



THE IMPOSSIBILITY OF ELIMINATING THE EXPECTATIONS GAP: SOME THEORY AND EVIDENCE

PREM SIKKA*, ANTHONY PUXTY[†], HUGH WILLMOTT[‡] AND
CHRISTINE COOPER[¶]

* *University of Essex, UK* [†] *Deceased, formerly of the University of Strathclyde, UK*; [‡] *Manchester School of Management, UMIST, UK*;
[¶] *University of Strathclyde, UK*

The expectations gap is considered to be one of major issues confronting the accountancy profession. The users of corporate reports, investors, journalists, politicians and others expect auditors to detect and report material fraud and irregularities, amongst other things. In response, the profession argues that the public misunderstands the role of the auditor, and that fraud detection and reporting is not a major audit objective. Despite such divergence in views and beliefs, the profession appears to believe that the expectations gap can be eliminated. This paper locates auditing expectations debates within a social, political and historical framework. It is argued that, in a society marked by numerous social divisions, it is inevitable that the meaning of social practices, such as audits, is contested. Due to social conflict, the meaning of social practices is subject to continuous challenges and (re)negotiations and the gap between competing meanings of audit cannot be eliminated. We illustrate this interpretation through an examination of the association of audit with the detection and reporting of fraud. The historical evidence, we argue, suggests that audit objectives are constructed and transformed within social relations of power.

© 1998 Academic Press Limited

Introduction

“The expectations gap”, signifying the differences between what the public expects from an audit and what the auditing profession¹ prefers the audit objectives to be, has been a recurring issue in the auditing literature (Chandler & Edwards, 1996). It is an issue for auditors since the greater the gap of expectations, the lower is the credibility, earning potential and prestige associated with their work. It is an issue for the

Address for Correspondence: Prem Sikka, Department of Accounting, Finance and Management, University of Essex, Wivenhoe Park, Colchester CO4 3SQ, UK. E-mail: prems@essex.ac.uk

Received 8 January 1993; revised 20 December 1994; accepted 6 January 1997

public, investors and politicians because, in a capitalist economy, the process of wealth creation and political stability depends heavily upon confidence in processes of accountability, of which an external audit of financial statements is considered to be an important part. Not surprisingly, "the expectations gap" has attracted considerable institutional interest (for example, American Institute of Certified Public Accountants, 1978; Chartered Association of Certified Accountants, 1986a, 1986b; Canadian Institute of Chartered Accountants, 1988) as it is considered to be a threat to effective corporate governance (The Committee on the Financial Aspects of Corporate Governance, 1992) and legitimacy of the institutions of auditing (Auditing Practices Board, 1992, 1994a).

In general, the academic literature on the expectations gap is quite fragmented (see Gwilliam, 1987; Holt & Moizer, 1990; Gaa, 1991) and is relatively uninformed by any sustained appreciation of the broader historical and political context in which expectations are formed, frustrated and transformed (Willmott, 1991). One major element of this body of literature relies upon questionnaires and opinion surveys to draw attention to the gap between the profession's preferred meanings of audit and the public's expectations (see for example Lee, 1970; Beck, 1973; Arthur Andersen, 1974; Purewal & Sikka, 1977; Steen, 1990; Humphrey *et al.*, 1992b, 1993a; Porter, 1993). Another major element assumes that the meaning of audit is uncontested and fixed and that this can be deduced (or is self-evident) from a study of the contents of audit reports (see Baskin, 1972; Estes & Reimer, 1977; Firth, 1978, 1979; Alderman, 1979; Ball *et al.*, 1979; Libby, 1979; Chow & Rice, 1982; Davis, 1982; Elliott, 1982; Estes, 1982; Houghton, 1983; Dodd *et al.*, 1984; Crasswell, 1985; Gul, 1987). Such studies are founded upon the assumption that there is only one correct reading of the audit report and that this correct reading is identical to the values preferred by the profession. Associated with this assumption is the belief that the expectations gap would be substantially reduced, if not entirely eliminated, if only auditors' intentions could be accurately transmitted to the users and regulators (Auditing Practices Board, 1991; Hatherly & Skuse, 1991).

Of the remaining research and scholarship in this field, a few studies offer valuable contemporary commentary which shed light on the part played by the profession in sustaining and perpetuating the expectations gap (e.g. Humphrey *et al.*, 1993b), but provide little conceptual guidance for understanding its persistence. A number of commentators have attributed the gap to users' confusion (Lange, 1987; Marra & Radig, 1987), widespread misunderstanding (Baron *et al.*, 1977; Campbell & Michenzi, 1987; Krasnoff, 1987; Ellis & Selley, 1988; Auditing Practices Board, 1991), ignorance (Singleton-Green, 1990a) and/or lack of education (Cockburn, 1986; Amhowitz, 1987; Kirk, 1987; Singleton-Green, 1990b). Many more have uncritically accepted the definition of, and solution to, the problem favoured by the profession. Namely, that a deficient understanding of auditing objectives amongst users that can, and must, be remedied by educating users and other non-accountants (Goldwasser, 1987; Miller *et al.*, 1990). Despite raising numerous questions about the

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات