

Reducing the Audit Expectation Gap in Yemen

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Abstract:

This study examines the most effective methods to reduce the gap in the context of Yemen. The questionnaire survey was used in this study: the study shows that the establishment of accounting and auditing standards is perceived as the most effective method to narrow the audit expectation gap, in comparison to the expanded form of audit report and users 'education. This study implies that in order to narrow the expectation gap, and to enhance the accounting/auditing profession in Yemen, the authorities may have to consider adopting or adapting accounting and auditing standards that are suitable to the country's business environment. These standards will provide guidance and rules for all related parties that have an interest in and concern for the accounting or auditing profession. Additionally, it is suggested that accounting education in Yemen should be developed in such a way to address the issues of the profession in the country.

Keywords: Reducing; audit gap; Yemen.

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Introduction

Audit profession in Yemen has substantially changed during the last two decades due to new policies implemented by the Yemeni government, that subsequently, have changed the audit market. These changes include the incremental implementation of privatization policy in 1995 which, in turn, changed the public companies' ownership. Another change is the issuance of the Company Law No.22 in 1997 that regulates companies' incorporation in Yemen. Further, it mandates the companies' financial statements to be audited by external auditors. As a result, there is an increasing demand for audit services in Yemen that has led the Yemeni government to issue the Law of the Central Agency for Control Audit No. 39 and the Auditing Law No.26 in 1999 which regulate the auditors' work in the Yemeni audit market (Al-Tamimi & Zidane, 2004).

The absence of auditing and accounting standards to be issued by authorities concerned and the professional associations, as well as the lack of professionalism, pose a major threat to practitioners, customers and other parties (Jubran, 2010). Consequently, the auditors' role and responsibility towards the users of financial statements' will be undermined, which in turn, can lead to the emergence of a confidence dilemma between the auditors and users of financial statements.

Since then, Yemen has witnessed economic transformation, which subsequently has increased the demand for auditing and assurance services. Together with development, however, auditing in the Republic of Yemen has also faced a crisis of responsibility, credibility and loss of confidence due to increased financial and economic crises at both local and global levels (Masood., et al,2020). This in turn has led many potential investors and shareholders, who have suffered damage as a result of bankruptcy and collapse of many companies, to wonder why auditors did not give warning signals about the economic situation of these companies. A good example for this is what happened in the National Bank, which is one of the largest banks in Yemen, audited by one of the biggest four audit firms, namely; Deloitte & Touche (Jubran, 2010).

The audit profession is a social function which provides services to associated parties and is based on confidence between the professional auditor and those parties. The importance and responsibilities of the auditing profession have increased in recent years due in part to the increased reliance of other parties on the data included in the financial statements and audit reports produced by the auditors.

In recent years, the auditing profession's importance and responsibilities have gradually increased owing to the users' dependence on the information provided by the auditors in the financial statements and audit reports. However, despite the importance of the audit profession, it has been subjected to increased criticism in the performance of its role and function. (Fotoh ., et al 2021). The strong criticisms leveled at auditors reflect a discrepancy in understanding the nature and main duties of auditors as perceived by auditors themselves on the one hand, and the way users of financial statements discern it on the other .As a result, the audit profession has faced, for a long time, the issue of audit expectation gap which is the gap between the quality of the profession's performance, its

objectives and results, and the expectation of society as to what the auditor is required to accomplish (Fadzly & Ahmed, 2004). The expectation gap issue has become so serious owing to the potential damage it could bring to auditing and its significant increase since the middle of the 1970s (Sidani, 2007). The collapse of Enron and the demise on Andersen, for instance, have renewed the concern in the 2000's.

The body of literature dedicated to the topic debates the expectation gap between the auditor's perceptions and the users. Among the studies dedicated to the issue is Liggio (1974) who pioneered the definition of 'expectation gap'. He defines it as the discrepancy between the extent of the performance perceived by the auditors and what is expected by the users of financial statements. On the other hand, the Cohen Commission set up by the American Institute of Certified Public Accountants (AICPA) provides the definition of the 'expectation gap' as the discrepancy between the public's expectation and needs, and the auditors' perception of what they are reasonably expected to achieve (AICPA, 1978). From the definition, it is implied that the term arises from two different viewpoints – the users and the auditors – and this gap exists between the users' expectations and the auditor's actual performance.

Studies also have attempted to provide a much broader definition to the term. For instance, Guy and Sullivan (1988) state that the gap signifies the difference between the public/users' perceptions of the auditors' responsibilities and the accountants' and the auditors' perceptions of their own responsibilities. The major difference between this definition and the other mentioned definitions is that this one extends the realm of responsibility to encompass both accountants and auditors of the financial statements.

This broad statement is reinforced by Porter (1991), a great contributor to the expectation gap literature; according to her, the Cohen Commission's definition which has been widely used in the literature is too narrow in defining and addressing the topic. It fails to acknowledge the auditors' inability to accomplish what they can and reasonably should. She adds that the correct term to use should be, "the audit-expectation-performance gap". In other words, it signifies the gap between the public's expectations of the auditors and their perceived performance.

In particular, Porter (1991) proposes that the gap has two elements; reasonableness of gap and a performance gap. To expound further, there exists an unreasonableness of gap between the public and the auditor if the former's expectations of the latter is too high. To illustrate, the financial reports' users may assume that auditors should carry out a detailed analysis of each business transaction. As such, this implies that the public's expectation of the auditors' and their performance may be unreasonable. Indeed, Porter's (1993) findings reveal that the expectation gap is owed to the fact that the financial statements' users hold an unreasonable expectation of auditors.

The second element of the audit expectation gap is the performance gap which is the gap between the auditors' reasonable accomplishment and what they are perceived to accomplish. The performance gap can be categorized into two – the first categorization is based on the premise that a gap exists because of the auditors' insufficient performance

during which the auditors do not comply with the entire regulations and their standards of profession. Gray and Manson (2000) argue of its existence based on the auditor's inconsistent manner of working with the professional.

auditing standards. The second categorization is based on the premise that the existence of the expectation gap owes itself to the insufficient regulations laid down by the profession which covers both auditing and accounting standards. Put differently, if there is expectation on the side of the users for the auditors to bring a certain issue to their attention but the professional standard does not mandate this action, then there exists an insufficient standard gap.

Most studies have reported wide differences between the users' expectations and the actual auditors' performance. Literature dedicated to the issue (e.g. Porter, 1991; Porter, 1993; Innes, Brown & Hatherly, 1997) reveals that some of the public's beliefs are; (a) the auditor has the responsibility to make sure that the financial statements are accurate; (b) the auditor is responsible for fraud detection; (c) the auditor is responsible for discovering and disclosing illegal acts; and (d) the auditor is responsible for providing early signs of the company's failure probability.

1- Problem Statement:

The expectation gap between auditors and users of financial statements undoubtedly exists all over the globe. It is without a doubt that the audit expectation gap has been in the limelight and it has been a well investigated topic among professionals and academics due to the users' concerns regarding the auditors' performance in the past decades. The issue has been exhaustively highlighted in the audit profession from the middle of the 1970s to the current time.

As mentioned earlier in the chapter, the audit expectation gap can be viewed from two varying perspectives – from the users' and the auditors' points of view. It is the gap, which exists between what the public expects or needs and what auditors can and should reasonably be expected to accomplish (Humphrey, Moizer & Turley, 1993). It exists because of the auditors' failure to satisfy the different stakeholders' needs and it exists in all economics, whether developing or developed. Studies all around the world investigating the issue, highlight the existence of the gap, even though various efforts have been expended to narrow it (e.g. in the U.S., Frank, Lowe and Smith (2001); in the U.K., Humphrey et al., 1993; in the Netherlands, Hassink, Bollen, Meuwissen & Vries, 2009; in Malaysia, Ariff & Rosmaini, 2008; in Egypt, Dixon, Woodhead & Sohlman, 2006; and in Saudi Arabia, Haniffa & Hudaib, 2007).

The financial scandals, such as of Polly Peck (UK), BCCI (U.K.), Enron (U.S.), WorldCom (U.S.) and Parmalat (Italy), have shown that financial crises naturally will result in reduction of confidence in the auditing profession (Sori & Shamsheer, 2008). This phenomenon may be due to common beliefs that the stakeholders of the company should be able to rely on its audited accounts as a guarantee of its solvency, propriety and business viability (Olojede et al., 2020). Hence, it is shown that the nature and objectives

of auditing have been perceived differently by the users and these misperceptions are known as the “audit expectation gap”.

To narrow the gap, different instruments have been proposed in the prior empirical research. These instruments can be categorized into three main techniques. The first proposed technique deals with the introduction the long form audit report as opposed to the short form to expand the consciousness of the stakeholders regarding the auditor’s responsibilities (Schelluch & Gay, 2006; Almer & Brody 2002; and Manson & Zaman, 2000). The second proposed technique deals with the education of the financial statement users of the auditor’s functions and duties (Epstein & Geiger, 1994; Monroe & Woodliff, 1993; and Pierce & Kilcommins, 1996). The third proposed technique deals with the establishing of auditing standards to increase the auditor’s duties and functions to comprise extra performed tasks (Dewing & Russel, 2002). Each category of proposed technique seems promising in narrowing the gap. However, regardless of these proposed methods and the efforts expended by the profession, the gap unfortunately, still exists (Ali, Heang, Mohamad & Ojo, 2008; and Turner, Bienstock & Reed, 2010).

Moreover, the audit expectation gap is not a unilateral phenomenon as it means different things to different people. The existence of the gap cannot be attributed to the failure of the auditors’ alone as other stakeholders should also hold part of the responsibility. In addition, the influence of the economic, political, legal and social environments, which shape the profession, cannot be sidelined. As such, the results, recommendations and treatment recommended for one society, may not be accepted or practical in another (Hudaib & Haniffa, 2007). Accordingly, Zaid (1997) proposes that auditing standards and regulations should be developed on the basis of the society’s values and expectations; otherwise the profession will fail to meet its objectives. Hence, in order to solve the profession’s problems, it is imperative to take under consideration the perception of the auditors and users of ‘audit’ and the ‘auditors’ role’ in the context of the environment being studied.

To date, most of the studies on the audit expectation gap have been conducted in developed Western countries, but the extent of such gap has not been investigated in many least developed countries, especially those in the Middle-Eastern region (Sidani, 2007). Despite the importance of this region to the world economy, lack of effort has been attributed to these issues. Thus, there is an urgent need for the undertaking of more studies in this region to understand the nature of the audit expectation gap which may exist. One of these countries is the Republic of Yemen.

The Republic of Yemen is characterized as the least developed country in the Arab world, located at the southern corner of the Arabian Peninsula. Yemen has just recently adopted an open policy for investment, of attracting foreign and domestic investors and boosting economic development and the need for professional audit services (Tamimi, 2008). Although this means more job positions for auditors, it also translates to more pressure on the profession to effectively perform duties and responsibilities with professionalism.

Various reasons exist to lead the researcher to attempt investigating the existence of audit expectation gap in the Republic of Yemen. Referring to previous studies mentioned in Chapter Three, a number of studies on the audit expectation gap have been conducted in countries with established laws and regulations, particularly in developed and newly industrialized countries. The results of these studies show that the audit expectation gap still exists, and as a consequence, they have issued a more extensive set of regulations and standards for professional control but the problem continues to exist (Turner, et al. 2010). As such, the examination of this issue in the context of Yemen is interesting for several reasons.

Firstly, the extant literature on audit expectation gap has been conducted in developed countries and developing countries which have their own stock market and implement international auditing standards. Yemen on the other hand, is a country considered as the least developed country, having no local auditing standards and no laws requiring the auditors to follow the international auditing standards (Al-Matari, 2008).

Secondly, there is no stock market in the Republic of Yemen. As stated before, the Republic of Yemen needs to attract foreign and domestic investments. This forms a thrust on the auditing profession in the Republic of Yemen which is not regulated by following any known auditing standards. This leads the researcher to investigate this issue thoroughly with the hope of highlighting the audit expectation gap in the Republic of Yemen. In the wake to transform the Republic of Yemen towards a better economy, it is vital to instill confidence among investors. However, the ill-performed auditing of financial statement by Deloitte & Touche led to the collapse of the National Bank in 2005. The bankruptcy of the National Bank weakened the public's trust in Yemeni Banking sector in general. As a result, the role and image of auditing in the Republic of Yemen was badly affected (Economic, 2006).

Thirdly, in Yemen, the audit function has not been amply highlighted. Also, obtaining work in the Yemeni market of audit services relies heavily on social relations rather than qualifications. For instance, some cultural characteristics of Yemen, such as strong hierarchical social structure, importance of kinship and personal relationships where tribalism dominates, religion, the meanings of professionalism, accountability and trust are expected to influence the auditing profession practices (Al-Tamimi & Zidane, 2004).

Fourthly, the accumulating empirical research studies on the audit expectation gap might be perceived as a predictor of the seriousness of the problem, indicating the need for investigating the problem. Therefore, this study intends to investigate this gap in the special context of the Republic of Yemen. Studying audit expectation gap in the Republic of Yemen is an attempt to fill the gap in this field. This study attempts to contribute to the knowledge body of audit expectation gap in least developed countries. It attempts to identify the extent to which the audit expectation gap may exist between auditors and users of the financial statements in the Yemeni context, and to highlight possible causes and provide suggestions and recommendations. The Republic of Yemen is chosen as a

region to explore and explain the influence of environmental social factors in the audit function and accountability relationships between auditors and users. This choice is justified in terms of access, feasibility in conducting the study there, and most importantly, the researcher's intimate knowledge of all aspects of Yemeni culture.

Fifthly, prior studies have confined themselves to two main research methods when investigating the existence of the audit expectation gap. The first method entails the examination of the existence of the gap in a particular country generalizing throughout the region and the second method is the investigation of the effectiveness of a particular method of minimizing the existence of the expectation gap. Literature fails to present a study comparing between the effectiveness of two or more methods simultaneously. In this sense, the present study contributes to literature by doing so.

Since this study is concerned about whether the audit expectation gap exists in the Republic of Yemen, accountability has been used to theoretically framework the current study. According to the Companies Act No.(22) 1997 and the Certified Accountants regulations, the issue of accountability can be viewed from two dimensions: first, the accountability of the board of directors to shareholders or others; and second, the accountability of the auditor to the stakeholders as a result of mistakes made in the performance of the auditing duty. This research is concerned with the latter dimension of accountability because auditors are responsible towards the stakeholders. Consequently, a failure in performing these responsibilities by auditors can expose them to accountability.

The importance of audit expectation gap stems from the fact that accountability is a product of audit expectation gap between auditors and users of financial statements (Flints, 1988), especially after the waves of corporate failures, audit scandals and outright dishonesty of accountants that have increased of late. The extensive lack of confidence in the quality of accounting and auditing, as a result of the recent accounting disasters, has given rise to strong demands for further study into the audit expectation gap within an accountability framework that considers the social environment of the country where the research is being conducted. Such studies strive to raise professional performance and improve regulations which fit the social needs of the country being studied, in this case, the Republic of Yemen.

2- Research Questions:

The degree of the audit expectation gap exhibited leads to the question of what methods are appropriate in narrowing this gap. Therefore, this study introduces the following question:

- If the audit expectation gap exists in the Republic of Yemen, this circumstance would lead to the following question: Which of these methods, namely; audit reporting form, user's education, or standard settings, is more efficient in narrowing the gap?

In order to address this issue, this study examines three methods to narrowing the audit expectation gap and to ascertain if there is an agreement of perceptions between

auditors and users of financial statement towards the best method to narrowing the gap in Yemen using a five-point Likert scale ranging from 1-5 (strongly agree to strongly disagree). Therefore, the respondents' level of agreement portrays the best methods of narrowing the audit expectation gap.

3- Research Objectives:

The main objective of this study is to examine the perceptions of auditors and users of financial statements perceptions towards the optimal methods to narrow the gap. Specifically, this study tries to explore the following objective:

- To investigate if the expectation gap in the Republic of Yemen exists and to examine the methods, including audit report forms, users' education and standard settings, used in narrowing it.

4- Significance of the Study:

This study contributes to the auditing literature by enhancing the understanding of the nature of the audit expectation gap in the Republic of Yemen. Such an understanding is important in that it provides an insightful and useful framework for studying the audit expectation gap in some depth. In addition to the contribution to the literature, the researcher anticipates that the findings of this research may be influential in the formation of views and policies and will be useful in particular to the professional body to develop recommendations to regulators, academics and other researchers in general.

In addition, extant research has been carried out in countries that are different from the context of Republic of Yemen, in terms of economy, politics, social, culture, and legal framework and education. Consequently, the level of the audit expectation gap reported and the methods suggested to narrow this gap have taken into consideration the setting of these countries implying that the results of the previous studies might not be applicable in the context of Yemen.

This study reports the level of the audit expectation gap in a unique setting of a country such as Yemen which is characterized as not having auditing and accounting standards. This circumstance distinguishes the current study from the previous ones in a way that the previous studies examined the respondents' perceptions towards the contribution of the auditing and accounting standards in narrowing the audit expectation gap while the present study examines the respondents' perceptions towards the contribution of setting up new auditing and accounting standards in narrowing the gap.

Moreover, this study examines the three methods of narrowing the audit expectation gap in combination and suggests the most effective method suited to the context of Yemen, unlike the previous studies that have examined each method in an individual investigation. Therefore, a newly conducted research study on this field reasonably fulfills this gap and contributes to the knowledge of understanding in more detail the audit expectation gap in a least developed country, namely Yemen.

5- Research Methodology:

Data for the study were obtained, through the distribution of questionnaires to respondents, which comprised auditors and the users of financial statements in Yemen

(expert users, bankers and investors). The differences, if any, in the perspectives of these groups was the central focus of the study. The study was wholly based on primary data. The questionnaire was constructed in the form of statements, based on a five-point Likert scale, that included five different scales for the answers to the questions; Extremely successful, Successful, Neither successful nor unsuccessful, Unsuccessful, and Extremely unsuccessful. Moreover, it was designed to determine the respondents' perceptions, regarding auditors' performance. The Mann-Whitney U Test was applied, as it is considered particularly powerful in this type of research. It was used to test for significant differences between pairs of groups. In other words, this test will tell the source of the difference.

6- Data Analysis:

The following parts present the analysis of the perception of auditors and users based on the three propositions identified before. The objective of this section is to report the perceptions of the selected groups regarding the following three issues: (a) the role of audit report form in narrowing the audit expectation gap; (b) the role of users' education in narrowing the audit expectation gap and (c) the role of standards settings in narrowing the audit expectation gap. The sample groups are asked to indicate their level of agreement or disagreement on a five-point scale.

6-1 The Role of Audit Report Form in Narrowing the Audit Expectation Gap:

This section presents the perception of the group concerning the role of the audit report form in narrowing the audit expectation gap in Yemen. The respondents were requested to show their level of agreement or disagreement with the provided seven statements. Table 1 contains the summary of responses to this statement.

Table 1 shows the role of the audit report form in narrowing the audit expectation gap. The audit report could be articulated either in a short brief form or in a long detailed form. The aim of this analysis is to indicate how effective changing the form of the audit report would contribute to the reduction of the audit expectation gap. Regarding the effect of including an audit report in the enhancement of the credibility of financial statements (statement 1), all the examined groups agree on this issue. However, there is a significant difference between the overall non-auditors groups and the auditor group due to the different degrees of agreement among the different groups.

Table (1) Perceptions regarding the Role of Audit Report Form in Narrowing the Audit Expectation Gap

Statements	Mean responses (P-Value)				
	Auditors n=65	Bankers n=13	Expert users n=83	Investors n=57	Overall n=153
The inclusion of an audit report enhances the credibility of financial statement.	1.23	1.69* (0.001)	2.14* (0.000)	2.30* (0.000)	2.16* (0.000)
The purpose of the audit is clearly communicated in the audit report.	1.18	1.54* (0.007)	2.17* (0.000)	2.11* (0.000)	2.09* (0.000)
The audit report clearly indicates the role of judgment in the formation of the audit opinion.	3.77	1.92* (0.000)	2.48* (0.000)	1.25* (0.000)	1.97* (0.000)
The auditors' responsibility in relation to fraud is clearly indicated in the audit report.	4.48	1.77* (0.000)	2.36* (0.000)	1.16* (0.000)	1.86* (0.000)
The auditors' responsibility in relation to any illegal acts performed by the client is clearly indicated in the audit report.	4.40	1.31* (0.000)	1.96* (0.000)	1.25* (0.000)	1.64* (0.000)
It should be useful for the auditor to indicate either in the audit report or in a separate statement, the extent of their examination of the chairman's statement.	4.35	1.54* (0.000)	2.25* (0.000)	1.28* (0.000)	1.83* (0.000)
It should be useful for the auditor to indicate either in the audit report or in a separate statement, the extent of their examination of any other information included in the annual report but outside the financial statements.	4.68	1.92* (0.000)	2.64* (0.000)	1.63* (0.000)	2.20* (0.000)

Source: made and conducted by the researcher using SPSS18

Moreover, the examined sample groups agreed in different degrees to the statement stating that the purpose of the audit is clearly communicated in the audit report (statement 2) reflecting how each group perceives the audit report. Due to the different qualifications and experiences of the different groups, there are significant differences between the auditors group and each group of non-auditors, resulting in the overall non-auditors groups responses' significant difference from the auditors group. An interesting finding is derived from the significant difference between auditors group and non-auditors groups regarding the role of judgment in the formation of the audit opinion indicated by the audit

report (statement 3), the auditor's responsibility in relation to fraud as indicated in the audit report (statement 4), and the indication of the audit report regarding the auditor's responsibility in relation to any illegal acts performed by the clients (statement 5). The previously presented statements indicate how effective the audit report communicates a certain message from the auditors to the stakeholders.

It was shown that the auditors strongly disagree with the previously mentioned statements, while the other non-auditors groups agreed with these statements. This indicates that the auditors are concerned about the message conveyed by the audit report and it needs to be modified, while the other groups are satisfied by this unqualified audit report, from the auditors own view, which means that the non-auditors do not realize that this report needs some improvement and this shows how vague the audit report is that the non-auditors could not judge it in a right way. Consequently, this phenomenon takes place due to the existence of the wide audit expectation gap realized in the previous analysis. On the other hand, the auditors group disagrees with the non-auditors groups about the indication of the extent of their examination of the chairman's statement either in the auditor's report or in a separate statement (statement 6). This significant difference between the auditors group and overall non-auditors groups results from the expanding responsibilities of the auditors by accepting the burden of auditing the chairman's statement, while for the users it is critical to them to be assured of the statement. Moreover, auditors group disagreed with the non-auditors groups regarding.

the usefulness for the auditor to indicate either in the audit report or in a separate statement, the extent of their examination of any other information included in the annual report but outside the financial statements (statement 7). The reason for this significant difference is previously mentioned to justify the significant difference of statement 6 – the auditors are not willing to expand their responsibilities to include auditing of other additional information. In addition, it is clear that the users requested additional assurance statements beside the auditor's report, indicating their additional needs for other information besides the stated ones in the audit report. Therefore, there is a significant difference between the auditors group and non auditors groups' perceptions towards this statement.

6-2 The Role of Users' Education in Narrowing the Audit Expectation Gap:

The current section presents the sample groups' perceptions of the role of users' education in narrowing the audit expectation gap in Yemen. The respondents were asked to indicate their level of agreement or disagreement with the provided eight statements and their responses are shown in Table 2.

Table (2) Perceptions regarding the Role of Users' Education in Narrowing the Audit Expectation Gap

Statements	Mean responses (P-Value)				
	Auditor s n=65	Banker s n=13	Expert users n=83	Investor s n=57	Overall l n=153
The auditor's responsibility for maintaining accounting records of the company.	1.42	2.23* \neq (0.002)	2.08* \neq (0.000)	1.58 (0.119)	1.91* \neq (0.000)
The auditor's responsibility for detecting all fraud.	1.14	2.00* \neq (0.000)	1.81* \neq (0.000)	1.72* \neq (0.000)	1.79* \neq (0.000)
The auditor's unbiased manner and objectivity.	1.26	2.54* \neq (0.000)	2.37* \neq (0.000)	1.79* \neq (0.000)	2.17* \neq (0.000)
The financial statements' true and fair view.	1.28	2.85* \neq (0.000)	2.47* \neq (0.000)	1.89* \neq (0.000)	2.29* \neq (0.000)
The assurance that the financial statements contain no material misstatements.	1.31	2.62* \neq (0.000)	2.34* \neq (0.000)	2.16* \neq (0.000)	2.29* \neq (0.000)
The extent of audit work performed explained in the audit report.	1.23	2.38* \neq (0.000)	2.64* \neq (0.000)	2.00* \neq (0.000)	2.38* \neq (0.000)
The extent of assurance given by the auditor indicated in the audit report.	1.17	2.15* \neq (0.000)	2.29* \neq (0.000)	1.93* \neq (0.000)	2.14* \neq (0.000)
The auditor's trustworthiness.	1.18	1.77* \neq (0.000)	1.96* \neq (0.000)	1.56* \neq (0.000)	1.80* \neq (0.000)

Source: made and conducted by the researcher using SPSS18

The results of table 2 show the role of educating the different users towards the responsibilities of the auditors in narrowing the audit expectation gap. The education process is an indicator that the auditor is more transparent to his clients which may lead to changing users' expectations regarding the auditors' responsibilities. There is an agreement that users' education towards the auditor's responsibilities for maintaining accounting records of the company (statement 1), and for detecting all fraud (statement 2). However, there is significant difference between auditors group and non auditors groups concerning these issues indicating that although education is useful, it is not an effective method to narrow the audit expectation gap.

In addition, there is agreement among the different auditors and non auditors groups regarding educating users towards the auditor's unbiased and objective opinion (statement 3), the financial statements truthfulness and fairness (statement 4), and the assurance that the financial statements contain no material misstatements (statement 5). However, there is significant difference between the auditors group and the non auditors groups indicating

that although the agreement of the auditors and non auditors groups towards the usefulness of the awareness of these issues, it does not effectively narrow the audit expectation gap.

In addition, the auditors and non-auditors groups agree that educating users towards the extent of audit work performance explained in the audit report (statement 6), the extent of assurance given by the auditor and indicated in the audit report (statement 7), and the auditor trustworthiness (statement 8) would narrow the audit expectation gap. However, the auditors group's perception significantly differs from the overall non-auditors' perceptions regarding these issues, which indicates its ineffectiveness in narrowing the expectation gap.

6-3 The Role of Standards Settings in Narrowing the Audit Expectation Gap:

This section presents the perceptions of the sample groups concerning the role of standards settings in narrowing the audit expectation gap in Yemen. They were requested to show their level of agreement/ disagreement with the seven statements provided. Their responses are depicted in Table 3.

Table (3) Perceptions regarding the Role of Standards Setting in Narrowing the Audit Expectation Gap

Statements	Mean responses (P-Value)				
	Auditors n=65	Bankers n=13	Expert users n=83	Investors n=57	Overall n=153
Setting regulation governing auditor appointment.	1.57	1.62 (0.733)	2.11* (0.000)	1.46 (0.252)	1.82* (0.012)
Setting regulation governing provision of non- audit services.	1.52	1.38 (0.365)	2.18* (0.000)	1.42 (0.226)	1.83* (0.004)
Setting regulation governing rotation of audit partner.	1.28	1.77* (0.009)	2.25* (0.000)	1.60* (0.005)	1.97* (0.000)
Setting regulation governing rotation of audit firm.	1.32	1.62 (0.149)	1.87* (0.000)	1.53 (0.114)	1.72* (0.001)
Extending auditor responsibilities as regards fraud detection.	1.42	2.00* (0.004)	2.08* (0.000)	1.58 (0.119)	1.89* (0.000)
Extending auditor responsibilities as regards going concern certification.	1.23	2.38* (0.000)	2.01* (0.000)	1.39 (0.089)	1.81* (0.000)
Extending auditor responsibilities as regards wider stakeholders.	1.58	1.23 (0.051)	2.07* (0.000)	1.18* (0.000)	1.67 (0.434)

Source: made and conducted by the researcher using SPSS18

Table 3 shows the role of setting standards towards the expansion of the auditors' responsibilities in narrowing the audit expectation gap. The table's result indicates the

effectiveness of the different areas of standards that could be set to expand the auditors' roles and responsibilities in order to narrow the existing audit expectation gap.

There is strong agreement among the auditors and non-auditors groups that setting regulation governing auditor appointment (statement 1), provision of non-audit services (statement 2), rotation of audit partner (statement 3), and rotation of audit firm (statement 4) would narrow audit expectation gap, as these issues are concerned with maintaining the auditor's independence. This result stems from unique circumstances existing in the context of Yemen. In terms of statement 1, until recently, it was accepted in the audit market of Yemen for any holder of bachelor degree in business to practice the auditing profession. As a result, there were qualified and unqualified licensed auditors in the market which in turn, influences the quality of audit profession and the auditors' competence. Obviously, the low auditing quality and the lack of auditors' competence lead to an increase in the level of audit expectation gap. Therefore, there is an agreement between auditors and non-auditors group towards the importance of statement 1 in enhancing the auditing quality and the auditors' competence which, in turn, will narrow the audit expectation gap.

With respect to statements 2, 3 and 4, the agreement between auditors and non-auditors groups is derived from the belief that the social relations and the tribalism in the setting of Yemen influence the audit quality and the auditor independency. Thus, setting up regulations governing the provision of non-audit services, rotation of audit partner and rotation of audit firm will enhance the auditing quality and the auditor independence which, in turn, leads to narrowing the audit expectation gap. However, there is an insignificant difference between the auditors group and the non-auditors groups' (Bankers and Investors) perceptions regarding whether setting of standards governing these issues would effectively narrow the audit expectation gap. While on the other hand, there are significant differences between auditors group and non auditors groups (Expert Users) with respect to these statements.

Similarly, regarding the fraud detection, both auditors group and non-auditors groups agree that setting standards extending auditors' responsibilities as regards fraud detection (statement 5) would contribute to the narrowing of the audit expectation gap. However, there is an insignificant difference between the auditors group and non-auditors group (Investors) with respect to this statement. Consequently, this would effectively narrow audit expectation gap. On the other hand, there is significant difference between the auditors group and the non-auditors groups (Expert users and Bankers). Setting standards regarding extending auditors responsibilities as regards the going concern certificate (statement 6), and wider stakeholders (statement 7) have been agreed upon by the auditors and non-auditors groups as a means of narrowing the audit expectation gap. More importantly, there is an insignificant difference between the auditors' group and overall non-auditors groups indicating that the wider range of stakeholders are interested in being offered more information by the auditor concerning the future, and the auditors accepting

the need to offer this sort of information to wider range of users. In turn, this would meet the users' expectations and narrow the audit expectation gap.

7- Results and Findings:

The main aim of the present study is to investigate the the various methods of narrowing the audit expectation gap. Therefore, the setting of standards has also been argued to be a more effective method to narrow down the expectation gap compared to traditional methods. The study is the first of its kind to carry out a comparison of the effectiveness among the traditional methods of narrowing the expectation gap. The differentiation of the method in narrowing the gap is based on either the agreement or the disagreement to the statement stating the same while the effectiveness of each method is based on the significant differences between the opinions of the two groups. An insignificant difference implies that the method mentioned in the statement is effective in narrowing the gap and the effectiveness of the statements is indicative of the effectiveness of the method.

The present empirical study hinges on the survey questionnaire in gathering primary data from the sample study in Yemen. The survey is designed around a five point Likert scale and composed of two different sections. The first comprises the respondents' demographic data including their accounting education and experience. while the second section comprises various statements that measure the significant differences among the groups of respondents examined in light of the effectiveness of the audit report form, the education of the users and setting standards for narrowing the gap.

The results are obtained with the help of the Mann-Whitney U non-parametric test which examines the differences among the groups' perceptions. The overall results imply the existence of a wide audit expectation gap in Yemen judging from the differences of the responses gathered from the auditors as well as the non-auditors' group.

Moreover, the methods proposed to narrow the gap seem to be useful in their purpose although the audit report form method and users' education are not as effective as evidenced by the differences between the perceptions of the groups. The standard setting method is perceived to be the most effective one in narrowing the audit expectation gap.

8- Limitations and Suggestions for Future Research:

Although every effort has been made to conduct comprehensive and detailed research analysis in this study, it is, nevertheless naturally incomplete, and remains subject to a number of limitations as follows:

- The study is applied to the Yemeni context without a comparison with any developed or even developing country. Future studies may consider this comparison that is expected to provide new insights into the audit expectation gap.
- The second limitation is concerned with the empirical aspect of the study which depended mainly on the survey questionnaire for collecting primary data. This type of data collection is characterized by some level of bias and subjectivity, according to several researchers (Dixon *et al.*, 2006; Manson and Zaman, 2000; Best *et al.*, 2001;

Dewing and Russel, 2002; Fadzly and Ahmad, 2004). There is an opportunity for future research in the audit expectation gap by using the instrument of interview to collect data besides the questionnaire in order to reach more robust tests and results.

▪ Due to the time limitations coupled with the instability in Yemen at the time of conducting this research, the questionnaire was mainly distributed in Aden and Sana'a city although a number of participants who are expert users, investors and auditors, also reside in Taiz and Hadramout. The potential studies in the future may consider covering the other areas in Yemen which might give some new aspects of the nature of the audit expectation gap in the context of Yemen.

9- Recommendations for Policy Implementation:

On the basis of the study's findings and limitations, some recommendations are listed below addressing accounting and auditing professional practices in Yemen:

1. To enhance the accounting professional status and auditing practices in Yemen, the professional body should develop and adopt accounting and auditing standards that suit the country's and the market's environment. These will act as guidelines for the parties involved and related to the accounting and auditing practices.

2. The accounting and auditing practices in a country is reflected through the accounting education provided to the prospective accountants. Thus, it is imperative that the accounting education in Yemen be developed in such a way that it addresses the issues of the profession in the country.

3. To improve the accounting profession and to enhance its image, it is important that efforts should be expended to match the visions and activities of the Yemeni accounting bodies to the audit firms.

4. Auditors in Yemen should be required to observe the concept of independent accounting and should deviate from engaging in activities that will compromise their independence.

5. It is imperative that the Yemeni Certified Public Accountants Association should be stricter in its monitoring and controlling members of the Association and handling audit firms.

6. The Association should carry out a reassessment of their members' qualifications, design training programs and facilitate frequent seminars regarding auditing and accounting practices both locally and internationally to familiarize the country's profession with the global changing environment.

7. The quality of the audit firms' services should be on par with international audit firms and therefore, a quality control system should be developed and applied.

8. It is imperative for the Yemeni auditors and professional bodies to adopt standards of audit reports and develop a standardized format and contents of audit reports to keep the parties involved on the same page.

9. Efforts should be increased towards promoting the awareness of the important role of the auditing profession in the society. Auditors should also be educated on their responsibilities to all the stakeholders.

10. Finally, the Yemeni government needs to increase the awareness of the importance of developing and applying appropriate rules and regulations in both accounting and auditing professions to meet the current needs in Yemen. In other words, it is important to revise and improve the Yemeni Laws regarding both professions.

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