



**Audit Expectation Gap of Government Auditees on the
Duties of Public Sector Auditors in Sri Lanka**

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Abstract

The phenomenon of the audit expectation gap (AEG) is a significant concern within the private sector while the AEG in the public sector has garnered little attention from scholars. However, it was found that the definition provided for the expectation gap is directly relevant to the context of public sector auditing as well. The purpose of this study is to investigate the differences in perceptions of government auditees on the duties of public sector auditors (PSA) in Sri Lanka. Further, it is expected to examine the causes for such differences in perceptions empirically. The sample was selected randomly from government sector auditees consisting of administrators, accountants, and senior staff members. Self-administered questionnaire including twenty existing duties of public sector auditors was used as the instrument for collecting primary data. Kruskal-Wallis test, a non-parametric test, was mainly performed to examine the significant differences of the auditee group, whereas the significant differences between groups were further examined by employing the Mann-Whitney U test. Perception gaps were found related to the existing duties of PSA, the perceived standard of performance of PSA, and the expected duties of PSA in Sri Lanka. It was further found that the AEG was widely spread between staff-associated groups rather than non-staff-associated groups. Consequently, it was concluded that AEG exists among the government auditees in relation to the duties of PSA in Sri Lanka. Further, five main causes for the AEG were recognized.

Keywords: *Audit Expectation Gap, Auditees, Auditor's Duties, Causes for AEG, Public Sector*

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Introduction

The audit expectation gap is a well-acknowledged critical issue within the field of accounting in the modern era. It is obvious that there is a gap in perceptions and expectations between the financial statement users and the practicing members, the auditors, and this is what is broadly explained as the Audit Expectation Gap (AEG) in the auditing literature (Chowdhury et al., 2005). It is evident in the literature on auditing that most of the scholars (Liggio, 1974; Cohen, 1978; Humphrey, 1991; Porter, 1993; Power, 1998; Porter & Gowthorpe, 2004; Salehi et al., 2009; Porter et al., 2012) have mainly suggested the difference between the services received and the expected services rendered by the auditors as the audit expectation gap. Hence, the presence of the AEG between the perceptions of auditors and that of users of audit reports has been unambiguously recognized in the existing auditing literature (see, for instance, Liggio, 1974; Cohen, 1978; Craswell, 1985; Humphrey, 1991; Chapman, 1992; Porter, 1993; Power, 1998; Chowdhury et al., 2005; Ruhnke & Schmidt, 2014; Salehi, 2016).

The phenomenon of AEG has been extensively explored via empirical studies conducted in many countries worldwide since 1970. It is evident that a significant proportion of these studies have mostly concentrated on the private sector within the context of developed countries (Choudhury & Innes, 1998; Chowdhury et al., 2005; Dana, 2011). However, Chowdhury et al. (2005) assert that the notion of the expectation gap has direct relevance to the field of public sector auditing since the essential principles at the core of this

the problem remains consistent. Dana (2011) claims that even though the development of the AEG has been explored in many countries, the extent of the notion has not been investigated considerably in public domains. Moreover, Deepal and Jayamaha (2023) assert that the current body of research highlights a significant disparity in the attention given to the AEG between the private and public sectors. Specifically, the private sector has been extensively studied, while the public sector has been mostly neglected in this regard. Based on the current body of research, it is evident that there is a paucity of studies undertaken in Sri Lanka on AEG within the public sector domain. Due to the limited amount of existing research in this particular domain, it is evident that conducting studies on AEG in the public sector of Sri Lanka is of great importance. Therefore, this research aims to investigate the AEG among the public sector auditees in Sri Lanka, with the objective of bridging this gap. Consequently, the objectives of this study are presented as follows.

1. To investigate the differences in perceptions of government auditees regarding the existing duties of public sector auditors in Sri Lanka
2. To investigate the differences in perceptions of government auditees regarding the perceived standard of performance of the existing duties of public sector auditors in Sri Lanka
3. To investigate the differences in perceptions of government auditees regarding the expected duties of public sector auditors in Sri Lanka
4. To examine the causes that impact the expectation gap of government

auditees on the duties of public sector auditors in Sri Lanka

In accordance with Deepal and Jayamaha (2023, p. 81-84), It is evident that most of the public sector AEG studies have been concentrated on several dimensions, namely Accountability and responsibilities (Chowdhury & Innes, 1998; Daud, 2007; Dana, 2011; Arung, 2017; Ellul & Scicluna, 2020; Conteh & Hamidah, 2021), Independence of the auditor (Chowdhury & Innes, 1998; Daud, 2007; Dana, 2011; Conteh & Hamidah, 2021), Fraud detection and audit report related matters (Ebimobowei & Kereotu, 2011; Emmanuel, 2016; Dauda, 2020; Conteh & Hamidah, 2021), and Qualities of audit such as materiality, integrity, objectivity, and audit evidence (Chowdhury & Innes, 1998; Coetzee, 2016; Krambia-Kapardis, 2016; Arung, 2017; Okoro et al., 2019; Ellul & Scicluna, 2020; Budding & Wassenaar, 2021; Conteh & Hamidah, 2021). Hence, it is obvious that there is a paucity of studies regarding the existing duties, perceived standards of performance of those existing duties, and the expected duties of the public sector auditors. Hence, this is the originality of the study, which is considered a pioneering study since a dearth of studies has been done previously regarding the expectation of public sector auditees on the existing duties of public sector auditors within the current body of Auditing literature. Moreover, it is evident that scholars have used different types of target groups to represent the government auditees such as civil servants in the Local Governments in Indonesia (Pongsapan, 2012), public servants attached to ministries, departments, and government agencies in Nigeria (Emmanuel, 2016), officials from local

government in Indonesia (Arung, 2017); Senior staff of Enugu State Broadcasting Service in Nigeria (Okoro et al., 2019) and Present and former Public Accounting Committee members in Malta (Ellul & Scicluna, 2020). However, government accountants, administrators, and the senior staff members of the related accounts/ finance divisions of those auditee institutions were selected as the auditees in this study. Hence, this may be considered a significant contribution to the study.

Another contribution of the study is associated with the context of the study. It is evident that several scholars have investigated AEG in Sri Lanka in the private sector setting (Abeydeera, 2005; Gunarathna, 2012; Kumari et al., 2019; Kumari & Ajward, 2022). To the best of the researcher's knowledge, very few studies to date have been conducted in Sri Lanka related to AEG in the public sector context (Deepal & Jayamaha, 2022). In light of the evidence, this study could be regarded as pioneering research in the context of the public sector AEG in Sri Lanka.

Further, this study identifies the contributory factors to the expectation gap among the government auditees. Thus, these findings propose related decision-making bodies, such as the National Audit Office of Sri Lanka (NAOSL) and the Institute of Chartered Accountants of Sri Lanka, to initiate discussions regarding how to minimize this gap. Moreover, the policymakers might use these empirical results to recommend to the parliament the expansion of essential legislative provisions by altering the current audit act or via a constitutional change.

Review of Literature

The literature review section commences by defining the term "audit". Subsequently, the term "audit expectation gap" will be defined along with its main components and areas. Furthermore, it describes the findings of prior studies on AEG in different contexts in the world.

Definitions of the Concepts

Definition of Auditing

According to the extant literature, a few definitions of audit have been suggested; for example, Early auditing, according to Littleton (1933), was intended to examine the honesty of persons in charge of finances rather than management duties. Moreover, he distinguished two sorts of early audits: public hearings on government officials' findings and review of charge-and-discharge accounts. Both sorts of audits seem to be created solely to provide a check on 'accountability'. The term "audit" is defined by the American Accounting Association (AAA, 1973) as "a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users". It is obvious that most scholars, such as Mautz and Sharaf (1961), Gray and Manson (2008), and Arens et al. (2014), also agree with the main components of this definition. Mautz and Sharaf (1961, p.461) define auditing as "the verification of accounting data, with determining the accuracy and reliability of accounting statements and reports." When comparing the definitions given by the AAA (1973) and Mautz and Sharaf

(1961), it appears that an audit is considered a system that consists of a series of rationally structured and organized operations, including inputs, processes, and outputs, to ensure that all critical components are addressed.

In contrast, "the verification of accounting data" in Mautz and Sharaf's (1961) definition has been further expanded and strengthened by AAA's (1973) definition incorporating "assertions about economic actions and events". Arens et al. (2014) define the term "audit" as "the accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria, and auditing should be done by a competent, independent person" (Arens et al., 2014, p. 4). Evidently, both Arens et al. (2014) and AAA (1973) definitions concern the themes of "degree of correspondence" and "established criteria", the related auditing framework when defining the concept. Established criteria could be considered as the benchmarks by which assertions or managerial presentations are measured (Salehi, 2011).

Definition of the Audit Expectation Gap

From a historical standpoint, the literature on AEG develops the claim that there is a broader understanding within the profession of the difference between users' expectations and auditors' perceived performance (AICPA, 1978; CICA, 1988; Porter, 1991). Thus, it is obvious that there is a gap in perceptions and expectations between the financial statements users and the practicing members, the auditors, and this is what is broadly explained in the auditing literature as the Audit Expectation Gap (AEG)

(Chowdhury et al., 2005). It is evident in the literature on auditing that most of the scholars (Liggio, 1974; Cohen, 1978; Humphrey, 1991; Power, 1998; Porter & Gowthorpe, 2004; Salehi et al., 2009) have suggested the difference between the services received and the expected services rendered by the auditors as the audit expectation gap. Liggio (1974) initially introduced the Expectation Gap to the auditing literature, and he defined it as “the difference between the levels of expected performance as envisioned by the independent accountant and by the user of financial statements” (Liggio, 1974, p. 27). Liggio’s definition of the expectation gap is considered the first official definition. However, it is evident that the issues around the ‘expectation gap’ have been the topic of extensive research since the end of the 20th century, despite the fact that the AEG phenomenon is likely to have existed much earlier.

The Cohen Commission 1978 defined the AEG as “the difference between what the public expects or needs and what auditors can and should reasonably be expected to accomplish” (AICPA, 1978, p. xi). Porter (1993) introduced the concept of the “Audit Expectation-Performance Gap” (AEPG) instead of the “Audit Expectation Gap” for the first time in history by adding substandard performance as a part of the auditor’s role. Accordingly, AEPG is the “The gap between society’s expectations of auditors and auditors’ performance, as perceived by society” (Porter, 1993, p.50). It is apparent that some scholars such as Jennings et al. (1993) and Humphrey (1991) bear the same notion as defined by Liggio (1974) and AICPA (1978) and have attempted to elaborate by adding some of the aspects

pertaining to the audit profession. However, it could be concluded that most of the definitions have been located around Porter’s (1993) basic definition of audit expectation-performance gap. The AEG definitions especially for the public sector perspective are difficult to find in the existing literature, and thus, Deepal and Jayamha (2023, p.76) defined it as “The difference of perceptions between what society as a whole expects auditors to perform and what public sector auditors are perceived to accomplish by complying with the related legislations and auditing promulgations when performing an audit in practice”.

Theories and Models associated with Audit Expectation Gap

The extant literature suggests some theories and models related to the AEG, such as Institutional Theory, Agency Theory, Game Theory, Role Theory, and Inspired Confidence Theory, and several models starting from the well-established “Porter’s (1993)” model. These theories and models have been commonly developed from the private sector AEG perspective. Hence, it was determined that the Accountability theory is the most related theory for the public sector AEG perspective. Accordingly, with its relevance and relatedness to the study, the accountability theory is discussed along with Porter’s (1993) AEPG model, on which most scholars have based their AEG studies.

According to Mahmudi (2007), public accountability can be defined as the government’s responsibility to manage resources, record, and reveal all actions and activities pertaining to public resource users (principal). It is evident that different scholars in different

contexts have defined the concept of accountability with some slight differences. Gray et al. (1996, p. 38) define accountability as “the duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible”. Stewart (1984) argues that public accountability is used to turn arbitrary behavior into legitimate execution of government power. Subsequently, individuals who hold authority in society should be accountable for their actions, and the issue of exercising government authority affects a far broader group of people than is usually acknowledged (Stewart & Longley, 1992). Therefore, it is obvious that this argument fits well with the government sector audit setup, in which society as a whole may be considered a possible interest group. Subsequently, Parker and Guthrie (1993, p. 71) conclude that “it is public expectations that will dominate and determine ultimate public sector accountability directions”.

Accountability is a “conversational condition” that initiates a conversation between the public and public officials (Drahos, 2017). Hence, he further declares that “we actuate public accountability by deciding for ourselves whether the accounts offered by public officials are proper and in our interest, and how exactly we should respond in our actions to the officials offering these accounts” (Drahos, 2017, p. 206). Hence, there is a possibility of responding against public officials when their expectations accounts are not up to their expectations. Accordingly, the public sector Auditors could be considered the officials, while the government auditees could be regarded as the public under this conversational condition.

Subsequently, Funnel (2001, p. 19) describes public sector accountability as “a responsible person or institution on whom is laid a task, function or role to perform, together with the capability to carry it out”. As a result, being accountable entails being responsible for one’s decisions and actions, which occurs when the authority to act on behalf of a person or body (the principal) is delegated to another (the agent) (Funnel & Cooper, 1999). Accordingly, it is clear that the association between the public sector auditor (the agent) and the government auditor clearly explains the public accountability theory more meticulously.

Empirical Evidence on the AEG

Empirical research into the presence of the audit expectation gap has been conducted extensively concerning the private sector contexts in many developed and developing nations all over the world, and different conclusions on different factors for the gap have been identified. The studies on AEG were initiated in the international context with Liggio's study in 1974 (Porter, 1993). When it comes to empirical research performed in international contexts, it is clear that the majority of the studies have been concentrated in developed countries such as the United States (Baron et al., 1977; Porter et al., 2012), Australia (Low et al., 1988), New Zealand (Porter, 1993; Porter & Gowthorpe, 2004), and the U.K. (Humphrey et al., 1993; Vinten, 2005).

Humphrey et al. (1993) undertook an empirical study to investigate the presence of AEG in the United Kingdom, and the results confirmed the presence of AEG on auditors' perceived

performance (Humphrey et al., 1993). Porter conducted a survey in New Zealand in 1993 and introduced a new term to the auditing literature, AEPG, by integrating the duties of the auditor, and she categorized the gap into two major gaps, namely "the reasonableness gap" and "the performance gap" in which the latter is subdivided further into "the deficient standard gap" and "the deficient performance gap" (Porter, 1993). Fadzly and Ahmad (2004) experimented with the AEG in Malaysia with the purpose of investigating the AEG in Malaysia by using the methodology in Monroe and Woodliff (1993) as well as in Schelluch (1996). According to the results of the study, Malaysia has a substantial expectation gap, specifically as it relates to auditor responsibilities. It is emphasized that the results of Masoud's (2017) study (in Libya) are comparable with that of the famous Porter's (1993) study (in New Zealand). Accordingly, it is not possible to see significant differences between the two studies in different contexts, developed and developing contexts. Azagaku and Aku (2018) found that AEG exists in Nigeria and claimed that current auditors' duties and responsibilities must be clearly outlined and extended to detect fraud while the public should be educated. Consequently, one might conclude that the components of the AEPG would not be affected by the contextual differences of the countries on whether it is a developing or developed country.

Empirical studies on AEG have yet to be widely taken place in the Sri Lankan context. Abeyadeera (2005) investigated the AEG between professional auditors and investors using 12 areas of auditor's duty and found the presence of AEG with all the 12 aspects of auditor's duties. These

findings were further confirmed by another study conducted by Gunathilaka (2012), who conducted a questionnaire survey among practicing auditors, investors, business managers, and university undergraduates in the management area of study. Kumari et al. (2019) examined the status of the existence of AEG in Sri Lanka, employing a sample selected from practicing auditors and investors in listed companies in Sri Lanka, and came up with the results very close to Porter (1993).

Methods

The purpose of this section is to describe the methodology of the study that was utilized to explore the existence of AEG of the government auditees related to the duties of the public sector auditors concerning the financial audit and to examine the factors affecting the AEG. Following the research objectives of the study, the population at large can be identified as the government auditees in Sri Lanka. The term "auditee" refers to any ministry, state ministry, government department, or government institution that has its accounts audited by the government auditor. Extant literature on public sector AEG studies indicates that the government auditees have been selected to the sample in most of the studies as respondents (for example, Pongsapan, 2012; Emmanuel, 2016; Krambia-Kapardis, 2016; Arung, 2017; Okoro et al., 2019; Ellul & Scicluna, 2020). The sample of this study consisted of 300 individuals, with each of the three primary groups represented by 100 individuals. Accordingly, 100 respondents from each party of administrators, accountants, and senior staff members of the related accounts/finance divisions of those government

auditee entities were randomly selected for the sample of this study. The rationale for selecting these three groups for this study is that the so-called groups are assumed to have a proper understanding of the duties of the public sector auditors since they are closely working with them during the audit process. The rationale for selecting these three groups for this study is based on the assumption that they possess a comprehensive awareness of the duties of public sector auditors since they closely collaborate with them throughout the audit process.

In order to achieve the research objectives of this study, it was necessary to collect data on the perceptions held by individuals concerning the duties of PS auditors in Sri Lanka. Hence, this study depends on primary data, as secondary data are neither available nor suitable for this type of specific study (Hair et al., 2020). Further, the “descriptive research design” was adopted, and as a result, quantitative data collection was decided to be the method of data collection that would be most appropriate to employ for this particular study. A self-administered questionnaire was used as the instrument for collecting primary data. It is emphasized that the structure of the questionnaire was based on the questionnaire used by Porter (1993). The questionnaire was comprised of three parts. The first part is on the demographic information of the respondents. The second part of the questionnaire comprised 20 existing duties of the public sector auditor, and it includes three sections. Section 1 and Section 3 were about the perception of the participants regarding whether the specific duty is an existing duty of the PS auditor and whether the specific duty is an expected duty of the PS

auditor, respectively. The possible responses for these two sections were “yes,” “no,” and “not sure”, and those options were coded as “+1”, “-1” and “0”, respectively. Section 2 was about the perceived standard of performance of existing duties of the public sector auditors in Sri Lanka. Further, potential replies to section 2 were “poorly”, “adequately”, “well”, and “unable to judge”, and these responses were coded as “1”, “2”, “3”, and “0”, respectively. The third part of the questionnaire includes 14 factors/ reasons contributing to the expectation gap, all of which are sourced from existing literature. Subsequently, the participants were instructed to choose the most suitable option from the choices: “strongly agree”, “agree”, “neutral”, “strongly disagree”, and “Disagree”. Those five options were coded from “5” to “1” on the Likert scale.

According to Zikman et al. (2013), validity implies the precision of a measurement or the degree to which a score faithfully represents a notion. In order to improve the validity and reliability of the questionnaire, a few steps were taken. The questions (the duty statements) included in the questionnaire were derived from the duty lists of PS auditors and the financial audit manual (2017). Once the questions were formulated, the list of duties was submitted to two superintendents of audits and a senior academic in Auditing for their expert opinions. Subsequently, the duty list was refined appropriately. Finally, a pilot test was conducted on the questionnaire before distributing it among the auditees.

The normality of data was tested by employing the Shapiro-Wilk test, and

the p values of the Shapiro-Wilk test are less than the significant value of 0.05, and therefore, it is determined that the data is not normally distributed in this study. Three main hypotheses were proposed in order to achieve the first three objectives.

H₁ (1): There is a significant difference in the perception of the government auditees on the existing duties of the public sector auditors in Sri Lanka.

H₁ (2): There is a significant difference in the perception of government auditees pertaining to the perceived standard of performance of the existing duties of public sector auditors in Sri Lanka.

H₁ (3): There is a significant difference in the perception of government auditees pertaining to the expected duties of the public sector auditors in Sri Lanka

Due to the non-normal distribution of data, non-parametric tests need to be used to test the hypotheses mentioned above. As the main analysis, the Kruskal-Wallis test, a non-parametric test, was performed to examine the significant differences of the auditee group. Further, as a further analysis, the significant differences between groups (administrators-accountants group, administrator-staff group, and accountant-staff group) were examined by employing the Mann-Whitney U test. The significance threshold of 0.05 was chosen for the analysis. The causes for the expectation gap were analyzed employing the factor analysis.

Results and Discussion

Descriptive Analysis

This section provides a comprehensive analysis of the demographic characteristics (not tabulated due to parsimony) of government auditees. A total of 190 questionnaires out of 300 were collected, resulting in a response rate of 63%. Accordingly, 57 administrators, 55 accountants, and 78 staff members in accounting/finance divisions of auditee entities have been responded to the questionnaires. It was found that the female representation is higher than the male representation in all three categories, where the highest female-male difference (20.6%) is found among the staff members. In terms of age, 11.5% of the staff members are below the year 25, whereas none of the respondents are found in that range for accountants and administrator categories. It is obvious that it takes more than 25 years to be appointed to those two positions in Sri Lanka. However, as far as more than 45 years category is concerned, accountants and administrators represent 43.6% and 49.1% of their groups, respectively. In terms of the years of experience of the respondents, the majority of the staff member group falls under the year 5-10 group, whereas that of accountants and administrators falls under the more than 15-year category. This may result from the government's promotion schemes where administrators' and accountants' titles stay the same, though their grades (such as class III, II, I and Super Grade) are changed. As far as the educational and professional qualifications of

respondents are concerned, 90% of the Administrators and 98% of the accountants have acquired Degrees postgraduate qualifications, whereas 56% of the staff members have obtained such qualifications. Subsequently, neither administrators nor staff members have obtained professional qualifications, while 7% of accountants have obtained such qualifications. As far as the academic background of the participants is concerned, it is evident that 100% of the accountants have come from Management backgrounds, whereas other groups represent social studies, engineering and other streams.

Perception gap of Government Auditees on the Duties of Public Sector Auditors

Perception of Existing Duties

In order to test three hypotheses, the Kruskal-Wallis test was mainly applied to all the groups. The degree of freedom associated with the test statistic is 2 (3-1). The Kruskal-Wallis test statistics (χ^2 values and p values) were calculated and reported separately for all 20 existing duties, as depicted in Table 1. The p-value for the Kruskal-Wallis test was found to be less than 0.05 (df = 2, $p < 0.05$) for all the 20 existing duties. Accordingly, the Kruskal-Wallis test statistic was calculated, and the results have been presented in Table 1. Subsequently, the empirical data supported hypothesis 1(H₁) and found that there is a significant

difference in perceptions among the PS auditees related to all the duties listed in the questionnaire except collecting data about the information published in electronic/print media about the auditee and conduct audits on important matters (duty no. 09) on the existing duties of the public sector auditors in Sri Lanka. This finding is aligned with the findings of Porter (1993), Porter and Gowthorpe (2004), and Adeyemi and Uadia (2011). It is highlighted that duty no. 09 is a duty specified in the audit officer's duty list.

Furthermore, to perform this duty, the NAOSL has allocated an audit officer to the head office of the NAOSL to collect the related information published in electronic/print media in Sri Lanka. The Mann-Whitney U test was carried out as a further analysis to examine the perception gaps between groups. Table 2 shows significant differences in perceptions of auditor's existing duties between administrator-accountants for five duties, administrator-staff group for 14 duties and accountant-staff group for 12 duties. It is highlighted that all three groups significantly differ in perceptions of two duties (duty no.02 and no. 06).

The second hypothesis (H₂) was about examining a significant difference in the perception of government auditees on the perceived standard of performance of the existing duties of public sector

auditors in Sri Lanka. According to the results of the Kruskal-Wallis test shown in Table 1, auditees have significant differences of opinions on the perceived standard of performance related to all duties except 02 duties (duty no. 03 and 15). Duty no.15 is a fundamental duty of the PS auditors, whereas duty no. 03 is an existing duty specified in the audit superintendents' duty list. It is vital to highlight that the present results concerning sub-standard performance essentially following Porter's (1993), Porter's (2014) and Kumari et al. (2019). The results of the Mann-Whitney U test shown in Table 2 indicate significant differences in the perception of PS auditees on 06 duties between the administrator-accountant group, 12 duties between the administrator-staff group, and ten duties between accountant-staff groups. Consequently, it is found that the expectation gaps are wider in the staff-associated group rather than in the non-staff-associated group. Administrators and accountants interact more closely with auditors than staff members of the accounting divisions of the auditee entity, which may be one of the possible reasons for such a wider gap of perception related to the non-staff associated groups.

The Kruskal-Wallis test results relating to the third hypothesis (H_{13}), as shown in Table 1, indicate that there are significant differences in perceptions of government auditees on the expected duties of

the public sector auditors in Sri Lanka. This finding is consistent with the findings of Porter (1993), Porter et al. (2012) and Masoud (2017). As far as the results of the Mann-Whitney U test shown in Table 2 are considered, it was found that there are significant differences in perception of more than half of the total existing duties in staff-associated groups.

The final objective is to examine the causes/factors affecting the AEG of auditees on auditor duties in the public sector of Sri Lanka. Fourteen causes for the AEG, as shown in Table 3, were identified based on the literature. The factor analysis was conducted using the varimax rotation method. The results in Table 3 showed that five factors were extracted, which explained 67% of the variance in the data. Accordingly, the suggested fourteen factors could be loaded into five dimensions.

The first factor was labeled as "Excessive expectations on PS Auditor and audit process" and associated with factor no. 01, 02 and 09. This factor has been identified as one of the most significant factors affecting the AEG studies conducted by Ruhnke and Schmidt (2014), Okoro et al. (2019), and Olojede (2020). The second factor was identified and labeled as the "Insufficient awareness/ lower level of education in society about PS Audit" and was composed with factor no. 03, 04, 05, and 06, as seen in Table no. 03. This finding is

consistent with the findings of other studies such as Fadzly et al. (2004); Sidani (2007); Bui and Porter (2010); Okafor and Otolor (2013); Ruhnke and Schmidt (2014); Fulop et al. (2019); Dang and Nguyen (2021); and Dewi et al. (2021). The Complexity of audit function and lack of genuine feedback to auditees could be considered as another factor affecting the AEG of government auditees, and that factor is associated with factor no. 07, 08, and 10, as depicted in the Table 03. It is apparent that the roles and responsibilities of public-sector auditors are different when compared with those of private-sector auditors, and as a result of that, it is obvious that the duties and responsibilities of a public-sector auditor are different. Accordingly, this factor has been found as a factor affecting the AEG, especially in the public sector studies of Okoro et al. (2019) and Conteh and Hamidah (2021).

The fourth factor affecting the AEG was labeled as “Inability in evaluating auditor’s performance and lack of interaction with them”, and it was constituted with the 11th and 12th factors as shown in Table 03. Bui and Porter (2010), Pourheydari and Abousaiedi (2011), and Schmidt (2014) found the same reasons for the AEG in studies conducted in Germany and New Zealand, respectively. The final factor affecting the AEG of auditees in Sri Lanka was associated with factors no. 13 and 14, labeled as the “Lack of executive powers for

auditors”. The Auditor General of Sri Lanka exclusively reports to the parliament in accordance with the constitution (1978) and associated auditing promulgations. Sec. 06 of Article 154 of the Constitution (1978) states, “The Auditor-General shall within ten months after the close of each financial year and as when he deems it necessary report to Parliament on the performance and discharge of his duties and functions under the Constitution”. In addition to the above mentioned Constitution (1978) and the National Audit Act, no. 19 of 2018, the official website of the NAOSL clearly inform that “The Auditor General through the Auditor General’s Department provides an independent review of the performance and accountability of the public sector institutions and reports to Parliament” (<http://www.auditorgeneral.gov.lk/>). Consequently, it is very clear that the PS auditors are not empowered with executive powers for giving punishments to the wrongdoers, or at least they are not permitted to report to the authoritative bodies such as the police or Criminal Investigation Division when fraudulent activity is found.

Conclusions, Implications, and Further Research

The purpose of this section is to synthesize and make conclusions on the key findings and discuss the contributions of the study with its implications, as well as provide directions for future research. This study attempted to examine the existence of an audit expectation gap among the government auditees in Sri

Lanka. In order to achieve the objectives of the research, four research objectives were established.

Three hypotheses were formulated to test the existence of significant differences in the perception of government auditees on the duties of PS auditors. Significant differences in perception were found related to all existing duties, the perceived standard of performance of PS auditors, and the expected duties of PS auditors. All three hypotheses were empirically supported. Hence, it is concluded that there is an audit expectation gap between government auditees on the duties of public sector auditors in Sri Lanka. It was observed that the findings of this study are consistent with the findings of Porter's (1993) study in which similar types of private sector duties were tested. Further, these findings are consistent with the existing literature (for example, Porter & Gowthorpe, 2004; Adeyemi & Uadiale, 2011; Masoud, 2017; Enes et al., 2017; Nguyen & Nguyen, 2020). Moreover, the findings of this study are in line with the extant literature related to the public sector AEG as well (for example, Daud, 2007; Dana, 2011; Pongsapan, 2012; Ellul & Scicluna, 2020; Conteh & Hamidah, 2021). Apart from that, the findings of this study align with the existing body of literature pertaining to the Sri Lankan context as well (Abeydeera, 2005; Kumari et al., 2019; Kumari & Ajward, 2022).

The findings suggest that there is a significant presence of the audit expectation gap among staff-associated groups, namely the Administrator-staff group and the Accountant-staff group, as compared to the non-staff-associated group, which consists of the Administrator-Accountant group. The

factors namely, Excessive expectations of the PS Auditor and audit process, insufficient awareness/ lower level of education in society about PS Audit, Complexity of the audit function and lack of genuine feedback to auditees, Inability to evaluate auditor's performance, and lack of interaction with them and lack of executive powers for auditors were determined as the main five factors for the audit expectation gap of the government auditees in Sri Lanka. All these findings were well supported by the existing literature irrespective of the sector.

This research makes a major theoretical contribution to the body of literature on auditing by examining the AEG in the public sector using the existing duties of the public sector auditor on the financial audit. There is a dearth of public sector studies on the AEG. Almost all of the research on AEG in the public sector has focused on other topics, such as auditor independence, detection of frauds and errors, and transparency of audit reports (Chowdhury & Innes, 1998; Chowdhury et al., 2005; Arung, 2017; Ellul & Scicluna, 2020). Hence, this could be considered as the originality of this study. Another contribution of the study is associated with the context of the study. It is evident that several scholars (for example, Abeydeera, 2005; Gunarathna, 2012; Kumari et al., 2019; Kumari & Ajward, 2022) have investigated AEG in Sri Lanka under the private sector setting. To the best of the researcher's knowledge, very few studies to date have been conducted in Sri Lanka related to AEG in the public sector context (Deepal & Jayamaha, 2023b). In light of the evidence, this study could be regarded as pioneering research in the context of the public sector AEG in Sri Lanka. Moreover,

this study aimed to examine the audit expectation gap (AEG) across three distinct sub-groups and between groups, specifically focusing on government auditees. It is worth noting that there is little research available in the field of auditing that explores this particular aspect.

This study offers important and insightful information for those responsible for making decisions and formulating and implementing policies, as well as for the government in general. This study identified twenty existing duties of public sector auditors. It was found that significant differences in perceptions have occurred in all three aspects: existing duties, perceived standard of performance, and expected duties of auditors. Hence, the officials in the NAOSL should take necessary actions to reduce these gaps related to auditees. Moreover, five main causes for the AEG of auditees have been identified, and relevant authorized bodies such as NAOSL and the Parliament of Sri Lanka should take suitable actions for those causes. Moreover, it is recommended to investigate the AEG and its underlying causes in relation to several types of government auditees, including government bankers, members of the

Author Contributions

The first author designed the study, collected and analyzed data, interpreted the results, and drew conclusions. Further, all versions of drafts of the manuscript were made by the first

oversight bodies in the parliament, public servants in government corporations, and statutory bodies.

The primary focus of this study is on the perception gap of the financial audit in the public sector. The National Audit Office of Sri Lanka conducts value-for-money (VfM) audits, performance audits, compliance audits, and special investigations other than financial audits. Investigating the AEG of these types of audits is very important to fill the theoretical and practice gap, and they may represent a promising avenue for future investigations. Furthermore, this study focused only on the AEG of auditees in the government sector. There are many interested parties, such as trade unions, bankers, academics, and the general public. Moreover, they are directly and indirectly affected by the PS auditors. Hence, studying the AEG on those parties and identifying the real causes of such perception gaps are essential, and it will be a better avenue for further research. This study used only 20 existing duties of the public sector auditors in Sri Lanka. Hence, it is suggested to conduct a similar type of study by using existing and non-existing duties of public sector auditors together.

Author.

The second author provided constructive suggestions to improve the overall manuscript.

Figures and Table

Table 1: Results of the Kruskal-Wallis test on existing duties, the perceived standard of performance of existing duties, and expected duties of public sector auditors

Duty No	Suggested Existing Duty of Public Sector Auditor	χ^2 & Significance (P-value)	Existing Duties	Perceived Standard of Perform:	Expected Duties
			All 3 Groups	All 3 Groups	All 3 Groups
01	Perform an audit to get reasonable assurance that financial statements are free from material misstatements while complying with Ethics	χ^2	58.54	42.05	76.3
		P-value	0.000	0.000	0.000
02	Ensure that the audit queries issued by the Auditor are accurate, complete, and logical in all respects	χ^2	52.51	31.26	111.2
		P-value	0.000	0.000	0.000
03	Update and maintain a computer database that includes important financial and non-financial data about Auditees	χ^2	34.44	03.72	20.3
		P-value	0.000	0.403	0.000
04	Make acceptable, logical, and practical recommendations for rectifying irregularities, errors, or omissions revealed in the Audit	χ^2	41.33	37.26	46.2
		P-value	0.000	0.000	0.000
05	Prepare reports required for Parliamentary Oversight Committees (COPE/ COPA) which discuss the auditee's reports	χ^2	27.27	19.04	16.93
		P-value	0.000	0.000	0.001
06	Disclose in the audit report about misappropriation of assets/ thefts of the Auditee by its employees/ officers	χ^2	97.94	29.35	202.1
		P-value	0.000	0.000	0.000
07	Take follow-up actions on corrective actions taken by the Auditee for the audit queries submitted by the auditor	χ^2	59.15	67.64	125.3
		P-value	0.000	0.000	0.000
08	Examine and report on the efficiency and effectiveness of the management / administration of the Auditee	χ^2	28.12	31.67	39.2
		P-value	0.000	0.000	0.000
09	Collect data about the information published in electronic/print media about the Auditee and conduct audits on important matters	χ^2	05.83	63.52	102.3
		P-value	0.13	0.000	0.000
10	Report in the audit report on whether the assets of the Auditee have been efficiently used to achieve entity's objectives	χ^2	48.82	40.75	12.7
		P-value	0.000	0.000	0.004
11	Disclose in the auditor's report if it is discovered that a theft has been committed by employees/ officers of the Auditee	χ^2	24.68	81.19	37.5
		P-value	0.000	0.000	0.000
12	Identify risks through gaining a deep understanding of the areas being audited	χ^2	17.90	14.58	84.2
		P-value	0.000	0.000	0.000
13	Prepare accurate and complete audit reports in all respects and submit to the Parliament with a copy to the relevant Auditee	χ^2	41.42	43.90	34.9
		P-value	0.000	0.000	0.000
14	Examine the public representations of Auditee and submit necessary reports	χ^2	99.16	76.36	171.5
		P-value	0.000	0.000	0.000
15	Give practical and SMART recommendations addressing the shortcomings and issues identified at the end of the audit	χ^2	36.84	04.26	14.0
		P-value	0.000	0.112	0.000
16	Develop an overall annual strategy including the scope, timing, and advice of the audit based on the Auditee and its role	χ^2	27.39	20.93	10.0
		P-value	0.000	0.000	0.018
17	Evaluate the efficiency and effectiveness of the Auditee's accounting and internal control system	χ^2	52.68	55.99	25.4
		P-value	0.001	0.000	0.00
18	Disclose through the audit report if it is discovered that financial information has been deliberately distorted	χ^2	27.14	33.79	143.3
		P-value	0.000	0.000	0.000
19	Discuss with the management of the Auditee at any time during the audit and keep notes of it	χ^2	29.19	39.62	17.3
		P-value	0.000	0.000	0.001
20	Attend with advance preparation for the Parliamentary Oversight Committees of COPE, COPA that discuss auditee's Audit report	χ^2	110.0	42.15	82.9
		P-value	0.000	0.000	0.000

Table 2.: Results of Mann Whitney u test on the existing duties, perceived standard of performance of existing duties, and expected duties of public sector auditor

D. No	Z Score & Prob.	Existing Duties			Standard of Performance			Expected from Auditors		
		Admin/ Acc	Admin /Staff	Acc/ Staff	Admin / Acc	Admin /Staff	Acc/ Staff	Admin / Acc	Admin /Staff	Acc/ Staff
01	Z Score	-1.964	-1.896	-2.925	-1.358	-4.693	-0.885	-2.982	-1.211	-4.516
	Prob.	0.054	0.073	0.002	0.205	0.000	0.376	0.004	0.220	0.000
02	Z Score	-2.191	-4.881	-2.168	-1.420	-0.945	-1.184	-1.578	-7.814	0.530
	Prob.	0.038	0.000	0.038	0.116	0.524	0.079	0.074	0.000	0.596
03	Z Score	-1.631	-5.925	-1.687	-3.354	-5.273	-0.171	-1.430	-4.284	-0.714
	Prob.	0.103	0.000	0.081	0.000	0.000	0.864	0.082	0.000	0.361
04	Z Score	-0.784	-5.903	-4.729	-4.190	-1.092	-5.045	-2.122	-1.529	-4.495
	Prob.	0.594	0.000	0.000	0.000	0.210	0.000	0.043	0.080	0.000
05	Z Score	-0.123	-0.079	-0.821	-1.421	-1.234	-1.047	-3.694	-1.004	-0.855
	Prob.	0.912	0.500	0.412	0.115	0.110	0.215	0.000	0.240	0.393
06	Z Score	-1.909	-9.890	-2.248	-5.811	-1.421	-4.215	-1.563	-1.008	-6.265
	Prob.	0.046	0.000	0.035	0.000	0.191	0.000	0.081	0.410	0.000
07	Z Score	-0.584	-3.625	-2.311	-1.133	-3.027	-0.222	-0.445	-9.974	-4.654
	Prob.	0.559	0.000	0.027	0.251	0.002	0.721	0.640	0.000	0.000
08	Z Score	-0.314	-1.777	-0.515	-1.462	-1.017	-1.218	-3.956	-1.191	-1.573
	Prob.	0.753	0.077	0.606	0.112	0.310	0.410	0.000	0.230	0.116
09	Z Score	-1.138	-0.743	-0.517	-5.310	-1.214	-2.816	-0.367	-0.253	-0.267
	Prob.	0.166	0.457	0.032	0.000	0.109	0.010	0.736	0.878	0.866
10	Z Score	-1.423	-5.516	-1.713	-1.031	-6.228	-4.414	-1.579	-2.924	-0.712
	Prob.	0.186	0.000	0.087	0.118	0.000	0.000	0.075	0.006	0.489
11	Z Score	-0.139	-1.130	-3.419	-7.376	-7.872	-0.813	-4.290	-3.456	-3.635
	Prob.	0.890	0.121	0.001	0.000	0.000	0.390	0.001	0.000	0.000
12	Z Score	-1.914	-4.231	-0.920	-0.646	-0.149	-0.931	-0.482	-1.303	-1.612
	Prob.	0.470	0.000	0.358	0.518	0.000	0.352	0.630	0.193	0.107
13	Z Score	-0.858	-1.391	-2.966	-1.574	-5.928	-3.314	-3.117	-5.272	-2.353
	Prob.	0.382	0.190	0.003	0.170	0.000	0.001	0.001	0.000	0.024
14	Z Score	-0.377	-12.04	-4.533	-1.754	-7.157	-5.416	-7.428	-1.022	-5.583
	Prob.	0.616	0.000	0.000	0.210	0.000	0.000	0.000	0.241	0.000
15	Z Score	-0.105	-3.242	-3.226	-1.192	-1.331	-1.703	-2.677	-2.898	-0.144
	Prob.	0.917	0.002	0.001	0.128	0.094	0.171	0.007	0.004	0.886
16	Z Score	-1.912	-3.805	-1.250	-1.148	-3.805	-0.964	-0.800	-1.381	-0.535
	Prob.	0.062	0.000	0.221	0.251	0.000	0.335	0.422	0.170	0.663
17	Z Score	-2.717	-3.552	-0.254	-3.733	-1.449	-5.273	-1.744	-3.980	-1.977
	Prob.	0.007	0.001	0.808	0.000	0.190	0.000	0.081	0.000	0.048
18	Z Score	-3.478	-4.426	-0.956	-1.663	-3.995	-5.552	-2.438	-8.712	-1.704
	Prob.	0.001	0.000	0.339	0.091	0.000	0.000	0.014	0.000	0.456
19	Z Score	-0.046	-2.819	-3.293	-1.110	-3.008	-2.714	-1.092	-1.195	-2.725
	Prob.	0.963	0.006	0.001	0.145	0.001	0.007	0.275	0.233	0.000
20	Z Score	-0.887	-1.534	-3.441	-1.789	-5.224	-5.512	-0.560	-4.373	-1.476
	Prob.	0.370	0.130	0.001	0.121	0.000	0.000	0.511	0.000	0.115

Table 3 : Results of factor analysis related to the causes for age of public sector auditees

No	Possible Causes for AEG	Components				
		1	2	3	4	5
01	Over expectations of society on Auditor performances	.073	.833	-.141	-.033	.094
02	Exorbitant expectations of responsibilities of auditors	.326	.517	.073	.005	-.001
03	Differences in the level of education about Auditing and Auditors	.711	-.010	.262	.125	-.055
04	Communication Ignoring the information needs of users (society) by Auditors	.773	.102	.007	.166	.134
05	Insufficient awareness in society about Audit Act and Auditing Standards	.745	.238	-.003	.053	.056
06	Society's misconceptions about the duties of Auditor	.547	-.029	.441	-.035	.136
07	The complex nature of the audit function	.152	.012	.750	.143	-.071
08	Lack of genuine feedback and suggestions to auditees	.170	.070	.743	.027	.327
09	High level of expectations on Audit Act and audit standards	.007	.783	.240	-.130	.122
10	Excessive use of technical words by auditors in audit reports	-.046	.433	.534	.286	-.172
11	Lack of interaction between auditor and auditees	-.006	.145	.174	.283	.724-
12	Difficulties faced by auditees in evaluating the performance of Auditors	.146	.032	-.048	-.034	.846
13	The government Audit function has become a mere reporting function	.009	-.079	.226	.776	.222
14	Lack of executive powers for auditors to punish the offenders	.293	-.050	.016	.817	-.006

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization (Rotation converged in 6 iterations)

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