



**Arab American University
Faculty of Graduate Studies**

**Examining Audit Expectation GAP: Evidence Form
Palestine**

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**This thesis was submitted in partial fulfilment of the
requirements for the Master`s degree in
Accounting**

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Thesis Approval

“Examining Audit Expectation GAP: Evidence Form Palestine”

By
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This thesis was defended successfully on 08/07/2024 and approved by:

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The image shows three handwritten signatures. The top signature is in black ink and appears to be 'S.A.' with a flourish. The middle signature is in black ink and is more complex, possibly 'Zahran'. The bottom signature is in blue ink and appears to be 'y. hassan'.

Declaration

I declare that the content of this thesis is my own research work, unless otherwise referenced. I certify that this thesis does not contain any material published before by another person or has been submitted elsewhere for any degree or qualification.

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Dedication

It was not a short journey, and the dream was not close. The path was not entirely smooth, but with God's grace, I did it. Praise be to God, who facilitated the beginnings and made the ends achievable. Thank you, God, for everything. Gratitude and appreciation for both the beginning and the end.

To everyone who bore the burden and sweat with me and taught me that success does not come without patience and perseverance. To those who enlightened my path and to those who prayed for me, to those who eased my way with their guidance. To those whom God blessed me with and who offered their constant support, this success is a tribute to you: my father and my mother.

To my steadfast support and comfort, to my mother who strengthened me, to those who endured my stumbling steps, to my friends who guided me towards success (my dear sisters).

To those who enriched my life, my husband, my partner, my friend, and my supporter, to my companion in this journey, my husband (Mohammed Attari).

To those who have left us and now rest in the afterlife, my only son (Hussain).

To everyone who was a helper and supporter, to those who were gracious and encouraging, to those who removed obstacles from my path, and to all of my husband's family.

I dedicate this achievement and the fruit of my success, which I have long wished for, to friends, colleagues, family members, and everyone who advised and supported me, and to those who walked beside me.

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To my university and my inspiration, to those who aspired to be the best, all thanks and appreciation to the Arab American University, its administrative staff, and each member of its teaching staff.

Here today, I have achieved the first fruits of the success I have longed for. By God's grace and your support, I extend my heartfelt thanks and appreciation to everyone who has been a reason for this success. Without you, I would not be where I am today.

Abstract

This study aimed to explore the existence and prevalence of the audit expectations gap in listed companies in Palestine Exchange. This thesis examines the internal auditors as well as the external auditors' perception and attitudes regarding the extent of the audit expectation gap in the audit profession. This study follows the quantitative research approach using questionnaire design utilizing E. survey design using Google drive. Besides, (211) questionnaires were distributed and she was able to obtain (189) filled questionnaires and valid for analysis.

The study found that there is a high level of audit expectation gap in listed firms in Palestine. The most prevalent are the independence audit expectation gap. The audit performance gap, and the responsibilities audit expectation gap. The study also found that there are a number of methods and strategies to decrease the audit expectation gap such as improving the credibility of the report among users of financial statements. Also, improving the quality of the internal control system in the company. Likewise, supporting the independence of the external auditor by separating the audit process from other services provided by audit offices reduces the audit gap. Also, the study results showed that there are insignificant differences in the mean of the studied sample toward the audit expectations gap attributed to age, experience, size of audit firm/department, position, nature of work. However, there are significant differences in the mean of the studied sample toward the audit towards audit expectations gap attributed to academic achievement and it was for the best interest of those holding a master's degree.

The study suggested that the Palestinian Association of Certified Public Accountants should involve in auditors training and development to improve the efficiency of the auditors and o increase their awareness of their duties and responsibilities. Likewise, the

auditors should work hard to develop their competencies and experiences in audit field best practices.

Key Words: Audit expectation gap, Independence audit expectation gap, audit performance gap, and the responsibilities audit expectation gap.

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Chapter One

Introduction

1.1 Introduction

Building and enhancing the confidence and trust among the stakeholders of any business needs creating proper expectations of work performance from everyone in the business. If there are differences and disagreement among these expectations, then there is a type of an expectations gap that takes place between them. An interesting part of the institution is the audit expectation of the audit performance and duties.

An audit is an independent investigation of the corporate financial statements. That is performed by auditors. The audit report is a very interesting report that provides reasonable assurance that the corporate financial statements are prepared based on the International Financial Reporting Standards (IFRS), that statements are free from any material misstatement, and that they reflect the actual and real position of the business (Olojede et al., 2020).

The audit expectation gap is one of the most highly researched and interesting topics in the accounting and auditing fields in the past few years, and it has gained the interest of scholars and experts in different countries due to the complications of business operations (Salehi, 2020).

Onulaka and Samy (2017) defined the audit expectation gap as the variation between what the financial statements` users and the general public perceive an audit to be and what the audit profession claims is anticipated of them in performing an audit.

Farasangi and Nohongdari (2017) defined the audit expectation gap as “the variance between what the financial statements` users and general public believe the

responsibility of auditors ought to be and what the auditors believe their responsibilities are”.

According to Salehi et al., (2020), the audit expectation gap is “the condition whereby a variance in anticipation takes place between a group with specific awareness and knowledge and a group that depends on that awareness, experience, and knowledge. Eventually, Olojede et al (2020) stated that audit expectation gap is “the difference between what the financial statements` users perceives an audit to be and what the audit profession claims is expected of them in performing an audit profession responsibilities and duties”.

Thus, this study discusses this topic in Palestine to show the existence and prevalence of the audit expectations gap of listed companies in Palestine Exchange. This study examines the internal auditors as well as the external auditors’ perception and attitudes regarding the extent of the audit expectation gap in the audit profession.

1.2 Statement of the Problem

The empirical studies such as (Fotouh & Lorentzon, 2023); Kamau et al., 2023) demonstrated that there is a great difference in the expectations of auditors, financial managers, and users of the financial statements in several issues related to the tasks, responsibilities, and duties of the auditors, such as the nature of the audit profession, the responsibilities and duties of the auditors, the independence of the auditors, and the implications and indicators of the financial statements and annual reports. Even though the research on audit expectations gaps in listed companies in Palestine is scarce, Furthermore, similar research on the internal and external auditors` views and perceptions still under researched. Thus, this study explores this topic in listed

companies in Palestine to bridge the gap in this context. Thus, this thesis aims to investigate the following questions

What is the Nature of Audit Expectation Gap of Listed Companies in Palestine Exchange?

1.3 Research Objectives

Main Objective

This study aims to explore the existence and prevalence of the audit expectations gap of listed companies in Palestine Exchange.

Minor Objectives

Based on this, the following sub-objectives are expected to be reached:

1. Investigating the effect of understanding nature of audit on the audit expectations gap within Palestine.
2. Estimating the effect of understanding the independency of the auditors on the audit expectations gap within Palestine.
3. Measuring the effect of understanding of responsibilities and duties of the auditors on the audit expectations gap within Palestine.
4. Identifying in which components of audit performance does the audit expectation gap exist among listed companies within Palestine.
5. Identifying the reasons for the audit expectations gap in listed companies in Palestine, according to the perception of the internal and external auditors.
6. Exploring the methods and policies that can be used by auditors to minimize the audit expectation gap among listed companies in Palestine Exchange.

1.4 Research Questions

Major Question

What is the nature of audit expectation gap of listed companies in Palestine Exchange?

Minor Questions

1. What is the effect of understanding nature of audit on the audit expectations gap within Palestine?
2. What is the effect of understanding the independency of the auditors on the audit expectations gap within Palestine?
3. What is the effect of understanding of responsibilities and duties of the auditors on the audit expectations gap within Palestine?
4. In which components of audit performance does the audit expectation gap exist among listed companies in Palestine?
5. What are the reasons for the audit expectations gap of listed companies in Palestine, according to the perception of the internal and external auditors?
6. What are the methods and policies that can be used by auditors to minimize the audit expectation gap among listed companies in Palestine Exchange?

1.5 Research Significance (Importance)

Theoretical Importance

According to the best knowledge of the researcher, this study is amongst the first studies that obtains data and information related to the audit expectation gap of listed companies in Palestine from the perceptions and views of both internal and external

auditors. Thus, this study contributes to the auditing literature as it attempts to extend the available knowledge related to this topic in the Palestinian context.

Practical Importance

1. This study investigates the audit performance and process of listed companies in Palestine.
2. This study provides an interesting direction and framework for analyzing the audit expectations gap in the listed companies in Palestine, and it encourages students and experts to perform further studies in this context.
3. This study is of great importance for users of audit reports, financial reports, and annual reports, as the existence of high-quality audit practices will increase the efficiency of the financial markets and increase economic prosperity.
4. This study is important to explore the quality of audit performance in listed companies in Palestine and provide audit organization in Palestine with interesting information for future planning for the development and enhancement of audit quality in Palestine.

1.6 Research Hypotheses

Major Hypothesis

The main hypothesis of this study is:

There is a high level of audit expectations gap in listed companies in Palestine Exchange from the perception of the internal and external auditors.

Minor Hypotheses

This hypothesis is broken down to the following sub-hypothesis:

H01: There are significant differences between the internal and external auditors' perceptions and views towards audit expectations existence.

H0-2: There are significant differences in the attitudes of the internal and external auditors towards audit expectations, which are attributed to years of experience.

H0-3: There are significant differences in the attitudes and perceptions of the internal and external auditors towards audit expectations, which are attributed to academic achievement.

H0-4: There are significant differences in the attitudes and perceptions of the internal and external auditors towards audit expectations, which are attributed to the size of the audit firm.

1.7 Limitations of the Study

This current study has the following limitations:

1. The hesitation of the internal and external auditors in answering the questionnaire.
2. This study covers a sample of internal as well as external auditors, so it does not cover all the auditors in Palestine especially in Gaza Strip.

1.8 Delimitations of the Study

1. Geographical Limitations: listed companies in Palestine and the audit offices and companies in Palestine
2. Time Limitations: During the first and second semesters of 2023–2024,
3. Human Limitations: The internal and external auditors in Palestine
4. Topic Limitations: Examining Audit Expectation Gap: Evidence form Palestine.

1.9 Study Terminology

Audit expectation Gap: “The discrepancy between what is expected of auditors and what they actually deliver” (Kamau et al., 2023, P. 26).

Palestine Exchange: is “a stock exchange based in Nablus in the Palestinian territories. The PEX was established in 1995, and currently operates under the supervision of the Palestinian Capital Market Authority (CMA). It aims to provide an environment for trading that is characterized by equity, transparency and competence, serving and maintaining the interest of investors”.

Audit: “An examination of books of accounts and vouchers of business, as will enable the auditors to satisfy himself that the balance sheet is properly drawn up, so as to give a true and fair view of the state of affairs of the business and that the profit and loss account gives true and fair view of the profit/loss for the financial period, according to the best of information and explanation given to him and as shown by the books; and if not, in what respect he is not satisfied” (Rahayu and Suryanawa, 2019).

Audit quality: “How much the auditor finds misstatements in the financial statements of a company, as well as how expected the findings are reported and included in the auditors` opinion (Rahayu and Suryanawa, 2019).

Audit Independence: It refers to “a system of checks and balances that ensure that the external auditor has no financial interest in the corporations being audited” (Yahaya and Onyabe, 2022)

Internal Audit: “An independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and

improve the effectiveness of risk management, control, and governance processes.”
(The Institute of Internal Auditors 2017, p. 29)

External Auditor: “Review of the financial statements of a business by independent legal authorized auditors to provide an opinion on the financial statements. The word audit originates from the Latin word (audire) to listen. The auditor is defined as a listener: one who reviews the statements” (Jovanova & Josheski, 2011, p. 2).

Chapter Two

Literature Review and Empirical Studies

2.1 Introduction

The audit expectation gap is one of the most highly researched and interesting topics in the accounting and auditing fields in the last few years, and it has gained the interest of scholars in different countries due to the complications of business operations (Salehi, 2020).

This chapter presents the literature review and the empirical studies that explored this topic either in foreign or Arab countries. This chapter presents the definition of the audit expectation gap and the origins and structure of this gap. Then, presenting the most interesting categories of the audit expectation gap and the remedies for it.

2.2 Audit Expectation Gap Definition

The porter's audit expectation gap was presented by porter in 1993. It is an interesting approach to examine the reality, nature, and components of this gap and this approach has acted a significant role in development of the audit expectation gap literature. The main objective of the porter model is to examine and analyze the structure, composition, and the size of the audit expectation and performance gaps. Porter performed his study and experience in four different interest groups that are auditors, auditees, financial community and the general public. Porter explored these interest groups' opinions regarding to auditors existing duties and responsibilities, the standard performance of these duties, and the duties that auditors ought to perform (Porter, 1993, P. 49).

Overall, Porter (1993) tested thirty suggested duties and responsibilities. The study results demonstrated that (25) of them contributed to the audit expectations-

performance gap. Basically, seven of them were due to a deficient performance for instance articulating uncertainties in the audit report about the client's continuous presence), eight were as a result of lacking standards (for instance, reporting to a regulatory authority suspicious of fraud) and ten were as a result of irrational expectations of society (for instance, guarantee audited financial statements are precise. Porter demonstrated that (16%) of the total gap taken place from sub-standard performance of auditors, (50%) from deficient standards and (34%) from unreasonable expectations. Furthermore, five of the remaining responsibilities and duties were revealed to have no effect on the gap as two of them were perceived by the interest groups neither existing duties nor expected to be accomplished by auditors. Whereas, three duties, they were satisfied with the performance of auditors. Moreover, Porter found nearly 40% of the public were aware of or have familiarity about auditors' duties. She claimed that this factor has affected the unreasonable expectations of the general public, Auditees and the financial community. On the other hand, appeared to have same level of knowledge with auditors. She concluded that the analysis based on different components was a useful means of addressing the problems of narrowing the gap.

Liggio (1974, P. 27) introduced the audit expectation gap for the first time in the audit literature; he defined it as the "difference between the level of expected performance as perceived by the financial statements` users and the independent accountants". Later, the Cohen Commission (1978) stated that the audit expectation gap is the gap between the auditors` performance and the expectations of the public and users of financial statements. Then, in 1993, AICPA defined the audit expectation gap as the difference

between what the public and financial statements` users believe that auditors are responsible for and what the auditors themselves believe their responsibilities are”.

Recently, Jannat (2022) stated that the audit expectation gap is the difference between the performance and responsibilities of auditors from the perception of the investors and what the auditors actually perform and their responsibilities.

Deepal and Jayamaha (2022) stated that audit expectation gap is the existence of variation or discrepancy between the expectations of the users of the financial statements and the auditors concerning the services obtained from the auditor.

Kamu (2023) defined audit expectation gap is “the mismatch between what the public and users of financial information think auditors are liable for and what auditors really think that their responsibilities and duties are”.

Thus, my definition of the audit expectation gap is the difference in the views of the public users of the financial statements and audit reports between the views of the auditors and their actual duties, efforts, awareness, knowledge, and duties as auditors and the essential objectives of the audit profession.

2.3 Theoretical Review

There are several theories that are attributed to the importance of the audit profession and the audit expectation gap, Which the study will mention her and use it to explain and discuss the findings of this study, which include:

2.3.1 Theory of Inspired Confidence: Theodore Limperg, a Dutch professor, proposed this theory for the first time in 1932. This theory concentrated on demand-and-supply auditors` services. He claimed that the auditor’s function is interesting and required due to the necessity of the public for specific

professionals and experts who have the ability to express an independent opinion on the examined stewardship reports (Conteh and Hamidah, 2021). He claimed that the demand for an audit's services is the direct result of external stakeholders' participation in a business (Salehi, 2020).

2.3.2 Policeman Theory: This theory argued that the responsibility of the auditors is to search, discover, and prevent of fraud practices in businesses. Thus, the fraud detection and prevention were the hallmark of the audit function (Owolabi and Olagunju, 2020). The policeman theory claims that auditors ought to behave like policemen. The auditors should focus on arithmetical accuracy and the detection and prevention of fraud and fraudulent practices. However, due to the rapid development in the audit field, this theory has lost its importance (Kunz and De Jager, 2019).

2.3.3 Role Conflict Theory: This theory was presented by Rizzo et al. (1970) in their article "Role Conflict and Ambiguity in Complex Organizations". This theory attempted to present an explanation of the audit expectation gap. This theory postulated that auditors must control and monitor the financial statements of clients and auditees, whereas the public has the expectation that the role will be reasonably accomplished. In the meantime, auditors are professionally required to be in compliance with agreed rules and regulations that support the auditors' independence (Ellul and Scicluna, 2022). Likewise, auditors are anticipated to uphold a balance between the proficient provisions and their role as the supervisory body, who are anticipated to help the users and the auditee organization and maintain their interests. The role of auditors is subject to the exchanges of the prescriptive prospects of the several interest groups in society,

having some direct or indirect association to the role position (Kunz and De Jager, 2019).

2.3.4 Readers Response Theory: This theory assumes that the awareness, knowledge, and experience of the reader affect his explanation and interpretation of a specific text. There is no one correct way to read the text, and the reader is active in explaining and interpreting a particular message (Azagaku and Aku, 2018). He can infer several meanings from the same text based on his psychology, motives, and content. Thus, as the readers and users of the financial statements and audit reports have various experiences, knowledge, and backgrounds, this may lead to a misinterpretation of the same test or report.

Based on that, the study used this theory to explain the emergence of the audit expectation gap. As, it assumes that this gap is due to the differences in the knowledge and experience of the public and users of the financial statements.

2.3.5 Agency theory: This theory emphasizes the relationship between investors as principals and senior management of the firm that is an agent. Managers, as agents, accept to perform several duties and responsibilities for the principals, who are the investors, and at the same time, the investors exchange these duties and functions by rewarding managers (Jensen and Meckling, 1976). Thus, the auditors play an essential role in directing and controlling this relationship between principals and agents through several duties and tasks, such as reviewing the records of the company to confirm the efficiency of the quarantine, providing proper help with bookkeeping records, and confirming the efficiency of the internal control system in the business (Salehi, 2020). Thus, the role of the auditors should be clear to the owners and managers, confirming that the audit

assignment is performed efficiently. Furthermore, the auditor performs his practices based on international audit standards (Salehi, 2020).

2.4 Types of Audit Expectation Gap

There are several types of audit expectation gaps. For instance, Porter (1993) categorized the audit expectation gap into a reasonable gap and a performance gap. The reasonable gap refers to the discrepancy between the expectations of the financial statements' users and the public about what the auditors are expected to perform and what they can reasonably be anticipated to perform (Boterenbrood, 2017). However, he divided the performance gap into deficient standards and deficient performance. The deficient standard is the discrepancy between what can reasonably be anticipated of auditors and the actual duties and responsibilities of the auditors that the auditors perform based on audit standards and law (Agrawal and Chatterjee, 2015).

Boterenbrood (2017) investigated the audit expectation gap between the auditors and clients based on the materiality of financial statements. The study confirmed that the amount of materiality assumed by preparers of the financial statements is less than the materiality perceived by auditors.

According to the Association of Chartered Certified Accountants (2019), an audit expectation gap is "a variation between what the general public thinks auditors do and what the general public would like auditors to do". ACCA divided the audit expectation gap into three gaps: the knowledge gap, the performance gap, and the evolution gap.

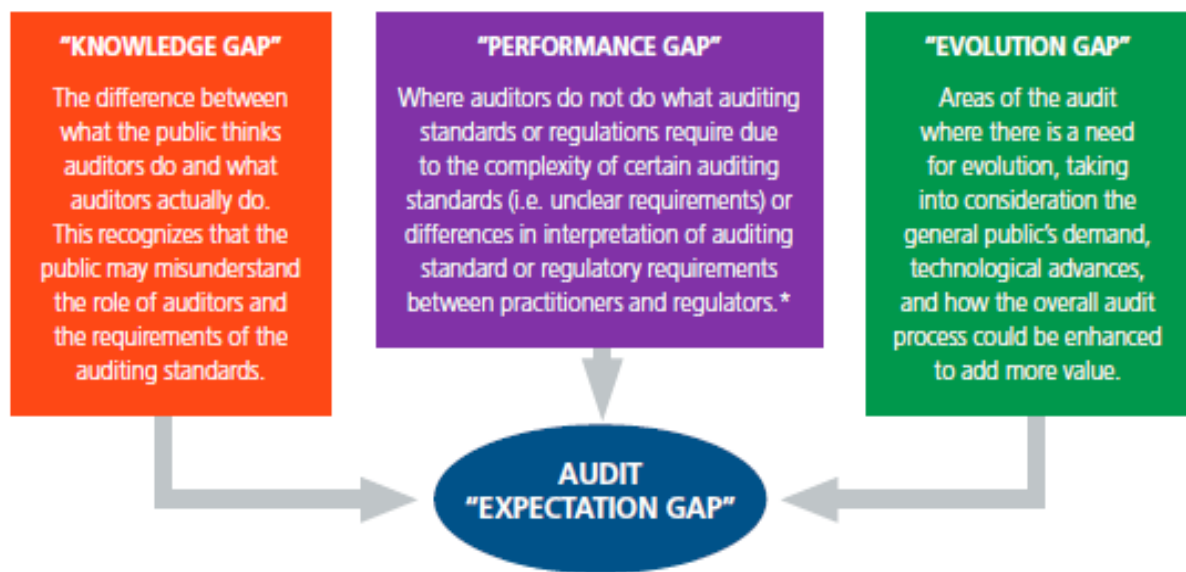


Figure (2.1): The Audit Expectation Gap and its Components by ACCA in 2019
Source (ACCA, 2019).

2.4.1 Knowledge Gap

The knowledge gap is “the difference between what the public thinks auditors do and what auditors actually do. This recognizes that the public may misunderstand the role of auditors and the requirements of the auditing standards” (ACCA, 2019). Thus, the knowledge gap, which is the extent to which the public and users of financial statements have knowledge and awareness of the audit profession, influences significantly the audit expectation gap, which is the amount of work that an individual expects to be carried out by other individuals and thinks he ought to perform (Lazarus et al., 2021).

For instance, it is interesting to recognize that the auditor is not liable to detect all fraudulent practices; the detection and prevention of fraud are the responsibility of the senior executive management (Agrawal and Chatterjee, 2015). On the other hand, an auditor is anticipated to evaluate the likelihood of fraud or error occurrence, and this is performed by being aware of the red flags that may reflect that there is a potential for fraud or illegal act occurrence (Nickson and Neikirk, 2018).

The needs of the public and users of the financial statements can have a significant influence on the audit expectation gap between users and auditors. The increasing need of users for audit functions and audit reports would expand the audit expectation gap from the auditor (Kapoor, 2021).

For instance, the client may hire an auditor to assess the efficiency and effectiveness of the internal control system of the business. The client may expect that the auditor will highlight every fault or weakness in the internal control system and detect every risk, error, or single fraud act (Kapoor, 2021). However, this expectation may not be completely satisfied by the auditor, but he would set a reasonable assurance and not an absolute assurance since the audit function is based on samples. Thus, the knowledge gap is the discrepancy between the perceptions and expectations of the public and users of financial statements about the role of the auditors and what the auditors actually perform (Henda, 2022).

Thus, one of the causes of the audit expectation gap is the misunderstanding of the role and responsibilities of the auditors and the audit profession by the public (Nickson and Neikirk, 2018).

2.4.2 Performance Gap

Performance gap is “where auditors do not do what auditing standards or regulations require due to the complexity of certain auditing standards that are under requirements or differences in interpretation of auditing standards or regulatory requirements between practitioners and regulators” (Youan and Kidane, 2022). This gap refers to the discrepancy found when auditors do not perform what they are anticipated to perform as per the set audit regulations and standards (Judit, 2017). The causes of the performance

gap could be insufficient concentration on audit quality; sophistication of auditing standards; or variations in explanation and interpretation of auditing standards between regulators and practitioners or regulatory requirements (ACCA, 2019).

The users of the financial statements and stakeholders expect auditors to exercise professional due care and to be in compliance with ISA when they carry out their functions (Fotoh and Lorentzon 2023). They must get sufficient and appropriate evidence that will allow them to establish and express an independent opinion. So, auditors must put in the required efforts to obtain the required evidence; otherwise, they will express and reach inappropriate opinions in the audit report (Fossung et al., 2020).

Thus, if the audited financial statements and audit reports cause bad and inaccurate decisions for the users, the public and users of the audit reports have the right to raise a case against the auditors. Thus, if the court proves that the auditors neglected to exercise their efforts adequately, the judgment of the court will hold the auditors liable for these financial losses and damages to the public and users of financial statements and audit reports. Thus, the level of auditors' efforts influences the audit expectation gap (Deepal and Ariyaratna, 2022).

2.4.3 Evolution Gap

This gap is the discrepancy that exists in some units out of the whole scope of audit where development is required, taking into consideration demands from the public and audit and financial statements users, technical developments, and the way the audit function may be developed and enhanced to increase the value added of the audit function and audit practices (Olojede, 2020).

The evolution gap is “the areas of the audit where there is a necessity for evolution, considering the general demand of the public, technological transformations and developments, and the way the overall audit process and function could be enhanced to add more value” (Kamau, 2020).

2.5 Causes of Audit Expectation Gap

According to Jannat (2022), there are four main causes of the audit expectation gap: fraud detection, internal control, reliability, and suitability of accounting numbers. However, Akther and Xu (2020) stated that there are ten causes of the audit expectation gap: duties and responsibilities for the usefulness of audit reports and fraud, delivery of non-audit services, going concern prospects, the expectancy for other assurance services, mandatory rotation of auditors, communication with the efficient audit committee, increase of audit reports, and confirmation of audit education.

King and De Beer (2018) argued the best strategies to narrow the audit expectation gap are: increasing the responsibilities of the auditors concerning fraud detection and prevention, errors, and illegal actions and behaviors; increasing the audit report; investing and involving the public and auditors` training and knowledge; and ensuring the auditors` independence. Furthermore, Taslima and Fengju (2019) claimed the best strategies to decrease audit expectations are mandatory rotation of auditors, limiting the consulting services of the auditors and audit firms, and efficient regulation of auditors` appointments.

Salehi et al. (2020) explored the causes of the audit expectation gap. The study demonstrated that there is a negative correlation between the audit expectation gap, audit fees, and auditors` independence and efficiency of the audit committee and firm

rating. Furthermore, Salehi et al., (2016) found that there is an audit expectation gap between auditors and investors in Iran due to the level of audit independence in Iran.

In a study by Farasangi and Nohongdari (2017), the most prevalent causes of the audit expectation gap are poor auditor independence and non-financially granted facilities in Iran. Likewise, Alawi et al. (2018) found the most interesting factors influencing the audit expectation gap are poor efforts of auditors, poor skills of auditors, unreasonable expectations and misunderstandings of the public and users of the financial statements, and the needs of users and the public from the auditors. Eventually, Fulop et al. (2019) found that poor audit education increases the audit expectation gap. Meanwhile, Onulaka (2019) attributed the audit expectation gap to a lack of government intervention, misinterpretation and misunderstanding, and unrealistic users' expectations of the audit profession, poor public expectations of auditors, a deficiency in auditor performance, and a lack of awareness among auditors about their duties and responsibilities. Herein is a discussion of some factors influencing the audit expectation gap:

2.5.1 Going Concern Issue: The IASB (2018) expects that the corporate financial statements and financial reporting are prepared based on the going concern assumption. Thus, the users of the financial statements expect that the directors maintain the going concern assumption of the business. Afterward, the supposed financial statements are expected to be validated and audited for the inherent going concern assumption and lend creditability to them (Onulaka, 2019). On the other hand, the users of the financial statements perceive a clean audit report as an interesting indicator of the status of the business. However, when the firms collapse and fraud is detected after the auditors present a clean report,

2.5.2 Auditors' Independence: The extent of the external auditors' independence is perceived as an interesting factor that influences the audit expectation gap. The existence of a high level of auditors' independence is an essential requirement for a high-quality audit profession and practices (Younan and Kianem 2022). The existence of an independent audit environment and conditions gives the auditors the opportunity to express their opinion freely and to make their decisions subjectively (Onulaka, 2019). Thus, the professional principle is one of the most interesting principles of the auditing profession.

2.5.3 Auditors' Detection and Prevention of Fraud: Fraud is perceived as an interesting matter that receives numerous attentions in the fields of accounting and auditing. It's expected that the audit reports and financial statements ought to be free from misstatement, either due to fraud or errors, to be perceived as reasonable statements and reports (Munajat and Suryandari, 2017). The complexity of business activities and functions has opened the door to fraudulent practices, which trigger senior management and employees to commit fraud (Asare et al., 2016). There is a gap between the general public and the users' expectations of the role and responsibilities of the auditors to prevent and detect fraud, and what is actually the liability of the auditors to detect and prevent fraudulent practices and errors.

2.5.4 Audit Report: The audit report demonstrates the audit opinion about the internal control of the firm and the compliance of the financial statements reporting with the international financial reporting standards. There are a number of audit report types that auditors may follow. However, all these reports inform the general public and the users of the audit reports and the

financial statements of the logical consistency between the information disclosed in the audited financial statements of the client and the specified audit standards (Füredi-Fülöp, 2015).

Furthermore, a study by Masoud (2017) found that the causes of the audit expectation gap are unrealistic expectations of the general public and users of the financial statements of auditors' functions, responsibilities, and duties. Whereas, Astolfi (2021) demonstrated that awareness and knowledge of the importance of accounting and auditing these principles and standards influence the audit expectation gap.

2.5.5 Reliability Factor: The directors of the business prepare the financial statements. The users of these statements and reports use them for different purposes (Fulop, 2017). Thus, corporations must assign independent auditors to perform a detailed analysis of financial statements to be included in their annual reports. Thus, the auditor confirms that the financial statements and audit reports are prepared based on IFRS or any other statutory laws and regulations to ensure that these financial statements are free from any material misstatements and that they disclose fair and true information about the financial position and the financial performance of the organization (Quick, 2020). Conversely, there are times when the financial statements and audit reports may not reflect the accurate situation of the business. Thus, this creates an audit expectation gap. For instance, we hear sometimes that the audit exercise ought to have detected all fraudulent practices in the corporation or that the clean audit report is just a satisfactory bill of the position of the corporation (Astolfi, 2021).

2.5.6 The Auditors' Skills: According to Kato, et al (2017), there are several skills that auditors need professionally to be good and successful auditors. These types can be categorized into technical and soft skills. The technical audit skills are acquired through experience and studies, for instance, knowledge and good experience of ISAs and IFRSs, IT skills, the proper and accurate selection of the sample, and implementing accurate and right audit procedures in carrying out the audit duties and responsibilities (Mansur and Tangi, 2018). However, the soft skills include efficient and effective communication skills, the ability to manage and deal with different issues and problems that the auditor may confront, and efficient and successful reporting and planning skills (Babiker, 2023).

There is a difference between auditor skills and auditor efforts since the auditors may have the proper skills and experience but do not exercise much effort to obtain evidence. Thus, their audit report may be inaccurate (Henda, 2022). However, the auditor may exert adequate efforts, but he does not have the required soft and technical skills. Thus, his efforts may go unheeded and ignored. For instance, the sample of the audit may not be representative or accurate. Thus, he will spend much of his effort and time auditing the wrong documents (Azagaku and Aku, 2018).

The audit expectation gap has been extensively explored in empirical studies. Thus, there are several reasons and consequences of the audit expectation gap, such as unrealistic and unreasonable expectations of the public and users of the audit reports and financial statements, the evolution of the audit profession, and demand-based changes taking place in the audit profession (Ruhnke and Schmidt, 2014).

2.6 Methods for Reducing Audit Expectation Gap

There are a number of ways and methods to narrow the audit expectation gap between the public and the auditors. According to Fulop et al. (2019), decreasing the audit expectation gap is the main responsibility of the auditors, the public, and the organizations engaged in the presentation of the financial statements. Moreover, Abu Myala (2017) explored the role of the audit committee in decreasing the audit expectation gap from the perception of the auditors. The study followed the quantitative research approach and survey design. The data was taken from a sample of (194) auditors. The study results demonstrated that the audit committee acts an essential role in decreasing audit expectation gap. Furthermore, the findings found that the financial reporting and the efficiency of the internal control system, and assessment of the risk of fraud well narrow the audit expectation gap.

Sayedahmed (2023) examined the effect of analytical procedures in audit environment. Besides, exploring the role of these procedures in decreasing the audit expectation gap. The study followed the quantitative research approach and the survey design. The data was obtained from a sample of (120) auditors and academics. The findings demonstrated there is a significant role of analytical procedures in decreasing audit expectation gap in Palestine.

Mansur and Tangi (2018) found that the best strategies to narrow the audit expectation gap are increasing the public and users` knowledge and education and enhancing communication between the users of the financial statements and the external auditors. Furthermore, Taslima and Fengju (2019) found that the best strategy to narrow the audit expectation gap is to increase the quality of audit standards and the auditing profession

and clearly address the duties, responsibilities, roles, and functions of the audit profession.

Alawi et al., (2018) demonstrated that the existence and increasing audit expectation gap is an interesting proof that the auditing profession has not dealt with the development in the business and accounting environment. Furthermore, Coram and Wang (2019) demonstrated that the existence of a high-quality audit function is required to raise the extent of assurance required by stakeholders and investors, and that a decrease in the audit expectation gap will increase the investors' confidence in the auditing profession and give the investors the opportunity to improve their ability to evaluate the actual position of the business.

According to the ACCA (2019), audit organizations have to illustrate the reality and nature of the audit profession for the users of audit reports and financial statements and the public. Besides, the international auditing and assurance standards boards and the PCAOB introducing the communication of critical audit matters in the reports of the audits of listed firms may play an essential role in this.

The audit organization regulators must be clear in writing the audit standards to avoid any misunderstanding or misinterpretation of those standards. For instance, the audit team may take part when the audit engagement team meets to identify the potential areas of risk. It is interesting that the regulating organizations and the setters of the audit setters have to set the rules and regulations obviously to avoid creating necessities that can enforce biases in rulings or are hard to impose accurately (Ellul and Scicluna, 2022).

According to Füredi-Fülöp (2017) argued there are various causes of audit expectation gap and the extent of this gap differs among countries and societies due to economic,

religious, and regulatory conditions and environments among them. ACCA (2021) recommended the necessity of bridging this gap for the best interest of the public through setting a comprehensive approach with special emphasize on fraud detection and prevention and going concern.

That are three approaches to decrease audit expectation gap that are: educating and increasing the awareness of and understanding of the public and users of the financial statements in an independent, impartial and clear way in audit principles and standards to narrow the knowledge gap (Füredi-Fülöp (2017). The second strategy is to avoid standard setters in setting requirements that bring judgement biases or are inspiring to implement factually to decrease the audit performance gap (Dang and Nguyen, 2021). The last strategy is the necessity of having a comprehensive discussion concerning the way that the audit profession ought to change to stay relevant and achieve the needs of the financial statements' users and the general public to decrease the evolution gap (Astolfi, 2021).

Eventually, the researchers classify the remedies of the audit expectation gap into four strategies that are: investment in training and education of the public and users` of the financial statements. The second strategy is expanding the size of the audit report to include more critical information for users of these reports (Olohede et al., 2020). The third strategy is enhancing and increasing the efficiency of the communication (Akther and Xu, 2020; Xu and Akther, 2019). The last strategy is increasing the good soundness and increasing the quality of regulatory changes (Nguyen and Nguyen, 2020).

However, there is a strong debate concerning the efficiency of these strategies. For instance, Quick (2020) argued that the involvement in training and education is not a feasible strategy to use as its impossible to training and educate millions of the general

public and the users of the financial statements efficiently. Moreover, Coram and Wang (2020) argued that decreasing the audit expectation gap is not an easy task that could be achieved by increasing the size of the audit information and increasing the amount of accounting disclosure as the increasing the size of the audit report may increase the complexity of understanding the audited financial statements and the disclosed information. Besides, Quick (2020) argued that decreasing the audit expectation gap cannot be achieved merely by audit profession.

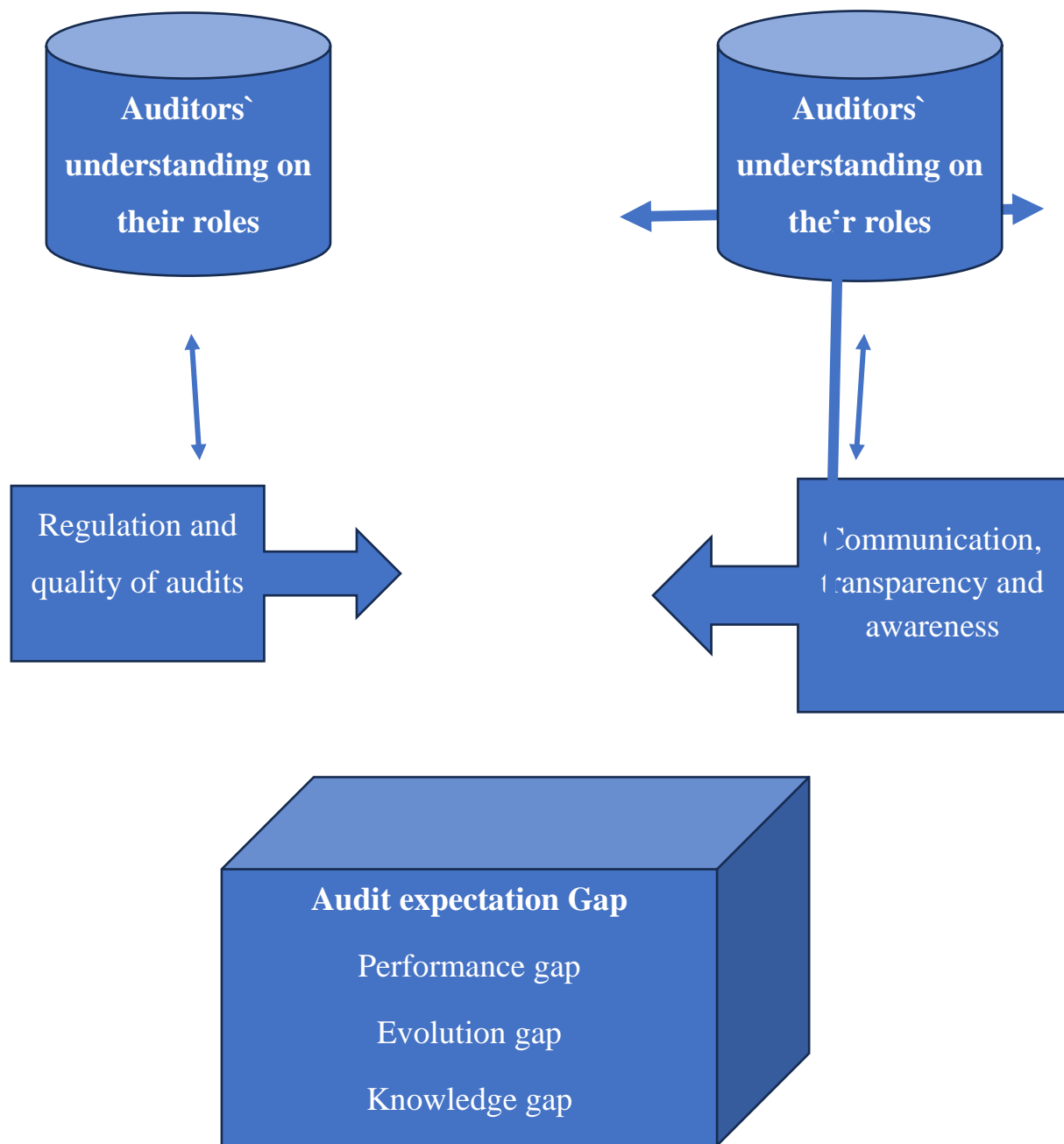


Figure (2.2) Presents the Interconnection Between Audit Expectation Gap Sources, Types, and Expected Remedies. This Figure Presents that the AEG is the Discrepancy Between the Perceptions of the General Public and Understanding of Auditors of their Roles with Especial Focus on their Responsibilities Toward Fraud Prevention and Detection. Besides, it Shows the Various Types of AEG that Exists Between the General Public and the Auditors. Furthermore, the Framework Assumes Expected Remedies to Help in Narrowing the AEG.

2.7 Historical Development of the Auditing Profession in Palestine

The historical development of the auditing profession in Palestine dates back to 1919, when advanced professional legislation derived from the British Companies Law was applied during that period, especially since it was the Mandate of Palestine from the year 1918-1948, and the state that had the lead in this professional organization. The Saba Auditing Office was one of the first auditing offices, which was established in Palestine and was established in the year 1926 after obtaining membership in the Society of Accountants and obtaining a license from the Government of Palestine as a legal auditor. Saba and their partners were founded by chartered accountants and it was the first auditing institution in the Middle East (Mansour & Chenikhar, 2020).

The first law to regulate the accounting and auditing profession in Palestine was the law issued by the British High Commissioner in Palestine in the year 1929, and it bears the number (18) of 1929. After the war in 1948, this law remained applied in the Gaza Strip until the year 1967, while it remained in effect. In effect in the West Bank until 1961, when it was replaced by Jordanian Law No. (10) of 1961.

This law was applied in Jordan in addition to its application in the Palestinian West Bank and was not applied to the Gaza Strip. This law continued to be implemented in the West Bank until 1997. As for the Gaza Strip, the laws regulating the auditing profession were a mixture of Egyptian laws and a set of Israeli military orders until 1997 (www.bopa.ps,2024).

In 1997, the President of the Palestinian National Authority issued Resolution No. (5) of 1997. This decision stipulates the generalization of the application of Law No. (10) of 1961 “The Jordanian Law for Practicing the Auditing Profession” to all Palestinian territories.

In 2004, the Palestinian authorities issued the Law on Practicing the Auditing Profession No. (9) of 2004 to be implemented in all Palestinian territories. Which came to organize and develop the profession (www.pacba.2020).

As for professional associations, there are three professional associations in Palestine concerned with the profession of accounting and auditing, two of which are in the Gaza Strip, which are the Palestinian Society of Accountants and Auditors, which was founded in 1979, the Society of Auditors, which was founded in 1997, and one in the West Bank, which is the Association of Certified Public Accountants and Auditors. Which was established in 1986, and the role of the aforementioned associations was limited to the trade union and political role, in addition to developing the capabilities of accountants and auditors through various training courses, without any of them having any significant role in organizing the profession before the issuance of the aforementioned Resolution No. 9/2004, which gave a kind of role. The Association of Auditors located in the Gaza Strip, excluding other professional associations. The Palestinian Association of Accountants and Auditors is considered the largest of the aforementioned associations.

2.8 Previous Studies

This section presents several empirical studies that explored the audit expectation gap in various countries either in Arab world or foreign countries to find the objectives, population and sample, research design and the main findings and implications of previous studies.

The Extent of the Audit Expectation Gap

Alkhateeb et al. (2023) explored the extent of the audit expectation gap between investors and auditors as well as the gap between financial managers and auditors in Jordan. The study followed a quantitative research approach and a survey design. The data was taken from 622 respondents. The findings demonstrated that there is an audit expectation gap between auditors and investors and between auditors and financial managers in listed firms in Jordan. Likewise, Alshoqour and Alhajaya (2022) explored the extent of the audit expectation gap regarding the auditors' performance gap concerning digital financial reporting based on the perceptions and views of institutional investors and auditors in Jordan. Besides, specify the effect of the audit expectation gap. The quantitative research approach was followed by using a survey design. The data was taken from 29 institutional investors, such as investment portfolio managers in banking institutions, insurance institutions, and financial intermediation firms, and 93 auditors. The results revealed that the auditors' considered their work to be of high-performance level. Whereas, institutional investors evaluate the auditor's performance as not at the level expected from them. Moreover, the audit expectation gap decreases the extent of the information disclosed on the web sites of listed firms by institutional investors.

In a study performed by Mohammad et al (2017) to explore the investors' attitudes and perception towards corporate accountability and the extent of audit expectation gap in Jordan. The study followed the qualitative research design by implementing several interviews with financial analysts in investment institutions. The study results confirmed that the implementation of an efficient and effective accountability system

decreases audit expectation gap. Likewise, the existence of an efficient and effective audit committee decreases audit expectation gap.

Kapoor (2021) explored the extent of the audit expectation gap in India and the expected factors that may narrow the audit expectation in India, with a special focus on knowledge, performance, and evolution gaps. The study results confirmed that there is an audit expectation gap in India concerning the performance and knowledge of auditors. Furthermore, the respondents confirmed that there is a necessity to increase the knowledge of the public and users of financial statements concerning the scope of the audit profession. Besides, the study results confirmed that the weak documented standards of accounting and auditing and poor and deficient performance increase the audit expectation gap. The implication of this study is that there is a necessity to bring clients, stakeholders, journalists, the government, and regulators together to discuss their expectations about the audit profession and create reasonable expectations concerning the role, duties, responsibilities, scope, and limitations of the audit profession. In consistent with this study, Lazarus et al. (2021) explored the audit expectation gap between users of audit services, which are accountants, investors, and bankers. The study followed a quantitative research approach using a questionnaire that consists of 15 statements related to auditing practices and professions that include auditors` duties and responsibilities, the consistency of audits, and the importance of the audited financial statements in making decisions. The study demonstrated that there is an audit expectation gap between auditors and users concerning the responsibilities of the auditors to detect and prevent fraudulent practices and maintain an efficient and effective internal control system. The implication of this study is that there is a necessity

to increase` the users of the financial statements about the responsibilities of the auditors.

Akther and Xu (2020) examined the existence and extent of the audit expectation gap and to examine the effect of the audit expectation gap on the confidence of stakeholders through the role of the active financial reporting council. The study followed a quantitative, cross-sectional, correlational, and survey design. The studied sample consists of (174) investors, auditors, credit analysts, and regulatory organizations in Bangladesh. The most documented aspects of the audit expectation gap are auditor responsibility, the usefulness of audit reports, the role of auditors in providing consultant and non-audit services, the role of auditors in assurance services such as management discussion, and corporate social responsibility towards the environment. The study findings uncovered that there is a negative effect of the audit expectation gap on the confidence of the stakeholders, and the highest-scoring audit expectation gap is the low level of confidence of stakeholders in the audit. The main implication of this study is that auditors ought to maintain perceived independence, improve the extent of communication with financial users, and induce the confidence of stakeholders at the same time. The necessity for the existence of an efficient and effective financial reporting council. Likewise, Olojede et al. (2020) explored the audit expectation gap in Nigeria by exploring its nature and scope. The study followed a quantitative and descriptive research design. The data was taken using a survey design. The study results confirmed that the audit expectation gap exists in Nigeria, and the reports of external auditors did not have a significant impact on decreasing the audit expectation gap. The most documented cause of the audit expectation gap is unreasonable and exaggerated users` expectations, since there is a weak level of recognition and understanding of

auditors' roles and responsibilities. The study suggested that there is a necessity to present a novel model of business reporting directed towards disclosing greater non-financial information and increasing the subjectivity and independence of external auditors.

The Reasons of the Audit Expectation Gap

Fossung et al. (2020) explored the determinants of audit expectation gap in Cameroon, using a survey design to specify these factors, following the quantitative research approach. The findings revealed that auditor abilities, audited financial statements, and audits are the most significant predictors of the audit expectation gap. However, gender, experience years, and occupation (accountant or investor) have no effect on the audit expectation gap. The study also confirmed that the growth in legislation and auditors' tasks and obligations regarding audit usefulness and reliability widens the audit expectation gap. Furthermore, Salehi et al. (2020) examined the relationship between the characteristics of auditors and the audit expectation gap among information users in listed firms in Iran. The study followed a quantitative approach using panel data and multivariate regression analysis. The data was taken from 78 listed firms throughout the period 2012–2016. The study results confirmed that the major determinants of the audit expectation gap are: audit fees, audit opinion, audit committee characteristics, independence of the auditor, and rank of the audit firm. The study revealed that there is a negative relationship between audit fees and the existence of an audit expectation gap. Besides, the auditors' independence bridges the audit expectation gap.

Henda (2022) examine the effect of individual attributes and characteristics, for instance, the knowledge and experience of auditors and users of financial statements

and audit reports. Besides, examining the role of the audit expectation gap between individual criteria and loan decision performance. The study followed the quantitative research approach. The data was taken from a sample of 159 employees of the top ten Islamic banks. The study results confirmed that there is an audit expectation gap in operating banks in Saudi Arabia. There was a significant role for experience and knowledge in decreasing and eliminating the audit expectation gap. Furthermore, the study demonstrated that there is a negative association between the audit expectation gap and the performance of loan decisions. Besides, the audit expectation gap mediates the association between loan performance and individual factors.

Similarly, Masood et al. (2020) explored the extent and causes of the audit expectation gap in Yemen and the most efficient strategies to narrow this gap. The study followed the quantitative research using a quantitative, descriptive, cross-sectional, and survey design. The data was taken from a sample of 288 users and users of financial statements. The study results confirmed that there is a wide audit expectation gap between the external auditors and the users` of the financial statements, especially concerning the roles and responsibilities of the external auditors. The main implication of this study is that there is a necessity to adapt auditing and accounting standards to improve the quality of the audit profession and narrow the audit expectation gap.

In line with the previous study, Ali et al. (2019) explored the reasons for the audit expectation gap between the financial auditors and the users of the financial statements. The researchers used a quantitative, descriptive, cross-sectional, and survey design to perform this study. The findings of the study demonstrated that the determinants of the audit expectation gap are the vagueness of the reference's role, confusion between concepts such as the differences between auditing and management, and the lack of

qualifications of references. The researchers suggested that there is a necessity to increase the practical and theoretical qualifications of the auditors, ensuring their independence and increasing their transparency. Besides, it is interesting to promote that the role of the auditors is to confirm the correctness and integrity of documentation and recording in the financial statements.

Daraghmeh and Aqel (2018) examined the effect of unreasonable expectations of the financial statements' users on the audit expectations gap in Palestine. The study followed the quantitative research approach. The data was taken from a sample of (300) internal and external users of financial statements. The study results demonstrated that there is a prevalence of a wide unreasonable audit expectation gap. Also, Toumeh et al. (2018) explore the extent of the audit expectation gap between the auditors and the users of the financial statements from the perspective of auditors in Jordan. Besides, exploring the determinants of this audit gap. Besides, there are remedies for this audit expectation gap in Jordan. The study followed a quantitative, cross-sectional, and survey design. The data was taken from 109 auditors in Jordan. The study results confirmed that the external auditors in Jordan are aware of the audit expectation gap. The most prevalent explanation of the audit expectation gap is the poor awareness of users of financial statements and their unreasonable expectations. However, the least interesting reason for the audit expectation gap is the uncertainty of the independence of the auditors. The main implication of this study is the necessity of increasing the independence of auditors.

Consequences of the audit Expectation Gap

Moreover, Deepal and Ariyaratna (2022) explored the extent and consequences of the audit expectation gap in different countries through a systematic analysis of several

articles and studies that explored the topic of the audit expectation gap in different countries around the world over the last few years. The study findings demonstrated that the concept of the audit expectation gap is a multidimensional concept. Besides, there are several determinants of the audit expectation gap, and there are several strategies that can narrow this gap. Furthermore, Kidane and Younan (2022) explored the extent and causes of the audit expectations in the national audit office in Sweden from the perceptions of society and the public auditors concerning the roles and responsibilities of those auditors. The study followed the qualitative research approach by using an interview design with public auditors. Besides, a content analysis of articles from the National Audit Office of Sweden were conducted. The findings of the study revealed that there are several causes of the audit expectation gap between the auditors and society in the Swedish National Audit Office, for instance, poor knowledge and awareness of the public concerning the roles and responsibilities of the office and failure to be committed to the ethical values and standards.

Likewise, Osei-Assibey (2021) examine and evaluate the public's perceptions concerning the audit expectation gap in the Sekondi Takoradi Metropolis. The study followed a quantitative and descriptive research design. The data was taken from a sample of (210) respondents who were selected randomly. The public perceives that the role and responsibilities of external auditors are the detection and prevention of errors and fraud and the disclosure of illegitimacies and wrongdoings in firms' financial statements. Furthermore, most of the respondents said that there was a question about the quality of financial statements and audit reports as their objective was to please senior management. However, there is a significant and direct positive relationship between the responsibilities of the auditors in the detection and prevention of fraud and

fraudulent practices and the audit expectation gap. The main implication of this study is that the auditors' roles and responsibilities ought to be definitely clear to the public and users of financial statements and audit reports to decrease the audit expectation gap.

2.9 The Solutions of the Audit Expectation Gap

Rostami (2019) explored the causes and solutions of the audit expectation gap in Islamic countries through the case study of Iran and Iraq's public perceptions of audit information and reports. The audit expectation gap includes audit report type, training of users, and related regulations and laws. The data was taken from 400 users of financial statements through a survey design. The study results confirmed that there is an insignificant role for the type of audit report, setting standards, and training of financial statements and audit report users in decreasing the audit expectation gap.

In a study performed in Sudanese banks by Babiker (2023) to explore the role of joint audit in decreasing the audit expectation gap and exploring its role in recognizing the risks associated with external audit activities and processes. This study followed a quantitative research approach and a descriptive design. The study results demonstrated that there is a positive effect of perceived joint auditing advantages and a decreasing audit expectation gap. Furthermore, there is a positive effect on challenges confronted with joint auditing and a decreasing audit expectation gap. The main implication of this study is that the Sudanese Board of Accountants and Auditing must encourage joint auditing in Sudanese listed firms by setting laws, regulations, and standards to achieve the auditors' independence and increasing participation between Sudanese audit firms and regional and international partnerships to increase the quality of external audits and decrease the audit expectation gap. Likewise, Fotoh and Lorentzon (2023) examined the

effect of digital transformation in audit activities and professions on the audit expectation gap, as there are several recent areas of the expectation gap where threats and challenges have appeared due to this digital transformation. The study results confirmed that this digital transformation has positively affected the quality and efficiency of internal control and, at the same time, facilitates fraud detection and prevention. Thus, digital transformation has decreased the audit expectation gap. Furthermore, it plays an essential role in increasing the speed of the removal of potential future challenges and threats. Thus, the digital transformation of the audit profession decreased the audit cost, increased the quality of the profession, and enhanced the perception of clients towards auditors.

Kamau et al. (2023) explored the reasons and solutions of the audit expectation gap in Kenya, as the study hypothesized that there is a gap and disconnection between what clients and the general public expect from the reports of the auditors and what they actually offer them. The study results documented that the major reasons for audit expectations are the scarcity of resources and the complexity of audit practices and actions, the quality and structure of audit committee characteristics, the characteristics of auditors, involvement in sustainability reports, and the experience and academic achievement of the audit firm. The study revealed that the audit expectation gap exists due to audit performance, audit standards, poor communication between the auditor and the general public, and legal requirements. Eventually, the major implications of this study are that auditors have to improve and increase their communication and interaction with the general public. Furthermore, there should be a comprehensive and multidimensional strategy that includes regulatory control, public education, and the independence of external as well as internal auditors in listed companies in Kenya.

These practices promote a better level of trust and confidence between auditors and the public.

In a study performed by Dung and Tuan (2019) who explored the causes, consequences, remediation, composition, and extent of the audit expectation gap in Vietnam. The study followed the quantitative research approach using a survey design administered to auditors, clients, users, and beneficiaries of audited financial statements, as well as the general public, such as teachers in universities, businessmen, and investors. The data was taken from 454 respondents. The study demonstrated that there is a moderate level of audit expectation gap in Vietnam. The main implication of this study is that the clear role and responsibilities of auditors, improving the independence of the auditors, and identification of the reasons for audit expectation gaps will eliminate audit expectation gaps. Likewise, Azagaku and Aku (2018) examined the extent and causes of the audit expectation gap in listed firms in Nigeria, with a special focus on listed firms in Nasarawa State. Besides, search for some policies and strategies that decrease the audit expectation gap. The study findings demonstrated that an audit expectation gap exists in Nigeria. The most documented aspect of the audit expectation gap is the responsibility of the auditors. Thus, the study suggested that there is a necessity to increase user and public awareness of the responsibilities of external auditors to narrow this gap. This study is in consistent with Hussain et al. (2018) who explored the most interesting factors influencing the existence of an audit expectation gap based on the perceptions of the public and the users` of the financial statements and audit reports. The study followed the quantitative research approach, using the questionnaire as an instrument to obtain the data. The study results confirmed that the most noticeable aspect of the audit

expectation gap is the failure to detect and prevent fraud and errors, as well as the failure to detect and prevent illegitimate acts.

Eventually, Shikdar and Faruk (2018) explored the factors that decrease the audit expectation gap in Bangladesh by examining the effect of audit education and the application of Financial Reporting Act regulations. The study followed the quantitative and descriptive research approach by using a survey design. The data was taken from 50 accounting and auditing academicians, accounting students, and qualified and practicing accountants. The findings demonstrated that audit education and the implementation of Financial Reporting Act regulations eliminate the audit expectation gap.

2.10 The Similarities and Differences between the Current Study and Previous Studies

The objectives of previous empirical studies have diversified as some of them have explored the extent of the audit expectation gap and the determinants of this gap. Meanwhile, others explored the types of audit expectation gap. While, others explored the causes and remedies of this gap. Besides, some of them explored the investors' attitudes and perception towards corporate accountability and the extent of audit expectation gap of listed companies in financial markets. Others have examined the digital transformation in audit activities and professions on the audit expectation gap, others also examined the relationship between the characteristics of auditors and the audit expectation gap. However, this study will examine the nature of the audit expectation gap in Palestine.

The population of previous studies have diversified with especial focus on external auditors. However, this study will focus on both the internal and external auditors.

2.11 Contribution of the Study

This study is dissimilar to previous studies as it is performed on the auditors in Palestinian community, which is dissimilar in its environmental characteristics in various aspects from the characteristics of the community and business environment in which the previous empirical studies have conducted. Besides, this study will suggest some empirical and theoretical implications to bridge the audit expectation gap in Palestinian context.

This study contributes to the existing studies concerning the extent of the audit expectation gap in Palestine. Furthermore, this study examines the most prevalent aspects of this audit expectation gap and its causes as the study found that there is limited studies and research that have explored this topic in Palestine especially in banking institutions. thus, this study is an interesting reference for further studies to be carried out concerning this topic in Palestinian context.

There is a scarcity of studies that explored this topic in Palestinian context compared to the volume of studies that were performed in developed countries. Thus, this study explores this topic in instable and in a region that is relatively under researched.

Chapter Three

Research Methodology

3.1 Introduction

This chapter presents the research approach, design, data collection methods, population and sample and sampling selection method as well as the measurement of questionnaire validity and reliability, the statistical analysis techniques and the ethical considerations of this study.

3.2 Research Approach

This study follows the quantitative method as it gives more accurate information and data when investigating the scope and prevalence of a specific phenomenon such as the prevalence of the audit expectation gap (Bryman, 2016).

3.3 Data Collection Methods

There are basically two essential sources of obtaining information that are: the secondary data that were obtained from previously performed studies to write the literature review and previous empirical studies that have investigated the current topic of the study.

In this study, the researcher is interested to obtain high quality sources especially focusing on new sources that was performing during the last few years. Besides, focusing on peer reviewed articles as these references and sources are reviewed by experts in the same field and the researcher focused on the articles that were used several times with in the topic of the study.

The data was obtained from several secondary sources such as using books to write the theoretical framework of the study and to write about the historical development of audit profession with special focus in Palestinian context. Furthermore, the study used the cited articles that have explored the current topic of the study. Besides, several articles and theses that explored the topic of the study in Palestinian, Arab and foreign context were reviews to find the objectives, population and sample of previously held studies, the used methodology and data collection methods and the major findings of that studies to identify the similarities and differences between the current study and other previously performed studies. Also, to identify the value added of this study.

The second source of information is the primary data that were obtained through using survey design to measure the extent of the audit expectation gap in Palestinian context and the major sources and factors that influence the existence of this gap. The researcher gained advantage from previously written questionnaires.

The questionnaire of the study consists basically of two sections. The first section consists of demographic variables that consists of age, gender, academic background, position, years of experience, and having a professional certificate or degree.

The second section consists of statements related to the audit expectation gap existence and the factors influencing its existence with special focus on the responsibilities and duties of the auditor, reliability of audit and the significance and usefulness of audited financial statements. The questionnaire followed Likert scale from five degrees that are strongly agree (5), agree (4), neither agree nor disagree (3), disagree (2) and strongly disagree (1).

The study adopted the following scale to evaluate the degree of the agreement.

Table (3.1) Agreement Descriptor

Mean Likert-type Value	Agreement descriptor
1-1.80	Very Low
1.81 -2.60	Low
2.61 -3.40	Moderate
3.412-4.20	High
4.21-5	Very high

3.4 Population

The population of the study is the external auditors in audit offices and internal auditors in listed companies in Palestine. The number of registered auditors in Palestinian Association of Certificated Public Accountants is approximately (245) auditors (Palestinian Association of Certified Public accountants, 2023).

3.5 Sample

The main geographical area of this study is Ramallah City since it's the commercial center for listed companies in Palestine and most of audit firms are located in this city. The researcher excluded the external auditors in Gaza strip. The researcher was able to obtain (189) filled questionnaires. The sample was selected as a random sample of respondents and questionnaires were distributed using both E-forms and by hand, and the researcher contacted respondents personally to assure a high response rate. The sample consisted of 211 forms where response rate was 89.5%.

Table (3.2): Distribution of the Studied Sample Based on Demographic Characteristics

Variable	Scale	Frequencies	Percentage
Age	Less than 30 years	43	22.8
	30 - 39 years	52	27.5
	40 to 49 years	57	30.2
	50 and More	37	19.6
	Total	189	100.0
Academic achievement	Diploma	5	2.6
	BA	46	24.3
	Master	97	51.3
	High education	41	21.7
	Total	189	100.0
Experience	Less than 5 years	46	24.3
	5-10 years	59	31.2
	11-15 years	57	30.2
	15 years or more	27	14.3
	Total	189	100.0
Number of auditors at the department/ audit office	Less than 5 auditors	66	34.9
	5 -10 auditors	55	29.1
	11-15 auditors	53	28.0
	More than 15 auditors	15	7.9
	Total	189	100.0
You are working as	Internal Auditor	82	43.4
	External Auditor	107	56.6
	Total	189	100.0

Variable	Scale	Frequencies	Percentage
Position	Auditor	57	30.16
	Junior Auditor	42	22.22
	Senior Auditor	56	29.63
	Partner	32	16.93
	Other	2	1.06
	Total	189	100.00
Professional certificate	Yes	167	88.4
	No	22	11.6
	Total	189	100.0
If you have Practical certificate, specify it	AICPA	36	19.0
	CPA	98	51.9
	A practicing certificate from the Palestinian Professional Council	30	15.9
	CMA	1	.5
	CIA	2	1.1
	No Certificate	22	11.6
	Total	189	100.0

Table (3.2) shows the distribution of the investigated sample based on personal and demographic variables. The analysis shows that there are four categories of age that are less than 30 years, 30 -39 years, 40 to 49 years, and 50 and more. 22.8% their ages is less than 30 years, 27.5% of the studied sample their age is in the range of 30 -39 years, 30.2% is in the range of 40 – 49 years, and 19.6% of the them are in the range of 50 years and more.

According to the Academic achievement, there are four categories that are diploma, bachelor, master, and high education. The analysis shows that the highest percentage of the studied sample they have master degree as their percentage is (51.3%), the second categories is the BA degree (24.3%). Whereas, (21.7%) they have high education, and just 2.6% they have diploma degree.

Based on the distribution of the studied sample based on experience of the auditors, the analysis shows that that the highest category of the studied sample that is (31.2%) they have 5 – 10 years, 30.2% they have 11-15 years, 24.3% they have less than 5 years, and 14.3% they have 15 years or more.

In light of the studied sample based on number of auditors at the department/ audit office, there are four categories that are less than 5 auditors, 5 – 10 auditors, 11-15 auditors, and more than 15 auditors. The analysis shows that 34.9% they have less than 5 auditors, 29.1% they have 5 -10 auditors, 28% they have 11-15 auditors, and 7.9% they have more than 15 auditors.

According to the studied sample based on their nature of work, the analysis shows that 56.6% they are external auditors whereas 43.4% they are internal auditors. Moreover, 30% they are auditors, 22% they are junior auditors, 30% they are senior auditors, 17% they are partners, and 1% others. Furthermore, the majority of the studied sample they have professional certificate as 88.4% they have professional certificate. Most of them they have CPA as 51.9% of the studied sample they have CPA, 19% they have AICPA, 15.9% they have A practicing certificate from the Palestinian Professional Council, 0.5% they have CMA, 1.1% they have CIA. Whereas, 11.6% they do not have any professional certificate.

3.6 Reliability of the Instrument

Reliability refers to the analysis and test of internal consistency of the instrument through measurement the internal consistency of all the statements of the questionnaire. The researcher used Cronbach alpha techniques to estimate the internal reliability of the instrument. According to Al-Ababneh (2020) the questionnaire has a high consistency if the value of Cronbach alpha is greater than (0.70). The analysis shows that there is high level of reliability and consistency in the responses of the studied sample as the value of the Cronbach alpha is (95.6%).

Table (3.3): Cronbach Alpha of the Questionnaire and Its Dimensions

Dimensions	Cronbach's Alpha	N of Items
Responsibilities of auditors gap	.893	12
Performance of auditors gap	.885	9
Independence of auditors gap	.857	6
Methods to reduce the audit expectation gap	.929	13
Audit Expectation Gap	.956	40

3.7 Validity of the Questionnaire

Validity is an interesting criterion to measure the goodness of the instrument. It shows the efficiency of the instrument and its ability to measure what it intends to measure. Thus, it measures to what extent the instrument or the questionnaire is actually able to measure what it claims to measure through using right concepts (Sürücü & Maslakci, 2020).

Several techniques were utilized to estimate the validity of the questionnaire such as the measurement of the content validity of the questionnaire through intensive revision for

several studies that explored this topic. Then, the development of the questionnaire and sent it to some experts in audit field to review and ensure the quality of the statements of the questionnaire, its ability to achieve the objectives of the study and answer its questions and to compare the findings of this study with the findings of the previous empirical studies to identify the similarities and differences among them (Almanasreh, et al, 2019).

Furthermore, the criterion validity through using Pearson correlation technique was used to find the correlation between each statement and the mean of each domain that the statement belongs to (Almanasreh, et al, 2019).

The Criterion Related Validity

Table (3.4) Correlation Coefficient of Perceived Responsibility of Auditors

	Statement	Pearson Correlation	P-Value (Sig.)
1.	The auditor plans and carries out the audit to obtain reasonable but not absolute assurance that the financial statements are free of material misstatements.	.558**	0.00
2.	Auditing accounts does not mean verifying all accounting operations that took place in the facility under audit.	.554**	0.00
3.	The auditor is responsible for preventing errors in data and records	.615**	0.00
4.	The auditor is responsible for evaluating the credibility and reliability of the financial statements and accounting information	.707**	0.00

	Statement	Pearson Correlation	P-Value (Sig.)
5.	The external auditor is keen to ensure the client's compliance with international financial reporting standards	.681**	0.00
6.	The external auditor is keen to examine the accounting estimates for the financial statements of the entity under audit	.741**	0.00
7.	The external auditor is keen to evaluate the efficiency and effectiveness of the operational processes in the facility being audited	.711**	0.00
8.	The external auditor is keen to examine the extent to which the facility being audited complies with local legislation and laws	.752**	0.00
9.	The external auditor is keen to discover all types of errors and fraud in the facility being audited	.650**	0.00
10.	The external auditor is keen to discover the illegal actions of the management of the facility under audit that affect the accounts	.742**	0.00
11.	The external auditor is keen to disclose in his report all types of fraud, errors and illegal actions discovered in the facility under audit.	.720**	0.00
12.	The external auditor is keen to free the financial statements from material errors, fraud, and illegal actions in the entity being audited	.734**	0.00

Table (3.4) shows the Pearson correlation between each statements of the perceived responsibility of auditors and the mean of all the dimensions. The table shows that all the statements have high level of Cronbach alpha with the mean of all the statements of the dimension.

Table (3.5) Correlation Coefficient of Performance of Auditors' Gap

	Statement	Pearson Correlation	P-Value (Sig.)
1.	The presence of audit committees other than executive directors contributes to improving the independence of the external auditor, which contributes to reducing the gap in expectations related to auditor independence.	.685**	0.00
2.	The external auditor's failure to respond to the pressure exerted on him by the management of the entity being audited reduces the gap in expectations related to the auditor's independence.	.650**	0.00
3.	The ability of the external auditor to avoid all conflicts of interest and relationships affecting the auditor's impartiality leads to reducing the gap in expectations related to the auditor's independence.	.702**	0.00
4.	The ability of the external auditor to demonstrate his independence to users of the financial statements to gain their trust in him reduces the gap in expectations related to auditor independence.	.713**	0.00
5.	The external auditor's practice of work other than the auditing profession negatively affects his independence, which contributes to increasing the gap in expectations related to the auditor's independence.	.705**	0.00

	Statement	Pearson Correlation	P-Value (Sig.)
6.	Competition between audit companies and offices negatively affects the independence of the external auditor and thus increases the gap in expectations related to the auditor's independence.	.783**	0.00
7.	The appointment of the external auditor by the general body or the owners of the client facility enhances the independence of the external auditor	.777**	0.00
8.	The removal of the external auditor by the general body or the owners of the client facility enhances the independence of the external auditor.	.770**	0.00
9.	Determining the external auditor's fees by the general body or the owners of the client facility enhances the independence of the external auditor.	.716**	0.00

Table (3.5) shows the Pearson correlation between each statements of the Performance of auditors' gap and the mean of all the dimensions. The table shows that all the statements have high level of Cronbach alpha with the mean of all the statements of the dimension.

Table (3.6) Correlation Coefficient of Independence of Auditors' Gap

	Statement	Pearson Correlation	P-Value (Sig.)
1.	The professional competence of the external auditor in performing the tasks assigned to him in the field of auditing limits the performance gap.	.752**	0.00
2.	The lack of professional competence among auditors negatively affects their ability to discover defects in the financial statements and any illegal acts.	.797**	0.00
3.	The external auditor's ability to keep pace with developments in the field of auditing contributes to the performance gap	.807**	0.00
4.	The external auditor's refusal to accept any audit process if he does not have the professional competence required to complete it reduces the performance gap.	.801**	0.00
5.	Provides sufficient knowledge and skill for the external auditor in applying international accounting standards to reduce the performance gap.	.748**	0.00
6.	The external auditor's refusal to accept management's explanations without obtaining complete and appropriate evidence contributes to reducing the performance gap.	.676**	0.00

Table (3.6) shows the Pearson correlation between each statements of the Independence of auditors' gap and the mean of all the dimensions. The table shows that all the statements have high level of Cronbach alpha with the mean of all the statements of the dimension.

Table (3.7) Correlation Coefficient of Methods to Reduce Audit Expectation Gap in Palestine

	Statement	Pearson Correlation	P-Value (Sig.)
1.	Supporting the independence of the external auditor by separating the audit process from other services provided by audit offices reduces the audit gap.	.625**	0
2.	Activating and strengthening the role of professional auditing and accounting organizations by imposing self-monitoring and increasing the professional accountability of the auditor reduces the expectations gap.	.803**	0
3.	Improving the credibility of the report among users of financial statements reduces the audit gap.	.703**	0
4.	Defining responsibilities for additional financial and non-financial disclosures in the annual report reduces the audit gap.	.683**	0
5.	Enhancing compliance with and adherence to auditors' responsibilities reduces the audit gap.	.746**	0
6.	Enhancing reliance on audited data to predict the future will reduce the audit gap	.698**	0
7.	Increasing the level of disclosure in companies contributes to reducing the audit gap.	.820**	0
8.	A detailed presentation of the tests and procedures carried out by the auditor in the company being audited contributes to reducing the audit gap.	.788**	0

	Statement	Pearson Correlation	P-Value (Sig.)
9.	Increasing the auditor's responsibility to disclose significant risks reduces the audit gap.	.739**	0
10.	The external auditor's obligation to disclose any aspects in which he found deficiencies in the internal control system in order to reduce the audit gap.	.756**	0
11.	Activating the role of general assemblies in the facilities under implementation leads to reducing the audit gap.	.754**	0
12.	The external auditor's commitment to disclose any aspects in which he found difficulties in applying audit procedures and evaluating the results of those procedures or obtaining sufficient and appropriate audit evidence leads to reducing the audit gap.	.714**	0
13.	Improving financial reporting methods, especially electronic disclosure, reduces the audit gap	.730**	0

Table (3.7) shows the Pearson correlation between each statements of the methods to reduce audit expectation gap in Palestine and the mean of all the statements. The table shows that all the statements have high level of Cronbach alpha with the mean of all the statements of the dimension.

3.8 Statistical Analysis Methods

This study aims to examine the internal auditors as well as the external auditors' perceptions and attitudes regarding the extent of the audit expectations gap in the audit function in Palestine. The data was analyzed using SPSS version 25 to analyze the questionnaire through using several techniques such as:

- Using ANOVA as the data was derived from ordinal measurements. ANOVA helps the researcher to test if there are statistically significant differences between means for groups of variables.
- Independent sample t- test to test and evaluate the differences in means between two groups.
- Kolmogorov-Smirnov test to test if the data follows normal distribution.
- Cronbach's alpha model were used to estimate the reliability and consistency of the studied sample responses.
- Frequencies and percentages to create a personal profile of the studied sample characteristics.

3.9 Ethical Considerations

The researcher has respected and adhered to several strategies to ensure the compliance with ethical guidelines and considerations:

1. Attachment of ethical approval form with the questionnaire to the investigated sample.
2. Informing the investigated sample of their voluntary participation and they had the right to withdraw partly or completely at any time in filling the questionnaire.

3. The researcher stayed objective when analyzing the data to ensure that the primary data are free of bias or misinterpretation.

Chapter Four

Data Analysis and Results

3.1 Overview

This chapter presents the analysis of the studied sample responses to answer the research questions and achieve the objectives of the study. Besides, analyzing the hypotheses of the study.

3.2 Descriptive Analysis

What is the Level of Audit Expectation Gap in Palestine?

Three statements were used to measure the level of audit expectation gap in Palestine. The researcher calculated the means, standard deviation, and percentages to answer this question.

Table (4.1): Means, STD, Percentage, and Level of Agreement for the Extent of the Audit Expectation in Palestine.

	Dimension	Rank	N	Mean	STD	Percentage	Level of agreement
1.	Effect of understanding of responsibilities and duties of the auditors on the audit expectations gap within Palestine	3	189	3.84	0.94	76.9%	High
2.	Which components of audit performance does the audit expectation gap	2	189	3.84	0.96	76.90%	High

	exist among listed companies in Palestine						
3.	The effect of understanding the independency of the auditors on the audit expectations gap within Palestine	1	189	4.06	0.92	81.15%	High
Mean			189	3.91	0.94	78.32%	189

Table (4.1) shows the mean of the *audit expectations gap dimensions on Palestine* is (3.91) and the range of the mean is (3.84 – 4.06). This presents that there is a high level of agreement towards the extent of the audit expectation in Palestine. This means there is a high of agreement towards the audit expectations gap in Palestine. The highest dimension is the effect of understanding the independency of the auditors on the audit expectations gap within Palestine with a mean of (4.06) and STD is (0.92). The second dimension is Effect of understanding of responsibilities and duties of the auditors on the audit expectations gap within Palestine with a mean of (3.84) and STD is (0.94).

Thus, the analysis shows that that the highest source of audit expectation gap is the differences due to the understanding the independence of the auditors. The second type of audit expectation gap is the performance audit expectation gap and the last one is the responsibilities audit expectation gap. This result is in consistent with Younan and Kianem (2022) who found the most prevalent source of audit expectation is the independence audit expectation gap that is the perceived independence of external auditors. The availability of independent audit environment gives the auditors the

opportunity to demonstrate their opinions freely and to make subjective decisions. Besides, this result is in line with Onulaka (2019) who demonstrated that the professional principle is one of the most interesting principles of the auditing profession.

What is the Effect of Understanding of Responsibilities and Duties of the Auditors on the Audit Expectations Gap Within Palestine?

Twelve statements were used to measure the effect of understanding of responsibilities and duties of the auditors on the audit expectations gap within Palestine. The means, standard deviation, and percentages were used to answer this question.

Table (4.2): Means, STD, Percentage, and Level of Agreement for the Effect of Understanding of Responsibilities and Duties of the Auditors on the Audit Expectations Gap within Palestine

	Dimension	Rank	N	Mean	STD	Percentage	Level of agreement
4.	The auditor plans and carries out the audit to obtain reasonable but not absolute assurance that the financial statements are free of material misstatements.	1	189	4.03	0.85	80.5%	High
5.	Auditing accounts does not mean verifying all accounting operations that took place in the facility under audit.	3	189	3.95	1.02	78.9%	High

	Dimension	Rank	N	Mean	STD	Percentage	Level of agreement
6.	The auditor is responsible for preventing errors in data and records	10	189	3.76	1.01	75.2%	High
7.	The auditor is responsible for evaluating the credibility and reliability of the financial statements and accounting information	6	189	3.86	0.88	77.1%	High
8.	The external auditor is keen to ensure the client's compliance with international financial reporting standards	5	189	3.87	0.96	77.5%	High
9.	The external auditor is keen to examine the accounting estimates for the financial statements of the entity under audit	8	189	3.79	0.96	75.9%	High

	Dimension	Rank	N	Mean	STD	Percentage	Level of agreement
10.	The external auditor is keen to evaluate the efficiency and effectiveness of the operational processes in the facility being audited	12	189	3.70	0.96	74.0%	High
11.	The external auditor is keen to examine the extent to which the facility being audited complies with local legislation and laws	9	189	3.77	0.95	75.5%	High
12.	The external auditor is keen to discover all types of errors and fraud in the facility being audited	11	189	3.75	1.00	74.9%	High
13.	The external auditor is keen to discover the illegal actions of the management of the facility under audit that affect the accounts	2	189	3.96	0.92	79.2%	High

	Dimension	Rank	N	Mean	STD	Percentage	Level of agreement
14.	The external auditor is keen to disclose in his report all types of fraud, errors and illegal actions discovered in the facility under audit.	7	189	3.80	0.87	76.1%	High
15.	The external auditor is keen to free the financial statements from material errors, fraud, and illegal actions in the entity being audited	4	189	3.88	0.93	77.7%	High
Mean			189	3.84	0.94	76.9%	High

Table (4.2) shows the mean of the for the effect of understanding of responsibilities and *duties of the auditors on the audit expectations gap within Palestine* is (3.84) and the range of the mean is (3.70 – 4.02). This presents that there is a high level of agreement towards the existence of the effect of understanding of responsibilities and duties of the auditors on the audit expectations gap within Palestine. This means there is a high of agreement towards effect of understanding of responsibilities and duties of the auditors on the audit expectations gap within Palestine.

The Highest Two Constructs are:

The highest scored statement is the auditor plans and carries out the audit to obtain reasonable but not absolute assurance that the financial statements are free of material misstatements with a mean of (4.03) and STD (0.85).

The second scored statement is the external auditor is keen to discover the illegal actions of the management of the facility under audit that affect the accounts with a mean of (3.96) and STD (0.92)

However, the least scored statement is “The external auditor is keen to evaluate the efficiency and effectiveness of the operational processes in the facility being audited” that has a mean of (3.70) and STD is (0.96).

This result is in line with Fotoh and Lorentzon (2023); Kamau et al., (2023) who found that the main source of audit expectation is the differences in expectation of auditors, financial managers, and users of financial statements concerning the tasks, responsibilities, and duties of the auditors. Moreover, Farasangi and Nohongdari (2017) who found the differences between the users of the financial statements and general public towards the responsibility of auditors ought to be and what the auditors believe their responsibilities are. Moreover, Jannat (2022) stated that the audit expectation gap is the difference between the performance and responsibilities of auditors from the perception of the investors and what the auditors actually perform and their responsibilities. Besides, this result is in line with Kamu (2023) who found that the most interesting reason of audit expectation gap is the mismatch between what the public and users of financial information think auditors are liable for and what auditors really think that their responsibilities and duties are. Besides, this result is in line with Nickson and Neikirk (2018) who found that one of the causes of the audit expectation gap is the

misunderstanding of the role and responsibilities of the auditors and the audit profession by the public.

In Which Components of Audit Performance Does the Audit Expectation Gap Exist Among Listed Companies in Palestine?

Nine statements were used to measure in which components of audit performance does the audit expectation gap exist among listed companies in Palestine.

Table (4.3): Means, STD, Percentage, and Level of Agreement in Which Components of Audit Performance does the Audit Expectation Gap Exist Among Listed Companies in Palestine

	Dimension	Rank	N	Mean	STD	Percentage	Level of agreement
1.	The presence of audit committees other than executive directors contributes to improving the independence of the external auditor, which contributes to reducing the gap in expectations related to auditor independence.	4	189	3.88	0.94	77.67%	High

	Dimension	Rank	N	Mean	STD	Percentage	Level of agreement
2.	The external auditor's failure to respond to the pressure exerted on him by the management of the entity being audited reduces the gap in expectations related to the auditor's independence.	2	189	3.95	0.94	79.05%	High
3.	The ability of the external auditor to avoid all conflicts of interest and relationships affecting the auditor's impartiality leads to reducing the gap in expectations related to the auditor's independence.	1	189	4.01	0.82	80.21%	High
4.	The ability of the external auditor to demonstrate his independence to users of the financial statements to gain their trust in him reduces the gap in expectations related to auditor independence.	3	189	3.94	0.88	78.73%	High

5.	The external auditor's practice of work other than the auditing profession negatively affects his independence, which contributes to increasing the gap in expectations related to the auditor's independence.	5	189	3.85	0.97	77.04%	High
6.	Competition between audit companies and offices negatively affects the independence of the external auditor and thus increases the gap in expectations related to the auditor's independence.	8	189	3.70	1.08	73.97%	High
7.	The appointment of the external auditor by the general body or the owners of the client facility enhances the independence of the external auditor		189	3.77	1.10	75.34%	High
8.	The removal of the external auditor by the general body	9	189	3.69	0.97	73.86%	High

	or the owners of the client facility enhances the independence of the external auditor.						
9.	Determining the external auditor's fees by the general body or the owners of the client facility enhances the independence of the external auditor.	6	189	3.81	0.97	76.19%	High
Mean			189	3.84	0.96	76.90%	High

Table (4.3) shows the mean of the for in which components of audit performance does *the audit expectation gap exist among listed companies in Palestine* is (3.84) and the range of the mean is (3.69 – 4.01). This presents that there is a high level of agreement towards in which components of audit performance does the audit expectation gap exist among listed companies in Palestine. This means there is a high of agreement towards this dimension.

The Highest Two Constructs are:

The ability of the external auditor to avoid all conflicts of interest and relationships affecting the auditor's impartiality leads to reducing the gap in expectations related to the auditor's independence. With a mean of (4.01) and STS is (0.82).

The second statement is the external auditor's failure to respond to the pressure exerted on him by the management of the entity being audited reduces the gap in expectations related to the auditor's independence with a mean of (3.95) and STS is (0.94).

The least scored statement is the removal of the external auditor by the general body or the owners of the client facility enhances the independence of the external auditor with a mean of (3.69) and STD is (0.97).

In this regard, the study results revealed that the presence of audit committees other than executive directors contributes to improving the independence of the external auditor, which contributes to reducing the gap in expectations related to auditor independence. Moreover, the failure of external auditor to respond to the pressure exhibited on him by the senior executive management of the client decreases the audit expectation gap related to the auditor's independence. Likewise, the ability of the external auditor to avoid all conflicts of interest and relationships affecting the auditor's impartiality leads to reducing the gap in expectations related to the auditor's independence. Eventually, the ability of the external auditor to demonstrate his independence to users of the financial statements to gain their trust in him reduces the gap in expectations related to auditor independence.

This result is in line with Commission (1978) stated that the audit expectation gap is the gap between the auditors' performance and the expectations of the public and users of financial statements. Besides, it is in line with Jannat (2022) who stated that the audit expectation gap is the difference between the performance and responsibilities of auditors from the perception of the investors and what the auditors actually perform and their responsibilities. Moreover, this study is in an agreement with Agrawal and Chatterjee (2015) who found that the major sources of performance gap are the deficient standards and deficient performance.

Youan and Kidane (2022) stated that the source of the audit expectation gap is the performance gap that is where auditors do not do what auditing standards or regulations

require due to the complexity of certain auditing standards that are under requirements or differences in interpretation of auditing standards or regulatory requirements between practitioners and regulators. Moreover, it is in line with Judit (2017) who stated that the causes of the performance gap could be insufficient concentration on audit quality; sophistication of auditing standards; or variations in explanation and interpretation of auditing standards between regulators and practitioners or regulatory requirements.

Henda (2022) demonstrated that there is a negative association between the audit expectation gap and the performance of loan decisions. Besides, the audit expectation gap mediates the association between loan performance and individual factors. Similarly, Alshoqour and Alhajaya (2022) explored the extent of the audit expectation gap regarding the auditors' performance gap concerning digital financial reporting based on the perceptions and views of institutional investors and auditors in Jordan.

What is the Effect of Understanding the Independency of the Auditors on the Audit Expectations Gap within Palestine?

Six statements were used to measure the effect of understanding the independency of the auditors on the audit expectations gap within Palestine.

Table (4.4): Means, STD, Percentage, and Level of Agreement of the Effect of Understanding the Independency of the Auditors on the Audit Expectations Gap within Palestine.

	Dimension	Rank	N	Mean	STD	Percentage	Level of agreement
1.	The professional competence of the external auditor in performing the tasks assigned to him in the field of auditing	1	188	4.20	0.96	83.94%	High

	limits the performance gap.						
2.	The lack of professional competence among auditors negatively affects their ability to discover defects in the financial statements and any illegal acts.	4	188	4.06	0.95	81.28%	High
3.	The external auditor's ability to keep pace with developments in the field of auditing contributes to the performance gap	5	189	3.99	0.99	79.89%	High
4.	The external auditor's refusal to accept any audit process if he does not have the professional competence required to complete it reduces the performance gap.	6	189	3.96	0.88	79.26%	High
5.	Provides sufficient knowledge and skill for the external auditor in applying international accounting standards to reduce the performance gap.	3	189	4.06	0.84	81.16%	High

6.	The external auditor's refusal to accept management's explanations without obtaining complete and appropriate evidence contributes to reducing the performance gap.	2	189	4.07	0.89	81.38%	High
Mean			189	4.06	0.92	81.15%	High

Table (4.4) shows the mean of the effect of understanding the independency of the auditors on the audit expectations gap within Palestine is (4.06) and the range of the mean is (3.96 – 4.20). This presents that there is a high level of agreement towards the effect of understanding the independency of the auditors on the audit expectations gap within Palestine. This means there is a high of agreement towards this dimension.

The highest two constructs are:

The professional competence of the external auditor in performing the tasks assigned to him in the field of auditing limits the performance gap with a mean of (4.20) and STS is (0.96).

The second statement is the external auditor's refusal to accept management's explanations without obtaining complete and appropriate evidence contributes to reducing the performance gap with a mean of (4.07) and STS is (0.89).

The last scored statement is the external auditor's refusal to accept any audit process if he does not have the professional competence required to complete it reduces the performance gap with a mean of (3.96) and STD is (0.88).

This result is in an agreement with Farasangi and Nohongdari (2017) who found that the main source of audit expectation gap is poor auditor independence and non-financially

granted facilities in Iran. Besides, Alawi et al. (2018) found the most interesting factors influencing the audit expectation gap are poor efforts of auditors, poor skills of auditors, unreasonable expectations and misunderstandings of the public and users of the financial statements, and the needs of users and the public from the auditors.

What are the Methods to Reduce the Audit Expectation gap in Palestine?

Thirteen statements were used to measure the **Methods to Reduce the Audit Expectation Gap in Palestine**

Table (4.5): Means, STD, Percentage, and Level of Agreement of the Methods to Reduce the Audit Expectation Gap in Palestine e.

	Dimension	Rank	N	Mean	STD	Percentage	Level of agreement
1.	Supporting the independence of the external auditor by separating the audit process from other services provided by audit offices reduces the audit gap.	3	189	3.83	1.01	76.51%	High
2.	Activating and strengthening the role of professional auditing and accounting organizations by imposing self-monitoring and increasing the professional accountability of the auditor reduces the expectations gap.	4	189	3.78	1.00	75.56%	High
3.	Improving the credibility of the report among users of financial	1	189	3.85	0.97	77.04%	High

	statements reduces the audit gap.						
4.	Defining responsibilities for additional financial and non-financial disclosures in the annual report reduces the audit gap.	7	189	3.71	0.93	74.18%	High
5.	Enhancing compliance with and adherence to auditors' responsibilities reduces the audit gap.	11	189	3.67	0.97	73.44%	High
6.	Enhancing reliance on audited data to predict the future will reduce the audit gap	6	189	3.71	0.93	74.18%	High
7.	Increasing the level of disclosure in companies contributes to reducing the audit gap.	9	189	3.69	1.02	73.86%	High
8.	A detailed presentation of the tests and procedures carried out by the auditor in the company being audited contributes to reducing the audit gap.	10	189	3.68	1.05	73.65%	High
9.	Increasing the auditor's responsibility to disclose significant risks reduces the	13	189	3.63	1.05	72.59%	High

	audit gap.						
10.	The external auditor's obligation to disclose any aspects in which he found deficiencies in the internal control system in order to reduce the audit gap.	2	189	3.84	1.02	76.83%	High
11.	Activating the role of general assemblies in the facilities under implementation leads to reducing the audit gap.	12	189	3.67	1.03	73.33%	High
12.	The external auditor's commitment to disclose any aspects in which he found difficulties in applying audit procedures and evaluating the results of those procedures or obtaining sufficient and appropriate audit evidence leads to reducing the audit gap.	5	189	3.76	0.94	75.24%	High
13.	Improving financial reporting methods, especially electronic disclosure, reduces the audit gap	8	189	3.69	1.01	73.86%	High
Mean			189	3.73	0.99	74.64%	High

Table (4.5) shows the mean of the methods to reduce the audit expectation gap in

Palestine is (3.73) and the range of the mean is (3.63 – 4.85). This presents that there is

a high level of agreement towards the methods to reduce the audit expectation gap in Palestine. This means there is a high of agreement towards this dimension.

The highest two constructs are:

Improving the credibility of the report among users of financial statements reduces the audit gap with a mean of (3.85) and STS is (0.97).

The second statement is the external auditor's obligation to disclose any aspects in which he found deficiencies in the internal control system in order to reduce the audit gap with a mean of (3.84) and STS is (1.02).

The least scored statement is Increasing the auditor's responsibility to disclose significant risks reduces the audit gap with a mean of (3.63) and STD is (1.05).

This result is in consistent with Younan and Kianem (2022) who argued that there is a necessity to increase and promote the existence of independent audit environment that gives the auditors the opportunity to demonstrate their opinions freely and to make subjective decisions. Likewise, it is in line with Farasangi and Nohongdari (2017) who revealed that the most interesting strategies to decrease audit expectation gap is to increase the auditors` independence. Whereas, Alawi et al. (2018) suggested the necessity of increasing the efforts of auditors, improving the skills of auditors, increasing the recognition and awareness of the public and users of the financial statements, and the needs of users and the public from the auditors. Likewise, Fulop et al. (2019) suggested the necessity to increase audit education, increasing government intervention, increasing knowledge and awareness of the public about the standards, duties, and responsibilities of audit profession, improving public expectations of auditors, increasing the efficiency of auditors` performance, and promoting awareness among auditors about their duties and responsibilities.

3.3 Hypothesis Testing

H0-5: There are significant differences in the attitudes and perceptions of the internal and external auditors towards audit expectations gap, which are attributed to years of experience, academic achievement, professional certificates, internal vs external auditor, position and size of the company

Age

ANOVA procedures were used to test the above hypothesis as follows:

Table (4.6) Analysis of the Differences in the Mean of the Studied Sample toward the Audit towards Audit Expectations Gap Attributed to Age

		Sum of Squares	df	Mean Square	F	Sig.
Audit expectation Gap	Between Groups	.028	3	.009	.028	.994
	Within Groups	61.290	183	.335		
	Total	61.319	186			
Audit expectation gap – responsibilities of auditor	Between Groups	.237	3	.079	.190	.903
	Within Groups	76.945	185	.416		
	Total	77.182	188			
Audit expectation gap – auditors` independence	Between Groups	.029	3	.010	.019	.996
	Within Groups	91.394	185	.494		
	Total	91.423	188			
Audit expectation gap – performance	Between Groups	.700	3	.233	.467	.705
	Within Groups	91.350	183	.499		

	Total	92.050	186			
Methods to prevent audit expectation gap	Between Groups	.529	3	.176	.326	.806
	Within Groups	99.975	185	.540		
	Total	100.504	188			

Table (4.6) presents that there are insignificant differences in the mean of the studied sample toward the audit towards audit expectations gap attributed to age.

Academic Achievement

ANOVA procedures was used to test the above hypothesis as follows:

Table (4.7) Analysis of The Differences in the Mean of the Studied Sample Toward The Audit Towards Audit Expectations Gap Attributed to Academic Achievement.

		Sum of Squares	df	Mean Square	F	Sig.
Audit expectation Gap	Between Groups	2.153	3	.718	2.220	.087
	Within Groups	59.166	183	.323		
	Total	61.319	186			
Audit expectation gap – responsibilities of auditor	Between Groups	1.887	3	.629	1.545	.204
	Within Groups	75.295	185	.407		
	Total	77.182	188			
Audit expectation gap – auditors` independence	Between Groups	3.199	3	1.066	2.236	.086
	Within Groups	88.223	185	.477		
	Total	91.423	188			
Audit expectation gap – performance	Between Groups	1.848	3	.616	1.250	.293
	Within Groups	90.202	183	.493		
	Total	92.050	186			
Methods to	Between Groups	6.923	3	2.308	4.562	.004

prevent audit expectation gap	Within Groups	93.581	185	.506		
	Total	100.504	188			

Table (4.7) presents that there are insignificant differences in the mean of the studied sample toward the audit towards audit expectations gap attributed to academic achievement. However, there are significant differences in the mean of the studied sample toward the audit towards audit expectations gap attributed to academic achievement and it was for the best interest of who have master degree.

Experience Years

ANOVA procedure was used to test the above hypothesis as follows:

Table (4.8) Analysis of the Differences in the Mean of the Studied Sample Toward the Audit Towards Audit Expectations Gap Attributed to Experience.

		Sum of Squares	df	Mean Square	F	Sig.
Audit expectation Gap	Between Groups	.429	3	.143	.429	.732
	Within Groups	60.890	183	.333		
	Total	61.319	186			
Audit expectation gap – responsibilities of auditor	Between Groups	1.071	3	.357	.868	.459
	Within Groups	76.111	185	.411		
	Total	77.182	188			
Audit expectation gap – auditors` independence	Between Groups	.579	3	.193	.393	.758
	Within Groups	90.844	185	.491		
	Total	91.423	188			
Audit expectation gap – performance	Between Groups	1.135	3	.378	.762	.517
	Within Groups	90.915	183	.497		
	Total	92.050	186			
Methods to prevent	Between Groups	1.987	3	.662	1.244	.295

audit expectation gap	Within Groups	98.517	185	.533		
	Total	100.504	188			

Table (4.8) presents that there are insignificant differences in the mean of the studied sample toward the audit towards audit expectations gap attributed to experience.

Size of Audit Department/ Firm

ANOVA procedure was used to test the above hypothesis as follows:

Table (4.9) Analysis of the Differences in the Mean of the Studied Sample Toward the Audit Towards Audit Expectations Gap Attributed to Size of Audit Firm/Department.

		Sum of Squares	df	Mean Square	F	Sig.
Audit expectation Gap	Between Groups	.298	3	.099	.298	.827
	Within Groups	61.020	183	.333		
	Total	61.319	186			
Audit expectation gap – responsibilities of auditor	Between Groups	.368	3	.123	.296	.829
	Within Groups	76.814	185	.415		
	Total	77.182	188			
Audit expectation gap – auditors` independence	Between Groups	1.084	3	.361	.740	.530
	Within Groups	90.339	185	.488		
	Total	91.423	188			
Audit expectation gap – performance	Between Groups	2.239	3	.746	1.520	.211
	Within Groups	89.811	183	.491		

	Total	92.050	186			
Methods to prevent audit expectation gap	Between Groups	.676	3	.225	.417	.741
	Within Groups	99.829	185	.540		
	Total	100.504	188			

Table (4.9) presents that there are insignificant differences in the mean of the studied sample toward the audit towards audit expectations gap attributed to size of audit firm/department.

Position

ANOVA procedure was used to test the above hypothesis as follows:

Table (4.10) Analysis of the Differences in the Mean of the Studied Sample Toward the Audit Towards Audit Expectations Gap Attributed to Position.

		Sum of Squares	df	Mean Square	F	Sig.
Audit expectation Gap	Between Groups	1.891	5	.378	1.15	.335
	Within Groups	59.428	181	.328		
	Total	61.319	186			
Audit expectation gap – responsibilities of auditor	Between Groups	2.195	5	.439	1.07	.378
	Within Groups	74.987	183	.410		
	Total	77.182	188			
Audit expectation gap – auditors` independence	Between Groups	3.402	5	.680	1.42	.221
	Within Groups	88.021	183	.481		
	Total	91.423	188			
Audit expectation gap – performance	Between Groups	1.940	5	.388	.78	.566
	Within Groups	90.110	181	.498		
	Total	92.050	186			

Methods to prevent audit expectation gap	Between Groups	2.688	5	.538	1.01	.416
	Within Groups	97.816	183	.535		
	Total	100.504	188			

Table (4.10) presents that there are insignificant differences in the mean of the studied sample toward the audit towards audit expectations gap attributed to position.

Nature of work Either Internal Auditor or External Auditor

t- test Procedure was used to test the above hypothesis as follows:

Table (4.11) Analysis of the Differences in the Mean of the Studied Sample Toward the Audit Towards Audit Expectations Gap Attributed to Nature of Work.

	Nature of work	N	Mean	Std. Deviation	Std. Error Mean	t- value	Sig.
Audit expectation Gap	Internal Auditor	81	3.78	.54	.06	.43	.51
	External Auditor	106	3.99	.58	.06		
Audit expectation gap – responsibilities of auditor	Internal Auditor	82	3.67	.64	.07	.29	.59
	External Auditor	107	3.98	.61	.06		
Audit expectation gap – auditors` independence	Internal Auditor	82	3.74	.72	.08	1.16	.28
	External Auditor	107	3.93	.67	.06		
Audit expectation gap – performance	Internal Auditor	81	4.05	.70	.08	.04	.84
	External Auditor	106	4.07	.71	.07		
Methods to prevent audit expectation gap	Internal Auditor	82	3.58	.74	.08	.80	.37
	External Auditor	107	3.85	.70	.07		

Table (4.11) presents that there are insignificant differences in the mean of the studied sample toward the audit towards audit expectations gap attributed to *nature of work*.

Professional Certificate

t- test procedure was used to test the above hypothesis as follows:

Table (4.12) Analysis of the Differences in the Mean of The Studied Sample Toward the Audit Towards Audit Expectations Gap Attributed to Professional Certificate.

	Professional certificate.	N	Mean	Std. Deviation	Std. Error Mean	t-value	Sig.
Audit expectation Gap	Yes	165	3.88	.60	.05	10.16	.00
	No	22	4.02	.33	.07		
Audit expectation gap – responsibilities of auditor	Yes	167	3.82	.67	.05	15.83	.00
	No	22	3.98	.30	.06		
Audit expectation gap – auditors` independence	Yes	167	3.82	.73	.06	13.87	.00
	No	22	4.06	.37	.08		
Audit expectation gap – performance	Yes	165	4.07	.73	.06	9.38	.00
	No	22	4.02	.50	.11		
Methods to prevent audit expectation gap	Yes	167	3.70	.76	.06	12.16	.00
	No	22	3.96	.44	.09		

Table (4.12) presents that there are significant differences in the mean of the studied sample toward the audit towards audit expectations gap attributed to Professional certificate and these differences were for the best of the auditors who they do not have certificate.

Table (4.13): Analysis of (One sample T test) to Verify the Existence of Audit Expectation Gap in Listed Firms in Palestine

AEG	N	Mean	Std. Deviation	Std. Error Mean	t	df	Sig. (2-tailed)
	187	3.89	.57	.04	92.76	186	.00

The analysis in table (4.13) shows that the value of calculated (t- test) is (92.76) and it is greater than the tabulated T test (1.96). and the value of the significant is (0.00), which is less than (0.05) that is the level of the significant specified in the study ($\alpha \leq 0.05$). thus, we reject the null hypotheses that states that there is not audit expectation gap in listed firms in Palestine

Table (4.14): Analysis of (One sample T test) to Verify the Existence of Responsibility Audit Expectation Gap in Listed Firms in Palestine

Responsibility Audit Expectation Gap	N	Mean	Std. Deviation	Std. Error Mean	t	df	Sig. (2-tailed)
	189	3.84	.64	.05	82.47	188	.00

The analysis in table (4.14) shows that the value of calculated (t- test) is (82.47) and it is greater than the tabulated T test (1.96). and the value of the significant is (0.00), which is less than (0.05) that is the level of the significant specified in the study ($\alpha \leq 0.05$). thus, we reject the null hypotheses that states that there is not responsibility audit expectation gap in listed firms in Palestine.

Table (4.15): Analysis of (One sample T test) to Verify the Existence of Performance Audit Expectation Gap in Listed Firms in Palestine.

performance Audit Expectation Gap	N	Mean	Std. Deviation	Std. Error Mean	t	df	Sig. (2-tailed)
	189	3.84	.697	.05	75.80	188	.000

The analysis in table (4.15) shows that the value of calculated (t- test) is (75.8) and it is greater than the tabulated T test (1.96). and the value of the significant is (0.00), which is less than (0.05) that is the level of the significant specified in the study ($\alpha \leq 0.05$). thus, we reject the null hypotheses that states that there is not performance audit expectation gap in listed firms in Palestine.

Table (4.16): Analysis of (One sample T test) to Verify the Existence of Independence Audit Expectation Gap in Listed Firms in Palestine.

independence Audit Expectation GAP	N	Mean	Std. Deviation	Std. Error Mean	t	df	Sig. (2- tailed
	187	4.06	.70	.05	78.967	186	.000

The analysis in table (4.16) shows that the value of calculated (t- test) is (78.96) and it is greater than the tabulated T test (1.96). and the value of the significant is (0.00), which is less than (0.05) that is the level of the significant specified in the study ($\alpha \leq 0.05$). thus, we reject the null hypotheses that states that there is not independence audit expectation gap in listed firms in Palestine.

Table (4.17) Analysis of (One sample T test) to Verify the Existence of Methods to Reduce Audit Expectation Gap in Listed Firms in Palestine.

Methods to reduce audit expectation gap	N	Mean	Std. Deviation	Std. Error Mean	t	df	Sig. (2- tailed
	189	3.73	.73	.05	70.17	188	.000

The analysis in table (4.17) shows that the value of calculated (t- test) is (70.17) and it is greater than the tabulated T test (1.96). and the value of the significant is (0.00), which is less than (0.05) that is the level of the significant specified in the study ($\alpha \leq 0.05$). thus, we reject the null hypotheses that states that there is not *existence of methods to reduce audit expectation gap in listed firms in Palestine.*

Chapter Five

Conclusion and Recommendations

5.1 Introduction

This section presents the conclusion and recommendations of the study to decrease the audit expectation gap of listed companies in Palestine.

5.2 Conclusion

The study results demonstrated the following results:

- 1 There is a high level of audit expectation gap in listed firms in Palestine. The most prevalent are the independence audit expectation gap. The audit performance gap, and the responsibilities audit expectation gap.
- 2 There is a high level of agreement towards the existence of the audit expectation gap, the most reasons of this type of audit expectation gap that are the auditors plans and carries out the audit plan to obtain reasonable but not absolute assurance that the financial statements are free of material misstatements and the external auditors is keen to discover the illegal actions of the management of the facility under audit that effect the accounts.
- 3 There is a high level of agreement of the existence of audit performance expectation gap in listed firms in Palestine as the study demonstrated that the ability of the external auditor to avoid all conflicts of interest and relationships affecting the auditor's impartiality leads to reducing the gap in expectations related to the auditor's independence. Besides, the external auditor's failure to respond to the pressure exerted on him by the management of the entity being audited reduces the gap in expectations related to the auditor's independence.

- 4 There is a high level of agreement for the existence of independence audit expectation gap in listed firms in Palestine. The most documented reasons are the professional competence of the external auditor in performing the tasks assigned to him in the field of auditing limits the performance gap. Besides, the external auditor's refusal to accept management's explanations without obtaining complete and appropriate evidence contributes to reducing the performance gap.
- 5 There are a number of methods and strategies to decrease the audit expectation gap such as improving the credibility of the report among users of financial statements. Besides, improving the quality of the internal control system in the company. Likewise, supporting the independence of the external auditor by separating the audit process from other services provided by audit offices reduces the audit gap.
- 6 There are insignificant differences in the mean of the studied sample toward the audit towards audit expectations gap attributed to age, experience, size of audit firm/department, position, nature of work.
- 7 There are insignificant differences in the mean of the studied sample toward the audit towards audit expectations gap attributed to academic achievement. However, there are significant differences in the mean of the studied sample toward the audit towards audit expectations gap attributed to academic achievement and it was for the best interest of who have master degree.
- 8 There are significant differences in the mean of the studied sample toward the audit towards audit expectations gap attributed to Professional certificate and these differences were for the best of the auditors who they do not have certificate.

5.3 Recommendations

Based on the findings of the study, the study presented the following suggestions and recommendations:

- 1 The external audit firms and external auditors should increase their involvement in evaluation the efficiency and effectiveness of the operational processes in the client firm as well as the necessity to examine the extent to which the facility being audited complies with local legislation and laws and to work hardly to detect all types of errors and fraud in the facility being audited.
- 2 There is a necessity to increase the efficiency and effectiveness of external auditors to decrease the performance audit expectation gap by setting laws and regulations to decrease the competition among audit firms as this competition decreases the external auditors` independence.
- 3 There is necessity to appoint external auditor by the general body or the owners of the client facility and to remove the external auditor by the general body or the owners of the client facility enhances the independence of the external auditor.
- 4 There is a necessity to increase the understanding of external auditors` independence through using professional auditors. Besides, the necessity to keep up with the developments in the field of auditing.
- 5 There is a necessity to support and protect the independence of the external auditor by separating the audit process from other services provided by audit offices reduces the audit gap. Moreover, to improve the credibility of the report among users of financial statements reduces the audit gap. Eventually, increasing the auditor's responsibility to disclose significant risks reduces the audit gap

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Appendices



الجامعة العربية الأمريكية

كلية الدراسات العليا

برنامج ماجستير المحاسبة والتدقيق

السيد/ة: المحترم /ة

تحية طيبة وبعد،

تقوم الباحثة "شيرين" من كلية الدراسات العليا في الجامعة العربية الأمريكية وبإشراف الدكتور نائل السيد أحمد بعمل دراسة بعنوان: اختبار فجوة التوقعات في بيئة التدقيق: دراسة حالة فلسطين" وذلك استكمالاً للحصول على درجة الماجستير في تخصص المحاسبة والتدقيق.

وهي دراسة ميدانية تهم مكاتب وشركات التدقيق في فلسطين ومستخدمي التقارير السنوية وتقارير التدقيق الخارجي، وضمن هذا الإطار ترحو الباحثة منكم ابداء رأيكم الموضوعي حول مدى وجود فجوة في التوقعات في بيئة التدقيق في فلسطين. حيث تعرف فجوة التوقعات بأنها الفرق بين ما يعتقد مستخدمي القوائم المالية بخصوص مسؤوليات وواجبات مدقق الحسابات وبين ما يعتقد المدققون أنفسهم بخصوص وظيفة التدقيق، من خلال الإجابة عن أسئلة الدراسة المرفقة بكل دقة وصراحة، لما لذلك من أهمية ودور في الوصول إلى نتائج متوخاة من البحث بغية تطوير وتحسين جودة مهنة التدقيق الخارجي في فلسطين

سوف تستعمل البيانات التي يتم جمعها لغايات البحث العلمي فقط، ولن يتم التعرف على شخصكم من أي بحث أو نشرة علمية حيث سيتم ترميز جميع أسماء المشاركين في هذا البحث وذلك حسب معايير أخلاقيات البحث العلمي في الجامعة العربية الأمريكية.

شاكرين ومقدرين لكم سلفاً حسن تعاونكم،،،

الباحثة: شيرين

إشراف الدكتور نائل السيد أحمد

القسم الأول: البيانات الديمغرافية

1. الفئة العمرية

1. أقل من 30 سنة ☐ 2. من 30-39 سنة ☐ 3. من 40 الى 49 سنة ☐
4. 50 سنة فأكثر ☐

2. المؤهل العلمي

1. دبلوم فادنى ☐ 2. بكالوريوس ☐ 3 ماجستير ☐ 4. دراسات عليا ☐

3. عدد سنوات الخبرة العملية

1. أقل من 5 سنوات ☐ 2. من 5 سنوات إلى أقل من 10 ☐
سنوات

3. من 10 سنوات إلى أقل من 15 سنة ☐ 4. 15 سنة فأكثر ☐

4. عدد المدققين في الدائرة/مكتب التدقيق

1. أقل من 5 مدققين ☐ 2. من 5 إلى أقل من 10 مدققين ☐
3. من 11 إلى أقل من 15 مدقق ☐ 4. أكثر من 15 مدقق ☐

5. هل أنت تعمل في مجال:

1. التدقيق الخارجي ☐

☐

2. التدقيق الداخلي ☐

3. المسمى الوظيفية

1. شريك ☐

☐

2. مدير تدقيق ☐

3. مدقق رئيسي /مساعد مدير التدقيق ☐

4. مدقق ☐

5. غير ذلك، حدد

☐

4. هل أنت حائز على شهادة مهنية؟

1. لا ☐

1. نعم ☐

5. في حال كنت حائز على شهادة مهنية، ما هي.....

م	الفقرة	درجات التقدير				
		بدرجة كبيرة جداً	بدرجة كبيرة	بدرجة متوسطة	بدرجة منخفضة	بدرجة منخفضة جداً
المحور الأول: الفجوة المرتبطة بواجبات ومسؤوليات مدققي الحسابات: وهي الفجوة التي يعبر عنها بالفرق بين ما يتوقع المجتمع من المدقق القيام به من واجبات ومسؤوليات وبين ما يؤديه المدقق فعلاً.						
1.	يخطط وينفذ المدقق عملية التدقيق للحصول على تأكيد معقول وليس مطلق بأن البيانات المالية خالية من التحريفات الجوهرية.					
2.	أن تدقيق الحسابات لا يعني التحقق من كافة العمليات المحاسبية التي تمت في المنشأة محل التدقيق.					
3.	المدقق مسؤول عن منع الأخطاء في البيانات والسجلات					
4.	يتولى المدقق مسؤولية تقييم مدى مصداقية وموثوقية القوائم المالية والمعلومات المحاسبية					
5.	يحرص المدقق الخارجي على التأكد من مدى التزام العميل بالمعايير الدولية لإعداد التقارير المالية					
6.	يحرص المدقق الخارجي على فحص التقديرات المحاسبية					

					الخاصة بالقوائم المالية الخاصة بالمنشأة محل التدقيق	
					يحرص المدقق الخارجي على تقييم كفاءة وفعالية العمليات التشغيلية في المنشأة محل التدقيق	7.
					يحرص المدقق الخارجي على فحص مدى التزام المنشأة محل التدقيق بالتشريعات والقوانين المحلية	8.
					يحرص المدقق الخارجي على اكتشاف جميع أنواع الأخطاء والغش في المنشأة محل التدقيق	9.
					يحرص المدقق الخارجي على اكتشاف التصرفات غير القانونية لإدارة المنشأة محل التدقيق التي تؤثر على الحسابات	10.
					يحرص المدقق الخارجي على الإفصاح في تقريره عن جميع أنواع الغش والأخطاء والتصرفات غير القانونية المكتشفة في المنشأة محل التدقيق.	11.
					يحرص المدقق الخارجي على تحرير القوائم المالية من الأخطاء المادية والغش والتصرفات غير القانونية في المنشأة محل التدقيق	12.

المحور الثاني: فجوة التوقعات المتعلقة باستقلالية المدقق: أي الفرق بين ما يرى المجتمع أن المدقق يتمتع به من استقلالية وبين ما يتمتع به من استقلالية بالواقع العملي.					
					يسهم وجود لجان المراجعة من غير المدراء التنفيذيين في تحسين استقلال المدقق الخارجي مما يسهم في الحد من فجوة التوقعات المتعلقة باستقلالية المدقق.
					يؤدي عدم استجابة المدقق الخارجي للضغوط الممارسة عليه من إدارة المنشأة محل التدقيق إلى الحد من فجوة التوقعات المتعلقة باستقلالية المدقق.
					تؤدي قدرة المدقق الخارجي على تجنب جميع ظروف تعارض المصالح والعلاقات المؤثرة على حيادية المدقق في الحد من فجوة التوقعات المتعلقة باستقلالية المدقق.
					تؤدي قدرة المدقق الخارجي على إظهار استقلاليته لمستخدمي القوائم المالية لنيل ثقتهم به إلى الحد من فجوة التوقعات المتعلقة باستقلالية المدقق.
					ممارسة المدقق الخارجي لأعمال أخرى بخلاف مهنة المراجعة يؤثر سلباً على استقلاليته مما يسهم في زيادة فجوة التوقعات المتعلقة

					باستقلالية المدقق.	
					تؤثر المنافسة بين شركات ومكاتب التدقيق بصورة سلبية على استقلالية المدقق الخارجي وبالتالي زيادة فجوة التوقعات المتعلقة باستقلالية المدقق.	6.
					يعزز تعيين المدقق الخارجي بواسطة الهيئة العامة أو ملاك منشأة العميل من استقلالية المدقق الخارجي	7.
					يعزز عزل المدقق الخارجي بواسطة الهيئة العامة أو ملاك منشأة العميل من استقلالية المدقق الخارجي	8.
					يعزز تحديد أتعاب المدقق الخارجي بواسطة الهيئة العامة أو ملاك منشأة العميل من استقلالية المدقق الخارجي	9.
<p>المحور الثالث: فجوة التدقيق التي تتعلق بالأداء وهي تتمثل في الاختلاف بين الأداء المتوقع من المدقق من قبل المجتمع، والأداء الفعلي للمدقق نتيجة القصور في أداء المدقق نفسه أو الفجوة في معايير التدقيق والقواعد المنظمة للمهنة</p>						
					تحد الكفاءة المهنية للمدقق الخارجي في أداء المهام المناطة به في مجال التدقيق فجوة الأداء.	1.
					تؤثر نقص الكفاءة المهنية لدى مدققي الحسابات سلباً على قدرتهم على اكتشاف الخلل في القوائم	2.

					المالية وأية أعمال غير مشروعة.	
					تسهم قدرة المدقق الخارجي على مسايرة التطورات الحاصلة في مجال التدقيق من فجوة الأداء	3.
					يؤدي رفض المدقق الخارجي لقبول أي عملية تدقيق في حال عدم توفر الكفاءة المهنية المطلوبة لإتمامها لديه في الحد من فجوة الأداء.	4.
					توفر المعرفة والمهارة الكافية لدى المدقق الخارجي في تطبيق معايير المحاسبة الدولية في الحد من فجوة الأداء.	5.
					يسهم عدم قبول المدقق الخارجي بقبول تفسيرات الإدارة دون الحصول على أدلة اثبات كاملة وملائمة في الحد من فجوة الأداء.	6.
المحور الرابع: أساليب الحد من فجوة التدقيق						
					دعم استقلالية المدقق الخارجي من خلال الفصل بين عملية التدقيق والخدمات الأخرى المقدمة من قبل مكاتب التدقيق يحد من فجوة التدقيق.	1.
					تفعيل وتدعيم دور المنظمات المهنية للتدقيق والمحاسبة من خلال فرض الرقابة الذاتية وزيادة المساءلة المهنية للمدقق يحد من	2.

					فجوة التوقعات.	
					تحسين مصداقية التقرير لدى مستخدمي البيانات المالية يحد من فجوة التدقيق.	3.
					تحديد المسؤوليات المتعلقة بالإفصاحات المالية وغير المالية الإضافية في التقرير السنوي يحد من فجوة التدقيق.	4.
					يؤدي تعزيز الالتزام بمسؤوليات المدققين والتقيد بها إلى الحد من فجوة التدقيق .	5.
					يؤدي تعزيز الاعتماد على البيانات المدققة في التنبؤ بالمستقبل في الحد من فجوة التدقيق .	6.
					يسهم زيادة مستوى الإفصاح لدى الشركات في الحد من فجوة التدقيق.	7.
					يسهم العرض المفصل للاختبارات والإجراءات التي قام بها المدقق في الشركة محل التدقيق في الحد من فجوة التدقيق.	8.
					يؤدي زيادة مسؤولية المدقق في الإفصاح عن المخاطر الجسيمة إلى الحد من فجوة التدقيق.	9.
					الالتزام المدقق الخارجي بالإفصاح عن أي جوانب وجد بها أوجه قصور في نظام الرقابة الداخلية	10.

					إلى الحد من فجوة التدقيق.	
					يؤدي تفعيل دور الجمعيات العمومية في المنشآت موضع التنفيذ إلى الحد من فجوة التدقيق.	11.
					يؤدي التزام المدقق الخارجي بالإفصاح عن أية جوانب وجد بها صعوبات في تطبيق إجراءات التدقيق وتقييم نتائج تلك الإجراءات أو الحصول على أدلة تدقيق كافية وملائمة إلى الحد من فجوة التدقيق.	12.
					يؤدي تحسين وسائل الإبلاغ المالي وخاصة الإفصاح الإلكتروني إلى الحد من فجوة التدقيق.	13.

الملخص

هدفت هذه الدراسة إلى التعرف على مدى انتشار فجوة توقعات التدقيق في الشركات المدرجة في بورصة فلسطين. تبحث هذه الدراسة في تصورات المدققين الداخليين وكذلك المدققين الخارجيين ومواقفهم فيما يتعلق بمدى فجوة توقعات التدقيق في مهنة التدقيق. تتبع هذه الدراسة المنهج الكمي من خلال استخدام الاستبيان. حيث تم تطبيق الدراسة على عينة قوامها (189) مدققاً. وتوصلت الدراسة إلى وجود مستوى مرتفع من فجوة توقعات التدقيق في الشركات المدرجة في فلسطين. والأكثر انتشاراً هي فجوة توقعات التدقيق المستقل. فجوة أداء المراجعة، وفجوة توقعات مسؤوليات المراجعة. كما توصلت الدراسة إلى وجود عدد من الأساليب والاستراتيجيات لتقليل فجوة توقعات التدقيق مثل تحسين مصداقية التقرير لدى مستخدمي البيانات المالية. وكذلك تحسين جودة نظام الرقابة الداخلية في الشركة. وبالمثل، فإن دعم استقلالية المراجع الخارجي من خلال فصل عملية المراجعة عن الخدمات الأخرى التي تقدمها مكاتب المراجعة يقلل من فجوة المراجعة. كما أظهرت نتائج الدراسة وجود فروق ذات دلالة إحصائية بين متوسطات أفراد العينة المدروسة نحو التدقيق تجاه فجوة توقعات التدقيق تعزى إلى العمر، الخبرة، حجم مكتب/إدارة التدقيق، المنصب، طبيعة العمل. إلا أن هناك فروق ذات دلالة إحصائية بين متوسطات أفراد عينة الدراسة نحو التدقيق نحو فجوة التوقعات التدقيقية تعزى إلى التحصيل الدراسي وكانت لصالح حملة درجة الماجستير. واقترحت الباحثة ضرورة زيادة كفاءة وفعالية المدققين الخارجيين لتقليل فجوة توقعات الأداء في مجال التدقيق من خلال وضع قوانين وأنظمة لتقليل المنافسة بين شركات التدقيق حيث أن هذه المنافسة تقلل من استقلالية المدققين الخارجيين.