

A Synthesis towards the Construct of Public Sector Audit Expectation Gap: A Review of the Literature

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Due to the overwhelming high frequency of corporate failures and governance concerns, the bankruptcy and winding up of corporations in recent years, the general public has come to believe that auditors are not executing their responsibilities properly. As a result, the gap between expectations and reality continues to increase day by day. The accounting scandals that affected Enron and WorldCom, followed by the subsequent and recurrent financial crises in organizations, exacerbated this expectations gap even more. Thus, there is a perception gap between auditors and financial statement users, and it is commonly acknowledged as the Audit Expectation Gap (AEG) in the auditing literature. It is claimed that the majority of the studies on AEG have focused on the private sector, with little or no attention paid to the public sector. Since the auditing process is closely similar in both sectors, it is crucial to investigate whether there is a discrepancy in audit expectations in the public sector. Moreover, there is a dearth of literature-based conceptual studies pertaining to AEG in public sector perspectives. Hence, the main objective of this paper is to construct a new synthesis of the existing knowledge pertaining to the public sector AEG as discovered by numerous scholars around the world. Furthermore, this literature review also encompasses definitions and meanings of AEG, various dimensions used to measure AEG, the target groups involved in exploring AEG, research methods used in empirical studies, and investigations into the causes and mechanisms to narrow down the gap recommended by numerous scholars. This study is driven by theoretical pre-considerations that pursue a straightforward process, and it leads to conclusions derived from the reviewed literature. Thus, to examine the relevant literature, only the research articles published in reputable journals on the AEG were utilized for gathering publications and establishing the research area of inquiry. However, due to a lack of AEG-related journal publications pertaining to the public sector, conference papers and published PhD theses were also selected. The keywords, namely "audit expectation gap in the public sector", "audit expectation-performance gap in the public sector", and "government sector audit expectation gap", were used to search relevant publications in the Google scholar search engine and five other databases, namely Scopus, EBSCOhost, Emerald, Taylor & Francis, and JSTOR from 1974 onwards. The concept of AEG was found to be a multidimensional concept in and of itself. The outcome was that diverse studies came up with a variety of potential explanations for the AEG, as well as a variety of suggestions for mechanisms to narrow down the AEG found in the literature. Furthermore, the samples employed in prior research on the AEG were extremely different, and no one group has been specifically targeted. Subsequently, a fresh but more straightforward definition was generated pertaining to the public sector as a result of a comprehensive review of literature, adding novelty to the extant literature. Finally, the importance of AEG in the public sector was highlighted, and suggestions for further research were made.

Keywords: Audit expectation gap; Auditing; Literature review; Public sector; Public sector auditing

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