

# Audit Expectations Gap: Testing the Empirical Evidence from Jordan using Two Levels of Stakeholders

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**Abstract:** - The main objective of this study is to empirically test the existence of an audit expectations gap in the case of Jordan. The study aims to identify whether the audit expectations gap exists between auditors and investors, and between auditors and financial managers, or not. The research data were collected from 62 respondents using a structured questionnaire before being analyzed using SPSS-26. The study findings revealed that a significant audit expectations gap does exist between auditors and investors, and between auditors and financial managers. The results also show that the gap between auditors and financial managers is relatively small compared to the gap between auditors and investors. The study explores the reasons behind the audit expectations gap and suggests possible solutions to overcoming it.

**Key-Words:** - Audit expectations; Audit expectations gap; Auditor's responsibilities; Fraud; Management's responsibilities.

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## 1 Introduction

Building trust between the stakeholders of the organization requires building proper expectations of work performance from everyone within the organization. If these expectations do not line up, then there is an expectation gap that occurs between the stakeholders. Part of the institution is the audit expectation of the audit jobs. Both parties, the auditor and auditee, perform their jobs based on specific disclosed and undisclosed requirements and expectations. If these are not in alignment, then the audit expectation gap occurs. In 1975, the first occurrence and definition of the audit expectation gap (AEG) was presented by showing there is a factor between the performances of auditors that is present between independent accountants and the users of the financial statements, [1]. Based on this definition, the auditees expect auditors' responsibilities much more outcomes and assurance than what the auditors are expected to perform.

Even with the length of existence of the term audit expectation gap, the researchers do not agree on the clear definition of the audit expectation gap where there are identification inconsistencies in the definition of stakeholders when it comes to formulating the audit expectation gaps, [2]. For example, researchers included the public as part of the definition of the audit expectations gap, [3], [4], others included the law as part of the stakeholders, [5], [6], and finally, researchers included society in the definition, [7].

In [7] the author's inclusion of society in the AEG, allowed for a more comprehensive review of the interaction between the society they function in and the financial institutions. This inclusion allowed more thorough investigation of the topic to include various stakeholders in evaluating the AEG. Furthermore, the AEG was structured into two different gap classifications. First, there is a gap between the expectations of society towards auditors on achieving the reasonableness of task accomplishment, which is termed the reasonableness gap. This measures the gap between what the expectations of the public from the auditors to achieve and what the auditors can reasonably expect to achieve. Second, the AEG between society and auditors based on what the public can reasonably expect from auditors to accomplish and what auditors are perceived to achieve, which is named the performance gap. The performance gap is then divided into two different types, namely the *deficient standard* and the *deficient performance*. The *deficient standard* is the gap between the reasonable expectations of auditors and their current duties based on what is mandated and required by the laws and regulations. On the other hand, the *deficient performance* is the gap between expected performances of auditors compared to the perceived performance of the public. There are several research that support the existence of the AEG as a current issue in the

financial market and performance expectations, [8], [9], [10].

This disagreement in the identification of the stakeholders would mean any measurement of the gap will give different outcomes, depending on who is included in the study. With this disagreement on who should be the stakeholders involved in the AEG, there is a need to develop a better understanding of how deeply the AEG would influence the outcomes and meaningfulness of the AEG estimation. Knowing how to address the AEG allows for building more secure financial markets where both institutional organizations and external investors can interact for more efficient markets.

The aim of this research is to investigate the extension of the audit expectation gap by measuring the audit expectation gap between more than two levels of stakeholders in the Jordanian market. This leads to developing the first research question: is there an audit expectations gap (AEG) between *investors* and *auditors* in the financial market in Jordan?

Second, while there is evidence to support the existence of the AEG between the auditor and auditee, [11], [7], [12], [13], [14], [15], [16], [17], [18], [19], the comparative study between level one (investor-auditor) and level two (auditor-auditee) allows to further understand how deeply the AEG is integrated in society's perception and expectations. The second research question shows whether an AEG between the auditor and their clients does exist.

## 2 Literature Review

Since the 18th century, government regulations have imposed mandatory procedures for the disclosure of financial statements of companies represented by subjecting them to thorough review by independent and qualified individuals who give assurance for their integrity and accuracy, [20]. Although these measures are mandatory, the world is still facing economic setbacks and the collapse of some major international companies, which has caused the users of financial statements to lose confidence in the auditors and the auditing profession, [21]. Many researchers attributed these failures to the AEG, as users of financial statements expect auditors to provide them with completely accurate information, ignoring the limited responsibilities of the auditor and the objectives of the profession itself, thus, deepening the AEG, [22], [23].

While the origination of the AEG definition started in 1975, and because of the development of the

financial markets, later definitions were developed to increase the focus on the users of financial statements realizing what the responsibilities of auditors are, compared to what they believe their responsibilities entail, [24]. In [25] the authors describe AEG as the *ignorance gap*, referring to society's sparse awareness of the role of the auditor and the general foundations of the auditing profession. In [26] the author expresses the AEG as the discrepancy between the needs and expectations of the users of the financial statements and what the auditor can and should reasonably do. According to this definition, the AEG is a performance gap, where users of financial statements expect auditors to go beyond the specific tasks and duties of the auditing profession.

The AEG emerges when auditors and their audience build divergent beliefs regarding obligations and responsibilities in detecting fraud and providing quality reports, [27]. The authors in [28] distinguish between the reasonable and unreasonable gap in audit expectations, where the reasonable gap arises from the reasonable expectations of the audience about the actual level of performance according to the standard described in the current regulations and its amendments. An unreasonable gap is the result of the audience holding unreasonable expectations in their minds about what the auditor can do. Hence, the second type was considered, the unreasonable gap, as the failure of the audience to develop expectations commensurate with the reality and scope of the audit, where perceived expectations and beliefs exceeded what the reports should provide according to the professional reality of auditing.

In developing countries, the development of efficient and attractive financial markets remains a priority for economic growth and attracting foreign direct investment. This means, investors domestically and internationally must have trust in the financial statements and associated reports to make the investment decisions in the developing economies. Having an existing AEG must be addressed for all financial statement users if it existed. The authors in [29] conducted a study to show the factors leading to the widening of the AEG in Jordan. The results showed that the fundamental reason for the AEG is the lack of sufficient awareness among the users of the financial statements of the controls of the audit profession, as well as the uncertainty of the independence of the auditors, according to the opinion of the users, which reduces the impartiality of the audit reports. Some researchers believe that the AEG appears because of the time delay in the

development of the auditing profession which did not keep pace with the dynamic business environment, [30], [31]. While other researchers argued that the AEG results from the decline in few laws and minimum government regulations combined with self-regulation of the profession, as those procedures must be reviewed to ensure that the audit reports contain the requirements of the beneficiaries, [32], [33]. Accordingly, the factors behind the emergence of the AEG can be categorized into internal and external factors. The internal factors are related to the standard practices of auditing and the development of these standards and procedures used to reach impartial and high-quality reports. As for the external factors, they are represented by the audience's perception of the appropriate level of the auditor's performance and his commitment to the practices recommended by the organizing committees of the profession.

In the context of searching for solutions to the AEG, [2] explained that reducing the gap depends on expanding the audit report, providing appropriate education, enhancing the independence of the auditor, and following modern auditing methodologies. These solutions are widely supported as they address most of the issues that give rise to the AEG, [34], [10], [35]. Moreover, other authors recommended searching for new solutions that could limit the problem of the AEG, including beneficiary auditor reports, [36], change management, [37], audit education, [31], accounting education, [38], improving the output of audit reports, [39], enhancing quality control over reports, [40], fraud disclosure, [41], and increasing the awareness of financial statement users, [26].

Jordan is deemed a developing country with a relatively small market dominated by privately held companies which mainly consist of family-owned businesses. This type of ownership structure leads to a low-quality audit demand. Moreover, it eliminates the conflict between managers and owners according to agency theory. The structure of the Jordanian market leads to high competition in the market, along with low audit quality, [42]. However, the AEG has emerged in Jordan in the last decade because of different factors, including the power of shareholding companies in the market, the privatization of large public sector organizations, and modernization of audit legislation, [29]. Moreover, another reason behind this emergence is the increasing expectations from auditors in Jordan, [43].

In Jordan, the auditing profession shows a gap in external auditor performance between auditors and users, [44]. Furthermore, the auditors of Jordan are

concerned about this gap due to the scandal of Magnesia Company, the failures of Petra Bank, and the collapse of many companies [45]. In [46] the authors explain that the AEG in Jordan has mainly affected the independence of the external auditors and caused dissimilarities between the investors and auditors' perceptions about the importance of the qualitative characteristic differences of accounting information available. While many studies have been conducted in different countries to test the existence of the AEG, the studies conducted on this topic in Jordan are few and relatively old. Many studies on this topic emphasized that there is an expectation gap related to auditors' responsibilities in different countries, [7], [8], [30], [36], [35], [24]. This research is focused on showing the existence of an auditing expectation gap relating to fraud detection responsibility between auditors and investors or between auditors and financial managers. The literature for highlighting the actual existence is discussed below.

## **2.1 Expectation Gap between Auditors and Investors**

The causes of the AEG are mainly connected to deficient and minimum standards, the unreasonable expectations of society about the auditors and perceived substandard performance they do, this varies in different magnitudes from one society to another, [7]. The gap between accountants and non-accountants exists, especially in the way they reflect their opinion upon the auditor's roles and responsibilities. This gap exists due to many factors, such as the dominance of family-based firms, which is indeed considered a cultural constraint, [47]. Furthermore, the authors in [11] investigate how the independence factors influence the existence of AEG between investors, shareholders, lenders, and other creditors in the banking industry in Nigeria. Their study indicates that auditors are dependent economically on their clients. Moreover, the competition in the audit market, the usage of non-audit market services, and the reception of various forms of gifts from management and prospects for reappointment are some of the strongest reasons that AEG exists. Hence, these factors should be controlled by establishing central regulatory authority, shrinking economic dependence on clients, and emphasizing auditors' tenures, as these factors lead to an increase in the AEG.

The authors in [22] used the partial least-squares structural equation model (PLS-SEM) to assess the impact of the AEG on the confidence of investors. The results indicate that the existence of an AEG was negatively associated with the

confidence of investors. In addition, the perceived independence of auditors and improved level of communication were negatively related to the AEG but positively related to the confidence of investors. Independence is deemed as the most essential factor in auditing both fact and appearance, as well as being the main way to narrow the expectation gap, [20]. Thus, the independent audit is a significant factor to narrow and reduce the AEG. Furthermore, there is a positive relationship between the fieldwork conduct and technical compliance for the satisfaction of clients that only contributes towards their satisfaction with the audit services rendered, [15]. On the other hand, an insignificant relationship exists between *experience and responsiveness* and the satisfaction of Jordanian clients. The authors in [48] studied the different internal control components and analyzed if they affect the audit profession in Jordan and revealed that there is a deficiency in the way the companies deal with technical tools. To solve this problem, employees and auditors must undertake a training period to ensure that they are adequately educated and qualified, which will improve the audit quality.

Besides the improvement of audit quality, it's also important to locate the AEG within a cultural context. The authors in [9] indicate that the importance of the auditor should not be seen only as a response to governmental requirements. The trust that the auditor gives to the financial statement gives the investor assurance and a clear image of what to do. Moreover, the AEG exists in fraud detection. All users expect auditors to detect all fraud in a company, but auditors do not believe that this is their responsibility, [26]. Auditors believe that there is a general misunderstanding regarding what users expect from them. Auditors rely heavily on internal audits to detect fraud and not all companies provide an effective one to help the external auditors, [49].

Auditors have the primary responsibility to verify whether the financial statements of an audited organization present a true and fair view, and a secondary responsibility to prevent and detect fraud. Auditors do not assume full responsibility for detecting fraudulent accounting activities in the accounting records. These conflicting views of the internal and external parties as to whether auditors should assume this responsibility are behind the emergence of the audit gap, [50]. Auditors try hard not to assume fraud detection responsibility to maintain their own benefits, because it's neither practically nor economically feasible to assume such responsibility, [51]. The AEG between auditors and bankers emerged due to a lack of

knowledge among bankers about the responsibilities of auditors. A study conducted in Iran and Iraq revealed that bankers thought that auditors should be not only responsible for preparing financial statements, but also for detecting fraud. However, there were deemed to be inefficient internal control systems in those two countries because internal auditors there work independently of managers, [52].

In the same context, regulations limit auditors' responsibility for detecting fraud. Therefore, [8] suggests that auditors must communicate more accurately their duties to the third party to increase awareness and narrow the expectations gap. This third party could be the investor, as author [53] found that investors' expectations exceed those of other parties regarding the auditor's responsibilities toward the detection of fraud. There is also a significant gap regarding fraud definition between auditors and investors. Therefore, this research aimed to clarify the difference between auditors and investors regarding the auditor's job performance, and whether the AEG exists. Hence, the first hypothesis is:

*H1: There is no difference between the auditor and the investor regarding expectations of the auditor's job performance.*

## **2.2 Expectation Gap between Auditors and Financial Managers**

Social and economic factors are important in influencing the accounting/auditing profession in Jordan, as they were the real motive for the country to start using International Financial Reporting Standards (IFRS), [47]. Since 1961, there has been a succession of government interventions to regulate the audit profession, in the form of three important laws. The first law (1961) addressed the licensing mechanism to enter the audit profession since insufficient licensing was permitting under-qualified auditors to enter the market. In Jordan, the Jordanian Association of Certified Public Accountants (JACPA) established the audit profession through setting Law no. 32 of 1985. This law stipulates that a written exam must be taken to ensure that auditors have the necessary background to practice auditing. A new law issued in 2003 introduced further licensing regulations with a view to raising the quality of Jordanian auditors to reach a worldwide level. It also gives assurances of the reliability of financial statements presented by publicly traded companies and companies required to conduct the auditing practice, [54]. These laws came into place to increase the demands of investors

for more reliable financial statements and enhanced transparency in publicly traded companies.

The authors in [55] show that companies with an enhanced control system perform better when a systematic and controlled environment such as the enterprise resource planning (ERP) and earning management practices would enhance the financial performance and outcomes. In addition, this would lead to higher investor trust in the investment process. Thus, there is an increased focus on gaining the trust of investors in the market. Their results confirm that earning management practices would enhance the decision of investors to invest their capital in the financial market, [56]. The authors in [57] extend the analysis of the trust factor through studying the appropriateness of having an efficient decision support system for investors to extend their investment decisions towards urban areas. This means that companies must gain the trust of investors on both internal and external levels.

In [58] the authors investigate whether an AEG exists or not between the auditors and the users of the financial statement Iran. The authors investigate the relation of the responsibility of auditors, the reliability of audits, the audited financial statements, and the decision on the usefulness of the audited financial statements. Their research concluded that, while a minor AEG exists in relation to reliability, in relation to responsibilities there is a significant expectation gap, especially regarding responsibilities related to fraud detection, internal control reliability and preparation of financial statements. On the other hand, there was found to be a conciseness in the use of audit and financial statements. The researcher attributed these high expectations to the Islamic culture that exists in Iran. Moreover, they suggested that the AEG could be reduced by enhanced education and improvement in the communication between auditors and the users of the financial statement. Besides knowing the ways to reduce the AEG, it's also important to differentiate the AEG that exists in different countries. For this purpose, in [59] the authors studied the differences in the audit expectation and the audit performance gap in New Zealand and the United Kingdom. They found that the gap emerged and existed in both countries due to three important reasons, including the unreasonable expectations of auditors (reasonableness gap), the auditors not being required to perform responsibilities that are reasonably expected of them (performance gap-deficient standard) and the deficient performance of the auditors (performance gap-deficient performance). In addition, they highlighted the fact that the UK business environment held a more

extensive discussion of auditor's responsibilities, performance, and corporate problems in the media than that seen in New Zealand, which led to a generally higher level of awareness about the responsibilities of auditors.

As already mentioned, the AEG exists because non-auditors expect auditors to assume greater responsibilities than auditors themselves perceive they should take on. The existence of such a gap can have harmful effects on the credibility of audited financial statements, [45]. Thus, [60] believe that to study the AEG, the existence of the gap in any specific country should be tested. After that, if that country was found to be suffering from an AEG, possible solutions to reduce this gap should be discussed. The most suggested solutions to reducing the AEG include *extended audit reports*, *extended responsibilities*, and *education*. These recommendations have a common attribute that seeks to reduce the reasonableness gap. In [53] the author examined whether the expectation gap exists in Iran among auditors, financial managers and investors and revealed that financial managers and investors have unreasonable expectations of auditors regarding the detection of fraud. They also believe that auditors should detect non-material fraud, which is a view that auditors disagree with. Therefore, this research aimed to clarify the difference between the expectations of auditors and financial managers regarding the auditor's job performance, and whether the AEG exists. Thus, it can be hypothesized that:

*H<sub>2</sub>: There is no difference between the auditor's and financial manager's expectations regarding the auditor's job performance.*

### 3 Research Methodology

Research design is considered a crucial matter in the research process, as it specifies the techniques and steps used in collecting and analyzing data that then lead to the interpretation and reporting of achieved results, [61]. It is important that the selected research design follows the appropriate theoretical and exploratory methods to address the specific phenomenon selected by the researcher. The design may include a range of quantitative, qualitative, and mixed approaches to form a precise objective method, [62].

This research is designed in an exploratory descriptive manner based on the quantitative approach to achieve its ultimate purpose. The approach enables the researcher to highlight whether the AEG exists between auditors and investors. Besides, it shows whether there is an

AEG between the auditors and their clients. To keep investment in resources and time to a minimum, the research used a survey to collect the data from the respondents.

### 3.1 Sampling and Data Collection

The research surveys were distributed to companies in the Jordanian market based on a random method to avoid sample bias. Moreover, it was emphasized that the sample should include both private and public companies that require an audit report and audit engagement. Hence, the one response consists of three surveys, each of which is answered by the company's financial manager, investor, and auditor. The auditors participating in this survey were chosen from four major audit firms and several small domestic firms. Most surveys were collected face-to-face, because when a company is selected, their auditor and current investor must have a survey completed as. An online survey form was developed with the aim of collecting data from respondents who could not be reached in person.

### 3.2 Measures

The instrument used in the research plays a crucial role in maintaining the reliability and validity of the results obtained, [63]. The survey used in this research was adapted to serve the specific objectives of investigating the expansion of the AEG by measuring this gap within more than two levels of stakeholders (financial managers and investors) in the Jordanian market. The research relied on a scale imported from [53] after making substantial modifications to reflect the views relevant to the Jordanian context. The items of this scale were originally in English. However, they were translated into Arabic to ensure that respondents could easily provide accurate information. Subsequently, the scale items were returned to English.

### 3.3 Analytical Strategy

The data were analyzed using the 26th version of the Statistical Package for the Social Sciences (SPSS) based on descriptive measures. First, descriptive statistics related to respondents' attitudes were extracted according to the measures of central tendency theory, e.g., mean, median, standard deviation). Data normality was examined using a Z-score extracted from the Kolmogorov-Smirnov and Shapiro-Wilk tests. Finally, the differences between the two groups, auditor-investor, and auditor-financial manager, were compared using the paired sample t-test.

## 4 Results

### 4.1 Descriptive Statistics

The data extracted from 62 surveys received from companies in the Jordanian market were analyzed. The surveys were collected between 12/5/2022 and 30/8/2022. Table 1 demonstrates the results of descriptive indicators calculated according to the central tendency theory.

The results shown in Table 1 indicate that, on a 10-point Likert scale, the mean of the auditor-investors group was 7.97 and the mean of the auditors-financial managers group was 7.69. Hence, the result expressed a high relative importance level of the AEG between the members of both groups. Moreover, the standard deviation of the auditors-investors group was 0.88, while it reached 1.08 in the auditors-financial managers group. Therefore, the agreement of opinions about the AEG in the first group is greater than in the second one, which showed divergent opinions about this gap.

According to a probability distribution, the kurtosis index in the auditor-investors group and the auditors-financial managers group were respectively 2.847 and 3.516, which are less than the threshold of 3, [64], [65]. Accordingly, the distributions in both groups are considered as close to a normal distribution. Besides, the results illustrate that the Skewness values were -1.198 and -1.546, respectively, thus the probability distribution curves were skewed towards the right. This conclusion was supported by the mode and median values that exceeded the mean values in both groups.

Table 1. Results of Descriptive Measures ( $n=62$ )

Audit Gap Expectation	Auditors – Investors		Auditors – Financial Managers	
	Statistic	Std. Error	Statistic	Std. Error
Mean	7.9708	0.11239	7.6897	0.13746
95% Confidence Interval for Mean	Lower	7.7461	7.4148	
	Upper	8.1956	7.9646	
5% Trimmed Mean	8.0338		7.7785	
Median	8.0900		7.8300	
Variance	0.783		1.172	
Std. Deviation	0.88499		1.08240	
Minimum	4.61		3.48	
Maximum	9.48		9.35	
Range	4.87		5.87	
Interquartile Range	1.24		0.99	
Skewness	-1.198	0.304	-1.546	0.304
Kurtosis	2.847	0.599	3.516	0.599

## 4.2 Normality

Kolmogorov-Smirnov and Shapiro-Wilk tests of normality were conducted, [66]. The results of these tests are listed in Table 2. The results of the Kolmogorov-Smirnov test reported in Table 2 show that it was not statistically significant at a level less than 0.05 for the auditors-investors group, while it was statistically significant for the auditors-financial managers group. However, the results demonstrated that there are statistically significant differences in the research groups at a significant level of less than 0.05 according to the Shapiro-Wilk test. Therefore, the data for both groups were normally distributed, [66].

Table 2. Results of Normality Tests ( $n=62$ )

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Auditor-Investor	0.096	62	0.200*	0.925	62	0.001
Auditor-Financial Manager	0.182	62	0.000	0.886	62	0.000

## 4.3 Audit Gap Expectation Differences

The paired t-test is used when there is an interest between two different groups. Since the same auditor for both the investors and the financial managers were used, then the paired t-test is an appropriate measure for this sample. Paired t-test was conducted to evaluate the difference between the two groups, specifically the auditor-investors and auditors-financial managers, regarding auditors' performance. The result of the paired t-test between research groups is demonstrated in Table 3.

The hypotheses were examined using paired t-tests. The results listed in Table 3 reveal that there is no difference between the auditor and investor regarding expectations of the auditor's job performance ( $t=2.74$ ,  $P<0.01$ , 95% CI= [0.196, 1.224]), which means the first null hypothesis ( $H_1$ ) is rejected. Moreover, results indicate that there is no difference between the auditor and financial manager regarding expectations of the auditor's job performance ( $t=2.74$ ,  $P<0.01$ , 95% CI= [0.023, 0.540]), thus, the second null hypothesis ( $H_2$ ) is rejected.

Table 3. Result of Paired t-test ( $n=62$ )

	Mean	S.D.	S.E.	t	df	Sig.	95% Confidence Interval level	
							Lower	Upper
Auditor-Investor	0.710	2.496	0.259	2.742	61	0.007	0.196	1.224
Auditor-Financial Manager	0.280	1.070	0.129	2.175	61	0.034	0.023	0.540

The research hypotheses results are summarized in Table 4.

Table 4. Summary of Hypotheses

Hypotheses	t-value	p-value	Result
H <sub>1</sub> : There is no difference between the auditor and investor regarding expectations of the auditor's job performance	2.74	0.007	Rejected
H <sub>2</sub> : There is no difference between the auditor and financial manager regarding expectations of the auditor's job performance	2.18	0.034	Rejected

## 5 Discussion and Conclusion

The aim of the research was to reveal the existence of an AEG in Jordan at two levels of stakeholders. Findings showed that there is an AEG at both levels, both between auditors and investors, and between auditors and financial managers. Furthermore, one of the research objectives was to study the differences in the widening of the AEG between each of the two mentioned levels of stakeholders. The results confirmed the existence of an AEG between auditors and investors related to aspects of fraud detection, the responsibility of auditors in the event of suspected fraud, and the opportunities that lead to the creation of a fraud environment. It is noticeable that the scope of this gap is relatively small as it relates to fraud detection, which is only one aspect of auditors' responsibilities. Consequently, this gap resulted from the investors' lack of knowledge regarding the foundations and responsibilities of auditing and their different educational backgrounds.

Moreover, the results demonstrated that there is an expectation gap between auditors and financial managers related to the auditor's responsibilities for detecting fraud and the opportunities that lead to creating an environment conducive to fraud. This result is attributed to the attempt of the financial managers to minimize their professional responsibilities and duties towards the company by passing them off to the auditors. Besides, the results

emphasized that the AEG between auditors and investors is smaller than that between auditors and financial managers. Therefore, familiarity with audit issues and broad knowledge of the auditor's responsibilities leads financial managers to increase their expectations about auditors' performance in detecting and disclosing fraud.

The results of the research were supported by what was previously indicated by [29] where they found that a lack of awareness and unreasonable expectations among users of financial statements causes an increase in the gap between users' expectations of financial statements and the performance of auditors. This is compounded by a sense of uncertainty about the auditors' independence in Jordan. Similarly, to [43] where the authors highlighted the expectations gap between auditors and Jordanian investors by associating this gap with key audit matters. The authors confirmed that the revelation of key audit matters significantly influenced the investors' decisions measured by the abnormal trading volume. Moreover, findings suggested that the mandating of key audit matters had informational value to the investors related to disclosing fraud.

## 6 Implications

This research focuses on studying the effects of the AEG in Jordan which resulted from conflicting perspectives of investors and financial managers on auditing careers by highlighting the related literature and approaches to reduce its adverse effects. Moreover, it is an empirical study that presents a set of recommendations based on realistic results to avoid or minimize this gap. The research emphasizes the need to improve stakeholders' awareness, i.e., investors and financial managers, of the limits and obstacles of the audit process, which would help them to better understand this dilemma of the AEG. This gap could be reduced by defining the dealing approach between auditors and stakeholders, as it determines whether any of the party's overestimates or underestimates the responsibility of the other party. Thus, it spares all parties from potential litigation resulting from misunderstanding and lack of awareness of



responsibilities, especially in a small market like Jordan. The theoretical implications of the research come from its focus specifically on the AEG on a specific category of stakeholders, i.e., investors and financial managers, who mainly plan for the company's financial future. In addition, it highlights the importance of understanding the AEG and its consequences. Furthermore, the results of the research could be considered as a guide for researchers, practitioners, and reviewers, as it is an empirical study based on a realistic analysis of the AEG in Jordan.

## 7 Limitations and Recommendations

This research is a large-scale study of the AEG and presents a range of important implications, though it still has limitations that could be addressed in future studies. First, this research was fully applied in the Jordanian market, while future studies could be conducted in other countries or focus on comparing the AEG between countries. Secondly, auditing is an old profession that developed over time and has witnessed an increasing interest in recent years due to the increased demand for accurate and reliable financial statements. The increase in auditing demand has resulted from theories associated with globalization, the increase in the size of firms, the emergence of agency theory, and the development of regulations and corporate governance procedures. Hence, future studies could focus on a specific theory to highlight the AEG. Thirdly, the current study did not address the distinction between internal and external auditors. Therefore, it recommends conducting more studies on the difference in the AEG between internal and external auditors from the perspective of the investor. Finally, the research suggests a study of whether the new audit standard has contributed to tightening the screws on the AEG or not.

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Alkhateeb carried out the initial research, introduction, literature review, data analysis revision, and conclusion,  
Shrydeh carried out the data analysis tests, statistical parts, and their associated write up.  
Mohammad designed the survey and collected the data and completed the methodology section.  
Kanaan carried out the literature review, discussion and conclusion, implications/limitations, and revisions.

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