

Abstract

The research aims at identifying the determinants of audit expectation gap between the auditors and the users of financial statements in the Kingdom of Bahrain. This issue is noticed in many frauds or errors or illegal matters by the general public after every scam whether Enron and WorldCom from United States or Satyam and Punjab National Bank from India or Tesco and BHS from United Kingdom or Mobily from Kingdom of Saudi Arabia. As per International Standards on Auditing (ISAs), auditors are not responsible to detect each and every fraud or error or illegal act as it is the responsibility of management. However, auditors are expected to assess the possibility of an error or fraud to occur and assess risks of material misstatement due to error or fraud and they are supposed to express their independent and objective opinion on financial statements whether financial statements are prepared in accordance to suitable criteria (International Financial Reporting Standards in the case of Bahrain).

This quantitative research and its descriptive design aims empirically to analyze determinants that may impact the audit expectation gap in the Kingdom of Bahrain. The study used a detailed questionnaire as a measuring instrument across the sample group to measure 4 determinants that are expected to have a significant impact on the level of the audit expectation gap. Those determinants are the efforts of auditors, the skills of auditors, the knowledge of the public about the audit profession and the users' needs from auditors. The research inferred that identified factors found to have a significant impact on the level of audit expectation gap. It is recommended that audit firms should provide training to the audit staff that how to utilize the required efforts in conducting an audit engagement and go extra miles to fill the gap. Furthermore, the auditors should keep themselves updated about the latest frauds and the best audit practices.

Keywords: auditors' effort, auditors' skills, audit expectation gap, auditors' responsibility, management responsibility and International Standards on Auditing