

## **Audit Expectation – Performance Gap of the Public Sector in Sri Lanka**

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### **Abstract**

A lot of criticisms and discussions around the globe were radically boosted with the dishonourable corporate reporting along with the numerous financial scandals and downfalls of corporate giants in the world such as Enron, World Com, Arthur Andersen, and Xerox. Auditing profession in Sri Lanka was substantially damaged with the destructions of some corporates including Pramuka Savings Bank, and Golden Key Credit Card Company and legal actions are being taken against the auditors as well. Hence, the auditing profession has been hampered by confusions and crises triggered by the differences in the beliefs held by the society and the auditors pertaining to the roles and duties of the auditors by forming a gap between those two parties. In the auditing literature, this gap is referred to as the “Audit Expectation-Performance Gap” (AEG). As far as the numerous studies conducted on the AEG starting from the 1970s in many countries in the world is concerned, it is extensively evident that most of the studies have been conducted in most of the developed countries and the existence of AEG has been proved empirically with reference to the private sector in many countries in the world. In addition to that, it is observed that the existence of AEG has been explored by most of the scholars using Porter's Audit Expectation Performance Model (1993) in which the duties of the private auditors are taken into the considerations. However, it is argued that the definition given for the AEG could be directly applicable to the context of public sector auditing as well since the basic principles about the issue are the same. Nevertheless, it is evident in the extant literature that there is relatively less studies have been conducted to examine whether or not an audit expectations gap exists in the public sector in the world. Hence, considering the contemporary importance of the subject matter, lack of theoretical underpinnings of the factors affecting to the AEG and the dearth of studies on the public sector auditing, the problem statement of this study can be presented as: “whether there is an Audit Expectation-Performance Gap in the context of public sector auditing in Sri Lanka and if so, the causes for such a gap?”. Therefore, the study is carried out having the objective of examining the difference of perceptions between public sector auditors and the society pertaining to auditor’s duties while assessing the factors that contribute to such AEG. The positivistic approach is adopted while a structured questionnaire survey is going to be conducted to gather data from the auditors and the society. It is expected to deploy the independent sample t-test in order to assess the expectation gap whereas the causes for the AEG are expected to identify using the factor analysis. Hence, identification of the existence of the AEG and its contributory causes will be important implications for the policymakers and regulators in the public sector in order to reduce the AEG if it exists and consider the causes if any.

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