003; Saunders, et al., 2007).

Furthermore, the questionnaire was originally produced in English, which is not an official language in Libya and is not widely spoken in the business sectors. Therefore, it was decided to translate the questionnaire into Arabic, the official language in Libya, to make it very clear for the respondents. It was pilot-tested amongst representative samples of the four broad interest groups including: auditors, auditees, and financial community and non- financial community audit beneficiaries (see Table 1) after they had completed the questionnaire. Their comments prompted minor modification to the wording of the survey instrument. The questionnaires were followed by 12 semi-structured interviews, interviewing by telephone with parties who were expected to be generally knowledgeable about financial reporting, written submissions to the commission, and meetings and consultations with parties who were expected to be well informed about financial reporting and auditing to gain an understanding of the existence of an audit expectation gap from five groups namely: company's managers (CM), financial statement prepares (FSP), general auditing bureau (GAB), regulators and policy makers (RPM), and shareholders and financial institutions (SFI). As the research data are categorical and normality of distribution cannot be assumed, non-parametric tests were used. The Wilcoxon-signed ranks test was used to test differences of opinion expressed by respondents within the interest groups and the Mann-Whitney test was used to test differences of opinion between the interest groups. In each case, a significance level of 0.05 was adopted.

According to Saunders et al. (2009) who argue that a sample size of 30 or more will usually result in a sampling distribution for the mean that is very close to a normal distribution. The sample (population) of this study consists of various interest groups' responses to the questionnaires were mailed to 988 respondents the respondents comprised auditors (145), auditees (320), and financial community (238) and non- financial community (285) audit beneficiaries for the study is delivered in Table 1. Although, the questions relating to the standard of auditors' performance and the responsibilities they should perform regarding to the responsibilities is an existing responsibility of auditors and how these responsibilities are. However, unreported the reliability of a measure in terms of its stability and consistency was tested through the parallel test and Cronbach's coefficient alpha and all the scales in the questionnaire were considered as reliable. According to Sekaran and Bougie (2010), the value of alpha level more than 0.60 will result in the instrument being reliable for the research study purposes. The sample (population) of this study consists of various groups in societies who are affected to a greater or lesser extent by the audit function, about the responsibilities of external financial statement auditors and how these responsibilities are discharged is presented (in Figs.2).

5.2 Data collection procedures

As mentioned previously, the main purpose of this study is to explore and offer a more inclusive analysis of the perceptions of the relevant groups on several pertinent auditing issues in the context of Libya. The data collected were analysed using both descriptive and inferential statistics to answer most the research questions. As may be seen from Table 1, a total of 988 questionnaires were distributed from which 431 questionnaires with usable responses were received from interest groups (auditors, auditees and audit beneficiaries). The overall usable response rate was 44%, ranging from 47% for the financial community audit beneficiaries to 41% for the auditors group. The general response rate over four groups was 47%, which is considered a good response rate compared to other studies conducted in the same area such as Humphrey et al. (1993) who conduct a partly similar study in the UK, where the response rate was 38.2%; Similarly, Porter and Gowthorpe (2004) study in both NZ and the UK, where the usable response rate was 33% in NZ, and 26% in UK respectively.

6. Empirical analysis and discussion

6.1. Main analysis

The analysis of the Libyan situation of the interest groups' responses indicate that each of the groups has a mark "knowledge gap" in respect of auditors' existing responsibilities and that this gap is particularly wide among audit beneficiaries. Table 2 reveals that the auditor group failed to recognise twelve of their existing duties (LY.03, LY.20, LY.09, LY.17, LY.13, LY.24, LY.01, LY.06, LY.04, LY.23, LY.10 and LY.19 , with means of 1.907, 1.985, 2.377, 2.392, 2.892, 3.201, 3.348, 4.212, 4.329, 4.439, 5.236 and 5.277, respectively), it should be note that the survey results are not statistically significant and therefore no generalise conclusions can be drawn about the opinion of the interest groups overall with respect to these duties. Interestingly, to failing to recognise six existing responsibilities relating to theft and other illegal acts rules, the auditor group failed to recognise as their existing duties LY.06, LY.10, LY.13, LY.19, LY.20 and LY.23. This knowledge gap does exist at both the users of financial statements and auditors themselves. This means that society may expect auditors to be responsible for more than it is indicated in the professional rules and standards which are used as a basis in audit engagement.

Additionally, the findings of the interviews indicate that the absence of national accounting and auditing standards, therefore, the laws and regulations in the audit environment prior to 2006 did not determine which accounting and auditing standards or principles should be applied by auditors or companies when prepare the financial report. In laws, for instance, like the commercial Law (2004) and/or the tax law require that the audit report be tackled; an opinion should be provided to the shareholders.

On the other hand, in respect of responsibility (LY.17, namely; reliability) it should be note that the auditors' responsibility were equally divided in their opinion as to whether this is, or is not, an existing responsibility (the mean of their responses is 2.392, which a result that is not statistically significant). This is similar to the finding of Porter (1993) and Porter and Gowthorpe (2004), where users of audit report on the reliability of information in the auditee's annual report to whether or not auditors should be required. Consequently, referring to Table 2, it is pertinent to note that sixteen out of twelve statements as motioned above were statistically significant and therefore, this signifies that the responsibility in group is, or should be (as applicable), as existing responsibility of auditors.

As the analysis of the interviews demonstrate that the objectives of auditing are not as clear to the financial statement users as they are to the auditors and the financial statement preparers. Additionally, respondents indicate during the interviews that the most of the auditors believe that it is not their responsibility to detect fraud or other illegal acts and that reporting is not one of the objectives of auditing which it is a wide gap in Libya. Alternatively, most of the financial statement users expect that the responsibility of the external auditor is to detect fraud and errors, and to protect the beneficiaries.

6.2 Empirical results

From an analysis of Table 3, it may be seen that the relative contribution of each of these responsibilities to the total of 11 of the 28 suggest “reasonableness gap” duties, 9 of the 28 suggest “deficient standards gap” duties and 8 of the 28 suggest “deficient performance gap” duties, respectively. This result is in line with that of Porter (1993) and Porter and Gowthorpe (2004), and Porter et al. (2012); they find that the auditors’ financial community and that of the public have inadequate knowledge regarding the auditors’ obligations and tasks. They referred to the difference in knowledge responsibilities between the auditors and user groups with respect to the auditors’ obligations and responsibilities as the ‘knowledge gap’. The results are consistent with these responsibilities, and arrives the same Porter’s conclusion, as confirm the presence of this ‘knowledge gap’ among the participants. This argument is apparent in this ‘knowledge gap’ to a certain degree would influence the sensibleness expectation by the users concerning the performance of the auditors. Further, in the framework for understanding and researching inadequate ‘knowledge gap’ regarding understand what is meant by knowledge of the audit process or what is its role in Libyan society group could be related to this area the lack of audit service quality due to the lack of the Libyan auditor’s characteristics including: qualification, experience, specialisation, and independence.

Conversely, interviews quotations may be used after results of more standardised measures. For instance, one of the auditors in the (RPM, 2016) states that: “*I think most the auditor and accountant association should get involved in drafting a law in which that controls the profession properly and stipulates a basic principle for practicing the profession, and therefore the auditor might identify additional or different their reports to the inspection or control*”. For more comments to support the study results one of the accountants Financial Statement Prepares (FSP, 2016) says, that: “*From my past experience, the audit report is still ambiguous and does not enforce unified criteria on all the activities whether they are international or national, this report will then become useless and the concerned auditors will lose their role*”.

The results conclude that the knowledge gap responsibilities should be issues-focus in Libyan society group; it may hinder the reputation of the Libyan audit profession and deter the Big-4 from entering the country. The findings are in line with the Michas (2010), who indicates that the external auditors in Libya who work for Big-4 company’s local offices are likely to have incentives through these companies to conduct higher quality audits. Thus, the multi-national companies have a global reputation institute and they are likely to use internal control procedures to ensure that audits undertaken in the company name maintain the global company reputation. In similar vein, as Lopez and Smith (2010) identify that there are differences in the perceptions of the auditors of Big-4 and non-Big-4 audit company’s due to their concerns over professional risk and potential litigation. Thus, international companies investing in Libya are more likely to use a Big-4 firm as they want to hold trust the reputation of the company and maintain the Libyan enterprise is operating and held to their investors’ home country expectations and international standards.

Furthermore, the findings of this research study suggest that the adoption of international accounting standard and auditing standards, or establishing of national audit regulations and standards of audit report, and the revision of the national laws to comply with the adopted regulations, should no longer be ignored by decision makers in Libyan authority, so that they become more understandable to all user groups, and the level of responsibility is more clearly communicated.

In the process of defining the audit expectation-performance gap on the basis of the model as may be seen from Figs.3 and evaluating the responses of the interest groups, and provides a basis for identifying measures to contribute to narrowing the audit expectation-performance gap in Libya business environment. The performance gap expected but not currently required of auditors, therefore, the deficient standards and deficient performance gaps constitute 49% and 15%, respectively, of the audit expectation-performance gap. Due to the fact that deficient standards can simply be reviewed and it is therefore relatively easier to reduce this component of the expectation-performance gap, the deficient standards component can be considered the most objective component. Even though, unreasonable expectations are subjective, it still constitutes a significant proportion of the expectations gap and cannot be ignored. The audit expectation-performance gap derives from society having unreasonable expectations of auditor's significant proportion 36% of the gap, as a result, the government, regulators, policy, IAS, LAAA rule and the public have demanded that companies be made further accountable and that they implement measures to secure responsible corporate governance in Libyan local community. Even though unreasonable expectations are subjective, auditors have been identified as potential key players in these areas and, as a consequence, society's expectations of auditors in these regards have increased significantly. This is similar to the finding of Porter (1993) analyses the total expectations gap into three separate components, namely sub-standard performance (16%), deficient standards (50%) and unreasonable expectations gap (34%). However, one interviewee explains that: "*I think that the users whether they are a state or an individual do not get benefit from the audit data. Our report is useless since the issues raised are outdated. Therefore, some of the budgets we audit are quite old. Thus, the reports issued by the Apparatus are futile*" (CM, 2016).

As mentioned previous, the study finds that the expectation gap in Libya is due to lack of standards and poor performance by auditors. Thus, as knowledge of the structure and composition of the expectation gap provides insight into how the gap may be narrowed, this making this study more valuable and original. Given that this gap and the reason behind the existence of the components of the gap were different from those in developed countries due to the difference regarding economic development, political environment, social factors, education conditions, and the cultural context, (for instance, Humphrey, 1991; Gramling et al., 1996; Schelluch, 1996; Best et al., 2001; Hussain, 2003; Haniffa and Hudaib, 2007; Ali et al., 2008). In this context, Retchie and Khorwatt (2007) argue that the auditing profession in Libya is influenced by the cultural values of family, tribe, and community. This gap may contribute to the education gap and deficient standards gap; for instance, Almalhuf (2009) in his study found over half of the aggregate responses believed that the accounting and auditing curriculum in the Libyan education system is not sufficient to train auditors. It could be argued that the phenomenon of "knowledge gap" for all interest groups, should be of concern to the auditing profession, that of the "society group" (i.e., all non-auditors) requests to be addressed with a number of urgency if the criticism on the part of auditors, and the loss in confidence in their work is to be stopped, if not reversed.

In the same context, another interviewee from general auditing bureau concludes that: "*This weakness is evident in the quantity and quality of laws applied in Libyan accountability*" (GAB, 2016). According to Lee (1970), who concludes that the responsibility for the interest groups' lack of knowledge about audit objectives lay with the "professional accountancy bodies who have failed in the past to make the business community aware of the exact nature of the company audit function through well-defined and publicised statements" (p.296).

6.3. Further analysis

Table 3 and Figs.3 also reveals that the "deficient performance gap", "deficient standards gap" and "unreasonable expectations gap" exist in relation to current auditing practice including the information in the audit report in the Libyan society. This finding is in line with the work of several other researchers (i.e., Lee and Ali (2008); Lee et al. (2010). Lee and Ali (2008), who find the existence of "knowledge gap" and "deficient performance gap" between auditors and corporate managers, and therefore, Lee et al. (2010) find existence of the performance gap "deficient performance" and responsibilities gap (reasonable and unreasonable expectations of auditors) uncovered. Clearly, the first concerns the "deficient performance gap", which more often *resulted* from complex laws and resolutions issued by the Libyan government enacted the LAAA and the absence of clear written audit process regulations. This situation has developed mainly due to the socialist philosophy has been adopted by the Libyan authority, in which may affect the institutional deficiency, and then the auditors fail to carrying updated with the most recent developments and challenges facing auditing and the audit profession.

The empirical results are consistent with Porter et al. (2009), who find some narrowing of the deficient performance gap in the UK between 1999 and 2008, compared with a slight widening of the gap in NZ. They suggest that this may reflect differences in the monitoring of auditors' performance in the two countries over the period and/or the greater publicity given to corporate and financial issues with audit implications in the UK (Porter et al., 2012). Second, this result would contribute to "deficient standards gap" that exists in Libya referred to the areas of accounting policies use in the financial statements of the audit report and the scope of regulation due to the weakness of the law related to the audit report, and the shortage of qualified and experienced auditors.

It concludes that the gap exists between companies' shareholders and other stakeholders' groups in which do not have unless otherwise *clear* understanding of the auditing regulations of those responsibilities. The empirical results are consistent with the view that the majority of these reasonably expected, but not required, responsibilities of auditors involve reporting to an appropriate authority and/or in the auditor's report matters that are within the auditor's knowledge (Porter et al. (2012), it is also pertinent to note that most of the responsibilities constituting the deficient standards gap in both the UK and NZ, in which concern matters that are routinely reported by auditors to the auditee's directors (or audit committee). Third, the finding of empirical result shown that the shareholders and other stakeholders hold *unreasonable* expectation toward the audit function arises from a lack of social and auditors' role and responsibility in accounting.

The empirical results reflect the perceptions of the knowledge of users within a relatively unregulated audit market in Libya. Moreover, the results are consistent with those of Gray and Manson (2008), who argue that the "audit expectation gap" and corporate governance literature came to the conclusion that an *unreasonable* expectation gap may close, depending upon the sophistication level of society. The results are also consistent with the argument that at least gap arises from a lack of social society does not understand auditors' responsibilities or their function, and has unreasonable expectations of them as mentioned by Porter et al. (2009). Further, it appears that knowledge of auditors' responsibilities improved over the decade but, nevertheless, *unreasonable* expectations of auditors increased markedly (Porter et al., 2012). However, one interviewee explained that: "*Thus, the role of the stock market is still limited to ensuring the adoption and validity since the incorrect information brings the financial catastrophe if promulgated in the market*" (SFI, 2016).

6.3 Discussion

Given the interesting finding, the evidence of auditors' existing responsibilities an expectation gap is the failure the auditor group in Libya to recognise as their existing responsibilities. The empirical results are consistent with the view that the auditor respondents' misinterpretations of the expectations of financial reports or audit statements of these responsibilities as expressed in the survey questionnaire; this finding is in line with the work of several other researchers (e.g. Liggio, 1974, Schelluch, 1996; Best et al., 2001; Fadzly and Ahmad, 2004; Ahmad and Gao, 2004). Nevertheless, they do not coincide with the results of Mahadevaswamy (2008), who finds that wide audit expectation gaps in both the India and Iran countries in the area of auditors' responsibilities exist.

However, the results are inconsistent with those who reflect an existing responsibility of auditors in the UK which does not apply in NZ (Porter, 2009). Furthermore, (AICPA, 1993), who argues that "*the difference between what the public and financial statement users believe auditors are responsible for and what auditors themselves believe their responsibilities are"* (p. iii). Although, it can be concluded that the existing responsibilities is due to the lack of knowledge about the regulate, illegal acts and auditing practices in Libya which reveal by the profession; i.e., directors/senior management which directly impact on the dependability of the company's financial statements, and about the audit process; and in such cases, to disclose in the audit report fraud of the company management dismisses the auditor and appoints another one who executes the management's orders.

In addition, the profession's continuing attempts to avoid fraud detection responsibility were motivated to protect its self-interest in order to deflect public force and reduce auditor's legal responsibility (O'Sullivan, 1993; Tidewell and Abrams, 1996). This means that the effectiveness of audit report communications became a vehicle for educating financial statement users in the different countries have different instruments according to which expect from an auditor or the auditing process, and explanatory paragraphs about the responsibilities of management (or the directors, and what the auditor realises as the objectives of auditing. However, this then resulted in concerns being raised by providing the report such theft to the company's management that is generally where their responsibility ends (Porter, 1990).

We assume that LAAAs' perceptions of adopted international standards are taking corrective action to narrow the audit expectation-performance gap more effectively; this making the research contributes in an important way towards identifying ways in which auditors' reports might be made more valuable and original to financial statement users, and other interested parties in society (Porter et al., 2009). The empirical results are consistent with that developing the professional body will also enhance accounting and audit education to be a potential tool for reducing the reasonableness gap. Porter *et al*. (2009) who suggests that the educational intent of the standard long form audit report has made little, if any, difference to society's understanding of the audit function or auditors' responsibilities of the research investigating the audit expectation gap in the UK and NZ in 2008, and changes in the gap since 1989 in NZ and 1999 in the UK. The finding results also are consistent with the view that *strict* liability rules may also provide *incentives* for strategic behavior including official sanctions and commercial courts and disciplinary referrals, in which play a major role in regulating the audit profession and accountability related to society (e.g. Favere-Marchesi, 2000; Tahinakis and Mylonakis, 2005), this specified role has been further changed into agent of social control as a result of transformations that have rendered auditing a matter of status rather than that of contract (Gilling,1978).

However, the results reflect the perceptions of users within a relatively unregulated attributed to the audit function by diverse users, and they do express the need for legal incentives in Libya. This means that a consensus exists among the majority of users across countries, that legal incentives seems to rest the auditing profession to accept extended responsibilities in its legal liability protect auditor independence to the potential benefits to be gained by better meeting society's expectations as well as the other shareholders' interests. The results are consistent with the acceptance of the long-term audit report helped in minimizing the audit expectation gap (Schelluch, 1996). Thus, in line with the interviews findings that the deficiency of the laws and regulations during early 2005 and late 2006 related to the auditing standards and national accounting did not determine which accounting and auditing standards or principles should be applied by auditors or companies when prepare the financial report, making difficulties in comparability of their financial reports by users, they conclude that these difficulties could be sorted out by adopting IAS accounting report systems and guidance in the country. Thus, it can conclude that there is a huge gap existing pertaining to the perceptions of policy makers' regulators may produce insights that are not revealed by other users of financial statements and auditing standards.

The findings of the study provide insight into society's expectations of auditors related to the affected by socio-cultural relationships exist between overall groups. The results are consistent with the proposition that national culture impacts on the auditor and accounting profession across countries or regions (Rutledge et al., 2003; Ritchie and Khorwatt, 2007). Moreover, the results are consistent with those of prior studies conducted in two studies such as Lin and Chen (2004) in the People's Republic of China; and Haniffa and Hudaih (2007) in Saudi Arabia indicate that society's expectations of auditors and its perceptions of their performance may have a significantly effect by institutional and cultural factors and, thus, on the extent and composition of the audit expectation gap. Thus, in line with the general finding between countries, underlying reasons behind the existence of the works of the expectation-performance gap were different from those countries due to the difference in accounting and education conditions, and the cultural factors and other interested parties in society (i.e., Humphrey, 1991; Gramling et al., 1996; Schelluch, 1996; Best et al., 2001; Hussain, 2003; Ali *et al*., 2008). The findings of a study by Haniffa and Hudaih (2007) indicate that a similar conclusion may be reached in respect of cultural factors.

Further, it appears that society's knowledge of auditors' responsibilities improved over the decade or so but, nevertheless, the findings of Porter's (1993) and Porter and Gowthorpe's (2004) research indicate that the gap results from three main causes are: (1) society having unreasonable expectations of auditors, (2) auditors not meeting society's reasonable expectations of them, (3) and society being dissatisfied with the standard of auditor's performance of a few of the responsibilities they are required to perform by law, regulations or professional promulgations.

The findings reveal the weakness of the application of international accounting auditing standards (IAAS), and the presence of the audit expectation gap. This gap exists between companies' shareholders and other stakeholders on one side, and the auditors on the other side. The results are consistent with the findings that the audit expectation gap has been investigated mostly in developed countries with established accounting practices and knowledge, but in many Arab countries still unclear and has not been investigated well (Sidani and Olayan, 2007). Nor are they in line with those who conclude that the present auditing tasks and responsibilities cannot meet the shareholders and other stakeholder's prospects, reflected on the existence of an audit expectation gap (Gay et al., 1998; Frank et al., 2001; Fadzly and Ahmad, 2004; Porter and Gowthorpe, 2004; Dixon et al., 2006; Porter et al., 2009). This finding may result from the perceptions of the stakeholders anticipate that the auditor should carrying out the auditing procedures, but there is problem arises from the shareholders and other stakeholders' over-expectation concerning the auditor's obligations and responsibilities.

However, the result of discussions with leading auditing practitioners from Big-4 companies and representatives in Libya suggests that auditor is affected when audit services are performed by undersized audit office in terms of the audit company's size. Therefore, the results are consistent with those of other researchers (e.g. Shockley, 1981; Gul, 1991; Awadallah, 2006), who argue that large audit firms are perceived to be more influential than one of the Big-4 audit companies. This finding possibly reflects the fact that the users believe that large auditing companies possess need professional background and skills to write auditing reports, which means users of financial statement are going to increase in the annual report.

7. Summary and conclusion

The objective of this study is to investigate whether an audit expectations gap exists in professional in the Libyan business environment in more depth in an emerging economy than previous works by scholars such as Gramling et al. (1996), Hussain (2003), Al Otaibi (2003), Fadzly and Ahmad (2004), Chowdhury et al. (2005) Dixon et al. (2006), Lee et al. (2007), Noghondari and Foong (2009), Omane-Antwi (2009), and Agyei et al. (2013) in relation to the gap between what society expects of auditors and its perception of their performance, is therefore of great importance to the auditing profession. Specifically, the framework model of the audit expectation-performance gap proposed by Porter (1993) and Porter and Gowthorpe (2004), and Porter *et al*. (2012), is adopted with minor modifications according to auditing standards and auditing profession in Libya. Using a combination of mail questionnaires and semi-structured interviews, the study reveals the interest groups' responses to the questions relating to the standard of auditors' performance and the responsibilities they should perform. This study contributes in an important way towards narrowing the audit expectation gap and identifying ways in which auditor's reports can be made more informative and valuable to those who understand it.

The survey results shown that the performance gap expected but not currently required of auditors, therefore, the deficient standards and deficient performance gaps constitute 49% and 15%, respectively, of the audit expectation-performance gap. The audit expectation-performance gap derives from society having unreasonable expectations of auditor's significant proportion 36% of the gap, as a result, the government, regulators, policy, IAS, LAAA rule and the public have demanded that companies be made further accountable and that they implement measures to secure responsible corporate governance in Libyan local community. This is similar to the finding of Porter (1993) analyses the total expectations gap into three separate components, namely deficient standards (50%) standard performance (16%), and unreasonable expectations gap (34%). Consequently, the wording of the Libyan audit report does not plainly communicate such a responsibility. These findings present a serious picture for Libyan business environment professional accounting bodies (Libyan Accounting and Auditing Association). As regards Porter's et al study (2012) perceiving the expectation gap and its elements, it can be concluded that a significant "unreasonable", "deficient standards" and "deficient performance" gap is the case for Libyan society.

The interviews reveal that accounting regulators in Libya do not adequately inform stakeholders about the reasonable expectations of auditors in relation to what they actually do compared to what society expects from auditors. This result is due to the absence of rules which in turn arises due to the deficient standards gap. A further finding that auditors in Libya know what they are expected to do but do not do it?, and therefore, the lack of society's knowledge may create problems for the minority auditors' responsibilities, which does not directly contribute to the audit expectation-performance gap, society's judgment of auditors' performance determines the gap's 'deficient performance' component.

It is hoped that the implications of this study would benefit the accounting and audit profession in Libya; especially with regard to the development of accounting and auditing framework and a code of ethic in the country. The Libyan regulators, policy-makers and politicians should take serious action to regulate the audit profession and bring it more effectively into line with the international accounting and auditing. For instance, the LAAA should clarify the role of the external auditor to aid stakeholder groups, by adopting international auditing standards, as developed countries have done. While these results are limited, similar to previous studies by Porter (1993) and Porter and Gowthorpe (2004), and Porter et al. (2012), they do indicate that reasonably well educational tool, and financial statement users' which are not/no longer affected by the form of the audit report.

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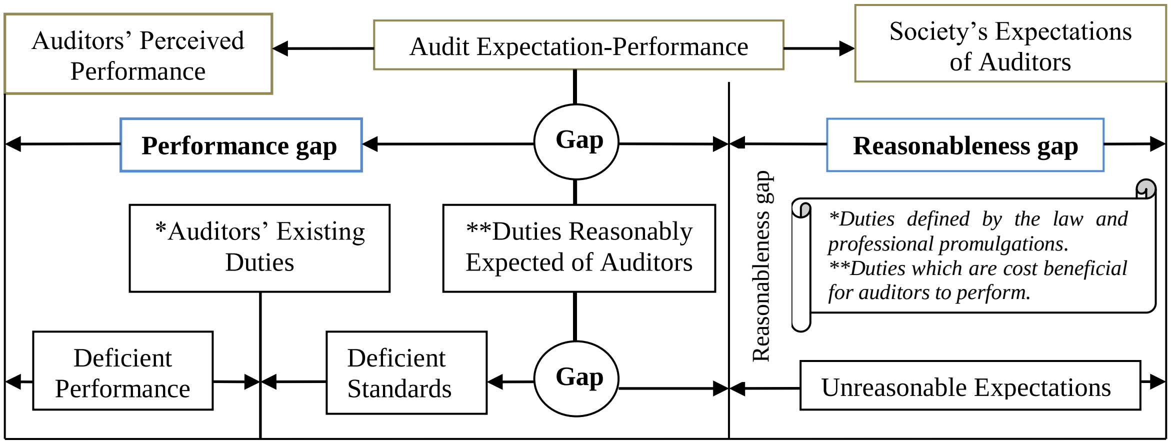


Fig. 1. Structure of the audit expectation-performance gap.
Source: Adapted from Porter (1993, p.50).

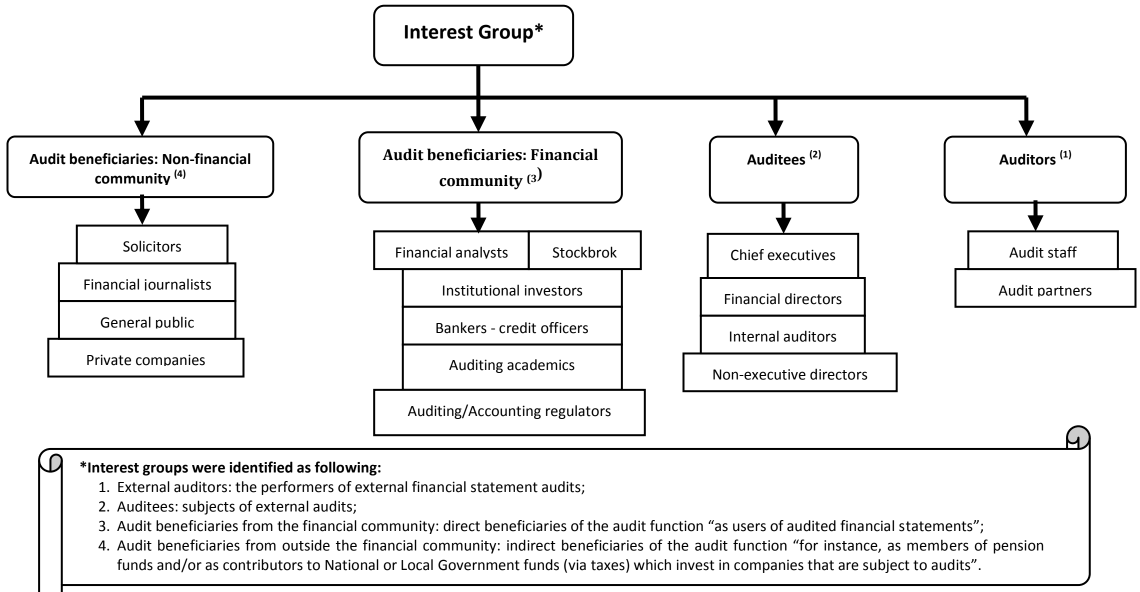
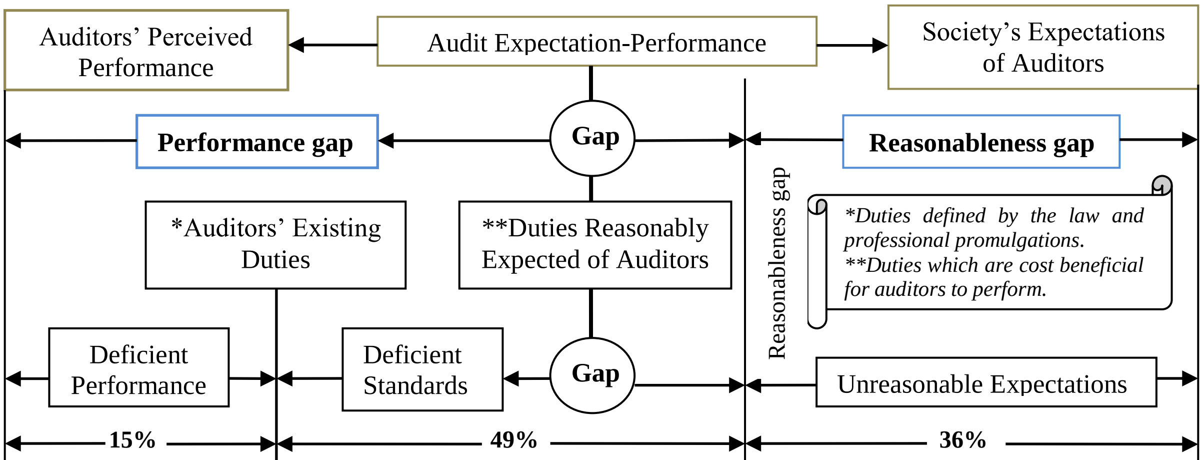


Fig. 2. Sample groups.



Deficient Performance

Duty	Response %	Contrib. %
LY.14	24	16
LY.28	22	11
LY.10	20	12
LY.17	14	13
LY.20	15	12
LY.23	16	14
LY.09	15	12
LY.07	14	10
Total	**140**	**100**

Deficient Standards

Duty	Response %	Contrib. %
LY.06	55	14
LY.16	60	11
LY.19	70	12
LY.24	52	12
LY.22	60	11
LY.25	47	12
LY.26	45	11
LY.27	40	9
LY.18	32	8
Total	461	100

Unreasonableness Expectations

Duty	Response %	Contrib. %
LY.03	53	13
LY.04	40	9
LY.05	38	10
LY.08	28	8
LY.11	30	12
LY.01	31	10
LY.12	22	7
LY.02	19	9
LY.13	27	8
LY.15	22	6
LY.21	31	8
Total	341	100

Fig. 3. Knowledge of audit expectation-performance gap. SPSS output; Summary of Table 3.

Table 1.
Groups included in the usable survey distribution and response rates.

Survey Interest Group			Survey No.	Usable Resp. No.	% of Usable Resp. Rate
Auditors		Audit partners	65	22	34
		Audit staff	80	38	48
		Total	**145**	**60**	**41**
Auditees		Chief executives	80	28	35
		Financial directors	80	39	49
		Non-executive directors	80	29	36
		Internal auditors	80	45	56
		Total	**320**	**141**	**44**
Audit beneficiaries	**Financial community**	Stockbrokers	80	27	34
		Financial analysts / Institutional investors	45	23	51
		Bankers – credit officers	80	44	55
		Auditing academics	15	7	47
		Auditing/Accounting regulators	18	12	67
		Total	**238**	**112**	**47**
	Non-financial community	Solicitors	80	30	38
		Financial journalists	30	11	37
		General public	100	55	55
		Private companies	75	29	39
		Total	**285**	**123**	**43**
	Combined Totals		**988**	**431**	**44**

Source: Data and Summary Statistical Analysis 2016.

Table 2.
Means of AEG in terms of responsibility.

Resp No.	Interest Groups	Mean (St. dev) responses						GAP
		Overall Interest Groups	Auditors	Auditees	Audit Beneficiaries		Overall Users	
					Financial Community	Non-Financial community		
	No. of respondents in group	431	60	141	112	123	235	
LY.01	Auditors should ensure that audited financial statements comply with International Accounting Standards	3.348	3.501 (1.291)	3.287 (1.453)	2.401 (1.211)	3.029 (1.542)	2.224 (1.320)	NO
LY.02	Guarantee the auditee company is solvent	2.734	3.189 (2.390)	2.755 (1.766)	1.785* (0.723)	2.722 (1.117)	2.269* (1.429)	Yes
LY.03	Guarantee audited financial statements are accurate	1.907	1.782 (0.700)	1.548 (0.556)	2.197 (1.069)	1.661 (0.804)	1.892 (0.902)	NO
LY.04	Prepare auditee's financial statements	4.329	4.072 (1.779)	4.220 (1.409)	4.605 (1.206)	4.300 (1.441)	4.655 (1.278)	NO
LY.05	Auditors should ensure that audited financial statements comply with the tax law	3.892	3.648 (1.803)	2.520 (1.311)	2.428 (1.298)	2.550 (1.447)	2.614* (1.352)	Yes
LY.06	Report to a regulatory authority doubts about the company's continued existence	4.212	4.112 (1.750)	3.710 (1.379)	3.515 (1.331)	3.312 (1.460)	3.495 (1.358)	NO
LY.07	Express doubts in the audit report about the company's continued existence	3.355	3.494 (1.622)	2.201 (1.330)	2.490 (1.292)	2.562 (1.317)	2.483* (1.264)	Yes
LY.08	Auditors should ensure that audited financial statements comply with the LAAA rule	3.380	2.728 (1.140)	2.696 (1.668)	3.847 (1.586)	3.319 (1.502)	3.623* (1.559)	Yes
LY.09	Disclose in the audit report misappropriation of company assets by company directors/senior management	2.377	2.290 (1.282)	2.182 (1.065)	3.027* (1.607)	1.849 (0.690)	2.439 (1.355)	NO
LY.10	Detect theft of auditee's assets by company directors/senior management	5.236	5.340 (1.078)	5.295 (0.902)	5.214 (0.803)	5.192 (0.571)	5.317 (0.998)	NO
LY.11	Auditors should ensure that audited financial statements comply with the Commercial Code	3.342	3.629 (1.733)	2.172 (1.241)	2.478* (1.358)	2.610 (1.257)	2.544* (1.312)	Yes
LY.12	Consider and report on the auditee's report impact on its local community	2.499	2.155 (1.293)	2.785 (1.371)	3.189* (1.853)	2.245 (1.289)	2.982* (1.652)	Yes
LY.13	Report to a regulatory authority theft of corporate assets by non-managerial employees	2.892	2.362 (1.283)	2.127 (1.802)	2.471 (1.353)	1.869 (0.712)	2.144 (1.198)	NO
LY.14	Examine & report (in the audit report) on the efficiency and effectiveness of auditee's management	4.195	3.581 (2.372)	5.090* (1.512)	4.358 (1.596)	4.298 (1.521)	4.703* (1.600)	Yes
LY.15	Disclose in the audit report theft of corporate assets by non-managerial employees	3.398	3.695 (1.787)	2.536* (1.397)	2.550* (1.408)	2.672* (1.293)	2.593* (1.345)	Yes
LY.16	Disclose in the audit report theft of material amount of auditee's assets by non-managerial employees	2.680	2.227 (1.290)	3.182* (1.875)	2.780 (1.390)	2.794 (1.407)	2.984* (1.640)	Yes
LY.17	Examine and report on the reliability of information in the auditee's entire annual report	2.392	2.287 (1.259)	3.088* (1.662)	2.203 (1.072)	1.855 (0.687)	2.428 (1.349)	NO
LY.18	Report to a regulatory authority misappropriation of company's assets by company directors/ senior management	2.480	2.136 (1.279)	2.188 (1.850)	3.319 (1.485)	2.766 (1.373)	2.978* (1.644)	Yes
LY.19	Report to a regulatory authority deliberate distortion of financial information	5.277	5.341 (1.059)	5.264 (0.821)	5.233 (0.692)	5.281 (0.789)	5.260 (0.781)	NO
LY.20	Detect illegal acts by auditee's officials which directly affect the company's accounts	1.985	2.202 (1.055)	1.891 (0.838)	1.632 (0.670)	1.906 (0.892)	1.919 (1.068)	NO
LY.21	Detect illegal acts by auditee's which do not directly affect the company's accounts	4.843	3.879 (2.055)	4.976 (1.304)	4.740 (1.207)	4.722* (1.469)	4.448* (1.620)	Yes
LY.22	Report to a regulatory authority illegal acts uncovered in the company	3.180	2.744 (1.151)	3.331 (1.482)	3.859 (1.611)	3.870 (1.648)	3.588* (1.569)	Yes
LY.23	Disclose in the audit report illegal acts which directly affect the company's account	4.439	4.080 (1.813)	4.506 (1.544)	4.735 (1.195)	4.606 (1.290)	4.396 (1.314)	NO
LY.24	Examine and report on the fairness of financial forecasts	3.201	3.397 (1.781)	3.169 (1.262)	2.990 (0.824)	3.012 (1.052)	3.166 (1.241)	NO
LY.25	Examine and report on the company's internal controls	2.379	2.322 (1.265)	2.441 (1.370)	2.480 (1.351)	2.770 (0.699)	3.034* (1.568)	Yes
LY.26	Audited published half-yearly company reports	3.336	3.385 (1.512)	3.858* (1.596)	3.295 (1.522)	2.669 (1.196)	3.623* (1.593)	Yes
LY.27	Report to a regulatory authority suspicious of fraud	2.422	1.800 (0.699)	2.450 (1.339)	2.470 (1.348)	2.315 (1.268)	3.019* (1.548)	Yes
LY.28	Report to a regulatory authority misappropriation of company's assets by company directors/senior management	3.401	2.962 (1.316)	3.643* (1.587)	3.329 (1.488)	3.319 (1.460)	3.856* (1.618)	Yes

Notes: (1) The data collected is analyzed using a five-point likert type scale anchored by a five scale from "strongly disagrees" to "strongly agree". Neutral view to each question is indicated by the score of 3. (2)* Significance level at $p \le 0.05$.

Table 3.
Knowledge of responsibilities to components of the audit expectation-performance gap.

Resp No.	Suggested Duties of Auditors responsibilities	Mean Responses	Deficient Performance Gap duties	Deficient Standards Gap duties	Reasonableness Gap Duties	Contrib. of Responsibilities
LY.01	Auditors should ensure that audited financial statements comply with International Accounting Standards	3.348	-	-	31	10
LY.02	Guarantee the auditee company is solvent	2.734	-	-	19	9
LY.03	Guarantee audited financial statements are accurate	1.907	-	-	53	13
LY.04	Prepare auditee's financial statements	4.329	-	-	40	9
LY.05	Auditors should ensure that audited financial statements comply with the tax law	3.892	-	-	38	10
LY.06	Report to a regulatory authority doubts about the company's continued existence	4.212	-	55	-	14
LY.07	Express doubts in the audit report about the company's continued existence	3.355	14	-	-	10
LY.08	Auditors should ensure that audited financial statements comply with the LAAA rule	3.380	-	-	28	8
LY.09	Disclose in the audit report misappropriation of company assets by company directors/senior management	2.377	15	-	-	12
LY.10	Detect theft of auditee's assets by company directors/senior management	5.236	20	-	-	12
LY.11	Auditors should ensure that audited financial statements comply with the Commercial Code	3.342	-	-	30	12
LY.12	Consider and report on the auditee's report impact on its local community	2.499	-	-	22	7
LY.13	Report to a regulatory authority theft of corporate assets by non-managerial employees	2.892	-	-	27	8
LY.14	Examine & report (in the audit report) on the efficiency and effectiveness of auditee's management	4.195	24	-	-	16
LY.15	Disclose in the audit report theft of corporate assets by non-managerial employees	3.398	-	-	22	6
LY.16	Disclose in the audit report theft of material amount of auditee's assets by non-managerial employees	2.680	-	60	-	11
LY.17	Examine and report on the reliability of information in the auditee's entire annual report	2.392	14	-	-	13
LY.18	Report to a regulatory authority misappropriation of company's assets by company directors/ senior management	2.480	-	32	-	8
LY.19	Report to a regulatory authority deliberate distortion of financial information	5.277	-	70	-	12
LY.20	Detect illegal acts by auditee's officials which directly affect the company's accounts	1.985	15	-	-	12
LY.21	Detect illegal acts by auditee's which do not directly affect the company's accounts	4.843	-	-	31	8
LY.22	Report to a regulatory authority illegal acts uncovered in the company	3.180	-	60	-	11
LY.23	Disclose in the audit report illegal acts which directly affect the company's account	4.439	16	-	-	14
LY.24	Examine and report on the fairness of financial forecasts	3.201	-	52	-	12
LY.25	Examine and report on the company's internal controls	2.379	-	47	-	12
LY.26	Audited published half-yearly company reports	3.336	-	45	-	11
LY.27	Report to a regulatory authority suspicious of fraud	2.422	-	40	-	9
LY.28	Report to a regulatory authority misappropriation of company's assets by company directors/senior management	3.401	22	-	-	11
Total knowledge gap of responsibilities*			**8**	**9**	**11**	**28**
Measure of unfulfilled expectations attaching to component			**15%**	**49%**	**36%**	**100%**
Proportion of expectation-performance gap			**140**	**461**	**341**	**300**

Note: *the knowledge gap of 'the society group' (that is, all non-auditors) is relevant to the 'reasonableness gap' component of the audit expectation performance gap, it does not constitute a component of the gap.