



Audit Expectation Gap in Islamic Countries

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Abstract

The present study focuses on the audit expectations gap and its coping strategies from the users' perspectives in Iran and Iraq. The audit expectations gap's coping strategies include audit report type, users' training, and related rules and regulations.

Data collected from an equal distribution of 400 questionnaires between the users of financial statements in Iran and Iraq. The statistical population includes auditors, bank staff, investors, and university students from 2019-03 to 2019-07.

The study results indicated no research variable (users' training, type of audit report, and setting standards) could reduce Iran and Iraq's audit expectations gap.

The research variables in Iran and Iraq's statistical population had no significant effect on reducing the expectations gap, and it is expected that several other factors contribute to this issue.

Keywords: Expectation Gap, Type of Audit Report, Users' Training, Standards Setters.

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1. Introduction

By reviewing the related literature on accounting and corporate governance in other subjects, we could observe that accounting is considered an invaluable tool in the practical use of resource allocation and economy globally (Yao Gbadago, 2015; Saladrignes & Grano, 2014; Ramlugun, 2014). Furthermore, accounting plays a leading role in helping the effectiveness and optimal functioning of business operations, investment, and economic markets by adding value to the financial statements (Otalor and Okafor, 2013). An Independent auditor is an important figure in presenting a sensible truth, which means that financial statements reflect decent managerial activities during financial reporting. Thus, auditors hold the first place in reducing the expectations gap between management and users of published financial reports by approving themselves through reliable and accurate financial statements (annual reports and accounts). This includes the income statement, balance sheet, cash flow statement, manager reports, financial summary, etc. (Devi & Devi, 2014). The role of auditors has changed enormously over time, and they should be responsible for the demands of various groups. Such changes have resulted in an expectation gap that is a difference between what people expect from the auditing and what auditing is considered as objectives.

The conducted studies in different countries indicate that the so-called expectation gap is existed (Guandaru Kamau, 2013; Babatunde Adeyemi & Morte Uadiale, 2011; Ebimobowei, 2010). A public answer to this issue is establishing accounting and auditing standards and enacting some rules and regulations (Guandaru Kamau, 2013). However, the provided solutions in a certain company may be inefficient in another, in that auditing is under the influence of the working environment. Without understanding the existing interactions in business settings that affect the nature, objective, facilities, and auditing limitations, proposing a solution for omitting or minimizing the expectation seems not applicable. Such is the case in countries with a transient economy and vague interactions in a business setting (Saeidi, 2012). Public ownership of economic institutions, financing through public participation, and privatization of the public sectors and affiliated agencies are among the main factors of fundamental changes in Iran's economic setting. In such a situation, the transparency and quality of non/financial information, based on investors' most economic decisions and actual and potential lenders, is of utmost importance. In case that a considerable amount of information is required for users is processed and reported by the management of economic institutions, it seems necessary to be roughly ensured of the information quality (Salehi, 2011). By separating ownership from corporate management and by accumulating enormous financial resources derived from the aggregation of small capitals and as declared by the agency theory, there is a conflict of interest between the proper and efficient use of such resources to succeed in the maximization of wealth and interests of capital owners and corporate ownership (Guandaru Kamau, 2013). In such cases, independent auditors and refining information seem necessary to omit or minimize the effects of such a conflict of interest and serve both parties' interests. From the viewpoint of this theory, the central role of the independent audit profession is accreditation. Performing this role would place the auditors in a unique and enviable community (Kimutai & Jepchirchir, 2012). Initially, both auditors and users of financial statements have the same idea about audit roles in business and the economy. The experimental and conducted studies in this field, however, are indicative of the expectations gap between these two groups. Several factors are included informing the expectations gap between auditors and users of financial statements (Agyei, Kusi Aye, and Yeboah, 2013).

In some cases, users' expectations are higher than the expected responsibility in regulations and professional standards, which would cause the creation of false images for auditors, who can present an absolute truth about the authenticity of financial

statements. This would lead to an expectation gap between audit operations users and auditors (Agyei et al., 2013). In some situations, the audit expectations gap is attributed to a public defect in understanding the audit nature and limitations (Saeidi, 2012). Further studies expressed that audit information users could not understand the audit (Saladrigues & Grano, 2014; Yao Gbadago, 2015). Hence, in general, the community needs the training to establish logical expectations about auditors' duties.

2. Theoretical Principles

Liggio (1974) introduced the term "expectations gap" as the difference between the actual and expected performance. This definition was developed in 1978 by the commission on auditors' responsibilities and meant a gap between requirements, public expectations, and auditors' accessible expectations (AICPA, 1978). Monroe and Woodliff (1993) introduced the expectations gap as the difference between auditors' and public beliefs on auditors' responsibilities and duties. Jennings et al. (1993) argued that the expectations gap represents the difference between public expectations on responsibilities and duties of auditing and what auditing is actually can perform. Porter (1993) defined the expectation-performance gap as the gap between the community's expectations about auditors' and auditors' actual performance.

2.1. Audit report form and audit expectation gap

In recent decades, the audit report has been subject to change and improvement to modify users' situations through annual reports. In 1978, the commission on auditor's responsibilities set up a committee named Cohen and suggested that the audit report be elaborated as a certain review of the auditor's role and responsibility. Thus, an auditor's report requires a standard audit report (Boyd et al., 2001). Chung (1995) conducted a study on two auditors from six large public accounting companies and six small companies in America. He concluded that the former is a combination of confidential and qualified auditors, while the latter is a combination of good and highly confident auditors. The results of both groups showed some sort of inclination toward reliability. The presence of a standard audit report form leads to the auditors' understanding of their auditing duties. Therefore, we could partly improve the expectations gap by combining efficient auditors and enforceable standard reports. Hypothesis 1: there is a significant relationship between audit report appropriateness and the level of audit expectations gap.

2.2. The role of users' training and audit expectation gap

Epstein and Geiger (1993) declared that the audit expectations gap could be partly justified by increasing public understanding of auditor nature, which means that the role of users' training moves from financial statements toward accountable auditors. Moreover, AICPA recommends the users increase the customer and audit committee training sessions in meetings and organizations to reduce the auditor's expectation gap. Hussain (2003) showed in his research that the optimal solution for reducing the audit expectations gap and users' training is contingent on auditors and their accountability. Hypothesis 2: there is a significant relationship between users' training range and the level of audit expectations gap.

2.3. The role of setting standards in reducing audit expectation gap

In 1988, the accounting standards board (ASB) issued nine declarations on accounting standards as the standard of expectations gap, classified into the following groups: 1. Detecting frauds and illegal actions (declaration No. 52): auditing to detect and report the errors. Declaration No. 54: illegal actions by customers are a more effective inspection. Declaration No. 55: paying attention to the structure of internal controls in the financial

statement audit. Dewing and Russell (2002) conducted research to assess the existence of audit expectations gap in England to improve the issue and declared that the presence of such a problem in developed or developing countries asks for endless decision making efforts to affect the various clients and benefit from the advantages of an annual corporate report from other companies.

Hypothesis 3: there is a significant relationship between setting standards and the audit expectation gap level.

2.4. Expectations gap

Various user groups of financial statements require information about the financial status and economic performance to take economic, planning, and monitoring decisions. Such information is presented through financial reporting, the main product of a set of financial statements, and their descriptive notes. Financial statements' information is useful when they have the required qualitative characteristics (Salehi, 2016; Salehi et al., 2019). Qualitative information analysis should be carried out by a qualified person other than the providers of those statements, who is the independent auditor (Aghaei et al., 2010). Professional judgment, decision-making, justification, and passing comments are among the most important auditing issues, which lead to considerable challenges in audit quality and could affect the market reaction of professional audit services (Hassas Yeganeh, 2006). For more than 40 years, the audited financial statement users enjoy a consistent audit report (short standard report). After this period, it is expected that creditors, investors, and other users could understand the audit report and its objective more thoroughly. However, the evidence demonstrates the growth of such a gap between auditors' objectives and users' expectations (Bozorg Asl, 1998).

2.5. The existing theories and approaches to an expectations gap

According to Porter (1993), the expectations gap can be assessed from two perspectives: community expectations (either logical or illogical) and auditor performance (what the auditors do, compare with what the community is expected from auditors). Based on this perspective, two gaps are identified: logic and performance. The logical gap is the distance between what the community expected from auditors and what auditors can expect to achieve. The performance gap is the distance between what the community can logically expect from auditors to perform and what auditors achieved. The performance gap is two-sided. On the first side, it refers to the existing gap between those duties that are logically expected from auditors and the existing auditor duties defined by the related regulations and professional principles. On either side, it introduces the distance between standard expected performance from auditors' duties and the role the community is expected from auditors. The above said inherent characteristics posed some problems concerning the coordination of approaches and expectations with the actual performance (Tsamenyi and Uddin, 2009). The results of conducted studies on the "expectations gap" show that the cause of such a distance is threefold (Porter, 1993):

- 1- The community expectations from auditors are beyond what can be expected, logically (that is, illogical expectations);
- 2- The community has logical expectations from auditors, which are beyond their professional and legal responsibilities (that is, inefficient standards);
- 3- Community awareness of the idea that auditors are not working following their defined duties (inefficient performance).

Several theories were put forward on the causes of the expectation gap. Older beliefs attributed the existing gap to an inaccurate perception of users and the community of financial auditing. In other words, the expectations gap is appeared due to excessive expectations from auditors (Kadous, 2000; McEnroe and Martens, 2001). However, some

scholars criticized the auditing for failing to meet the minimum requirements and users' expectations. In addition, the refusal of such expertise in planning and performing due obligations for exploring fraud has resulted in the development of the expectations gap (Dewing and Russell, 2002). Moreover, the expectations gap could be created due to the contradiction between minimum state regulation and the profession's rule itself (Sikka et al., 1992). Another theory stated that by the reconstruction or more complication of business firms' activities, auditors' surveillance and accreditation process becomes tougher than the reliability of financial reports, which could bring about more inclination of investors toward such companies.

On the other hand, by its failure to respond to investors, the expertise caused the expectations gap. The expectations gap, however, is established due to time delay, which means that auditors and the expertise are asked to make an immediate response in case that a gap is grown between the expectations of expertise and community, to be able to adopt preventive measures, if possible, to be ensured of no gaps (Singh, 2009). The expectations gap often means the regulatory expectations gap between audit expertise and what auditors considered as their duties. Such issues have created a "negligible opposition gap, " which means the gap could be made by training the users of audit services by professional associations to determine what auditors' expectations are logical. Others are trying to propose a more comprehensive definition of the expectations gap by unifying the service delivery factors. More exclusively, they evaluate whether the auditors fulfill their obligations and whether these duties are owed to auditors to be met at a sensible level. Some scholars are even tried to classify the recent category into two groups of current audit quality standards and the proposed service quality by auditors. Such divergent groups' operational problems and the audit expectation gap have resulted in more concentration on the word "sensible" (Babatunde Adeyemi and Uadiable, 2011).

Regarding nature, limitations, and existing defects in the expertise and the tragic events that have taken place for some companies and audit firms, auditing is more encountered with misunderstandings recently. Besides, lack of community awareness of the obligations and professional duties of the expertise on the one hand, and the existing shortcomings in the performance of auditors, standards, and auditing guidelines, on the other hand, gave rise to the scope of such misunderstandings and led to the formation of audit expectations gap. Porter (1993) stated in research on the audit expectations gap that the previous definitions had been extremely limited, and more comprehensive evaluation is required for the expectations gap. He concluded that such an objective could be attained only by comparing community expectations from auditors with their performance. In his view, the expectations gap could be because of the following three factors:

- 1- Illogical expectations of users of financial statements from auditors;
- 2- Inappropriate auditing and accounting standards;
- 3- Inefficient performance (incomplete) of auditors.

Regarding the abovementioned features, many scholars declare that the concept of the expectations gap is referred to the differences between public and auditors' understanding of the obligation of auditors (Dixon et al., 2006; McEnroe and Martens, 2001). From an auditing point of view, audit expectations are known as a significant issue. Scholars express a critical subject for the independent auditor's performance and an important factor in developing standards and audit performance. According to Porter (1993), the expectations gap could increase by a growth in the community expectations or a decline in auditors' performance. While decreasing the community expectations or improvement, the auditors' performance will decrease. The expectations gap or community difference and reliable performance could be established as follows:

- 1- The sensible gap, which is the distance between what the community expects from auditors and what auditors can perform logically;

2- The performance gap is the distance between users' logical expectations and what they could get in reality. Such a gap could have two reasons:

1-2 the gap of standard inefficiency, which is the distance between logical expectations from auditors' duties and duties currently defined based on the auditing and accounting standards or rules and regulations and performed by auditors (Ojo, 2006);

2-2 inefficient and incomplete performance gap, which is the distance between auditors' expected duties based on the approved standards and the existing duties carried out by auditors.

Hian and Woo (1998) evaluated the role of independent auditors in the community and described the history of the expectations gap and its development through time. As we follow, a summary of studies conducted by professional association will be presented. In the present study, instead of a change in the audit report structure, we recommend having a complementary (training) note on auditing roles and limitations as an attachment to the audit report. Humphrey et al. (1997) studied the response of auditing expertise to the audit expectations gap. They proposed two main strategies, including a defensive approach to focus on training and public confidence and a constructive approach to transfer and change auditing activities to respond to public concerns. This paper is concerned about evaluating such a response and the probability of success in reducing the expectation problems in the audit structure's inherent problems as a supervisory activity. Hatherly (1991) carried out research holding a critical view of the expectation gap. This project is concerned with a certain analysis of audit expertise responses and the expectations gap using classified principles and professional theory-based analysis. This study revealed that all audit expertise measures are to help the improvement of a social well-being function. Hence, it helps manage existing social differences among various accounting services and preserve or strengthen all professional measures. This study indicated the absence of mutual exclusion of various theories and specified that experimental analysis is not sufficient individually for defining social behavior. Kimutai and Jepchirchir (1991) assessed whether these factors contribute to auditor decisions or not. This study was carried out as a pre-test/post-test, and the results substantiated the effect of both biased perception and expectation gap on the evaluation of auditor decision. However, due to students' use of accounting and law, this research does not require realism. Hian and Woo (1998) elaborated the confusion as "expectations gap quality". They showed that auditors and customers have an extremely different understanding of auditing and this gap is larger in young people. Sikka et al. (1998) discussed locating audit expectations within a social, political, and historical framework. They reasoned that in a community specified by a large social section, being away from the definition of social methods, like auditing, is controversial. Concerning social conflicts, defining social methods is the subject of continuous challenges, discussions, and the gap between rival auditing meanings that cannot be omitted. They illustrated such an interpretation through the evaluation of audit relationship with realization and fraud report. According to historical evidence, they argued that auditing objectives had been created and transformed into social relationships. Chandra Shil (2015) evaluated an entrenchment effect in reducing the expectations gap. They observed a tangible change in students after the internship program. However, they did not attribute that change to the internship program to reduce the audit expectations gap. They believed that such a program could be used to complete audit training in university, be employed as an ideal solution to pose professional issues to the students, and understand auditors' actual performance and obligations more appropriately. Tamoradi and Mosaei (2016) concluded that the so-called gap between these two financial reports is among the factors that arise ambiguity in auditors' role and users' perceptions. They also found a significant difference between expectations from users and auditors regarding auditing responsibility, confidence, and decision profitability.

Bazrafshan (2016) declared that the most important fraud risk indices from auditors' points of view are related to the appropriation of assets or embezzlement. From the students' point of view, it is related to managerial features. Nikbakht, Rezaei, and Khoram (2012) concluded that due to the dichotomy between auditing standards, the country's specific rules and regulations, and presenting additional services to clients by the audit firms, the expectations gap exists between auditors and users of financial statements. Moreover, by evaluating the respondents' point of view, they found a significant difference between auditors and users (intragroup), and there is no difference between users' perspectives (intergroup). Mehrani and Nonahal Nahr (2012) observed that increasing audit reports' clarity could cause the decline of the audit expectations gap. It seems that by following such an approach in real places, we could decrease the so-called gap. Nikomaram, Rahnamai Roodposhti, and Nonahal Nahr (2013) discovered that the audit expectations gap in Iran is severe, and modern auditing standard 700 requirements have only a slight effect on such a gap. However, presenting the report of such a standard, to some extent, could increase its attention to drawing performance. Sheibanifar and Salehi (2014) researched factors that contribute to the audit expectations gap concerning internal and external auditing challenges. They noticed that lack of community awareness of auditors' duties and responsibilities on the one hand and the existing defects in the performance of audits, auditing standards, and internal and external auditing challenges gave rise to misunderstandings and caused audit expectations gap.

3. Research Methodology

The statistical research population is selected from several independent auditors and users of financial information, audit reports, and accounting and financial management students in Iran and Iraq. Data collected by employing questionnaires. To answer the research hypotheses, an appropriate questionnaire was also designed to gather the information. The sampling method was simply random, and regarding the unknown volume of the population, the sample was gathered by considering the variance of 0.026 for the distributed questionnaires. Two hundred questionnaires were distributed and gathered in both countries. The random sample initially filled out a number of questionnaires through the pre-test to ensure reliability. The information was analyzed using the R Software, and the Cronbach's alpha was calculated as 0.78%, which means that the questionnaire is reliable.

4. Research Findings

4.1. Descriptive statistics of research variables

The quantitative descriptive analysis shows that the average audit expectations gap in Iran and Iraq is 3.8008 and 3.8358, respectively, which means that the gap is slightly higher in Iraq. The mean audit report form in Iran and Iraq is 4.0947 and 4.0915, respectively, approximately the same in both countries. The mean users' training in Iran and Iraq is 4.0911 and 4.1292, respectively, which is higher in Iraq and the average setting standards in Iran and Iraq are 4.1936 and 4.2863, respectively. The frequency analysis of qualitative variables indicates that 52.5% were auditors, 17.5% investors, 15.3% of people with bank jobs, and 14.8% academic jobs based on the occupation variable. The descriptive statistics include characteristics and statistics of the statistical research sample. This is often shown in indices of central tendency (e.g., mean, median, and mode) and indices of dispersion (range, variance, and standard deviation). Median is a value through which half of the data are less, and half of the data are more than that. This variable in Iran and Iraq is 3.7941 and 3.8235, respectively, and we have the minimum and maximum, standard deviation, and variance. We also have the same descriptions for audit report variables from users' training and setting standards.

Table 1. Results of frequency analysis of qualitative data

Variable	No. of observation	Response	Frequency	Percentage
Auditor experience	400	Auditor	380	95.0
		Investor	20	5.0
Auditor record	400	Auditor	185	46.3
		Investor	197	49.3
		Bank	18	4.5
Occupation	400	Auditor	210	52.5
		Investor	70	17.5
		Bank	61	15.3
		University	59	14.8
Work experience	400	Auditor	183	45.8
		Investor	189	47.3
		Bank	28	7.0

Table 2. Results of descriptive analysis of quantitative variables

Iran/Iraq		Audit expectations gap	Audit report form	Users' training	Setting standard
Iran	No.	200	200	200	200
	Mean	3.800	4.094	4.091	4.193
	Median	3.794	4.052	4.115	4.272
	Minimum	2.176	2.578	2.000	2.090
	Maximum	4.764	4.842	4.923	5.000
	Standard deviation	.361	.338	.374	.568
	Variance	,131	,114	,140	,323
Iraq	No.	200	200	200	200
	Mean	3.835	4.091	4.129	4.286
	Median	3.823	4.052	4.230	4.272
	Minimum	3.058	3.421	3.384	2.909
	Maximum	4.705	4.842	4.923	5.000
	Standard deviation	,3104	,308	.330	.441
	Variance	,096	,095	,109	,195
Total	No.	400	400	400	400
	Mean	3.818	4.093	4.110	4.240
	Median	3.823	4.052	4.153	4.272
	Minimum	2.176	2.578	2.000	2.090
	Maximum	4.764	4.842	4.923	5.000
	Standard deviation	,337	,323	,352	,510
	Variance	,114	,105	,125	,261

Table 3. Descriptive statistics of Iran and Iraq

Auditor experience				
Index	Frequency	Percentage	Index percentage	Cumulative percentage
1	193	96.5	96.5	96.5
2	7	3.5	3.5	100
Total	200	100	100	
Auditor record				
1	88	44	44	44

2	103	51.5	51.5	95.5
3	9	4.5	100	100
Total	200	100		
Occupation				
1	106	53	53	53
2	33	16.5	16.5	69.5
3	31	15.5	15.5	85
4	30	15	15	100
Total	200	100	100	
Work experience				
1	93	46.5	46.5	46.5
2	92	46	46	92.5
3	15	7.5	7.5	100
Total	200	100	100	
Iraq				
Auditor experience				
1	187	93.5	93.5	93.5
2	13	6.5	6.5	100
Total	200	100	100	
Auditor record				
1	97	48.5	48.5	48.5
2	94	47	47	95.5
3	9	4.5	4.5	100
Total	200	100		
Occupation				
1	104	52	52	52
2	37	18.5	18.5	70.5
3	30	15	15	85.5
4	29	14.5	14.5	100
Total	200	100	100	
Work experience				
1	90	45	45	45
2	97	48.5	48.5	93.5
3	13	6.5	6.5	100
Total	200	100	100	

4.2. Data analysis

H₀: Data distribution is normal

H₁: Dada distribution id not normal

Table 4 shows the results of the normality of the data.

According to the Shapiro-Wilk and Kolmogorov-Smirnov tests, the statistical probability value is less than 0.05 at a significance level, so the null hypothesis concerning the normality of data distribution is rejected, and no research data have this characteristic.

Table 4. Analyzing normality of data

	Test	Test statistic	Statistical probability value
Audit report form (Iran)	Shapiro-Wilk	0.96989	0.0002738
	Kolmogorov-Smirnov	0.99504	< 2.2ε-16
Audit report form (Iraq)	Shapiro-Wilk	0.98541	0.03671
	Kolmogorov-Smirnov	0.99969	< 2.2ε-16

Audit expectations gap (Iran)	Shapiro-Wilk	0.93277	ε -085.644
	Kolmogorov-Smirnov	0.98889	$< 2.2\varepsilon$ -16
Audit expectations gap (Iraq)	Shapiro-Wilk	0.98189	0.01109
	Kolmogorov-Smirnov	0.99889	$< 2.2\varepsilon$ -16
Users training (Iran)	Shapiro-Wilk	0.9314	ε -084.369
	Kolmogorov-Smirnov	0.99054	$< 2.2\varepsilon$ -16
Users training (Iraq)	Shapiro-Wilk	0.97843	0.003584
	Kolmogorov-Smirnov	0.99964	$< 2.2\varepsilon$ -16
Setting standard (Iran)	Shapiro-Wilk	0.88862	5.024 ε -11
	Kolmogorov-Smirnov	0.98173	$< 2.2\varepsilon$ -16
Setting standard (Iraq)	Shapiro-Wilk	0.95145	2.609 ε -06
	Kolmogorov-Smirnov	0.99819	$< 2.2\varepsilon$ -16

Table 5. Results of regression of the relationship between users of financial statements and audit expectation gap in Iraq

	Mean	Standard deviation	T statistic value	A statistical probability value of the test
Intercept	3.641	0.468	7.766	5.08 ε -13
Audit report form and decreasing expectations	0.050	0.075	0.666	0.507
Training and decreasing expectations	-0.030	0.068	-0.448	0.655
Setting standard and expectations gap	0.000	0.051	0.007	0.994
Auditor experience	0.089	0.094	0.95	0.343
Auditor record (investor)	-0.004	0.047	-0.092	0.926
Auditor record (bank)	0.069	0.115	0.608	0.544
Occupation (investor)	-0.022	0.062	-0.364	0.716
Occupation (bank)	0.0470804	0.0662754	0.71	0.478
Occupation (university)	0.0238782	0.068789	-0.347	0.729
Work experience (investor)	0.0328899	0.0474065	0.694	0.489
Work experience (bank)	0.0437175	0.0963759	0.454	0.651

4.3. Testing of the hypotheses

H₁: There is an expectations gap among the users of financial statements in Iraq.

Audit expectations gap = $\beta_0 + \beta_1$ Form Audit Report + β_2 Training Users + β_3 Setting The Standard + β_4 Experienced auditor + β_5 Background auditor + β_6 Auditor jobs + β_7 The auditor's job record + ϵ

According to the results of Table 5, the obtained statistic is more than 0.05 at the significance level (P-value=0.655). Thus, we could conclude that the null hypothesis concerning no audit expectation gap between users of financial statements is accepted at a 5% significance level. We could not accept users' point of view that there is an audit expectation gap in Iraq.

Table 6. The Results of R and R²

R Squared	Adjusted R Squared
0.018	-0.03945

The R Squared shows the model validity and has values between -1 and 1. The closest to 1, the higher is the validity. According to Table 6, all variables express 0.018% of the variance of the dependent variable.

Table 7. Test of model significance and autocorrelation

P-value	F test statistic	P-value	Durbin-Watson statistic
0.9824	0.3133	0.01308	1.6945

According to Table 7, the performed regression is not significant because the test's P-value is more than 0.05.

H₂: There is an audit expectation gap among the users of financial statements in Iran.

Audit expectations gap = $\beta_0 + \beta_1 \text{Form Audit Report} + \beta_2 \text{Training Users} + \beta_3 \text{Setting The Standard} + \beta_4 \text{Experienced auditor} + \beta_5 \text{Background auditor} + \beta_6 \text{Auditor jobs} + \beta_7 \text{The auditor's job record} + \epsilon$

Table 8. Results of regression of the relationship between users of financial statements and audit expectation gap in Iran

	Mean	Standard deviation	T statistic value	A statistical probability value of the test
Intercept	3.82044	0.44396	8.605	2.99e-15
Audit report form and decreasing expectations	0.11856	0.08089	1.466	0.1444
Training and decreasing expectations	-0.06522	0.07272	-0.897	0.371
Setting standard and expectations gap	-0.05107	0.04979	-1.026	0.3063
Auditor experience	-0.01744	0.1408	-0.124	0.9015
Auditor record (investor)	-0.04739	0.05561	-0.852	0.3951
Auditor record (bank)	0.24111	0.13082	1.843	0.0669
Occupation (investor)	0.06092	0.07331	0.831	0.407
Occupation (bank)	-0.06253	0.07453	-0.839	0.4025
Occupation (university)	-0.03389	0.07709	-0.44	0.6607
Work experience (investor)	0.0249	0.0562	0.443	0.6583
Work experience (bank)	0.01127	0.10482	0.108	0.9145

According to the results of Table 8, the obtained statistic is more than 0.05 at the significance level (P-value=0.371). Thus, we could conclude that the null hypothesis concerning no audit expectation gap between users of financial statements is accepted at a 5% significance level. We could not accept users' point of view that there is an audit expectation gap in Iran.

Table 9. The Results of R and R²

R Squared	Adjusted R Squared
0.06078	0.005823

The R Squared shows the model validity and has values between -1 and 1. The closest to 1, the higher is the precision. According to Table 9, all variables express 0.06078% of the variance of the dependent variable.

Table 10. The results of autocorrelation

P-value	F test statistic	P-value	Durbin-Watson statistic
0.3586	1.106	0.01685	1.7068

According to the results of Table 10, the performed regression is not significant because the P-value of the test is more than 0.05. Hence, the null hypothesis is accepted.

H3: There is a significant difference in the audit expectations gap from the users' perspective in both countries.

Audit expectations gap = β_0 Country + β_1 Form Audit Report + β_2 Training Users + β_3 Setting The Standard + β_4 Experienced auditor + β_5 Background auditor + β_6 Auditor job + β_7 The auditor's job record + ϵ

Table 11. The results of the third hypothesis

	Degree of freedom	Sum of squares		Test	Test
Iran/Iraq	1	0.12	0.1225	1.078	0.3
Audit report form and decreasing expectations	1	0.29	0.28662	2.523	0.113
Training and decreasing expectations	1	0.21	0.21096	1.857	0.174
Setting standard and expectations gap	1	0.07	0.07323	0.645	0.423
Auditor experience	1	0.05	0.04648	0.412	0.521
Auditor record	2	0.47	0.23427	2.062	0.129
Occupation	3	0.09	0.0306	0.269	0.847
Work experience	2	0.05	0.02619	0.231	0.794
Residual	387	43.97	0.11361		

Since the probability value of the obtained statistic (0.3) is more than 0.05 at a significance level, we could say that there is no significant difference among the audit expectations gap from users' point of view in both countries.

H4: There is a significant relationship between the role of audit report form and the existence of the audit expectations gap in Iran.

H5: There is a significant relationship between the role of users' training and the existence of the audit expectations gap.

H6: there is a significant relationship between setting standards and the existence of the audit expectations gap.

Table 12. Analyzing Spearman's correlation coefficients

Hypothesis testing	country	Statistical probability value	Correlation coefficient value
Hypothesis 1	Iran	0.9073	-0.008288935
	Iraq	0.6853	-0.2882876
Hypothesis 2	Iran	0.01688	-0.1687865
	Iraq	0.3605	-0.06499134
Hypothesis 3	Iran	0.1127	-0.1125148
	Iraq	0.8364	-0.01469516

Analyzing the fourth hypothesis:

Iran: regarding the results of the table, since the P-value of the test (0.973) is more than 0.05, the null hypothesis concerning the existence of no correlation between two variables is accepted, and we could say that there is no significant relationship between these two variables. **Iraq:** regarding the results of the table, since the P-value of the test (0.6853) is more than 0.05, the null hypothesis concerning the existence of no correlation between two variables is accepted, and we could say that there is no significant relationship between these two variables.

Analyzing the fifth hypothesis:

Iran: Since the probability value of the obtained statistic is less than 0.05, the null hypothesis concerning no correlation between the two variables is rejected. We could say that there is a significant and negative relationship between these two variables. **Iraq:** Since the probability value of the obtained statistic is more than 0.05, the null hypothesis concerning no correlation between the two variables is accepted. We could say that there is no significant relationship between these two variables.

Analyzing the sixth hypothesis:

Iran: Since the probability value of the obtained statistic is more than 0.05, the null hypothesis concerning no correlation between the two variables is accepted. We could say that there is no significant relationship between these two variables. **Iraq:** Since the probability value of the obtained statistic is more than 0.05, the null hypothesis concerning no correlation between the two variables is accepted. We could say that there is no significant relationship between these two variables.

Hypothesis 7: there is a significant relationship between the role of various factors in reducing the audit expectation gap and the existence of such a gap (Iran and Iraq).

$$\text{Audit expectations gap} = \beta_0 + \beta_1 \text{Form Audit Report} + \beta_2 \text{Training Users} + \beta_3 \text{Setting The Standard} + \beta_4 \text{Experienced auditor} + \beta_5 \text{Background auditor} + \beta_6 \text{Auditor jobs} + \beta_7 \text{The auditor's job record} + \epsilon$$

Analyzing the seventh hypothesis:

The probability value obtained from test statistics for three training variables and decreasing expectations, setting standards, and expectations gap is more than 0.05 at the significance level. Therefore, we could conclude that the null hypothesis concerning no significant relationship between the role of various factors in reducing audit expectations gap and the existence of such a gap is accepted at a 5% significance level. Accordingly, there is no significant relationship between these three variables and the audit expectations gap in Iran.

Table 13. Regression analysis of various factors in reducing audit expectation gap and the existence of such a gap in Iran

	Mean	Standard deviation	T statistic value	A statistical probability value of the test
Intercept	3.82044	0.44396	8.605	2.99e -15
Audit report form and decreasing expectations	0.11856	0.08089	1.466	0.1444
Training and decreasing expectations	-0.06522	0.07272	-0.897	0.371
Setting standard and expectations gap	-0.05107	0.04979	-1.026	0.3063

Auditor experience	- 0.01744	0.1408	-0.124	0.9015
Auditor record (investor)	- 0.04739	0.05561	-0.852	0.3951
Auditor record (bank)	0.24111	0.13082	1.843	0.0669
Occupation (investor)	0.06092	0.07331	0.831	0.407
Occupation (bank)	- 0.06253	0.07453	-0.839	0.4025
Occupation (university)	- 0.03389	0.07709	-0.44	0.6607
Work experience (investor)	0.0249	0.0562	0.443	0.6583
Work experience (bank)	0.01127	0.10482	0.108	0.9145

Table 14. Regression analysis of various factors in reducing audit expectation gap and the existence of such a gap in Iraq

	Mean	Standard deviation	T statistic value	A statistical probability value of the test
Intercept	3.6417611	0.4689313	7.766	5.08e-13
Audit report form and decreasing expectations	0.0500773	0.0752453	0.666	0.507
Training and decreasing expectations	- 0.0308216	0.068824	-0.448	0.655
Setting standard and expectations gap	0.0003855	0.0516848	0.007	0.994
Auditor experience	0.0897251	0.0944216	0.95	0.343
Auditor record (investor)	- 0.0044011	0.047597	-0.092	0.926
Auditor record (bank)	0.0699627	0.1150831	0.608	0.544
Occupation (investor)	- 0.0226303	0.0621644	-0.364	0.716
Occupation (bank)	0.0470804	0.0662754	0.71	0.478
Occupation (university)	- 0.0238782	0.068789	-0.347	0.729
Work experience (investor)	0.0328899	0.0474065	0.694	0.489
Work experience (bank)	0.0437175	0.0963759	0.454	0.651

The probability value obtained from test statistics for three training variables and decreasing expectations, setting standards, and expectations gap is more than 0.05 at the significance level. Therefore, we could conclude that the null hypothesis, which says that “there is no significant relationship between the role of various factors in reducing audit expectations gap and the existence of such a gap”, is accepted at a 5% significance level. Accordingly, there is no significant relationship between these three variables and the audit expectations gap in Iraq.

5. Conclusion

The first hypothesis states that there is no significant relationship between the audit report form, reducing the audit expectations gap, and the audit expectations gap in Iran and Iraq. The results indicated that the type of audit report in Iran and Iraq does not lead to the decline of audit expectations and this finding is in line with the results of Kose and Erdogan (2015). The second hypothesis expresses a significant relationship in Iran between the role of users’ training in reducing the audit expectations gap and the existence

of such a gap. At the same time, there is no such relationship in Iraq. The results revealed that users' training could decrease Iran's expectations gap, but there was no relationship between users' training and the audit expectations gap in Iraq. The yield results align with Aghaei, Mosazadeh Abbasi, and Jahanara (2010). The third hypothesis asserts that there is no significant relationship between setting standards for decreasing the audit expectations gap and the existence of such a gap.

Regarding the test results of section four of the present research, it was specified that although setting rules and standards would not reduce the audit expectations gap in Iranian and Iraqi respondents, lack of applicable rules and regulations in both countries have caused the issue. The results of this hypothesis are in line with that of Dewing and Russell (2002), Sikka et al. (1998), and Ebimobowei (2010). The fourth hypothesis declares that there is no relationship between the role of various factors in reducing the audit expectations gap and the existence of such a gap. The results illustrate that no research variable, including users' training, audit report form, and setting standards (in both countries), reduces the audit expectations gap.

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