

# **An Investigation of The Audit Expectation Gap in Yemen**

A thesis submitted to the Graduate School in partial fulfillment of the  
requirements for the degree Master of Science in Accounting  
(International Accounting)  
Universiti Utara Malaysia

By

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## **Abstract**

Auditors and financial statement users may have differing beliefs about the responsibility of an independent accounting firm performing an audit of a client's financial statements. This study attempts to assess the possible existence of an audit expectation gap between auditors and financial statement users in Yemen. A wide gap was found in the areas of auditor responsibilities for fraud detection and prevention, auditor judgment in the selection of audit procedures and maintenance of accounting records. In order to reduce the expectation gap and improve decision-making by financial statement users, the results of this study support the adoption of the long form audit report, educating the users of financial statements and improve the audit quality by professional accounting bodies.

**Keywords:** Auditing, Financial reporting, Expectation, Perception, Yemen

## **Acknowledgement**

I wish to express my sincere appreciation to Dr. Shamharir Abidin for his encouragement and advice throughout my graduate program.

My deepest appreciation goes to my Mother and my Father, who reminding me that I have always been successful in whatever I have attempted.

I also want to thank my wife and my children (Iman & Moath) for their understanding and acceptance of the sacrifices we had to make for a better future.

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# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Introduction**

There is common agreement about the existence of an “expectations gap” between the auditing profession and the users of financial statement, for the reason of difference in beliefs between auditors and the public about the duties and responsibilities assumed by auditors and the messages conveyed by audit reports (Monroe and Woodcliff 1993).

On the other hand there is a general agreement by various empirical studies that the continuing gap between what the users of financial statements expect from the auditing profession and what the auditors define as their role in the assurance process is still exist (Sidani, 2007).

In recent years, the auditing profession has been involuntarily placed in the spotlight, especially after the debacles of corporate in the last few years e.g. collapse of Enron, WorldCom and Parmalat. The accounting and auditing profession in many countries has been facing many challenges, including shaken public confidence, new regulations and more restrictions on auditors from providing specific consulting services to audit clients. In Yemen, due to the lack of sound legislation and an enforcement



mechanism, the profession is facing grave challenges in order to restore the business community's trust in auditing practices.

Godsell (1992) mentioned there is a general belief that a person who has any interest in a company (investors, shareholders, creditors etc.) must be able to rely on its audited accounts as an assurance of its solvency, propriety and business possibility.

The audited financial statements by independent auditor have long been related with the role of assurance, from which the reliability of information presented by the management is, and extent of assurance given by the auditors' report. These distinguish the auditor's role in relative to fraud detection and the extent of the auditor responsibility to third parties, has led to different perceptions over the level of assurance that expected from auditing profession.

Users of financial statements expected that independent auditors should provide an absolute assurance when they issue audit report that the financial statements contain no material misstatements. In the development of the audit profession, auditors tries to provide roughly absolute assurance against mismanagement and fraud (Epstein and Geiger, 1994). The profession has change from the role of detecting fraud by confirm all transactions to determining the fairness and truth of financial statement. The different expectations between users and auditors' effectively creates expectations gap of the audit function. Liggio (1974) was the first to use the term "Expectation Gap" in auditing to refer the difference between the levels of expected performance as

understood by the auditor and as perceived by users of the financial statements. (Siddiqui and Nasreen 2004).

Porter (1998) identified two components of audit expectation gap: the "reasonableness gap" explains the difference between what society expects auditors to achieve and what auditors can reasonably expect to accomplish. The "performance gap" on the other hand views the difference between the responsibilities society reasonably expects of auditors and auditors' performance.

The audit expectation gap has been examined in many countries, but the extent of such a gap has not been examined in many Middle-Eastern countries, including Yemen. Therefore this study tries to assess the attitudes and perceptions of accountants and non-accountants about the auditing profession in Yemen.

## **1.2 Motivation of study**

The audited financial statements by independent auditor has long been related with the role of assurance, from which the reliability of information presented by the management is, and extent of assurance given by the auditor indicated in the audit report to a certain degree. These distinguish the auditor's role in relative to fraud detection and the extent of the auditor responsibility to third parties, has led to different perceptions over the level of assurance that are expected from auditing profession.

Users of financial statements expected that independent auditors should provide an absolute assurance when they issue audit report that is the financial statements contain no material misstatements. In the development of the audit profession, auditors tries to provide roughly absolute assurance against mismanagement and fraud (Epstein and Geiger, 1994)

Many studies have investigated the existence of the audit expectation gap in various contexts in the USA, UK, New Zealand, Singapore, Malaysia, China, Egypt and other counties. The results of these studies indicate that evidence of the existence of expectation gap is substantial. The common response to the problem is to issue more accounting and auditing standards and guidelines (Humphrey, Moizer & Turley, 1993). However, the nature of the expectations gap in addressing liability and credibility crises in one country may not work in another, because the auditing function is affected by the environment within which audits function.

The audit expectation gap has been scant in many countries, but evidence is still scant when it comes to many developing countries (Sidani, 2007). The extent of such a gap has not been examined in many Middle-Eastern countries, thus this study aims to investigate the level of expectation gap in Yemen. To the understanding the research, this research will be the first study that investigates the audit expectation gap in Yemen.

### **1.3 Significance of the Study**

Yemen is chosen for this study because very little is known about the audit function amongst Yemenist. In addition, Yemen has different cultural characteristics, different society characteristics, different economic development and different background to the western world. With the growth of foreign direct investments in Yemen, this study could provide a measure on how the users of financial statements view the audit work.

This study tries to examine the extent to which a gap might exist between auditors and users of financial statements in Yemen. Yemen environment may significantly affect audit perceptions; so this is an appropriate measure to narrow the gap and also to identify how wide the gap is.

This study will contribution to the accounting profession in Yemen in order to understand the nature of the perceived auditor's responsibilities, performance of auditors, audit function and auditor independence.

The finding of this study will contribute to the existing literature on audit expectation gap, which might benefit many interested parties, such as academician, auditors, students, financial analysts, investors, accounting organizations, lawyers, officers of public companies and others.

#### **1.4 Research Question and Objectives**

The present study intends to address the following research questions:

1. What is the extent and nature of the audit expectation gap in Yemen?
2. Do Yemeni's people expect auditors to achieve things that cannot be logically expected from them?
3. Do auditors and users of financial statements have different perceptions about the auditing, particularly in relation to responsibility for the sampling procedures and financial statements?
4. What are the attitudes of auditors and users of financial statements towards auditors and the auditing profession in Yemen?

Based on the research questions above, the objectives of this study is to examine the existence of the audit expectation gap in Yemen between auditors and users of financial statement, It is also the study objective of given that compare the present study findings with prior studies. In particulars this study aims to:

1. Assess the existence of an expectation gap in Yemen-between auditors and users of financial statements.
2. Assess different understanding to the auditor's responsibility between auditors and users of financial statements.
3. Assess the perceptions and attitudes of auditors and users of financial statements in Yemen towards auditing profession, particularly in relative to sampling procedures and responsibility for the financial statements.

## **1.5 Scope of the Research**

The study investigate the existence of the audit expectation gap, and assess the attitudes and perceptions of auditors and users toward auditing profession in Yemen, by conducted three key areas(auditor's responsibilities, reliability of audit and audited financial statements and usefulness of audited financial statements) that used by Schelluch (1996) in measuring the expectation gap Australasia, Best, Buckby & Tan (2001) in Singapore and Fadzly and Ahmed (2004) in Malaysia, they developed and used the same instrument to measure the expectation gap.

Schelluch (1996), and Best, et al. (2001) divided the areas of gap into three factors: auditor's responsibilities, reliability of audit and audited financial statements and usefulness of audited financial statements.

## **1.6 Conclusion**

The audited financial statements by independent auditor have long been related with the role of assurance, from which the reliability of information presented by the management is, and extent of assurance given by the auditors' report. In recent years, the auditing profession has been involuntarily placed in the spotlight, especially after the debacles of corporate in the last few years. This study aims to examine the extent to which a gap might exist between auditors and users of financial statements in Yemen, in order to understand the nature of the perceived auditor's responsibilities, performance of auditors, audit function and auditor independence.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter will review the different literature on the audit expectation gap, and the image of the profession from the perspective of the general public. The issues that have been discussed in the literature can be classified into four main categories: accounting and auditing in Yemen, a brief background and structure of the audit expectation gap and evidence on the expectation gap from other countries.

#### **2.2 Accounting and Auditing in Yemen**

It can be said that the southern part of Yemen previously had seen earlier emergence of knowledge of accounting, through some scientific institutes. That was organizing in different sessions, such as “Aden bookkeeping and Commercial Institute” which was founded in 1927, as well as the commercial department at “the Institute substantive technical” which was founded in 1951, and “the Institute of South trade” which was founded in 1953. All of these institutes were operating in the colony of Aden under the auspices of the British Royal Society of Arts.

For the accounting process or auditing in that period of activity has been confined to Indian and British companies in Aden at that time significantly, which had operated in that period under the Indian Companies Act issued in 1913 and introduced to examine the interest in accounts in Al-Mukalla-Hadhramaut in 1948.

The period that came after independence from Britain in the year in 1967, socialist system became control this part of Yemen. That had constituted a setback for the auditing profession in southern part, the issuance of the law of nationalization in the year 1969 that ownership of all existing companies controlled by the state. It was established the Central Auditing in Year 1972 and charged with the oversight function and check the accounts of the state public budget in addition to having the control and inspection of all other economic sectors despite the rarity. During that period to prevent individuals from exercising the profession of the liberal professions even the situation become well after unity on 22 May 1990.

There was a simple system In the northern part of Yemen before the revolution in 1962 known as a hesbah. After the revolution, there was a new law No. 13(1963) for commercial companies. Under this law have been obliged businesses appoint an auditor or more of its audited statement of the compatibility of laws and regulations.

In 1974, the Central Organization for Control *and* Auditing (COCA) was established under Law No. 54, those identified dependence for the presidency so as to grant full independence and be a substitute for the Financial Service of the Council of Ministers.



After the unification of the two states on May 22, 1990, the two audit organizations were integrated into the Central Organization for Control and Auditing (COCA) under the law No. 31, 39(1992), on professional accountants to replace Law No. 99(1976), and noted that the new law differed from the previous law in the licensing conditions, which stipulated to get a license accountant, an accountancy graduate must have at least a 4 year experience in auditing and must pass a test, two years after Masters and one year after PhD.

The Yemeni Association of Certified Public Accountants (YCAA) was established in 1992. However, since its inception, the Association has not been able to play an important role in the development of a sound accounting and auditing profession. The Association also was not able to provide for the professional development for its members. This is mainly due to the lack of financial resources and lack of support from the related institutions (Al-Ariqi, 2004). The numbers of auditors in Yemen has increased from 48 in 1986 to 700 members in the Association, and 220 of them are actively involved in auditing practice.

### **2.3 Background and Structure of the Audit Expectation Gap**

The expectations gap is not a new research area. There are several studies defining how the expectations gap occurs in the private sector and from this, the gap has received several definitions.

Liggio (1974) was first considered to use the term “Expectation Gap” in auditing to refer the differing expectations of the functions of independent audit between the auditors and the users of financial statements. Until now, the auditing profession was inclined to view it as the result of "unreasonable expectations" among users, and as such has been focusing on "correcting" users expectations to solve the issue (Porter, 1993).

There is common agreement about the existence of an “expectations gap” between the auditing profession and the users of financial statement (Woo, 1998). Prior research on the expectations gap problem is substantial. The expectations gap between auditors and users of financial statement has existed for the past 100 years although the term has been introduced to the auditing scene only during the last 20 years (Humphrey et al., 1993). Although research has focused in the past few years uncovering the existence of the gap in many countries, but much more needs to be done in others regions.

The definition of the expectations gap differs between researchers. That can be defined as: The difference in beliefs between auditors and the public about the duties and responsibilities assumed by auditors and the messages conveyed by audit reports (Monroe and Woodcliff 1993).

AICPA (1992) defined the audit expectations gap as the difference between what the public and financial statement users believe, auditors are responsible for and what auditors themselves believe their responsibilities are.

According to Porter (1993) the expectations gap is the gap between society's expectations of auditors and auditors' performance, as perceived by society. Jennings, Kneer and Reckers (1993) study the using audit decision aids to improve auditor adherence to a standard. They defined the audit expectations gap as the difference between what the public expects from the auditing profession and what the profession actually provides.

Pierce and Kilcommmins (1995) study the audit expectations gap: the role of auditing education. They defined the audit expectations gap when external auditors' understanding of their role and duties compared against the expectations of user groups and the general public.

Humphrey (1997) provide a general definition of the expectations gap with reform to: A representation of the feeling that auditors are performing in a manner at variance with the beliefs and desires of those for whose benefit the audit is carried out. The expectation gap was originally defined as the difference between levels of expected performance as envisaged by auditors and users of financial reports. It is the gap between society's expectations of auditors and auditors' performance, as perceived by society (Shaikh and Talha, 2003).

McEnroe and Martens (2001) carried out an empirical study of the audit expectation gap and defined the expectations gap as the difference between what financial statement users recognize as being part of the auditors' responsibilities to be and

what auditors consider their responsibilities involve. The auditing profession had been continuously trying to correct users' expectations and trying to protect itself, but more initiatives have been made lately to meet those expectations (Fadzly and Ahmad, 2004).

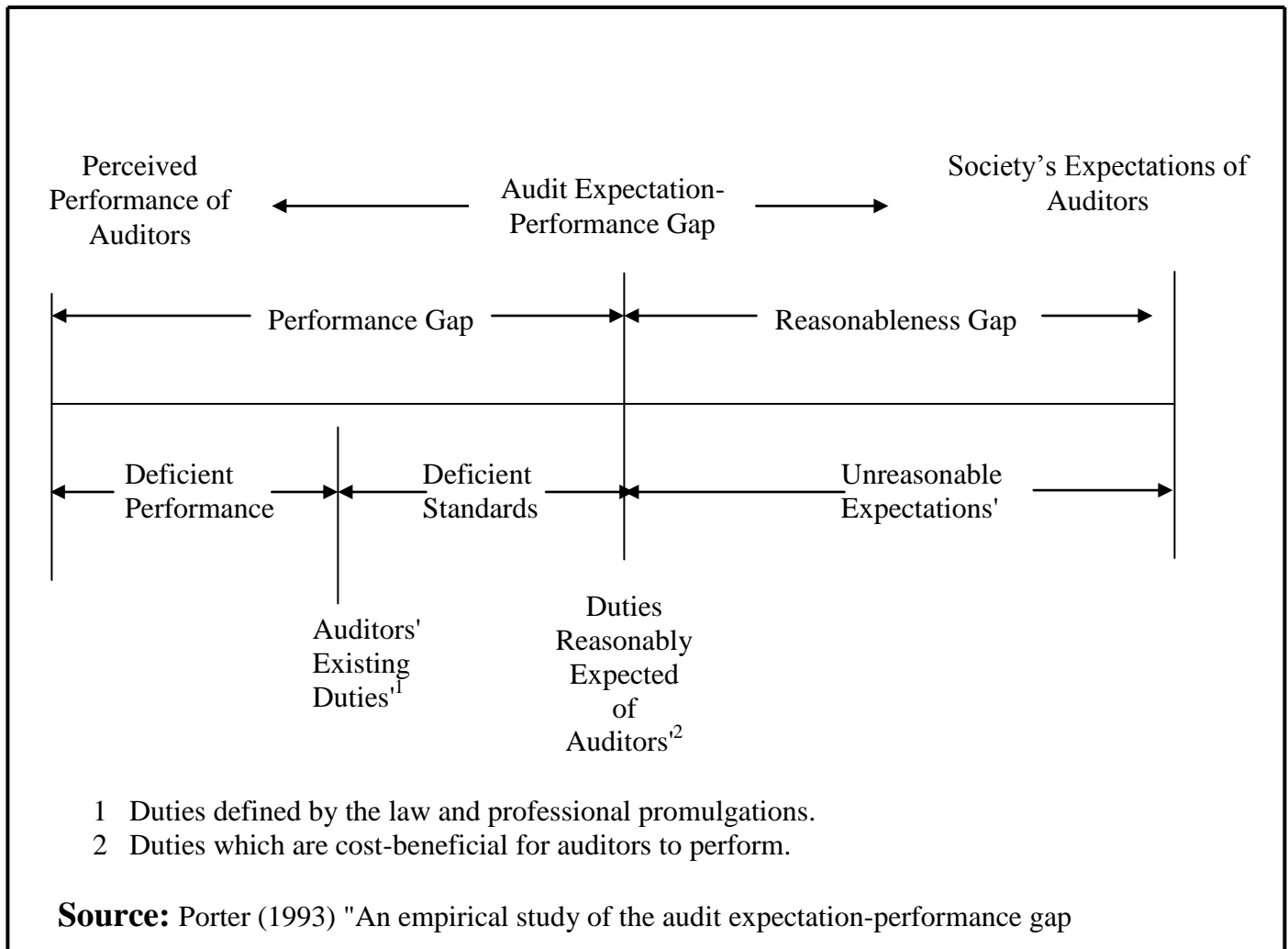
Porter (1993) carried out an empirical study of the audit expectation-performance gap. She indicated that the study of the expectation gap should be structured in a more extensive way which allows the different components of the audit expectation gap to be identified. She defined the expectations gap as the gap between society's expectations of auditors and auditors' performance, as perceived by society. Porter's (1993) structure of the audit expectation gap has two major components namely:

- 1- Reasonable gap** - the difference between "what the public expects auditors to achieve and what they can reasonably be expected to accomplish"; and
- 2- Performance gap** - the difference between "what the public can reasonably expect auditors to accomplish and what auditors are perceived to achieve".

The performance gap is further subdivided into:

- 2.1 Deficient standards** - the gap between "what can reasonably be expected of auditors and auditors' existing duties as defined by the law and professional promulgation."
- 2.2 Deficient performance** – the gap between "the expected standard of performance of auditors' existing duties and auditors' perceived performance, as expected and perceived by the public.

**Figure\ 2.1: Structure of the Audit Expectation-Performance Gap**



Porter (1993) determined the opinions of auditors' interest groups (auditors, lawyers, auditing academics, financial analysts, members of the general public, officers of public companies, and financial journalists) regarding auditors' responsibility and the roles that auditors should perform. The findings from the survey revealed that 50 % of the gap is

attributable to deficient standards, 34 % from society holding unreasonable expectations of auditors and 16 % from perceived sub-standard performance by auditors.

## **2.4 Evidence on the Expectation Gap from other Countries**

The existence of the audit expectation gap has been investigated by several studies in various countries such as USA, UK, Australia, New Zealand, China, Singapore, Malaysia, Middle East countries, and other regions. The studies also cover in various areas such as the perceived performance of auditors, the nature of the audit function, the non-audit services, the auditor's duties and role, and the independence of auditors. The results indicate that the audit expectation gap still exists.

Most of the empirical studies on the nature of the expectation gap aim to draw the actual as well as the perceived roles and responsibilities of auditors. Questionnaire surveys were used and attempt to uncover the factors contributing to the expectation gap. Jennings et al. (1993) in their study on the use of audit decision aids to improve auditor adherence to a "standard". The study indicates that the auditor liability depends on the attitudes of legal litigants towards the auditing profession in a slightly different perspective and in an attempt to contemplate how an expectation gap could have legal implications for the profession.

In Singapore, Lowe (1994) conducted two surveys amongst auditors and analysts to examine the extent of the expectation gap on the objectives of a company audit. It was found that auditors and non-auditors differed significantly in their perceptions pertaining to such things as fraud detection. Financial analysts perceived an audit as setting a seal on the accuracy of the financial accounts of the company. Further, their perceptions of fraud prevention and detection responsibilities of auditors are more demanding than those that the auditors believed they themselves should possess.

In the UK, Humphrey et al. (1993) examined the expectation gap in the UK by ascertaining the perceptions of individuals of audit expectations issues through a survey amongst auditors, bankers, investment analysts, financial directors, and financial journalists. The issues investigated include: what decisions could auditors be expected to make? What should be the prohibitions and regulations placed on audit firms? And what is and should be the role of the auditor?

The results confirmed that an audit expectations gap exists, specifically in areas such as the nature of the audit function and the perceived performance of auditors. The main concern was the differing views between the auditors and the "sophisticated users" about the nature of auditing and the work that auditors do. Their findings confirmed the existence of the critical components of the expectation gap; the auditor's role to detect fraud, the extent of auditor responsibility to third parties, the nature of balance sheet evaluations, and the strength of, and continuing threats to auditors' independence.

Epstein and Geiger (1994) conducted a survey of investors to gather information on various aspects the level of assurance they believed auditors should provide with respect to error and fraud. The results of study indicated there exist an expectation gap between auditors and investors on the level of assurance an audit provides, and suggested that investors seek very high levels of financial statement assurance.

In a similar context, Low (1980) examined the expectation gap in Australia. The extent of auditors' detection and disclosure responsibilities concerning errors, irregularities and illegal acts as perceived by auditors and non-auditor groups was investigated. It was found that both groups differed significantly in their perceptions of the extent of auditors' detection and disclosure responsibilities, and that an expectation gap existed between the two groups.

Porter (1993) conducted an empirical study using a mail survey to investigate the audit expectation -performance gap in New Zealand through the interest groups (auditors, lawyers, auditing academics, financial analysts, members of the general public, officers of public companies, and financial journalists). Porter findings from the survey could be attributed to deficient standards, unreasonable expectations of auditors and sub-standard performance by them. Porter argues that the increase in litigation and criticism against auditors in recent years is due to the failure of auditors to meet users' expectations, whose failure in turn undermines confidence that society places in the opinion of the accountant and effectiveness of the audit in the audit function. Therefore, to narrow the audit



expectation gap, it is important to determine: 1) the extent to which society's reasonable expectations are satisfied not satisfied by auditors, 2) the duties that are reasonable to expect auditors to performance; and, 3) the duties society expects auditors to perform; (Porter 1993).

Best et al (2001) conducted an empirical study in Singapore to provide evidence of the nature and level of the audit expectation gap. They found an expectation gap which was quite wide particularly in relation to the level nature of auditor's responsibilities. Frank et al. (2001) surveyed US auditors and jurors and found there is that, a large difference in perceptions of auditors and jurors pertaining to their expectations of the accounting profession.

Fadzly and Ahmad (2004) examined the expectation gap in Malaysia. The results indicated wide expectation gaps and misconceptions about audit in Malaysia.

Lee, et al (2007) also studied an existing expectation gap in Malaysia among the auditors, auditees and audit beneficiaries. They found that the auditees and audit beneficiaries have much higher expectations on the auditors' duties than auditors perceive. The analysis indicated the existence of deficient performance of auditors; unreasonable expectations of the part of users and deficient standards of auditing.

Lin & Chen (2004) conducted a study to investigate the rise of expectation gap and related auditing issues under business and auditing environment in the People's Republic of China. It was found that the role and benefits of public accounting (independent auditing) had been positively recognized by Chinese audit beneficiaries and auditors, and there were increasing demands for expanding the applicability of public accounting. This study obtained substantial evidence on the emergence of audit expectation gap in China, with respect to audit objectives, auditor's obligation to detect and report to fraud, auditor independence, and third party liability of auditors.

Hussain (2003) conducted a study to assess the possible existence of an expectation gap in Oman. The results indicated the existence of the audit expectation gap. The study looks at education as a way of reducing this gap and proposes that discussion in the introductory accounting texts would reduce this gap.

Mohammad & Roszaini (2000) conducted a study to investigate the expectation gap that exists in the Saudi environment. Using mail questionnaires and interviews they found there were two factors viz. ideology and legal structure in the Saudi environment significantly affecting audit perceptions gap.

Sidani (2007) conducted a study to investigate audit expectation gap between accountants and non-accountants in Lebanon. He also found that there is a gap between the auditors' understanding of their profession compared with the perceptions of others

the result of study found there is a significant difference in perceptions of the role of the auditor in respect of fraud detection. Neither group had a strong image of the Lebanon profession compared with worldwide audit practices or with the technical qualifications of the auditors.

Dixon and Woodhead (2006) conducted a study to assess the possible existence of an expectation gap in Egypt between auditors and users of financial statement. The results indicated the existence of the audit expectation gap in the areas of auditor responsibilities for fraud prevention, auditor judgment in the selection of audit procedures and maintenance of accounting records. An expectation gap was found concerning the reliability of audit and audited financial statements, and usefulness of audited financial statements.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

As reiterated earlier, this study intends to investigate the possible existence of an expectation gap between auditors and users of financial statements in Yemen. The next section discusses research framework and hypotheses developments, research design, research instrument and sampling, reliability analysis, the validity and reliability quantitative and technique of data analysis data.

#### **3.2 Research Framework and Hypotheses Development**

##### **3.2.1 Agency Theory**

Agency theory suggests that a firm consists of a nexus of contracts between the owners and managers (Jensen and Meekling, 1976). The modern corporation is characterized by the separation of owners (who own economic resources) and managers (who are charged with using and controlling these resources). The principals are interested to derive maximum utility from the actions of the agents. The agency problem arises because agents are motivated to serve their own self-interests which may conflict with the principals' interests. In addition, managers have more information than owners do and

this information irregularity adversely affects the owners' ability to monitor effectively whether their interests are being served by the managers. To reduce the agency costs arising from the agency problem, owners and managers have incentives to invest in various information systems and control devices to ensure that the agents act in the interest of the principals (Fama and Jensen, 1983). In particular, managers may use various devices to indicate to the owners the quality of the information that they provide about their actions and the corresponding results. This and the demand for monitoring have been suggested as the reasons for internal audits (Adams, 1994) and external audits (Anderson, Francis & Stokes 1993). Therefore, with respect to auditing, it is generally beneficial to managers that their interests and concerns coincide with those of owners (or for that matter, the investing public or other users of financial statements).

In the agency theory framework, audits and auditors are part of the monitoring mechanisms required to verify the quality of information that managers provide about their actions and the corresponding results. Hence, the emphasis is on the assurance aspects of the audit. This is becoming increasingly important given the potential legal liabilities of auditors. On the other hand, given the economic self-interest in agency theory, auditors also view themselves as consultants to their clients in the provision of non-audit, consultancy or management advisory services (in addition to being auditors). In a competitive market, Beck, Frecka and Solomon (1988) suggested that auditors are motivated to provide non-audit consultancy services to their clients as well as limit their clients' ability to obtain such services from competing auditors. As reported by Firth

(1997), an increasing percentage of auditors' total revenues are coming from non-audit consultancy services.

Given the above, the self-interests of auditors and managers are not expected to agree, and an audit expectation gap between the two groups can be expected. Further, some authors have suggested that agency theory may be an insufficient model of human behavior (e.g. Phan and Yoshikawa, 2000; Davis et al., 1997). For ease of reference, the audit expectation gap between auditors and managers will be referred to as the auditor-manager expectation gap.

### **3.2.2 Hypotheses Development**

Previous expectation gap studies have looked at various aspects of the audit and/or auditor. For the purpose of this study, the expectation gap with respect to the objectives of a company audit is examined. As discussed in this study, agency theory suggests differential expectations for auditors and managers with respect to audit objectives. In particular, given their self-interests, auditors are expected to emphasize the importance of the traditional objectives of auditing (e.g. compliance with legal requirements and the provision of true and fair financial statements) and non-audit consultancy services. Similarly, given their self-interests, managers are expected to emphasize the concerns of owners (e.g. the detection and prevention of major errors, fraud and illegal acts). Given the above, the first hypothesis is expressed as follows:

***H1: There is significant difference in the expectations between auditors and users of financial statements in relative to the performance of the audit role and responsibilities.***

The study also investigates factors associated with the audit expectations of managers. Generally, these expectations are derived from perceptions, which can be thought of as the cognitive process by which individuals give meaning to the environment. Many factors can affect perception (French et al., 1985), including an individual's educational background, experience and attitudes towards the audit profession.

In view of this study and prior audit expectation gap studies, it is expected that the auditing knowledge possessed by managers can affect their audit expectations. It can also be argued that a longer working experience and a higher management position better expose managers to the realities of audits and auditing, which in turn can affect the audit expectations of managers. We do not mean the audit knowledge, is detailed technicalities of the auditor's work. It is obvious that auditors will know more than others about the technicalities of their work. By audit knowledge, we mean knowing the necessary things that non-auditors are expected to know about the practice of auditing. Given the above, the following hypotheses relating to test in the study:

***H2: Auditing knowledge does significantly affect the audit expectations of auditors and users.***

There is a difference among the two groups pertaining to whether the auditors should be an insurer against large stockholder losses. This two groups have different perceptions about the role of the auditor in issuing the company's financial statements. There is an also different view about the responsibility of the auditor in uncovering fraud, no matter how small. Given the above, the hypothesis is expressed as follows:

***H3: Auditors and users of financial statements have different perceptions and attitudes towards auditing profession, particularly in relative to sampling procedures and fraud detection***

The importance of culture on the behavior and attitude towards accounting and auditing practices is well recognized (Haniffa & Hudaib, 2007). The concept of culture is broad since it refers to social, political, and other factors that influence individuals' behavior. One element of culture is societal values, which include norms, ethics, belief systems, religion, and philosophy. An understanding of social values is important, not only because it reflects the system of shared beliefs that provide norms for human conduct at a particular point in time, but also because it indicates the standards which influence members of the society. Similarly, value systems may influence perceptions and meanings of auditing concepts (Belkaoui and Picur, 1991) such as independence, accountability, and trust.

***H4: There is significant difference in the attitudes of auditors and users towards the audit profession.***



### **3.3 Research Design**

Research design as the framework or blueprint for conducting a research project because it specifies the details of procedures necessary for obtaining the information needed to structure or solve research problem. This study was designed with substantial similarities in methodology with earlier research by Schelluch (1996), Best et al. (2001) and Fadzly and Ahmed (2004). This study use quantitative instruments method to determine the relationships and also to explore new factors that may be useful in developing a better model for similar studies in the future. The quantitative method design is considered the most suitable for this studies it has the ability of capturing the advantage of quantitative methods in an attempt to generalize the findings to population.

A survey studies are conducted three key factors auditor's responsibilities, reliability of audit and audited financial statements and usefulness of audited financial statements, to investigate and measure the expectation gap. The quantitative methods should be used to address an accounting population in order to achieve the main objective of this study. In order to help gain a deeper understanding of different perception between accountants and non- accountants in Yemen, quantitative approach is also adopted throughout the research process.

### **3.4 Research Instrument and Sampling**

This study used the same questionnaire developed by Schelluch (1996) to measure the expectation gap in Australasia, Best et al. (2001) in Singapore and Fadzly and Ahmed (2004) in Malaysia. The questionnaire was modify to adapt the local context, and then

translated into Arabic and then translates back into English in order to identify the result.

The questionnaire was divided into two parts:

A- In the first part included several demographic information of the respondents e.g.(age, gender, occupation, experience, education, accounting studying, and auditing studying).

B- The second part includes 16 differential belief statements grouped into three factors: auditor's responsibilities, reliability of audit and audited financial statements and usefulness of audited financial statements, by using a seven-point Likert scale as following: 1\ strongly agree, 2\ agree slightly, 3\ agree, 4\ neutral, 5\ slightly disagree, 6\ disagree, 7\ strongly disagree. Respondents were asked to choose a number from the scale that identified their level of agreement to either one of the statements.

Questionnaire survey divided to three sections, Section A; assesses perceptions towards responsibility for fraud detection, and what is the role of the external auditor is to be an insurer against large stockholder losses. Section B; the main objective of this section is to assess the knowledge about some aspects of the auditing profession and perceptions of participants towards reliability of audit and audited financial statements. Section C; assesses usefulness of audited financial statements useful in monitoring the company's performance and decision-making

Questionnaire survey participants were randomly distributed. A total of questionnaire were distributed 275 survey, 240 survey distributed manually and 35 by

email to three groups; auditors, bankers and investors. The sample for auditors was selected from big audit firm and the Central Organ of Control and Accounting (COCA). While the sample for bankers' were randomly selected from several banks in Yemen. The investor's included the financial directors, financial analysts and *chief executive officer*. These parties were grouped together as proxies for investors.

According to Sekaran (2003) this type of sampling was use when a limited number or categories of people have the information that is required after. The study involves audit firms, banks and companies, the purposive judgment sampling is believed to be able to provide the necessary information and is useful for answering certain types of research question. For the purpose of this research, the questionnaire methods seem more natural and effective.

### **3.5 Reliability Analysis**

This to test the internal consistency of all measurement items Cronbach Alpha coefficients will assess the reliability of each factor which value less than .60 (a -.60) is considered questionable or poor, alpha value .70 (a-.7) is acceptable. According to Sekaran (2003) the higher alpha value reliability is equal (1.0).

### **3.6 The Validity and Reliability Quantitative Data**

Validity and reliability are two main criteria for testing the goodness of measures (Sekaran, 2003). A validity test shows how well an instrument measures the particular

concept it is supposed to measure. In other words, it is the degree to which a test or other measurement tool actually measures what it claims to measure and it concerned with whether we are measuring the right concept. The reliability of the instrument is very important for achieving consistent information under the same condition. Reliability test shows how consistent a measuring instrument measures whatever concept it is measuring. In other words, it is the degree to which the test yields similar results with the same subjects at different times under different conditions. The questionnaire is adopted from a number of competent contributors .The modification will be based on their recommendations.

### **3.7 Technique of Data Analysis**

The hypothesis will be tested using descriptive statistic, reliability analysis, and nonparametric analysis. SPSS programming was used to analyze the data. This study was used analyses the mean rating for each group to comparison of mean ratings among auditors with various levels of users to measure a significant different between them.

### **3.8 Conclusion**

This chapter discusses research framework and hypotheses developments, research design, research instrument and sampling. This study was designed with substantial similarities in methodology with earlier research by Schelluch (1996), Best et al. (2001). A survey studies are conducted three key factors auditor's responsibilities, reliability of audit and audited financial statements and usefulness of audited financial statements, to investigate and measure the expectation gap by using a seven-point Likert scale.

## **CHAPTER 4**

### **RESULTS**

#### **4.1 Introduction**

This chapter highlights the results of the study. Firstly, it presents a demographics of respondent, reliability of instruments and descriptive statistics include auditor's responsibilities, reliability of audit and audited financial statements and usefulness of audited financial statements.

#### **4.2 Results**

##### **4.2.1 Demographics of Respondent Groups**

The questionnaires were sent to 275 respondents consisting (240 distribute manually and 35 by email) to three groups: auditors, bankers and investors. Table 4.1 shows the response rates from these groups 40 (38%) auditors, 40 (38%) banker and 25 (24%) investor's participant's in the survey. The investors include 8 financial directors, 10 financial analysts and 7 chief executive officers. These parties were grouped together as proxies for investors. The number of respondents in this study is considered appropriate as suggested by Roscoe (as cited in Sekaran, 2003). In addition, Roscoe proposed that sample sizes larger than 30 and less than 500 are appropriate for most types of research.

**Table 4.1: Response Rates**

Group	Survey sent		Response received	
	Manually	email	n	Percent
Auditors	100	25	40	38
Bankers	100	-----	40	38
Investors	40	10	25	24
<b>Total</b>	<b>240</b>	<b>35</b>	<b>105</b>	<b>100</b>

Table 4.2 shows the sample profiles. As for age, 43 (41%) are less than 30 years, 52 (49.5%) are between 31-40 years, 9 (8.6%) are between 41- 50 years, and 1 (1.0%) is more than 51 years. Table 4.3 indicate that are 42 (40.0%) of the respondents have 1 to 5 years experience in their occupation, 34 (32.4%) have 6 to 10 years of experience, 20 (19.0%) have 11 to 15 years of experience and 9 (8.6%) have more than 15 years of experience. A total of 83 (79.0%) had bachelor's degree, 13 (12.4%) master and 4 (3.8%) professional certificate. Those indicated that only small number of auditors or financial analysts has international professional certificate and 5 (4.8%) who has PhD or other certificate.

A total of 101 (96.2 %) are males while 4 (3.8 %) are females. This indicates that females do not have a significant presence in the financial services; unfortunately this is expected due to high prevalence of illiteracy rate among females in Yemen.

In terms of occupation both auditors and bankers had the same rate represent 40 (38.1%), but investors only represent 25 (23.8 %).

#### **Table 4.2: Demographic Details of Participants**

Statements		Whole sample (n= 105)		Auditors (n= 40)		Users (n= 65)	
Age		Frequency	Percent	Frequency	Percent	Frequency	Percent
	Less than 30 years	43	41.0	16	40.0	27	41.5
	31-40 years	52	49.5	20	50.0	32	49.2
	41- 50 years	9	8.6	4	10.0	5	7.7
	More than 51 years	1	1.0	-----	-----	1	1.5
	<b>Total</b>	<b>105</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>
Gender	Male	101	96.2	38	95.0	63	96.9
	Female	4	3.8	2	5.0	2	3.1
	<b>Total</b>	<b>105</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>
Occupation	Auditor	40	38.1	40	100.0	-----	-----
	Banker	40	38.1	-----	-----	40	61.5
	Investor	25	23.8	-----	-----	25	38.5
	<b>Total</b>	<b>105</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>

The experience and education of the respondents in relative to the accounting process and auditing appear moderate among many respondents representing both accounting experience.

These levels of experience and education show that the respondent groups are very knowledgeable about the auditing process and the users of financial statements. Therefore the measure of audit expectation gap taken from the study measured should be reliable and stronger than if respondents were largely inexperienced.

Table 4.3 provides the level of accounting knowledge between auditors and users. It indicates that 39 (97.5%) auditors and 58 (89.2%) users have accountancy knowledge. In addition, all auditors had study auditing and 53 (81.5%) users studied auditing. This is because most universities in Yemen add these courses as core or elective in colleges' of business. Thus, all respondents were expected to have "moderate" knowledge on audit.

**Table 4.3: Demographic Details of Respondents**

Statements		Whole sample (n= 105)		Auditors (n= 40)		Users (n= 65)	
		Frequency	Percent	Frequency	Percent	Frequency	Percent
<b>Experience</b>							
	1-5 years	42	40.0	15	37.5	27	41.5
	6-10 years	34	32.4	20	50.0	14	21.5
	11-15 years	20	19.0	1	2.5	19	29.2
	Over 15 years	9	8.6	4	10.0	5	7.7
	<b>Total</b>	<b>105</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>
<b>Education</b>	Bachelor's degree	83	79.0	31	77.5	52	80.0
	Master	13	12.4	6	15.0	7	10.8
	professional certificate	4	3.8	3	7.5	1	1.5
	Others	5	4.8	-----	-----	5	7.7
	<b>Total</b>	<b>105</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>
<b>Study accounting</b>	Yes	97	92.4	39	97.5	58	89.2
	No	8	7.6	1	2.5	7	10.8
	<b>Total</b>	<b>105</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>
<b>Study auditing</b>	Yes	93	88.6	40	100.0	53	81.5
	No	12	11.4	-----	-----	12	18.5
	<b>Total</b>	<b>105</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>

Results of Table 4.3 give evidence of the fact that respondents had extensive experience in their areas of expertise and should provide experienced judgments on the issues in the survey.



#### 4.2.2 Reliability of Instruments

To make sure that the questionnaire is reliable; all related variables have to go through the reliability analysis. For this purpose, Sekaran (2003) reported that an alpha value of 0.6 or more is considered sufficient for the measurement of reliability. Thus, the results of these calculations indicate that the overall reliability for all constructs is satisfactory because the values go above the conventional level of acceptability, i.e. 0.70 and above.

Table 4.4 shows the reliability analysis that was conducted for auditors, bankers and investors separately and whole sample for all groups. Items were tested together (16 items). As a result, the Cronbach's Alpha value was found to whole sample 0.698, and the Cronbach's Alpha value separately for auditors 0.618, bankers 0.691 and investors 0.524, thus considered sufficient for the measurement of reliability.

**Table 4.4: Reliability Statistics**

Reliability Statistics			
Cronbach's Alpha (Auditors)	Cronbach's Alpha (Bankers)	Cronbach's Alpha (Investors)	Cronbach's Alpha (Whole sample)
0.618	0.691	0.524	0.698

#### 4.2.3 Descriptive Statistics

Advance analysis was completed on the ratings of the survey statements to know significant differences among groups of respondents. Following the method used in Schelluch (1996), Best et al. (2001) and Fadzly and Ahmed (2004), any significant

difference detected between auditor and non-auditor groups (bankers and investors) indicates the potential existence of the expectation gap.

Table 4.5, Table 4.6, and Table 4.7 measure the level and nature of the expectation gap between auditors and users in Yemen. The table presents the mean rating of each respondent group and across groups. The Mann-Whitney U-test was employed as the main statistical test which identifies the significant differences between the auditors and the users. As indicated in the Kolmogorov-Smirnov test, the distribution of data in the majority cases was not normal.

**Table 4.5: Comparative Mean response – Responsibility Statements**

<b>Responsibilities Statements:</b>					
<b>Statements</b>		<b>Mean Auditors (n= 40)</b>	<b>Mean Bankers (n= 40)</b>	<b>Mean Investors (n= 25)</b>	<b>Whole sample (n= 105)</b>
A1	The auditor is responsible for detecting all fraud	4.2250	2.9250 *	2.1600 *	3.2381
A2	The auditor is responsible for the soundness of the internal control structure of the company	4.8500	3.6500	2.5600 *	3.8476
A3	The auditor is responsible for maintaining accounting records of the company	6.0500	3.9487 *	3.7600 *	4.6667
A4	Management is responsible for producing the financial statements for the company	2.1000	2.6500	2.3333	2.3654
A5	The auditor is responsible for preventing fraud	5.5250	3.9250 *	3.0400 *	4.3238

A6	The auditor is unbiased and objective	1.1750	2.0500 *	1.2917	1.5385
A7	Management should be held responsible if the company goes bankrupt due to fraud	2.6250	2.9750	2.8750	2.8173
A8	The auditor is legally responsible only to the shareholders	4.4500	4.6250	4.6667	4.5673
Note: *Significantly different from auditors at $p < 0.05$					

**Table 4.6: Comparative Mean response – Reliability Statements**

<b>Reliability Statements</b>					
<b>Statements</b>		<b>Mean Auditors (n= 40)</b>	<b>Mean Bankers (n= 40)</b>	<b>Mean Investors (n= 25)</b>	<b>Whole sample (n= 105)</b>
B9	When a company has been issued unqualified audit opinion, users can have absolute assurance that the financial statements contain no material misstatements	4.2750	2.9500 *	2.5417 *	3.3654
B10	When a company has been issued unqualified audit opinion, the financial statements give a true and fair view	2.3000	2.7000	2.3200	2.4571
B11	When a company has been issued unqualified audit opinion, the company is free from fraud	4.6750	3.6000 *	3.3043 *	3.9135
B12	When a company has been issued unqualified audit opinion, the company is well managed	3.1250	2.8500	3.0800	3.0095
B13	The extent of assurance given by the auditor is clearly indicated in the audit report	2.3250	2.2821	2.4583	2.3398
B14	The extent of audit work performed is clearly explained in the audit report	2.4250	2.5641	2.2500	2.4369
Note: *Significantly different from auditors at $p < 0.05$					

**Table 4.7: Comparative Mean Response – Decision Usefulness Statements**

<b>Usefulness Statements</b>					
<b>Statements</b>		<b>Mean Auditors (n= 40)</b>	<b>Mean Bankers (n= 40)</b>	<b>Mean Investors (n= 25)</b>	<b>Whole sample (n= 105)</b>
C15	The audited financial statements are useful in monitoring the company's performance	2.1892	1.8718	1.7200	1.9505
C16	The audited financial statements are useful for decision-making	2.0286	1.8529	1.8095	1.9111
Note: *Significantly different from auditors at $p < 0.05$					

#### **4.2.3.1 Auditor's Responsibilities**

Eight statements on responsibility address the issues of fraud detection and prevention, internal control, accounting records and maintenance, the financial statements producing, auditor's objectivity, and scope of auditor's legal responsibility. The results in Table 4.6 indicate five statements that have significant differences in responsibility areas except for management responsibility for producing the financial statements (i.e. statements 4), management responsibility if the company goes bankrupt due to fraud (i.e. statements 7) and auditor responsibility to the shareholders (i.e. statements 8). All auditors, bankers and investors groups had strong beliefs and agreement that management has responsibility for producing financial statements. This is also in agreement for management responsibility if the company goes bankrupt due to fraud and the auditor is legally responsible only to the shareholders.

The results (i.e. statements 1 and 5) indicate significant differences in responsibility areas concerning fraud and prevention. The result suggests that auditors think they have little responsibility for fraud detection and prevention, while bankers and

investors believed they have more responsibility for these tasks. The result shows there is extent a gap in Yemen in term of auditor's responsibility for fraud detection and prevention. The results of this study agree with the findings of Schelluch (1996), Best et al. (2001), and Fadzly and Ahmed (2004).

Regarding the internal control issue (i.e. statement 2) the extent of the gap is large among investors but there is no significant difference between auditors and bankers. The investors expect auditors and management to share the responsibility towards internal control may be one possible explanation to such difference.

The results (i.e. statement 3) indicate that users (bankers and investors) believe auditor has some responsibility for maintaining accounting records of the company, while auditors believe management is responsible for maintenance of the accounting records. An audit expectation gap was also exist between auditors and bankers only on the subject of the auditor is unbiased and objective (i.e. statement 6).

#### **4.2.3.2 Reliability of Audit and Audited Financial Statements**

Statements on reliability address the issues of the extent of assurance that the financial statements provided by audited financial statements being true and fair, fraud within the audited entity, the company is well managed, extent of assurance given by the auditor is clearly indicated in the audit report and audit report's effectiveness in communicating the extent of audit work performed.

However, of (i.e. Statement 9) there is an expectation gap towards the extent of assurance against material misstatement between auditors and users (bankers and investors). Although the profession's explain that an audit may provide "high, but not absolute assurance" (ISA 120), there is expected subjectivity in defining the reasonable level for such assurance. All auditors, bankers and investors groups had strong beliefs and agreement when a company has been issued unqualified audit opinion and the financial statements give a true and fair view (i.e. statement 10).

Table 4.6 indicates the evidence of (i.e. Statement 11) expectation gap when a company has been issued unqualified audit opinion. It is assume that the company is free from fraud but auditors had significantly disagreed with regard to whether the company is free from fraud. Bankers and investors however, agreed with the statement that the audited entity is free from fraud. The results of this study conform to the findings of Schelluch (1996), Best et al. (2001), and Fadzly and Ahmed (2004) regarding this issue.

All auditors, bankers and investors had strong beliefs and agree to statement 12, 13, and 14 that company is well managed and extent of assurance given by the auditor and also audit report's effectiveness in communicating the extent of audit work performed. The result indicates no significant differences between the groups.

#### **4.2.3.3 Usefulness of Audited Financial Statements**

Statements on usefulness of audited financial statements address the issues of monitoring the company's performance and decision-making. Table 4.7 provides detail of the results of the mean responses concerning these issues. The results indicate no significant

differences between users and auditors on the audited financial statements as stated in statement 15 and statement 16. All auditors, bankers and investors had strong beliefs for usefulness of audited financial statements in monitoring and decision-making.

### **4.3 Conclusion**

The result supports substantial evidence of the expectation gap between auditors and users of financial statements a wide gap was found in the areas of auditor responsibilities for fraud detection and prevention, auditor judgment in the selection of audit procedures and maintenance of accounting records.

Auditors and users group had strong beliefs and agreement that management has responsibility for producing financial statements, and audited financial statements are useful in monitoring the company's performance and decision-making.

## **CHAPTER 5**

### **DISCUSSION AND CONCLUSION**

#### **5.1 Introduction**

The purpose of this study is to examine the existence of the audit expectation gap between auditors and users of financial statement (bankers & investors). The results found evidence of a wide audit expectation gap in Yemen in the areas of auditor responsibilities for fraud prevention, maintenance of accounting records, and auditor responsibility for internal control structure.

#### **5.2 Discussion**

The results of this study confirm with Schelluch (1996) study reported in Australasia, Best et al. (2001) in Singapore and Fadzly and Ahmed (2004) in Malaysia, Sidani (2007) in Egypt. The result supports substantial evidence of the expectation gap between what the users of financial statements expect from the auditing profession compared to the auditors define as their role in the assurance process or what auditors actually do, particularly on subject relating to auditor's responsibilities and reliability of audit and audited financial statements. A wide gap was found in the areas of auditor responsibilities for fraud detection and prevention, auditor judgment in the selection of audit procedures and maintenance of accounting records.



Auditors and users group had strong beliefs and agreement that management has responsibility for producing financial statements, and audited financial statements are useful in monitoring the company's performance and decision-making. In addition the results reveal that the weakness of understanding the nature and functions of audit among Yemeni users and auditors also, that may effect on their perception. The possible explanation for such effect might be due to the absent of comprehensive authorize guidelines from accountants professional body. Thus, Yemeni auditors are freely to interpret what is right and wrong with respect to any act that are related to their profession.

Even though there is no clear guideline on auditing and accounting principles in Yemen, therefore there is deviations from the international standard occurred, and also there is no role for the government to control and force the auditors to follow the rules and regulations.

The Yemeni government should issue its inclusive code for Yemeni accountants to organize the accounting profession. Moreover, the Yemeni Certified Accountants Association (YCAA) should play greater role to control and force the accountants to follow the international standards.

The existence of the expectation gap may lead to several impacts of the perceptions and negative reputation towards independent audit (Fadzly and Ahmad, 2004). Several studies have recommended mechanisms for narrowing or reducing the expectation gap such as educating the users of financial statements about the nature and role of audit. It is the key to narrow the gap and correct misconceptions among users. The role also should be played by professional accounting bodies in enhancing the image of

the profession and narrowing the gap through improving the audit quality and standard audit report.

### **5.3 Limitation of the Study**

This study suffers from some limitations. The scope of the study was limited to only 275 respondents. Yemen is an Arabic-speaking country with different economic and education conditions, so there is a risk that there may be significant culture differences between Yemen and other countries. Accordingly, these limitations may limit the generalization of the results.

### **5.4 Conclusion**

The auditing profession has been involuntarily placed in the spotlight, especially after the debacles of corporate in the last few years. This study aims to examine the extent to which a gap might exist between auditors and users of financial statements in Yemen, in order to understand the nature of the perceived auditor's responsibilities, performance of auditors, audit function and auditor independence. The research method adopted in this study is identical to that used by Schelluch, Best et al. and Fadzly and Ahmed. The analysis above supports the notion that there is indeed an expectation gap between what auditors actually do or perceive themselves to be doing, compared to the perception of the financial statements users. The result supports substantial evidence of the expectation gap between auditors and users of financial statements a wide gap was found in the areas of auditor responsibilities for fraud detection and prevention, auditor judgment in the selection of audit procedures and maintenance of accounting records.

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Statements		Whole sample (105)		Auditors (40)		Users (65)	
Age		Frequency	Percent	Frequency	Percent	Frequency	Percent
	Less than 30 years	43	41.0	16	40.0	27	41.5
	31-40 years	52	49.5	20	50.0	32	49.2
	41- 50 years	9	8.6	4	10.0	5	7.7
	More than 51 years	1	1.0	-----	-----	1	1.5
	<b>Total</b>	<b>105</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>
Gender	Male	101	96.2	38	95.0	63	96.9
	Female	4	3.8	2	5.0	2	3.1
	<b>Total</b>	<b>105</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>
Occupation	Auditor	40	38.1	40	100.0	-----	-----
	Banker	40	38.1	-----	-----	40	61.5
	Investor	25	23.8	-----	-----	25	38.5



	<b>Total</b>	<b>105</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>
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## **APPENDIX A**

### **Frequency Statistics**

**Table 4.1: Response rates**

<b>Group</b>	<b>Survey sent</b>		<b>Response received</b>	
	<b>Manually</b>	<b>email</b>	<b>n</b>	<b>Percent</b>
Auditors	60	25	40	47
Bankers	60	-----	40	66
Investors	60	10	25	36
<b>Total</b>	<b>240</b>	<b>35</b>	<b>105</b>	<b>38</b>

**Table 4.2: Demographic details of participants**

**Table 4.3: Demographic details of respondents**

Statements		Whole sample (105)		Auditors (40)		Users (65)	
Experience		Frequency	Percent	Frequency	Percent	Frequency	Percent
	1-5 years	42	40.0	15	37.5	27	41.5
	6-10 years	34	32.4	20	50.0	14	21.5
	11-15 years	20	19.0	1	2.5	19	29.2
	Over 15 years	9	8.6	4	10.0	5	7.7
	<b>Total</b>	<b>105</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>
Education	Bachelor's degree	83	79.0	31	77.5	52	80.0
	Master	13	12.4	6	15.0	7	10.8
	professional certificate	4	3.8	3	7.5	1	1.5
	Others	5	4.8	-----	-----	5	7.7
	<b>Total</b>	<b>105</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>
Study accounting	Yes	97	92.4	39	97.5	58	89.2
	No	8	7.6	1	2.5	7	10.8
	<b>Total</b>	<b>105</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>
Study auditing	Yes	93	88.6	40	100.0	53	81.5
	No	12	11.4	-----	-----	12	18.5
	<b>Total</b>	<b>105</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>

# APPENDIX B

## Descriptive Statistics

**Table (Whole sample): Comparative mean response**

	Mean Auditors (40)	Mean Bankers (40)	Mean Investors (25)	Whole sample (105)
A1	4.2250	2.9250	2.1600	3.2381
A2	4.8500	3.6500	2.5600	3.8476
A3	6.0500	3.9487	3.7600	4.6667
A4	2.1000	2.6500	2.3333	2.3654
A5	5.5250	3.9250	3.0400	4.3238
A6	1.1750	2.0500	1.2917	1.5385
A7	2.6250	2.9750	2.8750	2.8173
A8	4.4500	4.6250	4.6667	4.5673
B9	4.2750	2.9500	2.5417	3.3654
B10	2.3000	2.7000	2.3200	2.4571
B11	4.6750	3.6000	3.3043	3.9135
B12	3.1250	2.8500	3.0800	3.0095
B13	2.3250	2.2821	2.4583	2.3398
B14	2.4250	2.5641	2.2500	2.4369
C15	2.1892	1.8718	1.7200	1.9505
C16	2.0286	1.8529	1.8095	1.9111

**Table 4.5: Comparative mean response – responsibility statements**

<b>Responsibilities Statements:</b>					
<b>Statements</b>		<b>Mean Auditors (40)</b>	<b>Mean Bankers (40)</b>	<b>Mean Investors (25)</b>	<b>Whole sample (105)</b>
A1	The auditor is responsible for detecting all fraud	4.2250	2.9250 *	2.1600 *	3.2381
A2	The auditor is responsible for the soundness of the internal control structure of the company	4.8500	3.6500	2.5600 *	3.8476
A3	The auditor is responsible for maintaining accounting records of the company	6.0500	3.9487 *	3.7600 *	4.6667
A4	Management is responsible for producing the financial statements for the company	2.1000	2.6500	2.3333	2.3654
A5	The auditor is responsible for preventing fraud	5.5250	3.9250 *	3.0400 *	4.3238
A6	The auditor is unbiased and objective	1.1750	2.0500 *	1.2917	1.5385
A7	Management should be held responsible if the company goes bankrupt due to fraud	2.6250	2.9750	2.8750	2.8173
A8	The auditor is legally responsible only to the shareholders	4.4500	4.6250	4.6667	4.5673

**Table 4.6: Comparative mean response – reliability statements**

<b>Reliability Statements</b>					
<b>Statements</b>		<b>Mean Auditors (40)</b>	<b>Mean Bankers (40)</b>	<b>Mean Investors (25)</b>	<b>Whole sample (105)</b>
B9	When a company has been issued unqualified audit opinion, users can have absolute assurance that the financial statements contain no material misstatements	4.2750	2.9500 *	2.5417 *	3.3654
B10	When a company has been issued unqualified audit opinion, the financial statements give a true and fair view	2.3000	2.7000	2.3200	2.4571
B11	When a company has been issued unqualified audit opinion, the company is free from fraud	4.6750	3.6000 *	3.3043 *	3.9135
B12	When a company has been issued unqualified audit opinion, the company is well managed	3.1250	2.8500	3.0800	3.0095
B13	The extent of assurance given by the auditor is clearly indicated in the audit report	2.3250	2.2821	2.4583	2.3398
B14	The extent of audit work performed is clearly explained in the audit report	2.4250	2.5641	2.2500	2.4369

**Table 4.7: Comparative mean response – decision usefulness statements**

<b><u>Usefulness Statements</u></b>					
<b>Statements</b>		<b>Mean Auditors (40)</b>	<b>Mean Bankers (40)</b>	<b>Mean Investors (25)</b>	<b>Whole sample (105)</b>
C15	The audited financial statements are useful in monitoring the company's performance	2.1892	1.8718	1.7200	1.9505
C16	The audited financial statements are useful for decision-making	2.0286	1.8529	1.8095	1.9111

**Table 4.4: Reliability Statistics**

<b>Reliability Statistics</b>			
<b>Cronbach's Alpha (Auditors)</b>	<b>Cronbach's Alpha (Bankers)</b>	<b>Cronbach's Alpha (Investors)</b>	<b>Cronbach's Alpha (Whole sample)</b>
.618	.691	.524	.698

## Mann-Whitney Test –

### significant Test (Auditors and Bankers

	A1	A2	A3	A4	A5	A6	A7	A8	B9	B10	B11
Mann-Whitney U	482.500	525.500	267.500	551.000	430.500	459.000	729.000	768.500	508.500	675.500	515.000
Wilcoxon W	1302.500	1345.500	1087.500	1371.000	1250.500	1279.000	1549.000	1588.500	1328.500	1495.500	1335.000
Z	-3.132	-2.674	-5.238	-2.572	-3.626	-3.880	-.702	-.309	-2.894	-1.302	-2.84
Asymp. Sig. (2-tailed)	.002	.007	.000	.010	.000	.000	.483	.758	.004	.193	.00

### significant Test (Auditors and Inv

	A1	A2	A3	A4	A5	A6	A7	A8	B9	B10	
Mann-Whitney U	183.000	214.000	212.000	366.500	156.500	453.500	449.500	442.500	219.000	478.000	23
Wilcoxon W	508.000	539.000	537.000	1186.500	481.500	753.500	1269.500	1262.500	519.000	1298.000	53
Z	-4.351	-3.931	-4.043	-1.758	-4.719	-.640	-.435	-.528	-3.713	-.325	

Asymp. Sig. (2- tailed)	.000	.000	.000	.079	.000	.522	.664	.598	.000	.745
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**University Utara Malaysia**  
College of Business

## **Survey to Investigate Audit Expectation Gap in Yemen**

Dear Respondent,

This study attempts to assess the attitudes and perceptions of accountants and non-accountants about the auditing profession in Yemen.

Your response to this survey is valuable and is greatly appreciated, since the success of this study depends very much on your contribution. Kindly fill in the questionnaire.

We would like to assure you that your answer will be kept anonymous and the information provided will be treated as confidential. Further, the data will be analyzed and presented in aggregate.

If you need any kind of assistance or have any queries regarding the questionnaire, please do not hesitate to contact me at: 006-0123132407, Email: [alsokhimi5@yahoo.com](mailto:alsokhimi5@yahoo.com) .

Thanking you in advance for your valuable time and cooperation.

Ibrahim AL-Sokhimi

**SECTION A:** Kindly, respond to each of the following statements to indicate your opinion (circle your choice) on the level of agreement of the following scale:

- 1 Strongly Agree**
- 2 Agree**
- 3 Slightly Agree**
- 4 Neutral**
- 5 Slightly Disagree**
- 6 Disagree**
- 7 Strongly Disagree**

No	Statements	Strongly Agree → Strongly Disagree						
Auditor's responsibilities								
1	The auditor is responsible for detecting all fraud	1	2	3	4	5	6	7
2	The auditor is responsible for the soundness of the internal control structure of the company	1	2	3	4	5	6	7
3	The auditor is responsible for maintaining accounting records of the company	1	2	3	4	5	6	7
4	Management is responsible for producing the financial statements for the company	1	2	3	4	5	6	7
5	The auditor is responsible for preventing fraud	1	2	3	4	5	6	7



6	The auditor is unbiased and objective	1	2	3	4	5	6	7
7	Management should be held responsible if the company goes bankrupt due to fraud	1	2	3	4	5	6	7
8	The auditor is legally responsible only to the shareholders	1	2	3	4	5	6	7
<b>Reliability of audit and audited financial statements</b>								
9	When a company has been issued unqualified audit opinion, users can have absolute assurance that the financial statements contain no material misstatements	1	2	3	4	5	6	7
10	When a company has been issued unqualified audit opinion, the financial statements give a true and fair view	1	2	3	4	5	6	7
11	When a company has been issued unqualified audit opinion, the company is free from fraud	1	2	3	4	5	6	7
12	When a company has been issued unqualified audit opinion, the company is well managed	1	2	3	4	5	6	7
13	The extent of assurance given by the auditor is clearly indicated in the audit report	1	2	3	4	5	6	7
14	The extent of audit work performed is clearly explained in the audit report	1	2	3	4	5	6	7
<b>Usefulness of audited financial statements</b>								
15	The audited financial statements are useful in monitoring the company's performance	1	2	3	4	5	6	7
16	The audited financial statements are useful for decision-making	1	2	3	4	5	6	7

**SECTION B:** Please tick (√) where appropriate

17. Age:                    ☐ Less than 30 years                    ☐ 31-40 years  
                                  ☐ 41- 50 years                    ☐ More than 51 years

18. Gender:                    ☐ Male                    ☐ Female

19. Occupation .....

20. Sector:                    ☐ Accounting/auditing    ☐ Management  
                                  ☐ Other\_\_\_\_\_ (please specify)



