

The Role of the External Auditor in the Narrow of the Expectations Gap

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Abstract: This study designed to identify the role of the external auditor in the narrow of the expectations Gap. In order to achieve this objective, fifty questionnaires were distributed as a random sampling to collect the required data. Data were analysed using SPSS and conclusions were reported. There is a role for the independence and impartiality of the external auditor in the narrow expectations thought the following: a. requiring external auditor with justice to all parties that benefit from financial statements; b. Shorten the link between the external auditor and the client because it will likely cause a strong relationship between them and that increases the expectations gap. Moreover, there is a role for studying and meeting the expectations of the financial community in the narrow the expectations gaps through the right of beneficiary of the community financial services. Audit claims references to ensure audit efficiency, honesty and objectivity that would narrow the gap of expectations. Requiring references to take responsibility for the error and fraud and illegal acts that may be present in the financial statements. The researcher has provided a set of recommendations and proposals that may contribute to narrow down the gap, such as to ensure that the auditor for the financial community in audit efficiency, honesty and objectivity that would narrow the gap of expectations. External auditor require impartiality, objectivity and not to distort facts intentionally when practicing revision.

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Key words: Auditor, Expectation gaps, community, financial services and revision.

1. Introduction:

The audit profession is facing a crisis of responsibility, credibility and loss of confidence in recent years as a result of the growing financial and economic crises at the global level, and this has led to numerous questions from investors and the public who have suffered damage as a result of the bankruptcy and collapse of many companies and banks not give reviewers warning signs about the economic situation of those companies.

The responsibility of the external auditor on the detection of fraud and irregularities in the financial statements is one of the important areas that helped the emergence of expectations gap in the auditing profession, where users of the financial statements with the external auditor to disclose on all errors resulting from fraud and irregularities established while the external auditor believes that responsibility for the prevention and detection of fraud lies with the department through the application of the internal control system. The gap in expectations for the auditing profession suffered a lot with many criticisms.

There were also many definitions that describe the concept of expectations gap all revolve around one idea is the difference between what the community believes of the benefit of the audit services and references to standards that works. The concept of

audit expectations gap is the difference between what he is doing or what the reviewers can do and what it should be or expected by peer reviewers based on society's expectations required of them, and based on generally accepted auditing standards with the need to harmonize the review criteria and the performance and expectations of the community (Saka, 1997). Furthermore, the auditor is not responsible for preventing fraud and errors, but it must make appropriate professional care, which requires him to study the internal control system, and determine the procedures and the necessary tests and their timing. A comprehensive review of the work programme of further action if the sign references the existence deflecting material in books and records.

Research problem:

The problem is in the presence of a gap between the external auditor, and what we expected and required beneficiaries, where the expectations gap of the most serious problems that still exist in the auditing profession. The research problem can be identified by the following points: 1. Contribute to the independence and impartiality of the external auditor for narrowing the expectations gap. 2. Contribute to study and respond to the expectations of the financial community in the narrowing the expectation gap.

Research Importance:

This research derives its significance at the academic level and a professional level. At the academic level, the point of research is to provide valuable information as a scientific research. At the professional level, clarified the low level of work performed by the external auditors on the level expected of them, so the external auditor must give confidence and credibility to financial statements with paying attention to the quality of the audit process.

According to the previous reported research, the following are summary of previous studies related to this issue and results reported as follow:

- **Alfadel (2012)** studied the impact of a set of personnel variables such as personal experience and control center and analytical thinking on expectations gap on a sample from Auditors and investors a total of each category including forty (40) people. The study found that the auditing process relies on the personal judgment of the auditor as audit standards-based variable is scientific and professional experience for both users and auditors audit outputs of important personal variables affecting the size of the expectations gap.
- **Al-Tamimi, (2009)** aimed define the expectations gap between auditors and investors as one of the parties used for financial statements on Iraq, the survey also covered the factors and reasons affecting the existence of this gap and provide field guides on some aspects of the audit environment gap between parties. The study found that users of financial statements including investors expect the auditor to provide them with advice and guidance regarding the failure of the enterprise under review and expect him to discover errors and fraud affecting the financial position and the statement of income and preventing the issuance of financial statements misleading.
- **Ahmad, (2007)** identified the nature of the expectations gap between the financial community and Auditors, and has been designed to identify the data collection and analysis, the sample is divided into: managers of banks (45), income tax officials (59), Auditors (86). The study recommendations including: professional organizations should exercise the leading role to educate the financial community, and to develop standards for reducing expectations gap, creating laws and legislation that support the independence of the auditor and the auditor works hard to maintain its independence and raise the professional competence.
- **Jerboa, (2004)** examined the factors that led to the expectations gap in the review process, and to develop solutions to bridge the gap between financial and audit community through their commitment to apply professional standards and professional conduct when reviewing financial statements. Having exited the

study recommendations including: strengthening of the external auditor's independence and impartiality in the exercise of his profession, the strengthening of the role of professional organisations and hegemony on the accounting and auditing profession, study the beneficiaries ' expectations from audit and meet those expectations, increase the effectiveness of the communications and public information on the role and responsibilities of the auditor of the society.

- **Sedairy and Alangari (2004)** studied the expectations gap between applicants and recipients of the audit service and influenced the Organization of practice with contemporary challenges. The results indicated the absence of absolute agreement between the categories under consideration, the parties agreed on the success of references and contemporary challenges facing it and the nature of the work.

Having exited the study recommendations including: increased attention to professional regulations issued by the competent bodies, and research related to the application of laws and regulations and standards.

- **Study by Saka (1997)** aimed to examine the type and causes and scope of the expectations gap and provide evidence of the process that the gap in the audit environment in multiple areas regarding the nature and the functioning and responsibilities of the reviewers, and diversion, theft and illegal behaviour, and provided an explanation of the nature and type of the expectations gap.

The study recommendations including: the study of the expectations gap in greater depth and the nature of the practice and to what extent to be able to meet the expectations of the beneficiaries on audit services, and holds Saudi Organization for certified public accountants and their responsibilities to the public, raising awareness of their accounting.

Research objectives:

This study aims to identify the factors influencing the expectations gap in the review process, and contribute to the narrowing of this gap which can provide information regarding the extent to which the independence and neutrality of the external auditor in the narrow expectations gaps and the extent to which the study forecasts the financial community.

2. Material and Methods:**The research hypotheses:**

The first hypothesis: there is no role for the independence and impartiality of the external auditor in the narrowing the expectations gap. The second hypothesis: there is no role for studying and meeting the expectations of the financial community to narrow down the gap of expectations.

Research methodology:

The search relies on the two main methods as follow:

1. Theoretical study:

The researcher refer to theoretical studies concerning the expectations gap between the external auditor and the financial community to build a theoretical framework and derivation of hypotheses and preparation of field study identified.

2. Field study:

The researcher conducted a field study through questionnaire design to know opinions on the role of the external auditor in narrowing expectations and hypothesis testing.

Research methodology:

This study was aimed to describe the views and attitudes of individual representative samples of the community. The researcher used the method of survey studies which defined by Shoemaker & Emakob "study that gathers information through questions to the public such information collected is determined by the image generally allows for coding and analysis statistically ". A fifty surveys for data collection were used from identified population of Saudi Arabia auditors during the Hijri year 1437. The researcher designed a questionnaire to identify the role of the external auditor in narrowing the expectations gap, where the second part consists of two axes: axis I: role of the independence and impartiality of the references in the narrow expectations gap. Axis II: role of the study of financial and community expectations met expectations gap.

The study tool:

Define honesty: honesty scale (instrument validity) to degree measure meter for the designer, it can be defined as the data collection instrument ratified to the degree the tool provides data related to the study problem of the study. Honesty: virtual design the questionnaire as the primary and then presented to the supervisor to pronounce on the validity of the questionnaire for the application and coverage of the questionnaire in the light of the view has been modified some phrases in the questionnaire have been put in final form.

The internal consistency of the tool:

Honestly means internal consistency of each paragraph of the questionnaire with the domain to which it belongs, have been calculating the internal consistency of the questionnaire through calculation of correlation coefficients between each paragraph of the areas of the questionnaire and the College class for the

same domain (Table 1). shows that all items of the questionnaire contributed to increase the reliability of the questionnaire, all correlation coefficients between the items of the questionnaire and the total axis as well as the total individual score is omitted from a function at a level of 0.01. Stability of study tool: firmly intended to gauge that gives this tool the same result if you reapply the tool more than once under the same circumstances and conditions, or in other words to steadily scale means stability in the results of the tool and do not change significantly if redistribution to sample several times during certain time periods. The stability has been verified through tool Alpha Cronbach's as shown in table 2.

Through the results described above, it is evident that consistently high with tool (0.768) indicating the stability instrument and field application, and it has been confirmed the sincerity and consistency of scale, and it is valid for application for a sample study, making them confident in the validity of scale and relevance to collect the data necessary to answer the study questions.

Statistical methods for the study:

The achievement of the objectives of the study and analysis of the data collected has been using several appropriate statistical methods using statistical packages for the social science (SPSS). After that were coded and enter data into the computer, and to specify the length of the meter cells (lower and upper limits) used in the study were calculated axes range ($3-1 = 2$), and then dividing it by the number of cells get along right cell ($2/3 = 0.67$) then add this value to the lowest value on the scale (or the beginning of the scale is 1) To determine the upper limit of this cell, the cell length as shown in table 3.

3. Statistical Analysis:

Arithmetic mean "Mean" to see how high or low the study sample members responses about the axes (averages of phrases), knowing that he was instrumental in arranging the axes by highest average arithmetic. Use the standard deviation Standard Deviation "to learn the extent of the deviation of the sample members' responses to each statement of the study variables, each axis of the Chairperson on the arithmetic average.

4. Results and Discussion

This study sought to identify the extent to which the independence and neutrality of the external auditor in narrowing the expectations gap, plus learn how to study and respond to the expectations of the financial community in the narrow expectations, In this chapter, review the results of the field study applied to the Auditors in Saudi Arabia, by identifying the

characteristics of vocabulary study, then answer questions about the study and analyse the results. The results were as follows:

The first hypothesis:

There is no role for the independence and impartiality of the external auditor in the narrow expectations. To verify the hypothesis the lack of independence and impartiality of the role of the external auditor in narrowing the expectations gap, the researcher using the T-test for one sample, and the results are as shown in table 4.

The above table shows the axis of the independence and impartiality of the role of the external auditor in narrowing expectations and results indicate higher perception study sample members of the independence and impartiality of the role of the external auditor in the narrow expectations with an average study sample members consent to the independence and impartiality of the role of the external auditor in the narrow expectations (2.81 3), and is located in the first category average triangular scale categories, reflecting the need for independence and neutrality to the external auditor should contribute to significantly narrow the gap of expectations and the most significant contributions to the independence and impartiality of the external auditor in the narrow expectations as follows:

1. The term no. (4): (think its external auditor must comply with justice towards all parties that benefit from financial statements) ranked first among the gateways to measure the role of the external auditor's independence and neutrality in the narrow expectations of average my reached (3.00).

2. phrase (1): (think the length of the link external auditor with audit client leading to the consolidation of the relationship between them which negatively affects his impartiality and independence and increase the expectations gap) in second place between paragraphs that measure the independence and impartiality of the role of the external auditor in the narrow expectations of average my reached (2.92).

3. Phrase (2): (think that the independence of the external auditor comes through a commitment to integrity and objectivity and not to distort facts intentionally when the audit profession) in third place among the paragraphs that measure the independence and impartiality of the role of the external auditor in the narrow expectations of average my reached (2.83).

4. The term no. (3): (external auditor independence requires a failure to provide services other than auditing service clients) ranked fourth among the paragraphs that measure the independence and impartiality of the role of the external auditor in the narrow expectations of average my reached (2.50).

The second hypothesis:

There is no role for studying and meeting the expectations of the financial community in the narrow expectations. To verify the hypothesis of the absence for study and respond to the expectations of the financial community in narrowing the expectations gap, the researcher using the T-test for one sample, and the results are as shown in Table 5.

The above table shows the Hub role study and respond to the expectations of the financial community in narrowing expectations and results indicate higher perception study sample members to examine role expectations of the financial community and in narrowing the gap of expectations where the average approval of sample members to study and respond to the expectations of the financial community in the narrow expectations (2.39) The average is located in the first category of triple meter, which shows the importance of studying the financial and community expectations for action narrow expectations, the main contributions of the study and respond to the expectations of the financial community in the narrow expectations as follows:

1. Phrase (1): (think of the financial beneficiary of the community right to audit claims reviewer to ensure audit efficiency, honesty and objectivity that would narrow the gap of expectations) ranked first among phrases which measure the role study and respond to the expectations of the financial community in the narrow expectations of average my reached (3.00).

2. Phrase (2): (think of the financial beneficiary of the community right to audit the references claim that the bear responsible for the error, fraud and illegal acts that may be present in the financial statements) in second place between paragraphs that measure role study and respond to the expectations of the financial community in the narrow expectations of average my reached (2.42).

3. phrase (3): (think of the financial beneficiary of the community right to review the external auditor's claim that bears responsibility for the study and evaluation of internal control system and detect shortcomings and make recommendations for the management of the company) in third place among the paragraphs that measure role study and respond to the expectations of the financial community in the narrow expectations of average my reached (1.75).

5. Conclusion and Recommendations

Conclusion can be summarized through the findings according to the questions raised by this study are as follows:

1. The results showed high awareness of the study sample for the role of independence and impartiality of the external auditor to narrow the

expectations gap , with an average approval of the study sample on the role of independence and impartiality of the external auditor to narrow the expectations gap (2.81 from 3) , where he sees a sample study individuals it is necessary to oblige external Auditor justice towards all parties benefiting from the financial statements , and shorten the customer's external Auditor link period because it is likely to result in the consolidation of the relationship between them and that increases the likelihood of increased expectations gap .

2. The results of the study, the high level of importance of the study of the expectations of the financial community and meet them in narrowing the expectations gap with a mean was (2.39 to 3), and represented the most prominent effects of the roles of the study of the expectations of the financial community and meet them in narrowing the expectations gap in the right financial community beneficiary of audit services claim references to ensure that the review process of technical competence, honesty, objectivity and that will narrow the expectations gap, and that the right financial community beneficiary of audit services claim References to bear the responsible error, fraud and

illegal acts that may be present in the financial statements.

The recommendation can be summarized as follow:

1. Oblige the External Auditor justice towards all parties benefiting from the financial statements.
2. Requiring the external auditor impartiality, objectivity and none deliberately distorting the facts in their job.
3. Ensure that the auditor of the financial community in the review process of technical competence, honesty, objectivity which is narrow the expectations gap.
4. Work on the enactment of laws that determine the periods of the External Auditor with the client and developing frameworks for follow-up.
5. On the external auditor should bear responsible error, fraud and illegal acts that may be present in the financial statements.
6. On the external auditor should take responsibility for the study and evaluation of internal control and disclosure shortcomings in it and make recommendations for the management of the company.

Tables 1. Correlation coefficients between each hypothesis of the areas of the questionnaire.

Hypothesis		Correlation Coefficient		Correlation Coefficient		Correlation Coefficient
The role of independence and impartiality of the external auditor to narrow the expectations gap	1	0.314**	3	0.608**		
	2	0.452**	4	0.447**		
The study of the role of the expectations of the financial community and meet the expectations gap narrowing	1	0.456**	2	0.618**	3	0.554**

Table 2. Steadily questionnaire module Alpha kronbakh

Hypothesis	Number of words	Cronbach's alpha coefficient
The first axis: the role of independence and impartiality of the external auditor to narrow the expectations gap	4	0.673
The second axis: the study of the role of the expectations of the financial community and meet the expectations gap narrowing	3	0.668
Final grade	7	0.768

Table 3. Distribution of categories according to the gradient used in the search tool

Description	Range
Agree	2.35 – 3.00
Neutral	1.68 – 2.34
Disagree	1.67-2.0

Table 4. The result of the hypothesis of non-role to study financial and community expectations met expectations gap

	The items	Means	standard deviation	Cost	The level of significance
1	Believes that the length of the external auditor link time with the audit client lead to the consolidation of the relationship between them, which negatively affects the neutrality and independence and increase the expectations gap	2.92	0.29	35.00	0.00
2	Believes that the independence of the external auditor who comes through its commitment to integrity, objectivity and non-deliberately distorting the facts when exercising the audit profession.	2.83	0.39	25.215	0.00
3	The independence of the external auditor requires that he did not provide services other than auditing service to its customers	2.50	0.80	10.856	0.00
4	we believes that the external auditor must comply with justice towards all parties benefiting from the financial statements	3.00	0.00	0.00	0.00
Average		2.81	0.26	36.929	0.00

Table 5. A result of the hypothesis the lack of independence and impartiality of the role of the external auditor in the narrow expectations.

	The items	Mean	standard deviation	Cost	The level of significance	Ranking
1	Believes that the right financial community beneficiary of the audit services required to ensure that the references in the review process of technical competence, honesty, objectivity and that will narrow the expectations gap	3.00	0.00	0.00	0.00	1
2	It believes that the right financial community beneficiary of audit services claim References to bear the responsible error, fraud and illegal acts that may be present in the financial statements	2.42	0.79	10.557	0.00	2
3	It believes that the right financial community beneficiary of the audit services required external auditor should take responsibility for the study and evaluation of internal control and disclosure shortcomings in it and make recommendations for the management of the company	1.75	0.97	6.280	0.00	3
Average		2.39	0.47	17.689	0.00	

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