

Advanced Audit - Week 1

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1. To close the Auditing expectation gap, the best technique would be education, though this can be challenged by some performance indicators. The fact that Auditing does not align with society's expectations is something society should accommodate better than that there be expected update to auditing. Society may struggle, but this is natural and can be redirected. Porter (1993) can be said to back up this idea with a survey that shows that most of the auditing expectation gap is from the standards and the reasonableness, not the performance. This would suggest that the best course of action to take would be to inform the public about what auditing is so that they were better informed. If you define auditing well enough, you can excuse the natural performance lapses that arise through the normal course of business. The position is no more difficult than say policing work, but if the public were educated the lack of performance would be an isolated event and the profession could continue to improve around it. This also removes any need for there to be vast improvements in auditing or even stricter regulatory standards. This means that auditors would not have to try harder; they would just have to state what it is that they provide to the public. This could be updated as a yearly report, which would provide an ongoing flow of what had happened within auditing. Public opinion is too variable, and a strong statement of the purpose of auditing would be a sufficient reference so that the profession can move forward. Auditors, too, are obviously not more deficient than any other profession, and much of the pushback may be due to the large responsibility auditors carry. The argument for performance can be highlighted, for example, in the 2015 report of the Audit Quality Review Team. In it, there are many times where audit performance was found to be lacking. As such it may be wise to hold back on defining auditing, and focus on educating soon to be Auditors via methods such as a training school, as is done in policing.

2. The scope of auditing can be expanded by changing the way auditors are paid, such as not having them receive fees from those who hire them. This would help maintain auditor independence and integrity and hopefully not impact their motivation to produce useful reports that strengthen the credibility of the business, as it is part of their professional competence and due care. Auditors may also have to become culpable for fraud detection; though the fraud may be too well hidden and complex for them to find. Currently, auditors are only expected to find anything that would make financial statements misleading. This may require more in the way of objectivity than an auditors could be expected to have. Informal pressures from academics and politicians to widen the scope of auditing is something that due to lack of their professional experience may be detrimental. Furthermore, the Office for Auditing may be created which could widen the expectation gap, leading to the public expecting auditing to be more reliable than it can be.

3. The meaning of the word Audit is not fixed because the meaning of social practices is continually challenged and reshaped by discussions from the aftermath of events. When things are set down, they can often then be highlighted by the opposition as being not good enough after they come into question. This means that having any succinct meaning develop is challenging because of the ongoing arguments being brought forward. It is difficult for there to be any stability. The conceptions of outsiders can change what was previously there in Audit, and it means there can be continuous change. This means there will always be a change in the meanings of competing sides and therefore always an expectation gap.

4. Differences in understanding become critical in times of failure. Quite often, in auditing, this would be in times of fraud and scandals that have occurred in institutions that were thought to be ethical or trustworthy. These mistakes and aberrations bring difficulties for the opposing sides. The contradictions lead to a change in meaning. Failures mean that bodies, e.g. journalists, are brought in and this is where differences in understanding can change things. The state is also involved in challenging the meaning of auditing and this continues through regulatory changes and playing to positions of power.

5. To protect themselves after failing, the auditors enlist several tactics. Auditors clarify the role of Auditing and restate that they are there to provide reasonable assurance about accounts and not give absolute certainty on them. This is because auditors are there to give an opinion on the true and fair view of the accounts. This exempts them from being under direct scrutiny if something is found to have gone wrong. They often cite standards to protect themselves as they have limitations to guide them. Auditors also write disclaimers so that they are explicit about what they can be held accountable for and what they do not have to take responsibility for. Auditors also work at educating their shareholders and work with regulators to support their position when they are facing difficulty from previous failures.

6. This paper is one that still holds in argument today as the expectations gap has only mixed evidence of closing. The idea that auditing has no fixed meaning and this contributes to an expectation gap due to differences that are naturally occurring questions the current paradigm supplied for auditing. It provokes a stance that leads to there being a less well bounded auditing procedure.

7. The previous approach to addressing the expectation gap was to look at it as the difference between what the public expects from the profession and what the profession provides. The new approach widens this to what the public thinks auditors do and what they would like them to do. This seems to be a furthering of the performance up to what the public would like. The auditor is to perform for the public and, naturally, the consideration of the public is one step behind this. If auditors are performing, the rating of what they are doing is merely a logical follow-on, with the idealised performance being a state that the public could ever view auditing as. They have swapped where the importance is here and that may be problematic in the future if it is not carried out with openness and transparency when detailing how auditors have behaved.

8. The Audit expectation gap is something that has shifted in the last 40 years due to the ongoing crises that are cropping up. This is easiest viewed in terms of a performance gap, with cases like Arthur Anderson highlighting to the public that the audit profession is not entirely performing as would be preferred. Ansah, Boata, Frempong (2025) found in a response about Auditor conflicts of interest that 'A significant 95% of respondents believe such conflicts occur frequently or very frequently.' The paper asked professionals about their perceptions on fraud and compliance. The paper goes on to mention that previous scandals have shaped how auditors are viewed. This supports the idea that the changes in the landscape have changed how people think about auditors.

9. The knowledge gap has been recommended to be closed by a system-wide approach involving many of the actors interacting with auditing. It is something that would be done on a large scale and is said to not be feasible as something that could be done by auditors alone. A shift in narrative is something that could also have to be earned, not just laid out, as it is on such a wide scale. It could be unlikely that millions of participants will join unless there is a strong reason there. This might therefore need a further extension of the resources available for auditing, though when done this way, it would assuredly be correct and make the knowledge gap around auditing be further towards being closed. The report noted that the actors could commit because promoting auditing is the right thing to do and this is a relevant reason to continue to inform the public of where auditing is. It may be easier to instigate this action if there were a motivating stimulus. The performance gap is said to be more straightforward to close by exactly responding to auditing inspections and ensuring caution when building standards. The evolution of auditing is to be viewed by those within auditing and will help move auditing forward in a direction that is mutually beneficial to all. These require a lot of effort and ongoing work.

10. The two papers display a very different approach to closing the expectation gap, the first claiming theoretical impossibility and the second looking at smart ways that it can be narrowed. Both are under the fact that in the last 20 years there is only mixed evidence that any closing of the expectation gap has happened. The expectation gap could be closed in a large sense through the knowledge gap, which was highlighted by Porter (1993) and ACCA (2019) as being large. This can be achieved through having the public be informed of the current position of auditing. As for the fact that the term auditing may escape much of the public, it might be worthwhile to have what auditors give to the public be more heavily considered. After all, auditing is performing a service to the financial community and those out with it may be able to merely be informed of the contributions made by auditors to understand what it is. This could be done with a succinct summing of auditors' work and be circularised so that auditors' services are digestible and therefore understood. The problem of digesting auditing information seems to be key here, and it is not surprising, given how sparsely the work is included, that there is a bit of a blockage here. Moving auditing nowhere else but bringing its services to the forefront may go a long way in helping the public have an idea of what auditors do. Auditing is unique from other hard to pin down social practices in that auditors are giving something. This therefore means it is strictly quantifiable.

References

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