

THESIS

AUDIT EXPECTATION-PERFORMANCE GAP
OF THE PUBLIC SECTOR AUDITORS IN SRI LANKA

Submitted by

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Abstract

The Audit Expectation Gap (AEG) issues are steadily expanding around the globe, irrespective of the particular sector involved. There is a dearth of empirical studies on the audit expectation-performance gap (AEPG) pertaining to the duties of public sector auditors in local and global contexts at present. Hence, to bridge this gap, this study attempted to investigate the AEPG of the public sector auditors in Sri Lanka in relation to the financial audit. The development of the conceptual framework of the present study was derived from Porter's (1993) and its updates. The sample was selected from the government auditors, auditees, academics, and members of the general public. A structured questionnaire was used to collect primary data for the study. Mean value analysis and qualified minority technique were employed to determine the duties, while the Kruskal-Wallis test was used to test the hypotheses as the main statistical analysis.

All the hypotheses were supported showing the existence of AEPG of public sector auditors in Sri Lanka. Accordingly, the gaps existed pertaining to the auditor's duties, standard of performance of existing duties and expected duties of public sector auditors. The study revealed the presence of AEPG within "auditor-associated groups" as well. It was further found that 28 and 11 duties were determined as reasonably expected duties and unreasonably expected duties respectively, whereas six duties were determined as neither existing nor expecting. Subsequently, Porter's (1993) AEPG model was redefined through the lens of public sector auditors' duties in Sri Lanka. Accordingly, the deficient performance gap was 20% whereas the deficient standard gap and the reasonableness gap were 41% and 39%, respectively. Finally, achieving the primary objective of this study, it is concluded that there is an audit expectation-performance gap of the public sector auditors in Sri Lanka. This study makes several theoretical contributions to the existing auditing literature and offers valuable insights for decision-makers and policymakers involved in public sector auditing. Several limitations were identified, and a substantial amount of future research was suggested at the end.

Key Words: Audit expectation-performance gap, Auditor's duties, Porter's model, Public sector financial audit.