The Determinants of Audit Expectation Gap in Malaysia

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Abstract

This study intended to identify the determinants of the audit expectation gap in Malaysia. The expectation gap is defined as the different perspectives of what society thinks and what society wants the auditors to do. Previous Malaysian researchers prove the existence of audit expectations. However, only some studies identify determinants of the audit expectation gap in Malaysia. Recent studies show that the Malaysian public misunderstood auditors' duties and audit scope. This quantitative research addresses the relationship between auditors' skills, auditors' efforts, knowledge of society, and users' needs toward the audit expectation gap. Online questionnaires are used in this study as measuring tools to measure the variables expected to have a significant relationship with the audit expectation gap. The software used to conduct the analysis is SPSS 20 under the linear regression method. There was a total of 108 Malaysian auditors involved in this research. This study shows that auditors' efforts and knowledge of society are significantly related to the audit expectation gap. The rest of the factors were tested, and it was found that they did not significantly affect the audit expectation gap. Therefore, auditors should utilize exemplary efforts and increase public awareness of the audit scope.

Keywords: audit expectation gap, auditors' effort, auditors' skills, knowledge of society, user's need

1. Introduction

One decade has elapsed after all the substandard corporate accounting and auditing controversies such as Enron, Satyam, and World dot com have drawn worldwide interest. Most of these incidents have a tremendous effect on the audit profession. Malaysian auditors are also victims of such cases, which consist of fraudulent financial records and deception toward society. The criticism of the auditor's credibility and growing litigation towards auditors proved that the public is affected by the breakdown of the big companies. The public expects the auditors to provide complete, no-error protection on the annual reports and inspect any misconduct and inconsistency not aligned with the auditor's duties in compliance with the code of conduct and the legislation (Ihendinihu &Robert, 2014).

Salehi (2011) stated that Tweedie (1987) explained that the public assumes fraud detection and prevention, a red flag on company bankruptcy, absolute assurance of financial health, auditor independence guarantees, and understanding of audited reports are what is required in auditing. That statement reveals that the public has gross misconceptions about the fundamental principle of the audit, which eventually led to a widening of the AEG. Alawi et al. (2018) mentioned in their research that Liggio (1974) was the one who introduced this gap to the world. Kamau (2013) agreed with Monroe and Woodliff in 1993 statements that the public's disparity in the interpretation of the role and obligation of auditors and information from audited reports are in contrast with the auditor's interpretation. The survey results by ACCA (Association of Chartered Certified Accountants) by 1,000 of the UK (United Kingdom) public indicated that the UK public is still vague about auditor's responsibility and duties, such as 48% perceived auditors are responsible for mitigating the corporate failure. The public expects fraud detection and prevention to fall under the auditor's responsibilities in 41%, respectively. Lastly, to prevent company failure, 65% of the public concluded that audit needs to evolve (ACCA, 2018).

Recent financial scandals in Malaysia involved government link companies (GLC) such as Dewan Bandaraya Kuala Lumpur (DBKL) and National Film Development Corporation (FINAS). Tan (2018) highlighted that DBKL,

between 2013 and 2018, had unethically sold the land without improper procedures such as direct negotiation, valued at RM4.28 billion. Additionally, another case was embezzling funds amounting to RM25 million on the 1Malaysia Negaraku project by the senior officer of FINAS and a partner in crime. Other than that, the Gas pipeline project, which cost RM9.4 billion, was overpaid (87.7%). The project exceeds the percentage of completion finish, such as the Multi-Product Pipeline (14.5%) and Trans-Sabah Gas Pipeline (11.4%) (Tan, 2018).

Meanwhile, in early 2000, Malaysian cases such as Transmile Group Bhd had made headlines in the history of Malaysian companies with exaggerated profitability in 2005, which amounted to RM75 million, and in 2006, amounted to RM158 million in corporate controversies. Additionally, Megan Media Bhd reported engaging in fraudulent trading activities. Financial institutions were also involved in inappropriate practices. Southern Bank practiced improper accounting treatment in 2005, such as overstating the net assets amounted to RM 160 million (Krishnan, 2011). These cases claimed that auditors could not detect and prevent the fabrication of financial statements made by management (Hamid et al., 2016). Consequences from corporate scandals caused a dispute between the independence value of auditors and the widening gap in audit expectations (Mohamed & Muhamad Sori, 2002). Hence, comprehensive studies need to be done by analyzing factors that may reduce the gaps arising in Malaysia by previous researchers on the vast presence of AEG in the Malaysian audit field, such as audit objectives, auditors' role, and even auditing process (Ahmad & Fadzly, 2004; Kasim & Mohd Hanafi, 2005; Lee et al., 2007).

1.1 Research Problem and Objectives

The organization's collapse due to corporate scandals and corruption cases is increasing yearly, affecting the economic downturn. Consequently, auditors face growing criticism and lawsuits due to being immediately blamed for the organization's failure. Numerous solutions have been proposed and enforced, such as modifying audit requirements by professional bodies or authorities, expanding audit statements, and others, but still, this gap has not been reduced. Studies on audit gaps have been widely examined by various countries, including Malaysia, since early 2000.

According to research by Ahmad and Fadzly (2004), the gap in the Malaysian public was due to the different perspectives on auditor's responsibilities. The Malaysian public still needs to be more specific about the distinction between auditors and management responsibility, especially in auditing (purpose, process, etc.), preparation of accounting records and financial reports, and internal control. The results of the survey by ACCA (Association of Chartered Certified Accountants) of 1,000 of the UK (United Kingdom) public indicated that the UK public is still vague about auditor's responsibility and duties such as 48% perceived auditors are responsible for mitigating the corporate failure (Association of Chartered Certified Accountants, 2018). While in Malaysia, 28% to 34% of survey participants in Malaysia have successfully identified the auditor's primary role (Association of Chartered Certified Accountants, 2019). The next issue was the deliberation of auditors responsible for protecting against company failure; over 55% of participants assumed the current auditing standards would deter corporation shortcomings if the auditor abided by them. Furthermore, the Malaysian participants have the highest rate of "Yes" (75%), showing that Malaysia's opinion of auditors executing their work as given would minimize the failure of the company (Association of Chartered Certified Accountants, 2019). The result caused a dispute between the independence value of auditors and the widening gap in the audit expectation (Mohamed & Muhamad-Sori, 2002). Hence, comprehensive studies need to be done by analyzing factors that may reduce the gaps arising in Malaysia, per previous researchers on the vast presence of audit expectation gaps (AEG) in the Malaysian audit field, such as audit objectives, auditors' role, and even auditing process (Ahmad and Fadzly (2004), Lee et al. (2007), Liggio (1974).

In the case of Malaysia, researchers have recognized the gap and suggested the best solution. However, the gap is still expanding. Thus, the optimal solution to minimize that gap is to understand the factors relevant to the public in Malaysia. Therefore, this research objective is to identify the determinants of the audit expectation gap in Malaysia. The audit expectation gap is classified as the dependent variable, while the independent variables are the auditor's skills, auditors' efforts, and knowledge of society. Hence, the variables, which are auditors' skills, auditors' efforts, and knowledge of society, are expected to reduce the role conflict theory in conjunction with the audit expectation gap. Specifically, the research objectives of this study are:

(1) To examine whether auditors' efforts significantly correlate with the audit expectation gap.

(2) To examine whether auditors' skills significantly correlate with the audit expectation gap.

(3) To examine whether knowledge of society is significantly related to the audit expectation gap.

(4) To examine whether users' needs are significantly related to the audit expectation gap.

1.2 Literature Review and Research Hypothesis

Founder of the audit expectation gap, Liggio (1974), defined AEG as a discrepancy of expectation on an auditor's performance among users and accountants. ACCA (2019) defined AEG as public belief and wanted the auditors to do a divergence of public and auditors' perceptions of the auditor's responsibilities. Companies that are exempted from being audited are willing to hire auditors. In the early years of audit profession development, auditors provided absolute assurance of anti-fraud and earnings management, which later reduced to provide reasonable assurance on an organization's financial statements and records (Epstein et al., 1994; Porter., 1993). In corresponding to the audit profession, the objective of the audit also evolved in the early 1900s, which focused on detecting fraud movement to verifying transactions. Auditors judge management financial reports' legitimacy and good faith (Lawal, 2015). Evolution occurred due to the complexity and diversification of business operations worldwide. Lawal (2015) claimed that management is accountable for identifying and avoiding fraud. Hence, the management should carry out sound internal control systems. Inevitably, changes in the auditor's role by the public, including users and even auditors themselves, do not reshape their roles in the current context. As a result, there was a gap in audit expectations. This is because audited reports will act as legal documents for companies to acquire funds from financial institutions, renew, restrain, and attract more people to invest in companies for future growth. (Alawi et al., 2018). The certification of the financial statements of an entity, also known as an audited report, is perceived as a guarantee that the companies are free from fraud and omission activities. However, there are misconceptions about auditors' job responsibilities and roles, which arise from auditors' credibility when companies collapse even with audited reports. Unknowingly, auditors have been blamed for all the companies' failures. Hence, these signals the occurrence of the gap.

The audit expectation gap is comprised of two types of gaps. Studies by Porter (1993) and Hassink et al. (2009) noted two specific gaps: a reasonable and a performance gap. The performance gap can also be divided into deficient standards and deficient performances. Firstly, the reasonable gap is a disparity in expectations of auditors' needs and what is to be achieved according to society's views (Porter, 1993; Toumeh et al., 2018; ACCA, 2019). The high expectations of the public on auditors and the lack of education led to a discrepancy in the judgment of users and structured audit practices, which resulted in the gap growth (Salehi, 2011). Meanwhile, the performance gap is the disparity between what society may anticipate and what auditors should accomplish. (Porter, 1993; Reza & Karim, 2010; ACCA, 2019). Society perceives auditors to perform in high quality and the best interest of users when auditing (Mousavi et al., 2018). Mousavi et al. (2018) found that auditors dedicate more time to clients' inquiries and gathering evidence during the completion of an audit. Under section 263 (Company Act, 2016), one of the criteria to be qualified as an auditor is good character and competence in work. Competent in this context is defined as the integration of technical competence, professional skills, and professional values, ethics, and attitudes (Chartered Professional Accountants of Canada, 2015). Auditors' efforts are as vital as auditors' skills in collecting audit evidence (Kamau, 2013). The efforts shown by the auditor differ from the skills required. The auditor may have skills but did not put enough effort into the specific task and might miss crucial evidence.

The consequences of putting in less effort may prompt incorrect opinions (Ogweno, 2018). Suppose the court found and acknowledged a negligent act by auditors when the auditors did not exercise reasonable care in performing their jobs. In that case, auditors might be liable for those damages in the form of penalties and compensation. Thus, the auditor's effort in performing their job is vital and may affect the audit expectation gap. With the required skills, auditors might use the proper audit test, sample selection, and even the auditing method for client financial statements, which results in auditors missing crucial evidence and issuing unsuitable opinions (Alawi et al., 2018). Therefore, the hypothesis is as follows:

H1: There is a significant relationship between auditors' efforts and the audit expectation gap in Malaysia.

The criteria to be an auditor consist of competent people performing duties to recognized standards. According to Agyei et al. (2013), it is stated that a competent person has comprehensive skills in performing auditors' roles. Skills in the auditing profession can be divided into soft skills and technical skills. According to Doyle (2019a), any personal attributes and traits, internal social cues, and efficient task interaction are defined as soft skills, e.g., managing conflicts during the audit process, planning, reporting, and other relevant skills. Practical abilities and knowledge needed to complete tasks are the definition of technical skills. The scope of the skills consists of practical and mechanical skills, information technology, and information on audit-related knowledge, such as knowledge of programming languages, mechanical application equipment tools, the audit process, and the procedure (Doyle, 2019b). Research by Kamau (2013) concluded that reduced skills (fraud detection) induced an audit expectation gap. Thus, this study's hypothesis.

H2: There is a significant relationship between auditors' skills and the Audit Expectation Gap in Malaysia.

Educating the public plays a fundamental role in resolving misconceptions regarding the roles and responsibilities of external auditors. The community and auditors must interact by sharing knowledge and exchanging information to reduce the gap. ACCA (2019) reported that the audit expectation gap becomes wider because users misunderstand auditors' roles. The ignorance of the public on specific auditors' roles exacerbates the audit expectation gap (Salehi, 2011). The study conducted by Ogweno (2018), Alawi et al. (2018), and Kamau (2013) found a negative relationship between the user's knowledge and AEG. External users have unreasonable expectations about the audit profession, such as auditors' responsibilities, audit objectives, the benefits of auditing, and the profession in general. Hence, the third hypothesis is as follows.

H3: There is a significant relationship between knowledge of society and the audit expectation gap in Malaysia.

Financial statement users have different views on the expected outcome of audit reports. The expectation gap will increase uniformly on the expectation of users on the requirement of auditors' opinion. Different types of users have different purposes and usage of audited reports. Alawi et al. (2018) stated that users might use the audited report for loan accreditation; thus, the client has great expectations from auditors as they believe in auditors' capability to review the internal control system in fraud detection or unethical management behaviors. These users need reasonable assurance from auditors, while auditors can only form an opinion and provide reasonable assurance. Auditors could not reduce the audit risk as perceived by users as auditors perform their audit based on samples and focus on reviewing financial records and statements prepared by management. Society expectations, especially users, have misconceptions about the roles and performance of auditors (Kamau, 2013), this study hypothesis.

H4: There is a significant relationship between users' needs and the audit expectation gap in Malaysia.

Biddle and Thomas (1979) introduced the conflicting role of auditors based on normative expectations. The inter-sender role and role-overload conflict are applicable to represent determinants of audit expectation. Inter-sender role conflict represents a position of identity within the social structure. As referred by Lee et al. (2007), when auditors fail to uphold the expectations of what auditors should be doing in the scope of audit purpose and the nature of auditors' roles and responsibilities, the backlash will go back to the auditors (Davidson, 1975). The knowledge of society and users' needs represents the conflict auditors face from the public perception towards auditors and misunderstanding of the duties and role in auditing objectives.

Role-overload conflict is aligned with the factors of AEG (auditor's efforts and skills) as the auditors have been perceived to enforce their best efforts and skills in performing their tasks. Auditors were forced to prepare themselves with exceptional skills and effort to increase their credibility in their opinions. Anderson (2012) published that auditing is a sophisticated procedure and requires auditors to equip themselves with different responsibilities and skills, such as foreseeing future views and intuition, people abilities, decision-making skills, teamwork, and outstanding communication skills.

2. Method

This section discusses the methodological approach taken to answer the research objectives. This section discusses the research design, the sample, the research instrument, and the measurement of variables.

2.1 Research Design, Population, and Sample

This study utilised quantitative methodology since the audit expectation gap and its determinants can be evaluated in ordinal forms. To gather information, this research adopted a list of questionnaires according to the theoretical framework from previous studies by Alawi et al. (2018) and demographical questionnaires by Harun et al. (2014). This study used the primary data to identify the relationship between the auditor's effort, the auditor's skill, knowledge of society, and users' needs that lead to the audit expectation gap. According to Alawi et al. (2018), Ogweno (2018), and Kamau (2013), hypotheses testing is also used to discover the relationship between efforts, skills (competencies), public knowledge, and users' needs with audit expectations gap. Besides that, this study will be cross-sectional studies, where the researcher will gather all the data simultaneously. This research spans a few months (Sekaran & Bougie, 2009). Since this study aims to identify which determinants impact the AEG in Malaysia, data collected from respondents represent current time results.

2.2 Research Measurement

A discussion of the independent and independent variables is presented in this section.

Table 1. Measurements of Independent variables

Independents Variables	Number of Items	Measurements	Sources
Auditors' Effort	5	Interval Scale: 5 Likert's Scale	Alawi et al. 2018
Auditors' Skills	5		
Knowledge of society	4		
User's Need	5		

The electronic questionnaire consisted of six (6) sections. The questionnaire begins with section A, containing demographic data. The following section is on the auditor's effort. The third section will measure the auditor's skill. The fourth section will be on the knowledge of society, followed by a section on the user's needs. The last section will be on the audit expectation gap. The questionnaire uses 5 Likert scales. From (1) strongly disagree until (5) strongly agree.

Section B of the questionnaire consists of measurements for independent variables. It is measured using five (5) items to emulate the determinants of the audit expectation gap, which is the auditor's effort. The items are to measure whether the efforts put by the auditors on performing audit jobs affect the level of the audit expectation gap. The auditor's effort variable measured the effort the auditors put in to perform audit tasks. For example, auditors spend efforts in different situations, such as lowering audit fees and adding supporting documents and evidence. The second independent variable is the auditor's skill, comprising five (5) items. The matter is to measure whether the skills of auditors affect the level of the audit expectation gap. Auditors' skills are measured by the skills required to perform an audit effectively and efficiently: technical skills, gathering evidence and justification skills, IT skills, and IFRS knowledge.

The following independent variables are the knowledge of society, comprising five (5) items. The variable effect can be determined by measuring whether the knowledge of society about the audit profession affects the level of the audit expectation gap. The level of social understanding about audit objectives, auditor duties, responsibilities, the purpose of the annual report, and others measures knowledge of society. The last independent variable is the user's need, which consists of four (4) items. The variable effect can be determined by measuring whether the users' needs affected the level of the audit expectation gap. The users' need is measured by the level of users' requirements regarding the audited report. For example, the additional responsibility of auditors is to prepare financial statements, inspect transactions, and examine financial and non-financial data for users.

Table 2. Measurement of Dependent variables

Dependents Variables	Number of Items	Measurements	Sources
Audit expectation gap	5	Interval Scale: Likert's scale	Alawi et al., 2018

For this study, the audit expectation gap is the dependent variable. Table 2 shows that the measurement of the gap for this research has five (5) items for this variable. The items listed measure whether there is an audit expectation gap in Malaysia. It can be measured by identifying which auditors' responsibilities are being selected among the respondents. The audit expectation gap comprises a reasonable and performance gap (Hassink et al., 2009; Porter, 1993). Efforts and skills by the auditors in performing their duties and responsibilities will be a factor in the performance gap. At the same time, knowledge of society and users' needs will be used to measure the reasonable gap.

2.3 Research Instrument

The Statistical Package for the Social Sciences Version 20.0 (SPSS) was used as the analytical software to evaluate the research model and test the hypotheses testing. Several data analyses have been performed in this study: validity and reliability test, descriptive statistical analysis and regression analysis. This study will test if there is any significant impact on all factors (auditor's effort, auditor's skills, knowledge of society, and users' needs) on the level of the audit expectation gap. The regression model is as follows.

$$AEG = \beta_0 + \beta_E + \beta_S + \beta_K + \beta_U + \varepsilon$$

Where:

AEG = Audit Expectation Gap

β_0 = Population Y-intercept

β_E = Efforts

β_S = Skills

β_K = Knowledge of Society

β_U = User's Needs

ε = Errors

3. Results

The instruments for this study have been tested with the reliability test. Reliability is defined as the ability of respondents to produce consistent results when the same entities are measured but in different settings (Field, 2013).

Table 3. Reliability analysis for each item in the questionnaire

Cronbach Alpha	Number of Items
.795	24

This study implements the rule of thumb for Cronbach's Alpha interpretation according to George and Mallery (2003). Table 3 above shows the result of Cronbach Alpha for the research instruments. The result of Cronbach Alpha for this study is .795 for all the 24 items used in the questionnaire. The illustrated 24 items in the questionnaire can be used, and no items were deleted since the value of Cronbach Alpha proved that the items are perfect and reliable.

Table 4. Descriptive Analysis of Variables

	Total Mean Statistic	Std. Deviation Statistic	Variance Statistic
Auditors' Efforts	3.02	0.615	0.379
Auditors' Skills	2.84	0.363	0.132
Knowledge of Society	3.57	0.557	0.310
Users' Need	2.84	0.506	0.256
Audit Expectation Gap	3.26	0.825	0.680

Table 4 presents the descriptive analysis of the data. The results show that the mean scores for auditors' effort, auditors' skills, knowledge of society, and users' needs are 3.02, 2.84, 3.57, and 2.84, respectively. This indicates the validity of the four determinants of the audit expectation gap in Malaysia. Meanwhile, the mean score of the audit expectation gap is 3.26. It shows that the respondents mixed results demonstrated that efforts, skills, knowledge of society, and users' needs do not influence the audit expectation gap equally.

Table 5. Regression Results of Audit Expectation Gap (AEG)

Model	B	Std. Error	Beta	t.	Sig.
(Constant)	.041	.718		.570	.955
Auditors' Efforts	.307	.119	.229	2.576	.011
Auditors' Skills	-.184	.180	-.081	-1.024	.308
Knowledge of Society	.570	.128	.385	4.437	.000
Users' Need	.275	.275	.169	1.940	.055
R^2	.376				
Adjusted R^2	.352				
F	15.511				
Sig.	.000				
Standard Error of Estimate	.664				

Table 5 illustrates the regression result of auditors' efforts and skills, knowledge of society, and users' needs with the audit expectation gap. R^2 Value is .376, and the adjusted R^2 value is .352, demonstrating 37.6% (R^2) and 35.2% (adjusted R^2) of the variation in audit expectation gap can be explained by auditors' efforts and skills, knowledge of society, and users' needs. F value is 15.11 with a level of significance lower than 5%, which means there is a significant influence of efforts and knowledge with AEG. The adjusted R^2 showed how well the independent variables influenced the dependent variable.

The study's first objective established that respondents are neutral on auditors' efforts, with a mean score of 3.02, leading to the gap. Respondents partially agreed on the number of audit samples; the document does not reflect the auditors' efforts spent in auditing (mean score: 3.47). Moreover, most respondents are neutral regarding the level of supervision linked to efforts, with a mean score of 3.37. Other than that, the respondents are neutral on auditors' duties related to assurance of audit with a mean score of 3.30. Corresponded with a mean score of 2.61, the respondents disagree that audit effort does not reflect the audit opinion formed by auditors. Regarding the statement of efforts equal to audit fees provided by the client, respondents disagree with the statements aligned with a mean score of 2.36. Therefore, the researcher found a significant relationship between auditors' efforts and the audit expectation gap. The auditors' efforts *p*-value is .011, $p < 0.05$. It translates to a positive relationship where the higher the auditor's effort in auditing, the higher the audit expectation gap at the rate of .229. Therefore, H1 is accepted.

The established respondents disagreed that auditors' skills affect the gap, with a mean score of 2.84. Respondents partially agreed that time completion is reflected in the auditors' effort, with a mean score of 3.75. Next, with a value of 3.55, the mean value shows that respondents partially agreed that they must prepare themselves with IT skills and knowledge to conduct the audit. Respondents disagreed on the importance of technical skills rather than soft skills, with a mean score of 2.73. Subsequently, respondents disagreed that skills are as important as efforts, with a mean score of 2.16. Additionally, respondents disagreed with the statement that expressed the opinion that the auditors required a broad knowledge of IFRS (mean score: 2.03). Thus, there is no significant relationship between auditors' skills and the audit expectation gap in Malaysia. The skills required by the auditors to perform an audit effectively and efficiently consist of technical skills, skills in gathering the evidence and justification, IT skills, and IFRS knowledge. The auditors' skill about the audit expectation gap has a *p*-value of 0.308, $p > .05$, demonstrating that it is insignificant. Therefore, hypothesis two (H2) is rejected. This proves there is no significant relationship between auditors' skills and the audit expectation gap, demonstrating that the assumption that auditors' skills will contribute to the audit expectation gap is wrong. This is due to many other more significant factors that lead to the audit expectation gap. Skills are needed, but practical usage depends on the auditors' audit firm. However, it also contradicted another research discussed in the previous chapter. While for auditors' skills, the *p*-value is .308, which means this is not significant since the *p*-value is > .05.

The researcher found that respondents agreed that the knowledge of the society has a relationship with the audit expectation gap, with a total mean score of 3.57. A mean score of 3.78 is for the claim where the respondents acknowledged that the auditors were a liability for sound internal control. Respondents agreed that society required assurance from the management accounts, with a mean score of 3.77. The community believed auditors protect the company's position, with a mean score of 3.59. Additionally, with the 3.45 mean score for the question on society assumption, the respondent agreed with the statement that auditors are liable to examine the companies' non-financial information. Subsequently, with a mean score of 3.26, respondents neutrally stand on society's belief that fraud detection and prevention are under auditors' responsibility. The *p*-value for knowledge of society is .000, less than .05; hence, it is concluded that a significant relationship exists between knowledge of society and the audit expectation gap in Malaysia. The increasing knowledge of society on auditing matters will increase the audit expectation gap rate by .385. Thus, this concludes the positive relationship between the knowledge of society and the audit expectation gap in Malaysia. Based on the result, Malaysian society still lacks awareness and understanding of auditing knowledge. Therefore, the responsible party, i.e., professional body, education institute, and auditors, must find a solution. The *p*-value is .000 for knowledge of society, which is significant since the *p*-value < .05. Thus, H3 is accepted.

The total mean score of users' needs is 2.84. The respondents are neutral on the auditors' responsibility to examine management accounts and record a mean score of 3.16. Respondents also have impartial opinions on preparing financial reports that fall under the auditors' responsibilities, with a mean score of 3.08. Subsequently, respondents are also neutral on users' needs and do not affect the quality of the audit (mean score: 2.66). Finally, the respondents disagreed on users' need to examine company information, such as financial and non-financial, with a mean score of 2.45. The *p*-value for users' needs is .055 where $p > .05$; thus, users' needs variable has an insignificant relationship

with the audit expectation gap. Therefore, increasing users' needs will increase the audit expectation gap rate by .169. This proved the positive relationship between users' needs and the audit expectation gap, but not as significant as other variables. Finally, for users' needs, the *p*-value is .055, which is insignificant since the *p*-value is > .05. Hence hypothesis 4 (H4) is rejected.

4. Discussion

The study examined the significant relationship between auditors' efforts, skills, knowledge of society, and users' needs with the audit expectation gap in Malaysia. The study's first objective established that respondents are neutral on auditors' efforts, with a mean score of 3.02, which leads to the gap. Respondents partially agreed on the number of audit samples; the document does not reflect the auditors' efforts spent in auditing (mean score: 3.47). Moreover, most respondents are neutral regarding the level of supervision linked to efforts, with a mean score of 3.37. Other than that, the respondents are neutral on auditors' duties related to assurance of audit with a mean score of 3.30. Corresponded with a mean score of 2.61, the respondents disagree that audit effort does not reflect the audit opinion formed by auditors. Regarding the statement of efforts equal to audit fees provided by the client, respondents disagree with the statements aligned with a mean score of 2.36. Therefore, the researcher found a significant relationship between auditors' efforts and the audit expectation gap. This result is supported by Zikmund (2008), who states that skills without effort will raise the gap. This will signal auditors to balance their effort and skill in performing audits. Supported by Boterenbrood (2017) states that the preparer (clients) expects auditors to have scrutinized efforts and skills in auditing their financial statements. Hence, auditors need to find solutions to illustrate their efforts visibly.

The study's second objective was to examine the auditors' skill significant relationship with the audit expectation gap in Malaysia. The established respondents disagreed that auditors' skills affect the gap, with a mean score of 2.84. Respondents partially agreed that on-time completion is reflected in the auditors' effort, with a mean score of 3.75. Next, with a value of 3.55, the mean value shows that respondents partially agreed that they must prepare themselves with IT skills and knowledge to conduct the audit. Respondents disagreed on the importance of technical skills rather than soft skills, with a mean score of 2.73. Subsequently, respondents disagreed that skills are as important as efforts, with a mean score of 2.16. Additionally, respondents disagreed with the statement that expressed the opinion that the auditors required a broad knowledge of IFRS (mean score: 2.03). Thus, there is no significant relationship between auditors' skills and the audit expectation gap in Malaysia. The skills required by the auditors to perform an audit effectively and efficiently consist of technical skills, skills in gathering the evidence and justification, IT skills, and IFRS knowledge. This proves there is no significant relationship between auditors' skills and the audit expectation gap, demonstrating that the assumption that auditors' skills will contribute to the audit expectation gap is wrong. This is due to many other more significant factors that lead to the audit expectation gap. Skills are needed, but practical usage depends on the auditors' audit firm.

The third objective of the study is to examine the significant relationship between knowledge of society and the audit expectation gap. The researcher found that respondents agreed that the knowledge of the society has a relationship with the audit expectation gap, with a total mean score of 3.57. A mean score of 3.78 is for the claim where the respondents acknowledged that the auditors were a liability for sound internal control. Respondents agreed that society required assurance from the management accounts, with a mean score of 3.77. Society believed auditors protect the company's position with a mean score of 3.59. Additionally, with the 3.45 mean score for the question on society assumption, the respondent agreed with the statement that auditors are liable to examine the companies' non-financial information. Subsequently, with a mean score of 3.26, respondents neutrally stand on the society's belief that fraud detection and prevention are under auditors' responsibility. Hence, they concluded that there is a significant relationship between knowledge of society and the audit expectation gap in Malaysia. The increasing knowledge of society on auditing matters will increase the audit expectation gap rate by .385. Thus, this concludes a positive relationship between the knowledge of society and the audit expectation gap in Malaysia. Based on the result, it shows that Malaysian society still lacks awareness and understanding of auditing knowledge. Therefore, the responsible party, i.e., professional body, education institute, and auditors, must solve this matter.

The fourth objective is to examine if there is a significant relationship between users' needs and the audit expectation gap in Malaysia. The total mean score of users' needs is 2.84. The respondents are neutral on the auditors' responsibility to examine the management account and record a mean score of 3.16. Respondents also have unbiased opinions on preparing financial reports that fall under the auditors' responsibilities, with a mean score of 3.08. Subsequently, respondents are also neutral on users' needs that do not affect the audit quality (mean score: 2.66). Finally, the respondents disagreed on users' need to examine company information, such as financial and

non-financial, with a mean score of 2.45. Thus, the users' needs variable has an insignificant relationship with the audit expectation gap. Therefore, increasing users' needs will increase the audit expectation gap rate by .169. This proved a positive relationship between users' needs and the audit expectation gap, but not as significant as other variables.

This study analyzes the audit expectation gap factors to identify the relevant variables that can track the existing gap in Malaysia. The analysis shows that auditors' efforts and knowledge of society are significantly related to the audit expectation gap. This demonstrates that the gap existed because of the misunderstanding of auditors' responsibilities and objectives from the society and the lack of effort spent by the auditors. Therefore, hypotheses one (H1) and three (H3) are accepted as supported by Kamau (2013) and Alawi et al. (2018).

This study is without its limitations. Due to the limitation of the study period and the number of respondents, future research would be better improved if this limitation could be overcome. Other independent variables can be included in future studies, such as the independence of auditors, audit scope, and audit structure, as discussed in Kamau (2013). The result demonstrated that auditors' skills and users' needs have an insignificant relationship with the audit expectation gap. Thus, future studies need to identify other elements that led to the gap in Malaysia. Moreover, future researchers can examine the same variables for different countries and the targeted respondents. This can help further understand the factors affecting the audit expectation gap in different countries.

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