

Audit Expectation Gap: A Review of Literature

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Unexpected failures of corporate giants such as Enron, World Com, Arthur Andersen, and Xerox together with scams and financial scandals in the world have seriously damaged the image of the audit profession. As a result, society's confidence and reliance on auditors have decreased while their expectations pertaining to the audit profession have increased, establishing an Audit Expectation Gap (AEG). Hence, the concept of AEG has been studied using various interpretations, as well as varied manifestations of the structure, limitations of each component, and related contributing variables. The purpose of this paper is to construct a new synthesis to the existing knowledge of AEG discovered by numerous scholars in the world. Hence, this study reviewed literature pertaining to definitions and meanings of AEG, relevant theories and models deployed, the factors contributed to the gap and several research methods used in empirical studies by numerous scholars. As a desk research, this study further reviewed the empirical studies pertaining to the developed and developing countries separately. As per the methodology in this study, the keywords, namely "audit expectation gap" and "audit expectation-performance gap" were used to search relevant publications in google scholar database. The research articles published from 1974 onwards were mainly selected. It was found that the empirical studies pertaining to the public sector is very few whereas there is a dearth of such studies in Sri Lanka. Finally, a fresh, but a more straightforward definition was created and described the significance of AEG, adding novelty to the extant literature, and given suggestions for further studies.

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