The Audit Expectations Gap in Turkey*

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ABSTRACT

In this study, the existence of audit expectations gap between auditors and the beneficiaries of the audit services is investigated in Turkey. Bankers and investment analysts are defined as the primary user groups of audit services to analyze the existence of the audit expectation gap. The existence of the audit expectations gap, types of gap and the areas in which the gap occurs are determined. As a result, the study found out that there is both the reasonableness gap and the performance gap between auditors and users of audit reports. The independent audit education and the experience are two main factors that can significantly reduce the reasonableness gap.

Keywords: *Audit, Audit expectation Gap, Reasonableness Gap, Performance Gap, Turkey.*

Jel Classification*:M42, M41.*

Türkiye'de Denetim Beklenti Boşluğu

ÖZET

Bu çalışmada, Türkiye'de denetçilerle denetim hizmetinden yararlananlar arasında denetim beklenti boşluğunun varlığı incelenmiştir. Denetim beklenti boşluğunun tespitinde bankacılar ve yatırım analistleri temel gruplar olarak belirlenmişlerdir. Çalışmanın sonuçlarına göre, denetim beklenti boşluğunun varlığı, türleri ve boşluğun oluştuğu alanlar belirlenmiştir. Sonuç olarak, çalışma denetçiler ve denetim hizmetinden yararlananlar arasında hem makul boşluk hem de performans boşluğunun olduğunu göstermektedir. Analiz sonuçları ayrıca, denetim eğitiminin ve denetçi tecrübesinin makul boşluğu düşürmede etkili olabileceğini ortaya koymaktadır.

Anahtar Kelimeler: *Denetim, Denetim Beklenti Boşluğu, Makul Boşluk, Performans Boşluğu, Türkiye.*

JEL Sınıflandırması: *M42, M41.*

* This study is adapted from Ph.D. Thesis titled "Audit Expectation Gap and An Examination of Audit Expectation Gap Existence in Turkey", Bülent Ecevit University.

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1. INTRODUCTION

Despite many regulations by authorized institutions related to the audit profession, the accounting-based financial scandals are emerging in many countries around the world. Just between the years 1994-2004, more than 50 major worldwide corporate scandals had been seen primarily in the United States of America. In fact, these scandals show that the profession needs more dynamic arrangements regarding the accounting and audit practices.

In the USA, in order to purify the devastating effects of well-known Enron Scandal on the accounting profession, the American Congress prepared and put into effect the Sarbanes-Oxley Act of 2002, which brought fundamental changes, especially on oversight of companies. Establishing the Public Company Accounting Oversight Board (PCAOB) was one of the major changes of the Act.

After almost all big accounting scandals both the audit and the functionality of audit are questioned. In recent years, many academic works have been undertaken especially on the auditors` independence and the moral values. In this context, the audit itself, the responsibilities of auditors and auditors' roles have often been discussed.

Not only the stakeholders but also auditors themselves should clearly understand what an audit is and what responsibilities that derive from it. Indeed, as a result of the accounting-based scandals, public`s attention rises on why auditors cannot identify large-scale errors, fraud, and irregularities that materially affect financial statements of companies. In other words users of financial statements expect auditors to detect and report material financial table fraud and irregularities. However, the auditing profession argues that the public misunderstands the role of auditor and that fraud detection and reporting is not a major audit objective. Thus one of the major issues confronting the accountancy profession is the expectation differences about the audit profession between auditors and the beneficiaries of the audit services which is defined as the audit expectation gap (AEG).

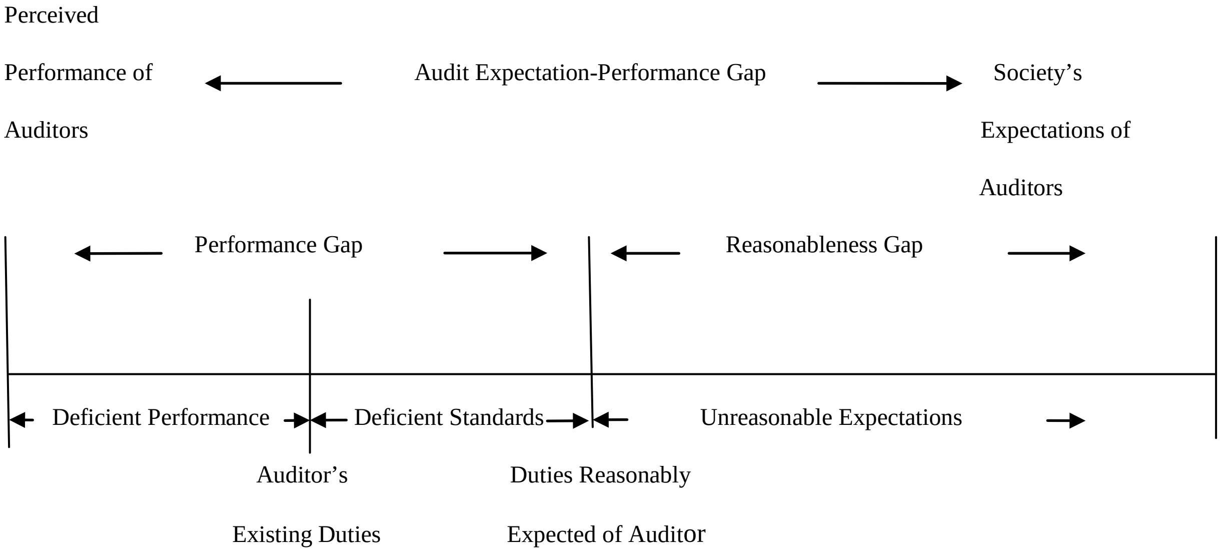
This study investigates the existence of audit expectation gap in Turkey between auditors and the beneficiaries of the audit services. Therefore, to determine whether there is an expectation gap between auditors and the beneficiaries of audit, a questionnaire survey is undertaken consisting questions about to the role of audit, role of auditor and responsibilities of auditors. Survey sample consists of auditors and creditors (banks) and investors (securities investment trusts) as the beneficiaries of audit.

2. AUDIT EXPECTATIONS GAP

The concept of **audit expectations gap** was first introduced by Liggio in 1974. He described the gap as the difference between auditors and the beneficiaries of financial statements in terms of auditors' performance. Later on, with the Cohen Commission's report (1978), the term is used more frequently by the general public and in accounting studies.

As one of the key researchers on the concept, Porter (1993:50) defined the AEG as a gap between the society`s expectation of auditor and the auditors` performance as perceived by the society. According to her, the gap comprises of two major components; the reasonableness gap and the performance gap (see fig.1).

Figure 1: Structure of the Audit Expectation-Performance Gap



Source: Porter, Brenda (1993), "An Empirical Study of the Audit Expectation-Performance Gap," *Accounting and Business Research,* 24 (93), p. 50.

The reasonableness gap which is the gap between what the society expects of auditors and what auditors can reasonably be expected to perform. Performance gap is a gap between what the beneficiaries of the audit can reasonably expect auditors to accomplish and what auditors are perceived to achieve. The performance gap consists of two sub level; the deficient standards gap and the deficient performance gap. The deficient standards gap refers to the gap between the responsibilities society reasonably expects auditors to perform and auditors` actual responsibilities, as defined by statute or law. The deficient performance gap refers to the gap between the expected standard of performance of auditors carrying these responsibilities and auditors` actual performance of these duties.

It is now commonly accepted that AEG is one of the major issues confronting the accountancy profession. Many researchers studied the existence of AEG and alternative methods to reduce the gap (McEnroe and Martes (2001), in England: Humphrey et al (1993), in Ireland: Robinson ve Lyttle (1991), in Australia: Monroe ve Woodliff (1993) and Schelluch (1996), in South Africa: Gloeck ve De Jager (1993), in Denmark: Hojskov (1998), in Netherlands: Hassink et al., (2009), in Singapore: Best et al. (2001), in Malaysia: Fadzly ve Ahmad (2004), in China: Lin ve Chen (2004), in Egypt Dixon et al. (2006), in Lebanon: Sidani (2007), in Saudi Arabia: Haniffa and Hudaib (2007)).

There are two major research questions about the AEG. First research question is related to the existence of the AEG in a particular country. Whether there is an expectation gap between auditors and the beneficiaries of audit in a particular country in respect to the audit. After finding the existence of the AEG, the second question is how to reduce the gap between the expectations of auditors and the beneficiaries of audit. According to the researchers, there are three major ways to reduce the gap; extended audit reports, extended responsibilities, and education. The main similarity among these three ways is that they all try to decrease the AEG by diminishing the reasonableness gap.

Nair and Rittenberg (1987) found that extended audit reports help to reduce the expectations of audit beneficiaries, thus, help to reduce the AEG. Gay and Schelluch (1993) acquired almost same results. They found that using extended audit reports help to decrease the expectations from the audit and the role of auditors. Because extended audit reports share more information with the public, it is possible that the reasonableness gap will be decreased.

Some researches focus on extended auditor responsibilities and their negative effect on the AEG. Humphrey et al. 1993; Knutson, 1994; O'Malley, 1993 stated that extending auditor responsibilities and assignments will negatively affect the AEG and the reasonableness gap will be decreased. The reason behind this belief is that by increasing the level of auditors' responsibilities, more expectations of beneficiaries will be met.

The third and the most studied topic is the effect of education on the AEG. Researchers such as Humphrey et al (1993); Monroe ve Woodliff (1993); Pierce ve Kilcommins (1997); Ferguson et al (2000); believe that if participants of audit get audit education, their expectations on auditors' responsibilities will reasonably be decreased, especially with respect to unreasonable expectations from auditors. Thus, the decreasing expectations will cause the AEG to diminish. This expectation also forms the main frame of this study focusing on the effect of education on AEG.

3. DATA AND METHODOLOGY

The beneficiaries of audit can be classified in many different ways such as auditors, investors, creditors, government, public, managers, journalists etc. Among them auditors, creditors, and investors are main users of audit. Therefore, to determine whether there is an expectation gap between auditors and the beneficiaries of audit in Turkey, creditors and investors are chosen as the beneficiaries of audit; Banks as creditors and securities investment trusts as investor institutions. A questionnaire survey was used to gather data.

In this study, the existence of audit expectation gap in Turkey between auditors and the beneficiaries of the audit services is investigated. A questionnaire survey was used to gather data from auditors in private audit firms in Capital Markets Board (CMB) and beneficiaries of audit namely; bankers and investment analysts authorized by the CMB of Turkey.

Bankers and investment analysts are defined as the primary user groups of audit services to analyze the existence of the audit expectation gap. Numbers of audit firms, securities and investment trusts, and banks were taken from of CMB Turkey's web site in 2011 in the period of study. At the time, there were 92 audit firms, 29 securities investment trusts, and 30 banks authorized by the CMB of Turkey. For audit firms and investment securities trust, the AEG questionnaire was delivered by hand. For banks, questionnaire forms were mailed to authorized banks managers.

The questionnaire, contained statements about the role of audit and auditors, responsibility of auditors and questions about the demographic characteristics of the respondents (a questionnaire form used in this survey can be seen in Annex 1). Respondents were asked to indicate their agreement or disagreement with each statement. The answers were measured on a five-point Likert scale, with 1 indicating 'no, certainly not', 3 'neutral' and 5 'yes, certainly'. In determining statements in the questionnaire studies of Monroe ve Woodliff (1994), Best and others (2001), Leung and Chau (2001), Fadzly and Ahmad (2004), Lin and Chen (2004), Dixon and others (2006), Nieschwietz and Woolley (2009), and Rehana (2010) were reviewed. The layout and contents of the draft questionnaire were discussed with several specialists in auditing/accounting and on survey research from other disciplines. After some adjustments were made, the questionnaire was tested in a pilot study. After further modifications were made the final version was implemented.

In order to analyze the reliability of the questionnaire, the Cronbach's Alpha test was undertaken. The test result is 0.865 which is a good result for the reliability. The result is expected to be higher than 0.7 to show a reliable study. And then, Kolmogorov-Smirnov (K-S) test was conducted to check normality of data. Test result shows that the data isn't normally distributed. As a result, as many researchers did, Mann-Whitney U test was chosen as a non-parametric test to compare the group results. After defining the areas where the AEG arises, the effects of audit education and the professional experience level on the AEG was ascertained by using ordered-logistic regression analysis.

Respond Rate and Characteristics of Respondents can be seen in Table 1 and 2 respectively. regarding response rates, as seen in Table 1, 78 completed surveys were obtained from 55 audit firms (audit firm participation rate is 59%), 41 completed surveys from 15 banks (banks participation rate is 50%), and 35 completed surveys from 14 securities investment trusts (securities investment trusts participation rate is 48%).

Table 1: Survey Participants and Response Rates

Participants*	Population (firm basis)	Number of Participation (firm basis)	Participation Rate of Questionnaire (firm basis)	Number of Responded Questionnaire
Auditors	92	55	%59	78
Banks	30	15	%50	41
Securities Investment Trusts	29	14	%48	35
Total	151	84	%56	154

*Numbers of audit firms, securities investment trusts, and taken from Capital Markets Board (CMB) of Turkey's web site in 2011 in the period of study. At the time, there were 92 audit firms, 29 securities investment trusts, and 30 banks authorized by the CMB of Turkey.

Table 2: Distribution of Participants' Gender, the Level of Professional Experience, and Audit Experience

Gender				
Gender	**Audit Firms**	**Banks**	**Securities Investment Trusts**	**Total**
Male	67	32	22	121
Female	11	9	13	33
Totals	78	41	35	154
The Level of Professional Experience of Participants				
Professional Experience	**Audit Firms**	**Banks**	**Securities Investment Trusts**	**Total**
1 year or less	2	0	0	2
1-5 years	19	2	0	21

5-10 years	31	7	4	42
More than 10 years	26	32	31	89
Total	78	41	35	154
Audit Education of Participants				
	Audit Firms	**Banks**	**Securities Investment Trusts**	**Total**
Yes	67	10	6	83
No	11	31	29	71
Total	78	41	35	154

4. RESULTS

In this section, first of all, AEG existed areas with respect to Auditors' Responsibilities will be discussed. Then AEG existed areas in terms of the role of audit and auditors will be presented.

4.1. AEG Regarding Auditors' Responsibilities

The results show us that the beneficiaries of audit have higher expectations in terms of auditors' responsibility. In terms of auditors' responsibilities the AEG occurring and non-occurring areas can be seen in Table 3. In some certain areas, they are looking for performance that auditors aren't able to meet their expectations which are defined as reasonableness gap. These are as follows:

First of all, the beneficiaries of audit attribute higher expectations to auditors in terms of finding, preventing, and reporting all frauds and irregularities in financial statements. From the Mann-Whitney U test results (see Table 4), it can be seen that beneficiaries' expectations from auditors in those areas are statistically significantly higher compare to auditors' own perceived responsibilities.

The beneficiaries of audit think that auditors have responsibility to protect audited firms' assets. However, there is no such responsibility for auditors to protect client company's assets. Auditors are trying to get an understanding of audited firms' financial statements. They conduct their audit in accordance with generally accepted auditing standards and express an opinion on financial statements based on their audit.

The beneficiaries of audit also want auditors to be responsible for losses of parties that trust the audit. Because auditors are not trying to guarantee that financial statements are absolutely true, they think that they cannot be held responsible for such losses. Audit standards require that auditors plan and perform the audit to obtain *reasonable assurance* in terms of financial statements are free from material misstatement.

Moreover, they think that auditors are responsible for financial scandals and are the main responsible for errors, frauds, and irregularities in audited firms. This process includes the design, maintenance, and implementation of internal control regarding the preparation and fair presentation of financial statements. However, audit standards state that management is responsible for the preparation and fair presentation of financial statements. As a result, auditors cannot be held primarily responsible for errors, fraud, and irregularities in audited firms and financial scandals.

Table 3: Types of the AEG Related to Auditors' Responsibilities

Questions	**Audit Expectation Gap**	**Reasonable Gap**	**Performance Gap**
Q1. Auditors are responsibilities for finding all frauds and irregularities in financial statements.	Yes	Yes	-
Q2. Auditors are responsible for preventing frauds and irregularities in audited firm's financial statements.	Yes	Yes	-
Q3. Auditors are responsible for reporting all frauds and irregularities in financial statements.	Yes	Yes	-
Q4. Auditors' responsibility on audit is to express their opinion in terms of audited firms' financial statements.	Yes	-	Yes
Q5. Auditors fulfill their audit activities with information required by profession and experience.	Yes	-	Yes
Q6. Auditors are responsible for providing reasonable assurance in terms of errors, frauds, and irregularities in financial statement.	No	-	-
Q7. Auditors are responsibility for protecting assets of audited firms.	Yes	Yes	-
Q8. Auditors explain the problems encountered during the audit process in audit report.	Yes	-	Yes

Q9. Auditors are responsible for losses of parties that trust audit.	Yes	Yes	-
Q10. Management is responsible for errors, frauds, and irregularities in firm financial statements.	No	-	-
Q11. Management is the main responsible for corporate financial scandals.	No	-	-
Q12. Auditors are also responsible for corporate scandals.	Yes	Yes	-
Q13. Auditors are the main responsible to uncover errors, frauds, and irregularities in audited firm's financial statements.	Yes	Yes	-

Table 4: Mann-Whitney U Test Results Of Auditor Responsibilities (The AEG Existed Statements)

Q1:Groups	n	Mean Rank	Mann-Whitney U	Wilcoxon W	z	P>|z|
Auditor	78	53,544	1095,5	4176,5	-6,97768	0,000**
Others	76	102,085				
**p<0,01						
Q2:Groups	n	Mean Rank	Mann-Whitney U	Wilcoxon W	z	P>|z|
Auditor	78	60,660	1650,5	4731,5	-4,91538	0,000**
Others	76	94,782				
**p<0,01						
Q3:Groups	n	Mean Rank	Mann-Whitney U	Wilcoxon W	z	P>|z|
Auditor	78	50,346	846	3927	-8,07697	0,000**
Others	76	105,368				

**p<0,01						
Q4:Groups	n	Mean Rank	Mann-Whitney U	Wilcoxon W	z	P>|z|
Auditor	78	86,359	2273	5199	-2,67462	0,007**
Others	76	68,407				
**p<0,01						
Q5:Groups	n	Mean Rank	Mann-Whitney U	Wilcoxon W	z	P>|z|
Auditor	78	85,006	2378,5	5304,5	-2,361	0,018*
Others	76	69,796				
*p<0,05						
Q7:Groups	n	Mean Rank	Mann-Whitney U	Wilcoxon W	z	P>|z|
Auditor	78	65,270	2010	5091	-3,74998	0,000**
Others	76	90,050				
**p<0,01						
Q8:Groups	n	Mean Rank	Mann-Whitney U	Wilcoxon W	z	P>|z|
Auditor	78	63,217	1850	4931	-4,23869	0,000**
Others	76	92,158				
**p<0,01						
Q9:Groups	n	Mean Rank	Mann-Whitney U	Wilcoxon W	z	P>|z|
Auditor	78	65,417	2021,5	5102,5	-3,52777	0,000**
Others	76	89,901				
**p<0,01						

Q12:Groups	n	Mean Rank	Mann-Whitney U	Wilcoxon W	z	P>|z|
Auditor	78	62,840	1820,5	4901,5	-4,32308	0,000**
Others	76	92,546				
**p<0,01						
Q13:Groups	n	Mean Rank	Mann-Whitney U	Wilcoxon W	z	P>|z|
Auditor	78	68,0256	2225	5306	-2,76239	0,006**
Others	76	87,223				
**p<0,01						

4.2. AEG Regarding the Role of Audit and Auditors

In Table No.5, we see the AEG occurring and non-occurring areas in terms of the role of audit and auditors. The results show us that compared to the responsibilities of auditors', in the role of audit and auditors part, there are comparatively less expectation difference between auditors and the beneficiaries of audit.

According to the test results, both auditors and the beneficiaries' of audit believe that the audit affects investment and lending decisions as a major factor. The audit also increases the level of trust to the firms' financial statements. Other statements agreed bay participants are: investors and creditors take audit reports into consideration in their decision-making processes; financial statements of firms are trustable source of knowledge in terms of financial performance and situations of firms; a positive audit opinion is a sign shows the audited firm is eligible to invest and to lend; auditors act unbiased and objective during the audit process, and audit opinions affect lending and investment decisions.

Table 5: Types of AEG Related to the Role of Audit and Auditors

Statements	**Audit Expectation Gap**
Q14. Audit reports are major factors which affect investment and lending decisions.	No

Q15. Audit increases the level of trust to the audited financial statements.	No
Q16. Investors and creditors investigate financial statements of audited firms in their decision-making process.	No
Q17. Audit prohibits management and employee from resorting to financial frauds and irregularities.	Yes
Q18. Auditors try to make audited firms’ management happy.	Yes
Q19. Investors and creditors take audit reports into consideration in their decision-making processes.	No
Q20. Financial statements of firms are trustable source of knowledge in terms of financial performance and situations of firms.	No
Q21. Audit affects investors’ and creditors’ investment and lending decisions.	No
Q22. A positive audit opinion guarantees that financial statements of firms are true and fairly presented.	Yes
Q23. Audited financial statements clearly show the financial situation of audited firms.	Yes
Q24. A positive audit opinion is a sign shows the audited firm is eligible to invest and to lend.	No
Q25. If auditors had done their duty as it should, corporate financial scandals wouldn't have happened.	Yes
Q26. A negative audit opinion is a sign of unreliable financial statements.	Yes
Q27. Audited financial statements are good source for creditors and investors.	Yes
Q28. Auditors act unbiased and objective.	No
Q29. Audit opinion affects lending and investment decisions of related parties.	No

Results show that compared to auditors beneficiaries of audit have higher expectations. Areas that the beneficiaries of audit have higher expectations are as follows:

-Audit prohibits management and employee from resorting to financial frauds and irregularities.

-Auditors try to make audited firms' management happy.

-A positive audit opinion is guarantee that financial statements of firms are true and fairly presented.

-The audited financial statements clearly show the financial situation of audited firms.

-Audit firms affect financial scandals.

-If auditors had done their duty as it should, corporate financial scandals wouldn't have happened.

The Mann-Whitney U test results of questionnaire for the AEG existing areas in terms of The Role of Audit and Auditors are in the Table No. 6.

Table 6: The Mann-Whitney U Test Result for the Role of Audit and Auditors (The AEG Existed Statements)

Q17:Groups	n	Mean Rank	Mann-Whitney U	Wilcoxon W	z	P>|z|
Auditor	78	69,307				
Others	76	85,908	2325	5406	-2,45987	0,014*
P<0,05						
Q18:Groups	**n**	**Mean Rank**	**Mann-Whitney U**	**Wilcoxon W**	**z**	**P>|z|**
Auditor	78	65,846				
Others	76	89,460	2055	5136	-3,52827	0,000**
**p<0,01						
Q22:Groups	**n**	**Mean Rank**	**Mann-Whitney U**	**Wilcoxon W**	**z**	**P>|z|**
Auditor	78	68,615				
Others	76	86,618	2271	5352	-2,60761	0,009**
**p<0,01						

Q23:Groups	n	Mean Rank	Mann-Whitney U	Wilcoxon W	z	P>|z|
Auditor	78	70,314				
Others	76	84,875	2403,5	5484,5	-2,12029	0,034*
*p<0,05						
Q25:Groups	**n**	**Mean Rank**	**Mann-Whitney U**	**Wilcoxon W**	**z**	**P>|z|**
Auditor	78	59,705				
Others	76	95,763	1576	4657	-5,17767	0,000**
**p<0,01						
Q26:Groups	**n**	**Mean Rank**	**Mann-Whitney U**	**Wilcoxon W**	**z**	**P>|z|**
Auditor	78	90,455				
Others	76	64,203	1953,5	4879,5	-3,88634	0,000**
**p<0,01						
Q27:Groups	**n**	**Mean Rank**	**Mann-Whitney U**	**Wilcoxon W**	**z**	**P>|z|**
Auditor	78	71,474				
Others	76	83,684	2494	5575	-2,03529	0,042*
*p<0,05						

4.3. Reducing AEG

One of the aims of this study to understand whether audit education and the level of professional experience help to diminish reasonableness gap and the AEG in terms of auditors' responsibilities after defining the AEG occurring areas and the types of AEG. For that purpose, 10 different models were chosen for each AEG areas in terms of auditors' responsibilities. In those models the reasonableness gap defined questions were used as our dependent variable. For independent variables; profession of participants (1 for auditor, 0 otherwise), audit education (1 for educated, 0 otherwise), and the level of professional experience (1 for less than 1 year, 2 for between 1 and 5, 3 for between 5 and 10, 4 for more than 10 years) were used. The result of analyze is shown in Table No. 8.

Table 7: Results of Ordered-Logit Analysis: Effects of Audit Education and the Level of Professional Experience on Diminishing Reasonableness Gap in terms of Auditor Responsibilities

Dependent Variables	Independent Variables	B	Z	P>z	Prob> chi^2	Pseudo R^2
Auditors' responsibilities on finding all frauds and irregularities in financial statements	Profession	-3,138	5,82	0,000	0,000	0,134
	Audit Education	-0,487	1,14	0,253		
	Professional Experience	-.475	1,89	0,059		
Auditors' responsibilities on preventing all frauds and irregularities in financial statements	Profession	-1,666	3,28	0,001	0,000	0,057
	Audit Education	-0,011	0,03	0,979		
	Professional Experience	-0,129	0,54	0,592		
Auditors' responsibilities on reporting all frauds and irregularities in financial statements	Profession	-4,226	6,47	0,000	0,000	0,205
	Audit Education	-0,896	1,75	0,080		
	Professional Experience	-0,677	2,65	0,008		
Auditors’ responsibility on protecting assets of audited firms	Profession	-2,044	4,01	0,000	0,000	0,054
	Audit Education	-1,147	2,65	0,008		
	Professional Experience	-0,047	0,20	0,841		
Auditors’ responsibility on corporate scandals of audited firms	Profession	-1,231	2,68	0,007	0,000	0,045
	Audit Education	-0,019	0,05	0,963		
	Professional Experience	0,153	0,65	0,518		
Auditors’ responsibility on losses of parties that trust the audit done by auditors	Profession	-1,342	2,83	0,005	0,001	0,035
	Audit Education	0,032	0,08	0,937		
	Professional Experience	-0,411	1,75	0,080		
Whether Auditors are the main responsible for errors, frauds, and irregularities in audited firms.	Profession	0,548	1,11	0,266	0,325	0,001
	Audit Education	0,739	1,65	0,098		
	Professional Experience	-0,70	0,30	0,763		

According to results, audit education and the level of professional experience are indicators main factors to decrease the AEG in certain areas (see Table 8).

Compared to non-audit educated participants, audit educated participants decrease their unreasonable expectations from auditors in the following areas; auditors' responsibilities on reporting all frauds and irregularities in financial statements, auditors' responsibility on protecting assets of audited firms, and whether auditors are the main responsible for errors, frauds, and irregularities in audited firms.

There are areas that the more experienced participants decrease their unreasonable expectations in terms of responsibilities of auditors compared to the less experienced participants. These areas are; auditors' responsibilities on finding all frauds and irregularities in financial statements, auditors' responsibilities on reporting all frauds and irregularities in financial statements, and auditors' responsibility on losses of parties that trust the audit done by auditors.

Table 8: Effects of Audit Education and the Level of Professional Experience on Diminishing Reasonableness Gap in terms of Auditor Responsibilities

Statements	**Effect of Audit Education**	**Effect of Professional Experience Level**
Auditors' responsibilities on finding all frauds and irregularities in financial statements	No	Yes
Auditors' responsibilities on preventing all frauds and irregularities in financial statements	No	No
Auditors' responsibilities on reporting all frauds and irregularities in financial statements	Yes	Yes
Auditors' responsibility on protecting assets of audited firms	Yes	No
Auditors' responsibility on losses of parties that trust the audit done by auditors	No	Yes
Auditors' responsibility on corporate scandals of audited firms	No	No
Whether Auditors are the main responsible for errors, frauds, and irregularities in audited firms.	Yes	No

5. CONCLUSIONS

In this study, the existence of audit expectation gap in Turkey between auditors and the beneficiaries of the audit services was investigated. The expectation gap results from the fact that users of audit reports have expectations regarding the duties of auditors that exceed the responsibilities and the role of the profession. A questionnaire survey was used to gather data from auditors in private audit firms in Capital Markets Board (CMB) and beneficiaries of audit namely; bankers and investment analysts authorized by the CMB of Turkey. Bankers and investment analysts are defined as the primary user groups of audit services to analyze the existence of the audit expectation gap.

Consequently, with respect to the role of audit and auditors and to the responsibilities of audit, there are the AEG existed areas in Turkey. In particular, on the part of the responsibilities of audit, there are more AEG existed areas compared to the part of the role of audit and auditors. It means beneficiaries of audit in Turkey have higher expectation regarding to the role of auditors. It was seen that there is both the reasonableness gap and the performance gap between auditors and users of audit reports. Upon determination of the AEG areas, this study has also investigated whether audit education and level of professional experience are important factors to decrease the gap between Auditors and beneficiaries of audit. Results imply that the more experienced participants the less unreasonable expectations in terms of responsibilities of auditors. Similarly as education level increases the audit expectation gap diminishes. Potential researchers also may investigate whether other solution proposals such as extending audit reports and extending auditors responsibilities are good indicators to decrease the gap.

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Appendix 1.

Questionnaire Form

Gender of Participants (Male, Female) Type of Participants (Auditors, Banks, Securities Investment Trusts) Level of Professional Experience (less than 1 year, between 1 and 5, between 5 and 10, more than 10 years.) Audit Education of Participants (yes, no)
Responsibility of Auditor
Q1. Auditors are responsibilities for finding all frauds and irregularities in financial statements.
Q2. Auditors are responsible for preventing frauds and irregularities in audited firm's financial statements.
Q3. Auditors are responsible for reporting all frauds and irregularities in financial statements.
Q4. Auditors' responsibility on audit is to express their opinion in terms of audited firms' financial statements.
Q5. Auditors fulfill their audit activities with information required by profession and experience.
Q6. Auditors are responsible for providing reasonable assurance in terms of errors, frauds, and irregularities in financial statement.
Q7. Auditors are responsibility for protecting assets of audited firms.
Q8. Auditors explain the problems encountered during the audit process in audit report.
Q9. Auditors are responsible for losses of parties that trust audit.
Q10. Management is responsible for errors, frauds, and irregularities in firm financial statements.
Q11. Management is the main responsible for corporate financial scandals.
Q12. Auditors are also responsible for corporate scandals.
Q13. Auditors are the main responsible to uncover errors, frauds, and irregularities in audited firm's financial statements.
The Role of Audit and Auditor
Q14.Audit reports are major factors which affect investment and lending decisions.
Q15.Audit increases the level of trust to the audited financial statements.

Q16.Investors and creditors investigate financial statements of audited firms in their decision-making process.
Q17.Audit prohibits management and employee from resorting to financial frauds and irregularities.
Q18.Auditors try to make audited firms’ management happy.
Q19.Investors and creditors take audit reports into consideration in their decision-making processes.
Q20.Financial statements of firms are trustable source of knowledge in terms of financial performance and situations of firms.
Q21. Audit affects investors’ and creditors’ investment and lending decisions.
Q22.A positive audit opinion guarantees that financial statements of firms are true and fairly presented.
Q23.Audited financial statements clearly show the financial situation of audited firms.
Q24.A positive audit opinion is a sign shows the audited firm is eligible to invest and to lend.
Q25.If auditors had done their duty as it should, corporate financial scandals wouldn't have happened.
Q26.A negative audit opinion is a sign of unreliable financial statements.
Q27.Audited financial statements are good source for creditors and investors.