

An Analytical Study on the Methods of Narrowing the Expectations Gap in the Auditing

¹Alfadhli, Marwan Ibrahim, ²AbouQelah Rahma Ali,

³Khaled Abed-Alwahed Boshnaf

¹Finance department, Public Administration, Elmerqib University

²Accounting department, Libyan Academy, Tripoli, Libya

³Faculty of Economics, University of Mohammed bin Ali Sanoussi, Al Bayda, Libya

**Corresponding Author: AbouQelah Rahma Ali*

ABSTRACT:-This research aims at identifying the reasons for the difference between the financial auditor and what is expected of him by the users of the results of his work or the community while preserving the assets of audit work in terms of economic, financial, accounting, legal and administrative. The researchers adopted on books, scientific journals and previous studies in order to achieve the theoretical side. A questionnaire was used to collect data and information for the formulation of research results. The research found that the reasons for this gap and this lack is the lack of clarity of the role of references and confusion between concepts, such as confusion between management and auditing in particular and shortcomings in the qualification of references and shortcomings in the role of organizations professional related. In general, the results of the research indicate that the practical and practical preparation of the auditor and ensuring its independence and transparency and the follow-up of the relevant organizations to develop it and its role in the organizations or accounting institutions will lead to a satisfactory convergence between the auditor and reasonable expectations of the users of the reports or financial statements. The auditor's ultimate objective is to ensure the correctness and integrity of the documentation and recording of the financial statements.

Keywords: analytical, methods, narrowing, expectations, gap, Auditing.

I. INTRODUCTION

The forecast gap in the audit is one of the most important issues facing the audit profession, which has a significant impact on the confidence of the users of the financial statements in the performance and audit reports (Abirat&Khalidi, 2013). The expectations gap in the review means the size of the difference between the auditor's report and the expectations of the users of the financial statements about what they need from the auditor and what is currently being presented to them by the auditor (Nasr &Shehata, 2005). It is known that there are three main parties involved in the audit services: external auditor, establishments where the auditor is employed, and users of audit reports. The auditor is always the main culprit when financial crises occur (Mazini, 2015).

Thus, these users may have certain expectations of the audit process beyond the target of the audit itself leading to misunderstandings that in turn lead to the emergence of the expectations gap (Noor; left; &Bashira, 2014). The gap of expectations is the most complex phenomena experienced by most countries until the developed ones, and the existence of this gap continues as long as there is a difference between the parties to the audit process, and must identify the manifestations and causes so that can be diagnosed and seek to narrow them.

Research problem

Many of the criticisms of the audit profession have been criticized, including the so-called gap in expectations. Since this gap cannot be ignored or considered ineffective in the audit profession, or the claim that the society's expectations are unrealistic or that the criticisms are unfair, (Key, 2003, p. 55). The above research problem is an analytical study of the methods of narrowing the gap in expectations and includes the following question:

- What is the reality of the expectations gap in Libya? What causes it? What are the necessary methods and practical measures to narrow this gap?

Research importance

The importance of research is: Studying the gap in expectations and identifying its causes will narrow this gap and thus help to reduce criticisms of the auditing profession. Moreover, The study of the expectations

gap helps to raise the performance of the audit profession and thus will rise to the aspirations of the community to achieve public welfare.

Research objectives

This research aims to:

- i. Studying the expectations gap in Libya.
- ii. Study the factors affecting the expectations gap in Libya.
- iii. Study the causes of the expectations gap in Libya and put some solutions to narrow this gap.

Limits and scope of research

This research is limited to the audited industrial companies as well as the auditing firms that audit these companies.

II. PREVIOUS STUDIES

Study of Khalil Hani Mohammed, this study was presented in (2009), entitled *The Effect of Corporate Governance on the Expectancy Gap in the Auditing Profession in Palestine*. The study focused on narrowing the expectations gap in the audit profession environment by understanding the impact of the application of corporate governance in Palestine, this study aims to identify the influential relationships between the auditors and the users of the financial statements in applying the principles of corporate governance in Palestine to the expectations gap. Among the most important findings of the study is that the expectations gap in the audit profession is affected by varying percentages by applying the principles of corporate governance, Its application to achieve a positive and appropriate measure of confidence and trust among investors and decision-makers based on the financial reports prepared in accordance with the principles of corporate governance.

Study of Suli, Linde (2014). The study examined the gap between the external auditor and the users of the financial statements and the impact of the quality of the audit on narrowing it. The objective of the researcher in this study is (2014) Analysis of the impact of audit quality in narrowing this gap in the audit environment and determining the impact of audit quality and the validity of the study hypotheses that test the impact on narrowing the gap of expectations. The most important findings of the researcher that professional organizations have an important role in the rehabilitation, improve the level of performance and the development of laws required audit firms to audit supervision and the imposition of sanctions in case of violation of the required quality standards and the Audit Committee's role in monitoring financial reporting processes and support the independence of the review process to reduce the expectations gap, which is also generated due to the lack of professionalism.

Study of alqudah, Mohamed, (2013). In this study, the researcher addressed a problem related to the performance and independence of the external auditor and its role in narrowing the gap between expectations among the investment units in Jordanian banks And the role of the internal control system in narrowing it. The study aimed to study the concept and means of narrowing the gap between the expectations of the investment units in Jordanian banks and the auditors. The researcher reached important results in this study that the external auditor's performance in narrowing the gap for the expectations between the units of investment in Jordanian banks and the auditor depends on the factors according to the view of the manager of the investment unit and the external auditor.

Yusuf, Islam, (2011). The study of the effect of the recent changes in the business environment on the expectations gap in the review on the decision of investors and on the impact of the recent changes in the business environment. The study aimed at examining the impact and relationship that the gap in the expectations on the stock market has limited, and narrowing this gap and addressing the effects it has caused to raise the efficiency of the stock market. The most important results achieved through this study are the best Ways to narrow the expectations gap in the review address the reasons that led to the lack of professionalism, unreasonableness and ineffectiveness of communication and lack of financial reports and lack of legislation and work to be independent auditor to narrow the gap expectations.

III. METHODOLOGY AND TOOLS

The research methodology is based on the inductive method based on the theoretical study, which in turn relies on the references of books, periodicals, scientific journals and newspapers in order to achieve the theoretical side of the research. The researchers used questionnaire form in collecting information and data related to the research variables and analyzing these data and information in the form of percentages and repetitions in order to formulate the search results.

Community and Sample Search

For the nature of the research type, which is the study of narrowing the expectations gap in the review, the research community was a group of auditors (audit firms) and a group of companies and the research was a sample of both five offices and five companies.

Data collection

The researchers adopted a questionnaire that included the following points:

- i. Means of communication with users of financial statements
- ii. Expand the auditors' responsibilities, independence and professional attention to complete the audit process.
- iii. The reasons for this gap and how to narrow it.

Data analysis

Reasons for gap expectations

Table (1) Reasons for the existence of the expectations gap in the audit

The forecast gap in the audit is due to:	Ratio of Auditors		ratio of companies		Percentage
	Number	Percentage	Number	Percentage	
Insufficient or inadequate audit standards	1	20%	-	-	10%
Insufficient or inadequate auditor performance standards	-	-	4	80%	40%
Both	4	80%	1	20%	50%

It is noted from the above table that 10% of respondents' responses (one audit office) suggest that the expectations gap is due to insufficient or inadequate audit standards, and 40% of respondents' responses (4 companies) indicate that the audit gap is due to (4 audit firms and one firm) indicate that the audit gap in the audit results from both and from the percentage shown in the table that the expectations gap is closely correlated with the auditor's performance and his lack of performance in his duties. The forecast gap is produced in the review.

Relationship management report and audit in improving communication with users of the financial statements.

Table (2) The role of the management report and audit report in improving communication with users of the financial statements

Management and Audit Report	Ratio of Auditors		ratio of companies		Percentage
	Number	Percentage	Number	Percentage	
Improve communication	5	100%	5	100%	100%
Not improve communication	-	-	-	-	-

In the table above, 100% of respondents' responses (5 reviewers, 5 companies) support two systems of management and review to improve communication with users of financial statements. This is a good indicator not to improve communication is an important factor to narrow the gap.

The role of professional organizations in avoiding the effects of auditor independence

Table (3) The role of professional organizations in avoiding the effects of auditor independence

Role of Professional Organizations	Ratio of Auditors		ratio of companies		Percentage
	Number	Percentage	Number	Percentage	
Has a role	1	20%	2	40%	30%
Has no role	4	80%	3	60%	70%

The above table shows that the role of professional organizations in avoiding the effects of auditor independence, such as the performance of non-audited services, is 30% of respondents' answers (1 audit office, 2 companies), and 70% (4 audit firms, 3 companies) have a role in taking any action, and this percentage is considered a negative indicator of the role of professional organizations.

The relationship of auditors' responsibility for detecting errors and fraud in narrowing the audit gap.

Table (4) The importance of expanding auditors' liability for error detection and fraud in narrowing the audit gap

Expand the responsibility of reviewers in the discovery of the gap of the proportion of auditors.	Ratio of Auditors		ratio of companies		Percentage
	Number	Percentage	Number	Percentage	
Narrowing the expectations gap	4	80%	5	100%	90%
Do not narrow the forecastgap	1	20%	-	-	10%

It is noted from the above table that 90% of respondents' answers (4 audit firms, 5 companies) emphasize the importance of expanding auditors' liability for error detection and fraud in narrowing the forecast gap, and 10% of respondents' responses (one audit office) In terms of finding mistakes and cheating.

The relationship of expanding the auditor's responsibility for detecting illegal actions in narrowing the expectations gap.

Table (5) The importance of expanding the auditor's responsibilities for detecting illegal behavior in narrowing the audit gap

Expand the responsibility of reviewers in the discovery of the gap of the proportion of auditors	Ratio of Auditors		ratio of companies		Percentage
	Number	Percentage	Number	Percentage	
Narrowing the expectations gap	4	80%	5	100%	90%
Do not narrow the forecast gap	1	20%	-	-	10%

The table shows that 80% of respondents' responses (4 audit firms, 4 companies) confirm the importance of expanding auditor's responsibilities for detecting illegal behavior in narrowing the audit gap in the review, and 20% stressed the importance of expanding the auditor's responsibilities for detecting illegal conduct.

The effectiveness of professional organizations in tracking audit reports

Table (6) The role of professional organizations in tracking the auditors' reports and applying them to professional standards and different laws.

The role of professional organizations in tracking audit reports	Ratio of Auditors		ratio of companies		Percentage
	Number	Percentage	Number	Percentage	
Effective	3	60%	1	20%	40%
Role inactive	2	40%	4	80%	60%

It is noted from the above table that professional organizations have an active role of 40% of respondents' responses (3 audit offices, a company) and an ineffective role of 60% of respondents' responses (2 audit offices, 4 companies) Professional audit reports are tracked and this increases the gap of expectations in the review.

The approach of the validity of the accounting curriculum currently in place to narrow the expectations gap

Table (7) The extent to which the current accounting curriculum contributes to narrowing the expectations gap in the review

The accounting education curriculum of a bachelor's degree would fit in narrowing the expectations gap of the ratio of auditors to proportionate companies	Ratio of Auditors		ratio of companies		Percentage
	Number	Percentage	Number	Percentage	
Fit	4	80%	1	20%	50%
Not fit	1	20%	4	80%	50%

It is noted from the above table that 50% of respondents' answers (4 audit firms, one company) indicate that the accounting curriculum is suitable for narrowing the expectations gap in the review because it represents the basis of the scientific qualification of the auditor, 50% 4 companies), believes that the approach does not fit to be an effective approach to narrow the gap expectations. It is also noted that the participants in the research call for the development of the current method to have an effective role in narrowing the gap in expectations, and

this percentage is considered a negative indicator, which is concerned with the current approach to default and not keep pace with developments.

The relationship between the expectations of the beneficiaries and their knowledge of audit responsibilities

Table (8) The expectations of the beneficiaries of the audit services are based on their knowledge of the scope and responsibilities of the auditors.

Expectations of beneficiaries	Ratio of Auditors		ratio of companies		Percentage
	Number	Percentage	Number	Percentage	
Based on their knowledge of the scope and responsibilities of the auditors	2	40%	5	100%	70%
On the basis of their lack of knowledge of the scope and responsibilities of the auditors	3	60%	-	-	30%

Table (8) shows that 70% of the respondents' answers (2 audit offices, 5 companies) indicate that the expectations of the beneficiaries are based on their knowledge of the auditors' responsibilities, and 30% of the respondents' responses (3 audit offices) Beneficiaries are not based on their knowledge of the scope of auditors' responsibilities. This ratio is a good indicator of narrowing the gap in expectations by eliminating disparities or differences between auditors and beneficiaries.

The distinction between management and reference in terms of responsibilities

Table (9)The management and the auditor have responsibilities that differ from each other but are the correct distinction between these responsibilities by the users of the financial statements.

Discretion by Users of Financial Statements	Ratio of Auditors		ratio of companies		Percentage
	Number	Percentage	Number	Percentage	
Discrimination	-	-	2	40%	20%
No differentiation	5	100%	3	60%	80%

In the previous table, the users of the financial statements distinguish between the responsibilities of the management and the references by 80% of the answers of the participants (two companies), and 80% of the responses of the participants (5 audit offices, 3 companies) indicate that there is confusion or lack of distinction between The responsibilities of each of the management by users of the financial statements, and this ratio is considered a good indicator because it increases the widening of the expectations gap due to the expectations of users of unreasonable lists because of the confusion of responsibilities.

The method of writing the audit report and its impact on narrowing the expectations gap

Table (10) The importance of the method of writing the auditor's report in narrowing the expectations gap in the review.

The method of writing the audit report the proportion of auditors	Ratio of Auditors		ratio of companies		Percentage
	Number	Percentage	Number	Percentage	
Narrowing the forecast gap	5	100%	5	100%	100%
Not narrowing the expectations gap	-	-	-	-	-

In the previous table, the absolute percentage of 100% of respondents' responses (5 audit offices, 5 companies) emphasizes the importance of writing the audit report in narrowing the forecast gap. These percentages show the audit responsibility in narrowing the audit gap.

The role of government agencies in supporting the auditor's report

Table (11) Extent of government support for references when the estimate reflects customer expectations.

The role of government agencies in supporting the auditor's report	Ratio of Auditors		ratio of companies		Percentage
	Number	Percentage	Number	Percentage	
Has a role	1	20%	-	-	10%
Has no role	4	80%	5	100%	90%

In the previous table, it is noted that the role of government agencies in supporting the auditor's report constitutes 10% of the responses of the participants (one review office), and 90% of the respondents' responses (4 audit offices, 5 companies) indicate that the auditor receives no support from Government agencies and the ratios shown in the table are considered a negative indicator of the role of government agencies in supporting the auditor's report, which affects their independence and thus increases the gap of expectations.

Adequacy of auditor independence

Table (12) The auditor's independence enables him to complete the review process.

Auditor independence	Ratio of Auditors		ratio of companies		Percentage
	Number	Percentage	Number	Percentage	
Adequate	5	100%	1	20%	60%
Insufficient	-	-	4	80%	40%

In the previous table, the responses indicate that the independence of the auditor is sufficient to complete the audit process, which constitutes 60% of the responses of the participants (5 audit firms, one company), and that this independence is insufficient to complete the audit. Companies), and the ratios shown in the previous table indicate that the auditor's independence is insufficient and thus distrust the beneficiaries and thus widen the expectations gap.

The extent to which the expectations gap affects the replacement of references

Table (13) Changing or replacing old references with new references, this change is one of the reasons for a gap in the new report.

Replace Auditor	Ratio of Auditors		ratio of companies		Percentage
	Number	Percentage	Number	Percentage	
Causing a gap in expectations	1	20%	4	80%	50%
Does not cause a gap in expectations	4	80%	1	20%	50%

The above table shows that the replacement of references causes a gap in expectations in the new report and 50% of the responses of the participants (one audit office, 4 companies). This replacement does not cause a gap in the new report in 50% (4 audit offices, one company), and the answers that the replacement of old references with a new reference causes a gap in the new report support this answer for several reasons:

- a) Suspicion of independence.
- b) Lack of familiarity with the new auditor's audit environment.
- c) The old auditor did not cooperate with the new auditor by providing him with some information related to the subject of the review.

IV. RESULTS

By studying and analyzing the methods of narrowing the expectations gap in the review, the research leads to the following:

- i. Management and audit reports improve communication with users of the financial statements.
- ii. The role of professional organizations is not effective in terms of maintaining the independence of the auditor and tracking his reports.
- iii. The accounting curriculum at the undergraduate level is currently ineffective in narrowing the gap in expectations.
- iv. The expectations of the beneficiaries of the audit services are based on their knowledge of the scope and responsibilities of the auditor, but there is confusion among the beneficiaries between auditor and management responsibilities.
- v. The main reason for the expectations gap is the inadequacy or inadequacy of the auditor's performance.

- vi. The method of writing the auditor's report narrowed the expectations gap.
- vii. There is not sufficient independence for the auditor to complete the review process.
- viii. Replacing old references with new references increases the forecast gap in the new report if several factors are available.

Recommendations

Based on the findings of the research, the researchers are recommended to:

- i. Auditor responsibilities for error detection and fraud should be expanded, narrowing the expectations gap.
- ii. The auditor's responsibilities for detecting illegal transactions affecting the financial statements should be expanded.
- iii. Professional organizations should play a greater role in maintaining the independence of the auditors and then tracking the reports and their conformity with professional standards.
- iv. Beneficiaries must be educated in different and appropriate ways to separate the responsibilities of the administration and the auditor.
- v. The auditor should pay adequate professional care. This is achieved through committees formed by professional organizations to compare the required performance with the actual performance of the auditor, as this helps to narrow the audit gap in the review.
- vi. The existing accounting education curriculum at the undergraduate level should be developed.
- vii. The auditor's report should be written in a clear, understandable and ambiguous manner.
- viii. Focus on auditor independence for its important role in narrowing the expectations gap.

REFERENCES

- [1]. Alqudah, M., (2013).The gap of expectations and ways of narrowing them from the point of view of external auditors and units of investment in Jordanian commercial banks "field study". Master Thesis. Department of Accounting.University of Jerash. Jordan.
- [2]. Ibarathat, P. &Khalidi, R., (2013).Corporate governance as a mechanism to narrow the gap in the expectations of the legal review profession in Algeria. International Scientific Forum on: Institutional Governance Mechanisms and Requirements for Sustainable Development. Vergla. Algeria. 25-26 November 2013. pp. 163-182.
- [3]. Khalil, H. M., (2009). The impact of the application of corporate governance on the expectations gap in the audit profession in Palestine "Analytical study of the views of external auditors and investors". Master Thesis. Accounting and Finance Department.Islamic University of Gaza. Palestine.
- [4]. Muftah, A. S., (2003). Gap between auditors and users of accounting information in Libya, its reasons and the proposed method of narrowing them.A magister message that is not published.GarYounis University. Libya.
- [5]. Mziani, N., (2015). Extend the problem of the forecast gap in the audit environment. Journal of Economic Sciences, Management and Commercial Sciences.No. 14. pp. 98-114.
- [6]. Nasr, A, &Shehata, S., (2005). Modern auditing and control in the IT environment and the globalization of capital markets - reality and the future. Alexandria. University House. Pp. 11-70.
- [7]. Nour, A; Ghadar, M; &Bashira, M. M., (2014).The impact of adherence to corporate governance principles in narrowing the outlook gap in Jordan "An Analytical Study of Internal Auditors' Opinions in Jordanian Brokerage Firms".Zarqa Journal for Research and Humanities.Volume 14.Issue 2. pp. 163-178.
- [8]. Suli, L., (2014). Impact of audit quality on narrowing the expectations gap between the external auditor and the users of the financial statements. Master Thesis. Department of Management Sciences.University of the Valley. Algeria.
- [9]. Yusuf, I. (2011). Measuring the impact of the expectations gap in the review on the decisions of investors in the stock market in Egypt - field study. Master Thesis. Department of Accounting.Banhauniversity. Egypt.

**Corresponding Author: AbouQelah Rahma Ali
Accounting department, Libyan Academy, Tripoli, Libya*