

The expectation gap generally explains the difference between what the public expects of auditors and what the responsibilities of auditors are in terms of the International Standards on Auditing (ISAs).

However, it must first be determined whether auditors are performing audits in terms of the ISAs or not.

1. Professional skepticism

The ISAs require the application of professional skepticism. Professional skepticism is defined in the IRBA professional skepticism guide as "An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence."

The extent to which audit firms currently do not have robust processes to document the questions asked, the conditions that they were alerted of as well as a critical assessment of evidence needs to be assessed. Audit firms have been known to

generally complacent and accepting of information provided by the client, often with pressing deadlines that leaves little time for questioning. Audits are also notorious for "ticking up" being the act of mindlessly quickly checking supporting documents in order to complete audit procedures and mark working papers as complete. Again, due to time constraints.

This creates a huge gap between the auditor and their responsibilities.

2. Nature of audit evidence

In terms of ISA 500, audit evidence should be obtained by third parties wherever possible.

An example of where this is not applied is in the audit of Revenue. A financial statement caption that has an inherent significant risk of fraud, is audited primarily by agreeing line items in the general ledger to invoices. A source of evidence that is generated by the auditee and due technology it is the invoice that generates when the general ledger item is captured and therefore provides no evidence of the existence of that revenue.

Herein lies another gap between the audit and the

auditor's responsibilities.

3. The decline of audit quality

The media is bombarded with articles of fines being imposed on audit firms in the UK and South Africa for failing to comply with the audit standards. While these fines on its own indicates that audits are not being performed to the relevant standards, it also highlights that there is a gap between the standards and the auditors responsibilities. If the auditor is not fulfilling their responsibility, there will definitely be an expectation of the public to the profession.

4. Audit opinion

The unqualified audit opinion provides the users of the financial statements with "reasonable assurance that the financial statements are free from material error whether due to fraud or error". When fraud does occur, auditors quickly turn around and say that it is not their responsibility to detect fraud.

However it is the responsibility of the auditor to ensure that the audit is planned and performed to obtain reasonable assurance that the financial

statements are free from material misstatement whether caused by fraud or error.

These instances highlight the need to consider whether, if the auditing standards were adhered to, would there be as big of an expectation gap as there is?