

The Determinants of Audit Expectation Gap: An Empirical Study from Kingdom of Bahrain

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Abstract

The research aims at identifying the determinants of audit expectation gap between the auditors and the users of financial statements in the Kingdom of Bahrain. This issue is noticed in many frauds or errors or illegal matters by the general public after every scam whether Enron and WorldCom from United States or Satyam and Punjab National Bank from India or Tesco and BHS from United Kingdom or Mobily from Kingdom of Saudi Arabia. As per International Standards on Auditing (ISAs), auditors are not responsible to detect each and every fraud or error or illegal act as it is the responsibility of management. However, auditors are expected to assess the possibility of an error or fraud to occur and assess risks of material misstatement due to error or fraud and they are supposed to express their independent and objective opinion on financial statements whether financial statements are prepared in accordance to suitable criteria (International Financial Reporting Standards in the case of Bahrain).

This quantitative research and its descriptive design aims empirically to analyze determinants that may impact the audit expectation gap in the Kingdom of Bahrain. The study used a detailed questionnaire as a measuring instrument across the sample group to measure 4 determinants that are expected to have a significant impact on the level of the audit expectation gap. Those determinants are the efforts of auditors, the skills of auditors, the knowledge of the public about the audit profession and the users' needs from auditors. The research inferred that identified factors found to have a significant impact on the level of audit expectation gap. It is recommended that audit firms should provide training to the audit staff that how to utilize the required efforts in conducting an audit engagement and go extra miles to fill the gap. Furthermore, the auditors should keep themselves updated about the latest frauds and the best audit practices.

Keywords: auditors' effort, auditors' skills, audit expectation gap, auditors' responsibility, management responsibility and International Standards on Auditing

1. Introduction

In 1992, The American Institute of Certified Public Accountant (AICPA) has described the audit expectation gap as the distinction between what the users of financial statements think about the obligations that auditors are required to, and what the audit profession requires from auditors. Koh and Woo (1998) have inferred that many well incorporated organizations were collapsed, and the public were pointing the fingers to the auditors, blaming them for not recognizing the indicators of the collapse at earlier stages. Accordingly, auditors have found themselves in a situation that they are forced to defend those accusations. That's why the concept of audit expectation gap was emerged.

Therefore, it is imperative to educate the public regarding what are the responsibilities an auditor is obliged to do in order to clear any confusion that the public might think about, because there is a significant misunderstanding regarding what are the responsibilities of auditors. There is concern of different beliefs about the auditor's duties and responsibilities, and the messages conveyed by audit reports; and, that the existence of this expectation gap might cause the end users to eventually lose their trust in audit reports all-together. The existence of an audit expectation gap implies that the auditees and audit beneficiaries are dissatisfied with the performance of auditors. Asein (2007) argued that the unqualified audit opinion is wrongly seen as a certification that the firm is solvent, liquid and has the capacity

to adapt to the dynamics of the environment which continuity of existence implies. This lack of understanding on the part of the public makes it difficult for them to know who has responsibility for financial statements and the continued existence of the enterprise.

A critical issue relating to auditor responsibility lies in defining an auditor's obligation to detect and report frauds or irregularities committed by clients' employees or management (Kaplan, 1987; Loebbecke, Eining, & Willingham, 1989; Epstein & Geiger, 1994). The auditing profession has long argued that the main objective of independent audits is to render an expert and objective opinion on the fairness of financial statements. Hence, an auditor should not be a bloodhound searching for frauds and irregularities (Foster, 1984; CICA, 1988). The generally accepted auditing standards (GAAS) have traditionally been restrained in terms of auditors' obligation for fraud-detection and reporting (AICPA, 1987; Fogarty, Heian, & Knutson, 1991).

The term "audit expectation gap (AEG)" was first introduced to audit literature by Liggio in 1974, he defines the AEG as the difference between the levels of expected performance as envisioned by users of a financial statements and independent accountant. Despite the importance of the AEG to the auditing profession, there is paucity of research on how to address this issue in Bahrain. Therefore, this study seeks to empirically establish the perceptions of auditors, auditees and audit beneficiaries, on the existence of audit expectation gap in Bahrain and how the gap could be narrowed.

1.1 Statement of the Problem

It is argued that the audit reports users and the auditors have different thinking about the obligations and requirements that auditors are required for. Audit report users' think that auditors are required to disclose and report every irregularities and frauds amongst other issues in accounting records. While on the other hand, the audit profession had a view that the users interpret the obligations of auditors mistakenly, as fraud detection is not one of the core goals behind the audit. It seems that public misunderstanding is a key reason of the legal liability dilemma that faces the auditing and accounting profession. Auditors have always viewed audit as an objective and independent evaluation of financial statement based on prescribed audit standards which rely on test basis purely depend on sufficient and appropriate audit evidences.

The current research attempts to answer the research question "what are the determinants that impact the audit expectation gap in the Kingdom of Bahrain?" To answer the researcher will address the following sub-questions:

1. Do auditors' efforts have an impact on audit expectation gap?
2. Do auditors' skills have an impact on audit expectation gap?
3. Does the knowledge of society have an impact on audit expectation gap?
4. Do users' needs have an impact on audit expectation gap?

1.2 Research Hypotheses

Based on previous literature review, the researchers identified four independent and one dependent variable(s) for current research. The following null hypothesis and research framework were created in consideration of identified variables as follows:

H01: There is no significant impact of the auditors' efforts on the audit expectation gap in Bahrain.

H02: There is no significant impact of the auditors' skills on audit expectation gap in Bahrain.

H03: There is no significant impact of the knowledge of society on audit expectation gap in Bahrain.

H04: There is no significant impact of users' needs to the audit expectation gap in Bahrain

H05: There is no significant impact of all factors together (auditors' efforts, auditors' skills, society's knowledge and users' needs) on the level of audit expectation gap.

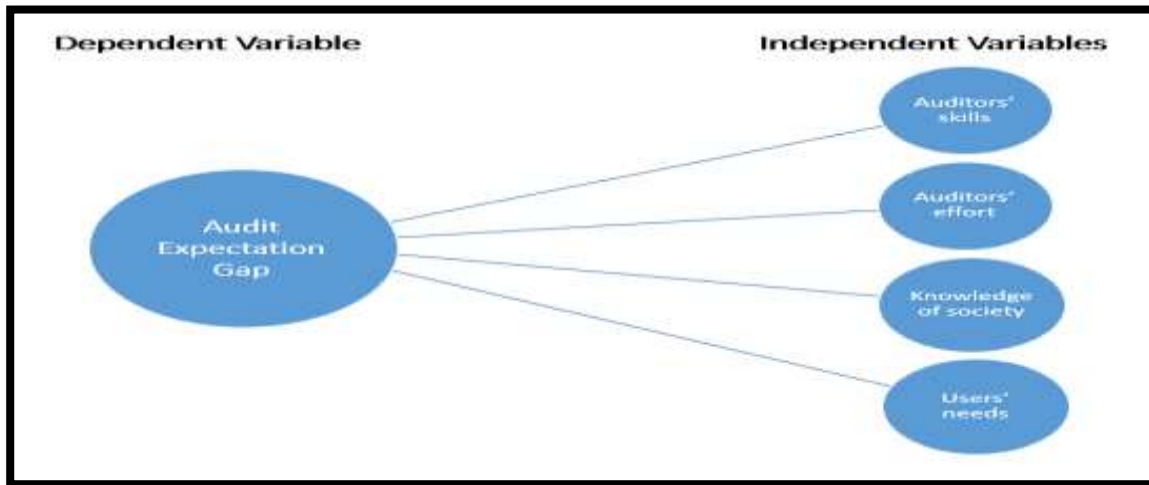


Figure 1. Conceptual framework

(Source: Designed by the researchers)

2. Literature Review

2.1 Audit in Bahrain

The audit in Bahrain is much respected profession like other parts of the world. Many audit firms are operating in Bahrain, including all Big 4. The audit firms are specialized in a number of services, such as external audit, internal audit, taxation, consultancy services, fraud examinations and legal services. The main services offered by the audit firms in Bahrain are external auditing and internal auditing. External auditing is focusing on providing reasonable assurance on the financial statements free from material misstatements and are being prepared according to International Financial Reporting Standards (IFRSs). On the other hand, the internal auditing focuses on operations, internal controls, policies and procedures, corporate governance, risk management and compliance with laws, regulations and by-laws. Furthermore, the internal auditor is responsible to assess the internal controls of the auditee and report to the client, whether there are efficient and effective internal controls to detect or prevent frauds and errors. The cost of these services may differ from one audit firm to another, depending on a number of factors, such as the size of the client, the number of transactions per year, and the nature of the client business, in addition to others.

Banks use different ratings for the audit firms in Bahrain. This ranking influences the amount that will be lending to a client. For example, KPMG Fakhro has "A" rating, and if a company provided the bank with an unqualified audit report from KPMG Fakhro, then the bank will lend the highest loan amount to the client. In contrary, if a client provided an audit report from an audit firm with a low rating, the client may even not get a loan or get lower amount of loan from the bank.

Most of the companies in Bahrain are from Small and Medium Enterprises (SMEs). From April 2014, Bahrain and other Gulf Cooperation Council (GCC) countries are facing difficulties of budget deficiency due to the decrease in the prices of oil. The GCC economies are encouraging the market to save more rather than spending. GCC governments are trying to diversify their economic activities such as manufacturing, tourism, financial services and information and communication technology services and others. That's the reason, companies in Bahrain and other GCC are more focusing on the external auditing, rather than any other services. The other reason of external auditing is its mandatory requirement as per the law. Further, this is because the audited financial statements being a requirement for many services, such as getting a loan from the bank, renewing the commercial registration, in addition to others. This fact can be reflected in the revenues of audit firms, as it generates the highest revenue from external audit, among all the services provided.

2.2 Factors Affecting on Audit Expectation Gap

As mentioned earlier, the research will test four determinants to find out their impact over the audit expectation gap. They detailed explanations will be presented below as follows:

2.2.1 The Efforts of the Auditors

Auditors are expected to apply professional due care and follow ISAs, while carrying their work. They need to collect sufficient and appropriate evidences which will enable them to construct their independent and objective opinion. Without putting the required efforts, the auditors may not be able to gather the sufficient and appropriate evidences which will lead to an inappropriate opinion in audit report. If the audit report caused financial damages to the users, they have the right to raise a case against the auditors. If the court evidence proved that the auditors were negligent and did not exercise the reasonable care, while doing the job, then the court judgment may hold the auditors liable for those damages.

The hypothesis formulated on these grounds is whether the auditors' efforts (reasonable care) do or don't influence the level of audit expectation gap in Bahrain.

This determinant has been identified by Lee, Ali and Gloeck (2009) in their research. Their objective was to investigate its causes and remedies in Malaysia. In order to gain information for the purpose of that study, 35 interviews were held. The study revealed that the reasons behind the discrepancies between auditors and users were complex and manifold. They occur from a mixture of misunderstanding of users, the complex nature of the audit task, bad-tempered beliefs, improper regulations, and work that is below the standards by auditors because of "low balling" and low audit charges, in addition to others.

The authors believed that there is a need for social awareness about the expected duties of auditors, for two reasons:

1. Being aware of the audit objectives and auditors' responsibilities should not be only to those who have interest in the audit reports.
2. It is required to regain society's trust in, and the value that is going to be gained from hiring auditors.

In order to develop the understanding and knowledge of auditing practices with the community, audited companies are recommended as follows:

1. Seminars to be held for the public on a regular basis about the expected duties of the auditors.
2. Higher publicity could assist to achieve public interest and consciousness about auditing. Such as the use of mass media in which the goal, nature and restrictions of auditing are exposed.
3. Engagement letter may also educate community about the liabilities and responsibilities of the auditors.

2.2.2 The Skills of the Auditors

Kato, Karin, Herman, (2017) identified that there are certain skills the auditors need to possess in order to be successful and effective in performing their job. There are two types of skills; soft skills and technical skills. Soft skills such as communication skills, the ability to solve conflicts with clients, reporting skills, planning skills, etc. The technical skills are different, they are the skills gained through studies and experience related to the profession, such as knowledge of IFRSs and ISAs, IT skills, selecting the proper audit sample, applying proper audit procedures in performing the job. These skills are very crucial for the auditors. The efforts of the auditor are different than his/her skills. Because an auditor may be very skilled, but he/she may not put the required efforts to a specific task and may miss a crucial evidence, which would cause issuing the inappropriate opinion.

On the other hand, an auditor may put a lot of efforts to a specific task, however, he/she may lack the required skills which will cause his/her effort to go unheeded. For example, the auditor may select the wrong audit sample because he does not possess the knowledge, skills and experience to select the proper one, and he will spend a lot of time auditing and vouching the wrong documents.

The hypothesis formulated on this ground is whether the auditors' skills do or don't contribute to the Audit Expectation Gap in Bahrain

Considering the auditors' skills as a factor in causing the audit expectation gap, was pointed out by Mahdi (2011). In his study about the concept and nature of the audit expectation, he found that there is a rise in the expectation gap among the audit report users and the auditors around the globe. He mentioned some factors such as the independence of the auditor, his/her responsibilities, in addition to his/her skills in performing the job. The core solution as viewed by the author is by focusing on the degree of auditor's independence and duties with more punitive actions to decrease corporate reporting misstatement and accordingly facilitating the way for improvements, in addition to a decline in the degree of the discrepancy.

Moreover, auditors should also verify all documents and evidences in accordance to the ISAs followed by the administration & management with moral affect to the audit process, in other words, enhancing an auditor's skills.

The audit profession is getting more attention in recently, as stakeholders became smarter and they start thinking that auditors will safeguard their interests.

Finally, the questionnaire has disclosed that the view variance did exist among auditors and different users in regards to the audit profession entirely. This type of gap has to be decreased by the auditors by developing auditor responsibilities, edifying different users, and mandating new standards.

2.2.3 The Knowledge of the Society about the Audit Profession

This determinant is highly influential on the degree discrepancies between auditors and users. The “expectation gap” is the distinction among what one is anticipated to perform by others and what one personally thinks he has to do. For example, in summer months, a busy season for airline companies, airline companies anticipate that a large number of flights might be delayed. Travelers do not share same belief, so when their flights got delayed, this represents a discrepancy.

Auditors face same challenges when it comes to detect and disclose frauds or errors or illegal acts. It is very important to know that the auditor is not responsible to detect each and every fraud or error; it is the responsibility of management. However, an auditor is expected to assess the possibility of a frauds and errors to occur. This can be achieved by being familiar with the signs (red flags) which may ring a bell that there is fraud or error or illegal act. There can be many red flags such as not taking leave and refusing getting promotions, large turnover of CFO position in a company, wearing a Rolex watch while having a low position.

It is crucial to teach audit staff about such signs so they can alert the management or the internal audit when they see them, such a staff cooperation would make the life of forensic accountants and auditors very easy detect the possible illegitimate actions and behaviors that might be committed, which will lead to save a lot of money that might be lost due to fraud or error. If staff fail to uncover or in doubt of these signs, an independent fraud examiner may be necessary to evaluate and investigate the issue.

The hypothesis formulated on this ground are whether the knowledge of society about the audit does or does not contribute to the discrepancies between auditors and audit reports’ users in Bahrain.

The issues and challenges of the discrepancies between auditors and audit reports’ users were evaluated by Ebimobowei (2010). He found that this discrepancy is the distinction between the way an audit report user believes what auditors are obliged to do, and what the audit profession requires from auditors.

However, this gap is due to the misunderstanding about the audit responsibilities and extreme beliefs of the community, the radical improvement of audit tasks and duties created a change in what to expect from auditors. Furthermore, events such as financial crises, corporate failures, low competencies, in addition to the little concern about public interest, all these factors have increased the degree of audit expectation gap.

A number of approaches and methods were suggested by the author in order to tackle those factors. The author has found that the audit expectation gap is something occurs in every community around the globe, as the audit report users have different views about tasks and duties that auditors are required to do, but in fact the audit profession does not share the same views. Accordingly, more interaction and exchange of information is required between the auditors and the community in order to shrink the gap.

2.2.4 The Users’ Needs

The users’ needs can have a large effect on the discrepancies between auditors and users. The increase in the needs of the users would lead to high expectations from the auditor. For example, a client may hire an auditor for preparing an audit report and authenticating the financial statements in order to apply for a loan from the bank. Such a user may not expect much from the auditor, as his needs were merely focusing on getting a loan from the bank. On the other hand, a client may hire an auditor to evaluate the internal control system of the organization. This user may expect that the auditor would highlight every single loophole in the system and would detect every single fraud and/or error and/or illegal acts. Such an expectation will never be satisfied as the auditor would give a reasonable assurance and not an absolute assurance as audit is based on a sample/ test basis. In other words, the auditor’s approach depends on selecting a sample from all the transactions occurred during a specific period and based on the observations highlighted from the selected sample; the auditor would form his opinion based on evidences gathered.

The hypothesis formulated on this ground is whether the users’ needs do or don’t impact the level of the audit expectation gap.

This factor was mentioned in the study of Lin and Chen (2004) about the discrepancies between auditors and audit reports’ users in China. The purpose of this study was to investigate the increase of the ‘discrepancy’, in addition to

other matters that is related to the environment of audit in China. The study findings revealed that Chinese audited companies and auditors were agreed that the function of an audit would increase the fairness of financial statements and may play an optimistic position in the economy of China.

3. Research Methodology

3.1 Validity and Reliability Study Instrumentation

It is crucial to verify and examine the reliability of the questionnaire. This is done in order to remove the existence of irrelevant incorrect answers (Hair, Black, Babin, & Anderson, 2013). Accordingly, 2 lecturers who teach auditing courses in the university have verified the questions' reliability by going through the questions. Based on their comments, the questionnaire was modified. Reliability was also verified through by defining the level of uniformity of the answers which means that the questionnaire was free from any errors. If the outcomes of the questionnaire were the same when recurring consistently, this means it is reliable (Saunders, and Thornhill 2009). Cronbach's Alpha has scaled responses (Agree Strongly, Agree, Neutral, Disagree, and Disagree strongly) and it was used to define the internal reliability of the questionnaire's variables.

Table 1. Reliability of the Questionnaire

Factors	Questions	Cronbach's Alpha
The efforts of auditors	1-5	0.967
The skills of auditors	6-10	0.977
The knowledge of the society about the audit profession	11-15	0.799
The users' needs from auditors	16-19	0.789
Audit Expectation gap	20-24	0.985
Total questions	1-24	0.812

The outcomes shown in Table 1 were found after SPSS calculations. It can be noticed that the questionnaire got a score 0.812. All values are accepted since they are more than 0.6 (Hair, Black, Babin, & Anderson, 2013).

3.2 Findings and Analysis

This part will explain the statistical analysis of the generated results of the study sample responses that were adopted through the presentation of the preliminary statistical indicators by using the means, standard deviations for each variable, and their relative importance. Furthermore, it will test the hypotheses of the study and their relative statistical indications.

Question one: Do the efforts put by the auditors on an audit engagement affect the level of the audit expectation gap? To find the solution for this question, the descriptive analysis was used through computing the mean and standard deviation. Afterwards, it will be examined thoroughly by analyzing the related hypotheses.

Table 2. Descriptive statistics for the efforts of the auditors

No.	Measures	Mean	Std. Deviation	Importance Level	Rank
1	The level of efforts spent by the auditors has no much effect on the final audit opinion (report).	3.99	1.02	High	1
3	If the audit fees for auditing a client is low, then the auditor should put low effort even if there is a possibility the final audit report might get effected.	3.75	1.40	High	2
2	Putting more efforts mean auditing more documents and increasing the audit sample.	3.28	1.52	Medium	3
5	The auditor is entitled to give absolute assurance that the financial statements are free from material misstatements.	3.26	1.52	Medium	4
4	Minimum supervision to the auditor in charge is not enough to ensure that the right effort is spent in the right direction to achieve the audit objective.	2.47	1.32	Medium	5
		3.35	Medium		

Table 2, shows that the mean ranged between 3.99 – 2.47, the total mean was computed and found 3.35, it is a medium degree. The first question was observed to have the highest mean of 3.99 with a standard deviation of 1.02; this is which is deemed to be significant. However, the fourth variable came at the end with the lowest mean of 2.47 and a standard deviation of 1.32, which is a medium importance level. This outcome shows that the effort of auditors was median in the respondents' point of view. Overall, the effort of auditors has moderate effect on the level of audit expectation gap.

Question Two: Do the skills of auditors affects the level of the audit expectation gap? To find the solution for this question, the descriptive analysis was used through computing the mean and standard deviation. Afterwards, it will be examined thoroughly by analyzing the related hypotheses.

Table 3. Descriptive statistics for the skills of the auditors

No.	Measures	Mean	Std. Deviation	Importance Level	Rank
9	The technical skills of the auditors are much important than the soft skills.	3.21	1.53	Medium	1
6	The skills of an auditor are not important as how much effort he/she will put in gathering audit evidence.	3.14	1.26	Medium	2
8	The time spent on a certain audit engagement would be highly affected by the auditor's skills.	2.78	1.43	Medium	3
7	An auditor must have strong IT skills and knowledge in order to conduct the audit in the right way.	2.71	1.53	Medium	4
10	An auditor must have deep knowledge about IFRS standards in order to have a proper audit opinion.	2.71	1.51	Medium	5
		2.91	Medium		

The outcomes revealed in **Table 3** describes that the skills of auditors are median from the respondents' perspective in affecting the level of the audit expectation gap, as all of the questions had a medium effect with a total mean of 2.91. Whereas the mean ranged from 3.21 – 2.71, the highest mean was for the ninth variable, and the lowest mean was for the tenth variable with a standard deviation of 1.53 and 1.51 respectively. This tells the medium effect of the auditors' skills on the level of audit expectation gap.

Question Three: Do the knowledge of the society about the audit profession affects the level of the audit expectation gap? To find the solution for this question, the descriptive analysis was used through computing the mean and standard deviation. Afterwards, it will be examined thoroughly by analyzing the related hypotheses.

Table 4. Descriptive statistics for the knowledge of the society about the audit profession

No.	Measures	Mean	Std. Deviation	Importance Level	Rank
12	The auditor is supposed to detect all frauds and errors	3.35	1.64	Medium	1
11	The auditor is entitled to give assurance that the company under audit is in a good financial health	2.75	1.56	Medium	2
15	To examine and report in the published auditor's report on the fairness of non-financial information contained in the company's annual report (e.g., information about employees, product and occupational safety records)	2.46	1.40	Medium	3
14	The auditor is supposed to evaluate the effectiveness of internal control system	2.26	1.19	Low	4
13	The auditor is supposed to provide assurance that management has complied with their statutory duties	2.1	1.30	Low	5
		2.58	Medium		

As shown in **Table 4**, the knowledge of the society about the audit profession overall mean is 2.58 with a range of 3.35 – 2.1 for variables 11 and 15 respectively. Three of the variables in this factor had a median level of significance at the respective point of view of the respondents and two had a low level, the highest standard deviation

was held by variable 12 to be 1.64 and the lowest by variable 14 being 1.19. Therefore, the knowledge of the society about the audit has also a medium effect on the level of the audit expectation gap. Despite the level of audit, the knowledge of the society about the audit profession has to be enhanced to significantly reduce the audit expectation gap.

Question Four: Do the users' needs affect the level of the audit expectation gap? To find the solution for this question, the descriptive analysis was used through computing the mean and standard deviation. Afterwards, it will be examined thoroughly by analyzing the related hypotheses.

Table 5. Descriptive statistics for the users' needs

No.	Measures	Mean	Std. Deviation	Importance Level	Rank
19	One of the users' needs is to scrutinize every transaction in the books, which is the responsibility of the auditor.	3.63	1.49	Medium	1
17	One of the users' needs is the preparation of the financial statements, which is the responsibility of the auditor.	3.58	1.37	Medium	2
16	The quality of the audit is not affected by the number of users' needs.	2.98	1.35	Medium	3
18	One of the users' needs is the examination of the financial and the non-financial information prepared by a company's management (e.g., information about employees, product and occupational safety records).	2.53	1.49	Medium	4
		3.18	Medium		

In **Table 5**, the mean of the users' needs was computed at 3.18 in a scale of 3.63 to 2.53 with significance of a medium degree. The highest mean 3.63 of question number 19 had a standard deviation of 1.49, whereas the 18th question had the lowest mean 2.53, with a standard deviation of 1.49, this describes that the users' needs have moderate effect on the level of the audit expectation gap, so with a higher number of users' needs, the level of the audit expectation gap will be higher.

Question five: Is there an Audit Expectation Gap in Bahrain? To find the solution for this question, the descriptive analysis was used through computing the mean and standard deviation. Afterwards, it will be examined thoroughly by analyzing the related hypotheses.

Table 6. Descriptive statistics for the existence of Audit Expectation Gap

No.	Measures	Mean	Std. Deviation	Importance Level	Rank
22	Auditors are responsible to report all detected frauds and thefts to the relevant authority.	3.8	1.27	High	1
23	Auditors are responsible to detect any deliberate distortion of financial information.	3.78	1.23	High	2
24	Safeguarding the assets of the company is the responsibility of auditors.	3.58	1.36	Medium	3
21	Auditors are responsible to detect all illegal acts by the management.	3.36	1.57	Medium	4
20	Auditors are responsible to enforce effectiveness of internal control.	3.36	1.38	Medium	5
		3.58	Medium		

The existence of audit expectation gap in Bahrain reflects the dependent variable that is influenced by all the questions stated above, the dependent variables outcomes are mentioned in **Table 6** above. The total factor got a high level of significance with a mean range of 3.8 – 3.36 for the 20th question and the 24th question accordingly, with a standard deviation of 1.27 for the first and 1.38 for the second one. Exactly two of the variables had a high degree, and three had a medium degree of importance, this leads us to a result that there is an audit expectation gap in Bahrain, however, audit firms have a great opportunity to reduce the level of the audit expectation gap in the country through working on the four independent variables and enhancing the public awareness through training courses and seminars.

3.3 Test Hypotheses

By using the regression analysis, the hypothesis will be tested. However, it is worth to mention that there are some constraints and necessities that needs to be considered to confirm the correctness and precision of the regression analysis, as follows:

1. Normal distribution.
2. Multi-collinearity test.

In cases where these terms are not applicable, non-parametric tests will be used.

3.3.1 Normal Distribution Test

Table 7. Skewness – Kurtosis test

Constructs	Skewness	Kurtosis
The efforts of auditors	-0.854	-0.322
The skills of auditors	-0.312	-1.479
The knowledge of the society about the audit profession	-0.770	-0.864
The users' needs from the auditors	-0.682	-0.779
Audit Expectation Gap	-0.145	-1.583

Note: *Significant at $p \leq 0.01$

To test the normal distribution of the data, the researcher has applied both the Skewness-Kurtosis test and Kolmogorov-Smirnov test.

Table 7 above shows that the skewness and kurtosis figures a range of ± 2.58 with a level of significance of ≤ 0.01 . This result indicates that the data of the study variables have normal distribution (Hair, Black, Babin, & Anderson, 2013).

Table 8. Kolmogorov-Smirnov test

Constructs	Sig.
The efforts of auditors	0.001*
The skills of auditors	0.004*
The knowledge of the society about the audit profession	0.041*
The users' needs from the auditors	0.025*
Audit Expectation Gap	0.041*

Also, **Table 8** based on the Kolmogorov-Smirnov test shows that there are differences with statistical significance for all independent and dependent variables that are contained in the study with a level of significance ≤ 0.05 . Therefore, the data of this study is considered to have a normal distribution.

3.3.2 Multicollinearity Test

Table 9. Multicollinearity test

Constructs	Tolerance	VIF
The efforts of auditors	0.991	1.009
The skills of auditors	0.976	1.025
Society knowledge	0.970	1.031
Users' needs	0.976	1.025

To verify the independence of the determinants and to make sure that they do not interfere with each other, the Variance Inflation Rate and Tolerance was used. To do so, computed values of tolerance should be greater than 0.20 and VIF values less than 10 (Hair, Black, Babin, & Anderson, 2013). With reference to Table 4.10, the figure of VIF and Tolerance, verifies the independence of the study variables.

Based on the outcomes of the validity of the data, the regression analysis test is found to be useful in answering the main question of the study and test its hypotheses. Accordingly, this was used to test the hypothesis of the study so as to reject or not reject the null hypothesis.

3.4 Simple Regression

H01: There is no significant impact of the auditors' efforts to the Audit Expectation Gap in Bahrain.

To test H01 the researcher used simple regression to acknowledge the impact of the effort of auditors towards the level of audit expectation gap in Bahrain.

Table 10. Simple regression analysis for H01

R	Beta	R Square	Adjusted Square	R	F Value	P Value
0.326 ^a	0.311	0.276	0.176		16.343	0.024*

*Significant at $p \leq 0.05$

Table 10 shows that the statistical value F is 16.343 with a level of importance lower than 0.05 which reveals that there is an important effect of the auditors' efforts on the level of the audit expectation gap. Thus, **reject the null hypothesis and accept the alternative hypothesis.**

In addition, the Beta value configures that the effect of auditors' efforts is positive where the strength of this relationship reaches 31.1%. Depending on the adjusted R-square the explanatory and predictive value, which is the variance of auditors' efforts on the level of audit expectation gap is 27.6%. This means that a one-time change in the efforts spent by auditors affect the level of audit expectation gap by 27.6% accordingly.

H02: There is no significant impact of the auditors' skills to Audit Expectation Gap in Bahrain.

To test H02 the researcher used simple regression to acknowledge the impact of the skills of auditors on the level of audit expectation gap in Bahrain

Table 11. Simple regression analysis for H02

R	Beta	R Square	Adjusted Square	R	F Value	P Value
0.422 ^a	0.419	0.266	0.401		42.432	0.005*

*Significant at $p \leq 0.05$

As shown in the above **Table 11**, the statistical value F is 42.432 with a level of significance less than 0.05, which states that there is significant impact of the auditors' skills on the level of audit expectation gap. Thus, **reject the null hypothesis and accept the alternative hypothesis.** Alternatively, the Beta value shows that the auditors' skills impact on the level of audit expectation gap is positive regarding the strength of its relationship that reaches 41.9%. However, depending on the adjusted R-square the variance to auditors' skills and audit expectation gap is 26.6% this explains that a one-time change in the auditors' skills will cause a 26.6% change in the level of audit expectation gap.

H03: There is no significant impact of the knowledge of society to Audit Expectation Gap in Bahrain.

To test H03 the researcher used simple regression to acknowledge the impact of the knowledge of society on the level of the audit expectation gap in Bahrain.

Table 12. Simple regression analysis for H03

R	Beta	R Square	Adjusted Square	R	F Value	P Value
0.623 ^a	0.621	0.424	0.420		27.769	0.016*

*Significant at $p \leq 0.05$

As shown in the above **Table 12**, the statistical value F is 27.769 with a level of significance lower than 0.05, which states that there is an impact between the knowledge of the society about the audit profession and the level of audit expectation gap in the public sector in the Kingdom of Bahrain. Thus, **reject the null hypothesis and accept the alternative hypothesis**. The Beta value highlights that the society's knowledge is positive, and this relationship strength is 62.1%. Depending on adjusted R square the variance of the society's knowledge on the level of audit expectation gap is 42.4%.

H04: There is no significant impact of users' needs to the Audit Expectation Gap in Bahrain

To test H04 the researcher used simple regression to acknowledge the impact of users' needs on the level of audit expectation gap in Bahrain.

Table 13. Simple regression analysis for H04

R	Beta	R Square	Adjusted Square	R	F Value	P Value
0.712 ^a	0.711	0.576	0.574		61.786	0.012*

*Significant at $p \leq 0.05$

As shown in the above **Table 13**, the statistical value F is 61.786 with a level of significance less than 0.05, which states that there is an impact of the users' needs on the level of audit expectation gap in the public sector in the Kingdom of Bahrain. **Thus, reject the null hypothesis and accept the alternative hypothesis**. Where Beta value shows that the impact of the users' needs is positive, and the strength of the relationship reaches 71.1%. Depending on adjusted R square the variance of society's knowledge in the audit expectation gap is 57.6%.

*3.5 Multiple Regressions***H05: There is no significant impact of all factors together (auditors' efforts, auditors' skills, society's knowledge and users' needs) on the level of audit expectation gap.**

To test H05 the researcher used multiple regressions to acknowledge the impact of each previous independent variable (auditors' efforts, auditors' skills, society's knowledge and users' needs) on the dependent variable which are shown in the below **Table 14**.

Table 14. Multiple regression analysis for H06

Constructs	B	Std. Error	Beta	T	P Value
Auditors' efforts	0.311	0.104	0.311	2.811	0.008
Auditors' skills	0.419	0.096	0.419	2.321	0.012
Society's knowledge	0.621	0.099	0.621	3.330	0.015
Users' needs	0.711	0.099	0.711	4.887	0.014
R Square	0.237				
Adjusted R Square	0.232				
F Value	12.084				
P Value	0.022*				

*Significant at $p \leq 0.05$

The table above shows that the variance of all independent variables (the efforts of auditors, the skills of auditors, the knowledge of the society and users' needs) depending on adjusted R square is 23.7%. Moreover, the statistical value F is 12.084 with a level of significance lower than 5%, which indicates that there is a significant impact among all factors on the level of audit expectation gap in the public sector in the Kingdom of Bahrain. **Thus, reject the null hypothesis and accept the alternative hypothesis.**

Also, it is noticed from **Table 14**, while reviewing calculated *t* values, it was found that all the independent variables have significant impact on the level of audit expectation gap with a level of significance lower than 0.05.

4. Conclusion

Based on the results found in this study, the researchers draw the following conclusions:

- The efforts spent by the auditors in conducting an audit engagement to an auditee are highly impacting the audit expectation gap. Auditors must have spent enough effort and act with a reasonable care in conducting an assignment. Furthermore, the client has to notice the remarkable efforts spent by the auditors. This will lead the audit profession to gain the trust of the society which in return will reduce the level of the audit expectation gap.
- The level of the audit expectation gap in Bahrain is highly affected by the number of users' needs. Auditors must properly use the engagement letter in addressing all the services that will be provided to the client, and at the same time, it should clearly mention their responsibilities as well as the client's responsibilities.
- The level of the audit expectation gap in Bahrain is also affected by the possessed skills of auditors. They need to possess the soft and technical skills required to perform tasks in highly professional manner.
- The knowledge of Bahraini society is affecting the level of audit expectation gap too, but with lower impact. This lead us to conclude that the Bahraini society possess a good knowledge about the audit profession.

5. Recommendations

As discussed in the research results previously, to reduce the level of the audit expectation gap in the Kingdom of Bahrain, the researchers offer a set of recommendations, with the hope that those recommendations will be given serious consideration to narrow the audit expectation gap.

- ❖ Companies and specially audit firms should provide proper training to the audit staff in order to train them how to implement and utilize the required efforts in conducting an audit engagement. Furthermore, close supervision is required by the audit managers and supervisors toward junior auditors so as to make sure that the required effort was utilized to the engagement.
- ❖ The Engagement Letter which is signed by the auditor and the client before the audit starts, should clearly specify what are the services that will be provided by the auditor, and what are the responsibilities that are held with management. This will reduce any conflict that may arise after the submission of the audit report, which will reduce the audit expectation gap.
- ❖ Auditors should be continuously updated about the ISAs and the best audit practices to be applied. Furthermore, they should go for professional certifications that will increase their technical knowledge and skills.
- ❖ The government should continuously organize seminars and conferences to make the society aware about the audit profession.

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