Eliminating the Audit Expectations Gap: Myth or Reality?


Abstract

The audit expectations gap is of serious concern to the UK accounting profession with the Department of Trade and Industry proposing a new framework for independent regulation of the accounting profession. However the new Accounting Foundation has had its role placed under review following the Enron collapse and introduction of the Sarbanes-Oxley Act 2002. This resulted in responsibility for independent regulation of the accounting profession being transferred to the reconstituted Financial Reporting Council. High profile failure of financial services firms, commencing with the secondary banking crisis in the 1970s, followed by collapses of banks such as Johnson Matthey Bankers (JMB), Bank of Credit and Commerce International (BCCI) and Barings, building societies such as Grays and insurers such as the recent problems at Equitable Life and Independent Insurance have given rise to further debate on the audit expectations gap. The debate surrounding the “expectations gap” often revolves around whether such a gap can be eliminated. Sikka, Puxty, Cooper and Wilmott argue that within a social context, the expectations gap will be difficult to eliminate due to social conflict and the fact that the meaning of social practices is always subject to challenges. It will however, be argued that even though the whole component definition of an audit may be subject to changes and challenges and therefore cannot be objective, elements within the definition of an audit and in particular, the fraud and error detection role of an audit can be relatively objective.
Audit Expectations Gap. Introduction Within the current crisis of confidence in the public accounting profession after the Enron debacle and series of high profile failures of financial services firms, the issues about D/D, audit expectation gap/D, have never been more important. Though it would take an enormous amount of effort to address these issues, Audit Expectations Gap. Essay by 24 • January 24, 2011 • 1,320 Words (6 Pages) • 1,086 Views. Essay Preview: Audit Expectations Gap. prev next. Report this essay. Page 1 of 6. Introduction. Auditing expectation gap or simply expectation gap is the term used to signify the difference in expectations of users of financial statements and auditor’s expectation concerning audited financial statements. Although its about expectations but still its scope and meanings have been defined in number of ways. Difference in expectation can arise on the performance i.e. the level of performance what users expect from auditor and how auditor actually performed. Expectation gap can also be explained as the difference between the effectiveness of audit engagement what users believe and what audit...