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Bridging the Audit Expectation Gap: A Systematic Review of Stakeholder Perspectives and Reform Initiatives

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Abstract

This study systematically reviews the phenomenon of the Audit Expectation Gap (AEG), which reflects the disparity between what the public expects from auditors and what auditors are professionally required to deliver. Using a Systematic Literature Review (SLR) based on PRISMA 2020, thirty-five peer-reviewed articles published between 2010 and 2025 were analyzed across various countries and stakeholder perspectives. The findings reveal that AEG is a multidimensional issue shaped by technical, social, and communicative factors. Five dominant determinants were identified: auditor competence, professional independence, regulatory complexity, communication transparency, and public literacy. Although reforms such as Key Audit Matters (ISA 701), EU Directive 2014/56/EU, and the establishment of Public Oversight Boards have enhanced institutional credibility, they have not fully closed the trust gap between auditors and society. The study highlights the critical role of audit education and stakeholder literacy in reducing cognitive and social gaps, while recommending a shift toward a communication-based expectation model integrating digital audit ethics and trust-building mechanisms.

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INTRODUCTION

The phenomenon of the Audit Expectation Gap (AEG) has remained one of the most enduring issues in the auditing profession since it was first introduced by Liggio (1974) and further developed by Porter (1993). AEG refers to the disparity between what the public expects from auditors and what auditors are professionally capable of or permitted to do under applicable auditing standards. This divergence in perception carries significant implications, not only for the credibility of the public accounting profession but also for the level of investor confidence in corporate financial statements.

As business complexity increases and pressure for financial reporting transparency intensifies, public expectations regarding the auditor's role have also evolved. The public often perceives auditors as being fully responsible for detecting fraud, assessing going concern status, and ensuring the overall accuracy of financial statements. However, international auditing standards—such as ISA 200—emphasize that an auditor's responsibility is limited to providing reasonable assurance, not absolute assurance (International Auditing and Assurance Standards Board [IAASB], 2021). This misalignment of perceptions further widens the expectation gap and contributes to a decline in public trust toward the auditing profession (Jedidi & Humphrey, 2025)

Various reform initiatives have been undertaken to narrow this gap. The adoption of the revised International Standards on Auditing (ISA), the disclosure of Key Audit Matters (KAM) through ISA 701, and the strengthening of auditor independence principles within the European Union have become significant milestones in clarifying the auditor's role and responsibilities. (Litjens et al., 2015);(Jedidi & Humphrey, 2025)

However, several studies indicate that standard-based reforms alone have not been entirely effective in bridging public expectations. This limitation is largely attributed to the low level of audit literacy among financial statement users and the insufficient communication between auditors and relevant stakeholders. (Haque et al., 2019; Dung, 2024).

On the other hand, the roles of audit education and independent oversight have received increasing attention in contemporary literature. Audit education at the university level is considered effective in reducing the cognitive gap but has not yet fully addressed the social expectation gap (Masoud, 2017; Omodero & Okafor, 2020). Similarly, independent oversight has been shown to strengthen public perceptions of audit credibility, yet it remains insufficient to eliminate the prevailing public assumption that auditors must ensure financial statements are entirely free from error (Herani & Angela, 2025) (Haque et al., 2019; Batumalai et al., 2022). Consequently, the Audit Expectation Gap (AEG) is not merely a technical issue but also a social and communicative one that requires a multidimensional approach (Jedidi, 2024).

Sejumlah studi di negara berkemSeveral studies conducted in developing countries such as Vietnam, Malaysia, Iraq, and Bangladesh highlight that the deficient standards gap and reasonableness gap are the two most dominant forms of expectation gaps (Dung, 2024; Haque et al., 2019). In contrast, in developed countries such as

France and the United Kingdom, the primary focus has shifted toward addressing the deficient performance gap through enhanced audit transparency and professional accountability (Jedidi, 2024). These differences underscore that AEG is context-dependent and influenced by the maturity level of professional institutions and regulatory frameworks in each country.

Building upon these phenomena, this study seeks to conduct a systematic review of the literature examining the Audit Expectation Gap from cross-country and multi-stakeholder perspectives. The review not only maps the causes and consequences of AEG but also evaluates the effectiveness of various professional reforms, including the roles of Key Audit Matters, independent oversight, and audit education in bridging the public expectation gap.

Accordingly, this study is expected to make a theoretical contribution by extending Porter's (1993) classical model through the integration of social and educational dimensions, as well as a practical contribution for regulators, academics, and the auditing profession in rebuilding public trust in the audit function.

LITERATUR REVIEW

Definition and Concept of the Audit Expectation Gap (AEG)

The concept of the Audit Expectation Gap (AEG) was first introduced by Liggio (1974) and later systemically expanded by Porter (1993) through a three-dimensional model that remains a principal foundation in auditing literature. Porter classifies the AEG into three categories: (1) the reasonableness gap, (2) the deficient standards gap, and (3) the deficient performance gap.

1. The reasonableness gap refers to the difference between what can realistically be expected from auditors and what the public believes to be their responsibilities.
2. The deficient standards gap arises when existing professional standards are considered inadequate to meet public expectations.
3. The deficient performance gap refers to situations in which auditors fail to comply with existing professional standards, whether due to limitations in competence, independence, or oversight.

Over the past two decades, the AEG concept has evolved significantly in response to changes in the global auditing environment. Cross-country studies such as those conducted in Cameroon (2019), Libya (2020), and Vietnam (2024) indicate that the AEG stems not only from deficiencies in auditing standards or auditor performance but also from perceptual differences between auditors and financial statement users concerning the scope of the audit, fraud detection, and responsibilities related to going-concern assessments.

Recent studies indicate a shift in focus from the performance gap toward dimensions that are more social and communicative in nature. Jedidi (2024) introduces two new dimensions that complement Porter's model, namely the communication gap and the literacy gap.

1. The communication gap describes the distance between the audit messages conveyed through audit reports and the public's understanding of the meaning and limitations of the audit itself.
2. The literacy gap refers to the low levels of financial and audit literacy among users of financial statements, which leads to excessive expectations regarding the auditor's role, particularly in fraud detection and the provision of going-concern assurance.

Thus, the conceptual evolution of the AEG reflects a shift from a standards-based normative approach toward a multidimensional perspective that considers social interactions, public communication, and the literacy levels of financial statement users. This concept underscores that the AEG is not merely a technical issue within auditing but also a social phenomenon closely linked to trust, transparency, and professional accountability.

Determinant of *Audit Expectation Gap* (AEG)

One of the primary roots of the Audit Expectation Gap (AEG) lies in the differences in perceptions among stakeholder groups regarding the responsibilities and roles of auditors in the financial reporting process. Cross-country studies show that each stakeholder group holds distinct orientations and expectations concerning the objectives of auditing, the level of assurance provided, and the professional boundaries of auditors.

1. Auditor Perspective

For professional auditors, the limits of responsibility are defined by applicable auditing standards and the legal framework governing the profession. They view auditing as a process that provides reasonable assurance, not absolute assurance, regarding the fairness of financial statements. This finding is consistent across various studies, such as those in Cameroon (2019), Libya (2020), and Vietnam (2024), which show that auditors tend to emphasize legal and professional boundaries and reject the public perception that auditors bear full responsibility for detecting fraud.

As highlighted in Jedidi (2024), auditors also face reputational pressure when the public fails to distinguish between audit failure (professional failure) and business failure (corporate failure). Limitations in communicating the auditor's role often reinforce such misunderstandings and widen the communication gap.

2. Investor and Public Perspective

From the viewpoint of financial statement users, expectations of auditors often exceed professional boundaries. Studies in Iraq (2020), Malaysia (2022), and Bangladesh (Haque et al., 2019) show that most investors and the general public expect auditors to:

a. Detect all forms of fraud,
b. Provide assurance on a company's ability to continue as a going concern, and
c. Serve as moral guardians overseeing managerial behavior.

These excessive expectations are reinforced by low public literacy regarding auditing standards and by informational biases arising from media coverage of financial scandals. Findings from Palestine (2024) even indicate that the perceptual gap between auditors and investors is greater than that between auditors and financial managers, suggesting that the AEG is driven more by social misperception than by technical audit factors alone.

3. Regulator and Oversight Body Perspective

Regulators and oversight bodies play a crucial role in narrowing the information gap between auditors and the public. Studies by Haque et al. (2019) and Jedidi (2024) highlight that institutional reforms—such as the establishment of independent audit oversight authorities—can enhance perceptions of professional credibility, although they have not fully eliminated the expectation gap.

The adoption of new reporting standards, such as ISA 701 (Key Audit Matters), in the European Union, the United Kingdom, and Saudi Arabia has been shown to improve audit report transparency and clarify the scope of auditors' responsibilities. However, several studies (e.g., Al-Qahtani, 2024) indicate that although KAM disclosures enhance users' understanding, not all users view these reforms as successful in reducing the expectation gap due to generally low public comprehension of audit report content.

4. Synthesis of Findings

Overall, findings from various contexts indicate that:

a. Auditors focus on fulfilling professional standards and legal responsibilities.

b. Investors and the public perceive auditors as moral guardians and fraud detectors, extending beyond the technical limits of auditing.

c. Regulators seek to enhance transparency and public trust through oversight policies and more open reporting practices.

These divergent perspectives position the AEG as a multifactorial phenomenon in which social interactions and regulatory frameworks play roles as significant as the technical aspects of auditing.

Determinant of *Audit Expectation Gap* (AEG)

Synthesis of 35 articles indicates that the Audit Expectation Gap (AEG) arises from a complex interaction of individual, institutional, and socio-cultural factors. Based on thematic coding results (MQ4 and MQ5), the determinants of AEG can be categorized into five main groups: (1) auditor competence and performance, (2) professional independence and integrity, (3) the complexity of standards and regulations, (4) audit communication and transparency, and (5) public literacy and expectations.

1. Auditor Competence and Performance

Most studies (Cameroon, Libya, Vietnam, Iraq, and Malaysia) show that the deficient performance gap emerges from limitations in auditors' capacity to apply auditing standards and evaluate fraud risk. Auditors often face constraints related to resources, training, and audit technology, leading to audit outcomes that fall short of public expectations.

Research from Vietnam (2024) and Iraq (2020) asserts that low technical competence contributes directly to public perceptions of “audit failure,” although the issue often stems from workload pressures and audit complexity rather than professional negligence. Furthermore, studies such as Omodero & Okafor (2020); Benamraoui et al., (2022) demonstrate that audit education lacking practical orientation broadens the gap between auditors’ capabilities and public demands.

2. Professional Independence and Integrity

Independence emerges as a dominant determinant in nearly 60% of the articles analyzed. Studies in Bangladesh (Saha et al., 2019), Malaysia (2022), and the European Union (Jedidi, 2024) highlight that public perceptions of auditor independence significantly shape trust in audit outcomes.

Although regulatory reforms—such as the EU Directive 2014/56 and the establishment of Public Oversight Boards—aim to strengthen independence, most research finds that these measures have not fully reduced the AEG. As noted by Jedidi (2024), the implementation of non-audit service prohibitions and sanction systems remains ambiguous, leading the public to continue questioning auditors’ objectivity.

3. Complexity of Auditing Standards and Regulations

The deficient standards gap dimension relates to the imbalance between public expectations and the capacity of auditing standards to address them. Cross-context studies such as Libya (2020) and Cameroon (2019) show that highly technical audit standards, which are difficult for report users to understand, widen the expectation gap.

Conversely, Jedidi (2024) finds that harmonization under the ISA framework does not automatically reduce the AEG, because the complexity of IFRS further expands perceptual disparities between auditors and investors. This complexity often requires auditors to translate technical issues into layman-friendly language—something not yet widely practiced in many developing countries.

4. Audit Communication and Transparency

Communication has emerged as a newly recognized cause of AEG in 11 recent articles (2020–2025). The AEG arises not only from auditor shortcomings but also from failures to communicate audit findings clearly to the public.

The implementation of Key Audit Matters (KAM) under ISA 701 in the United Kingdom, Saudi Arabia, and EU member states has improved transparency but has not always reduced the expectation gap. Studies by Al-Qahtani (2024) and El Badlaoui et al., (2024) show that while KAM disclosures help users understand audit risks, not all readers can interpret the technical terminology. As a result, a new communication gap emerges: the public feels “more informed” but still does not understand the limits of assurance provided by auditors.

5. Public Literacy and Social Expectations

The social dimension is a prominent finding in most studies conducted in Asia and the Middle East. The AEG is widened by low public literacy regarding the audit function and by excessive expectations of auditor capabilities.

Studies by Omodero & Okafor (2020) & Batumalai et al., (2022) reveal that the public continues to view auditors as "moral guarantors" of managerial honesty rather than mere providers of reasonable assurance. These social expectations are reinforced by media coverage of financial scandals and limited public understanding of professional terminology in audit reports.

Furthermore, formal accounting education has not sufficiently emphasized the boundaries of auditor responsibility. A study in Jordan Masoud, (2017) shows that even accounting students hold unrealistic expectations of auditors' responsibilities, indicating that the AEG is formed as early as the educational stage.

6. Cross-Study Synthesis

Overall, the meta-analysis shows that the AEG is multidimensional and mutually reinforcing:

a. Auditor competence and performance are closely linked to independence and perceptions of professional reliability.
b. Standard complexity heightens the need for improved public communication.
c. Low public literacy amplifies the social impact of the AEG.

Thus, efforts to narrow the AEG cannot rely solely on regulatory reforms; they must also be accompanied by enhanced professional capacity, innovations in audit communication, and multi-stakeholder education.

Reforms and Policies to Address the Audit Expectation Gap (AEG)

Based on an analysis of the 35 reviewed articles, audit profession reforms over the past two decades demonstrate a paradigm shift from standard-based reform to transparency-based reform. Efforts to narrow the Audit Expectation Gap (AEG) now focus not only on improving auditing standards but also on strengthening oversight systems, enhancing public audit communication, and promoting cross-stakeholder education.

1. Standard-Based Reforms and International Regulatory Frameworks

Standard-based reforms have served as the foundational global effort to reduce the AEG. The implementation of the International Standards on Auditing (ISA)—particularly ISA 700–706 and ISA 701 (Key Audit Matters, KAM)—represents the most significant step in enhancing the transparency of audit reporting.

Studies by Al-Qahtani (2024) in Saudi Arabia and Jedidi (2024) in France show that the disclosure of KAM improves users' understanding of significant risk areas and auditors' judgments. However, the effectiveness of these reforms remains limited for two primary reasons:

a. Users of financial statements do not always understand the technical terminology within KAM disclosures.
b. Auditors often employ overly cautious language, leading to key messages losing substantive meaning.

Moreover, the EU Directive 2014/56/EU and Regulation (EU) No. 537/2014—which strengthen auditor independence through prohibitions on non-audit services and restrictions on audit tenure—have improved perceptions of integrity but have not significantly reduced the expectation gap. As noted by Jedidi (2024), these regulations reinforce institutional credibility but fail to address the social root of the AEG, namely the public's inflated perception of auditor responsibility.

2. Oversight-Based Reforms and Professional Governance

Enhancing audit oversight systems has become a central focus in developing countries. Studies by Haque et al. (2019) in Bangladesh and Al-Hamidy (2020) in Iraq show that the establishment of independent oversight bodies (Public Oversight Boards) positively influences public trust in auditors.

The role of oversight institutions in conducting audit quality inspections, enforcing sanctions, and publishing evaluation outcomes has proven effective in narrowing the information gap between auditors and the public. However, in developing countries, the effectiveness of oversight bodies is often constrained by limited resources and political interference. Research in Malaysia (Batumalai et al., 2022) also finds that effective oversight requires synergy among regulators, professional associations, and educational institutions to internalize the values of integrity and transparency.

3. Transparency-Driven Reforms and Public Communication

A new wave of reforms emerging after 2020 emphasizes the importance of communication and openness as key strategies for addressing the AEG. This approach, referred to as transparency-driven reform, expects auditors not only to comply with technical standards but also to proactively explain the purpose, boundaries, and outcomes of the audit to the public.

Findings by Jedidi (2024) and Litjens et al. (2016) indicate that modifications to the audit report format—such as adding explanatory sections on the scope of audit, auditor's responsibilities, and limitations of assurance—have improved users' understanding of financial statements. However, a communication gap persists because the public still does not fully understand the meaning of reasonable assurance and often interprets an audit as absolute assurance.

Several countries (such as the United Kingdom and the Netherlands) have adopted an extended auditor's report model that is more narrative and descriptive. These reforms have generated a short-term trust effect for the profession, but their long-term effectiveness depends on users' ability to interpret the content critically.

4. Technology-Based Reforms and Digital Auditing

Advancements in digital technology have created new opportunities to narrow the AEG. The concept of audit digitalization suggests that the use of artificial intelligence (AI), blockchain, and data analytics in auditing can enhance the quality of audit evidence while increasing the transparency of the examination process (Fossung et al., 2020) (Fotoh & Lorentzon, 2023). However, audit digitalization also introduces a new form of gap—the technology-driven expectation gap—where the public assumes that technology can completely eliminate errors and fraud. Consequently, when audit failures still occur, public trust in the profession tends to decline. Therefore, technology-based reforms must be accompanied by public education on the limitations of AI within the professional audit context.

5. Cross-Reform Synthesis

Across the reviewed literature, the following conclusions can be drawn:

a. Standard-based reforms improve technical consistency but have not addressed the social dimensions of the AEG.

b. Oversight-based reforms strengthen institutional accountability, though their implementation capacity remains constrained in developing countries.

c. Transparency- and technology-driven reforms create new perceptions of credibility but also generate new forms of understanding gaps.

Thus, the effectiveness of AEG reforms is not determined by a single policy but by a combination of professional standards, robust oversight systems, effective public communication, and cross-stakeholder education.

Audit Education and Literacy

One of the most consistent findings in this systematic review is that audit education and public financial literacy play a significant role in narrowing the Audit Expectation Gap (AEG). Of the 35 articles reviewed, more than one-third (38%) highlight that the misalignment of expectations between auditors and users of financial statements originates from a conceptual misunderstanding of the audit function, boundaries of responsibility, and professional standards.

This finding indicates that the AEG is not merely a technical problem within the profession but also an issue of educational asymmetry, in which the understanding of the public, students, and even some members of management does not fully align with the actual scope of an audit.

1. Audit Education as a Tool for Reducing the Cognitive Gap

Studies conducted by Dung (2024) and Masoud (2017) show that formal education in auditing helps reduce the cognitive gap—the knowledge gap concerning auditors' duties and responsibilities.

Accounting students who have taken auditing courses tend to have a more realistic perception of the limits of auditor responsibility compared to non-accounting students.

However, these studies also affirm that the effects of formal education remain limited to the cognitive dimension. Theory-based audit instruction has not been able to shift social perceptions of auditors as "guarantors of financial statement truth." In other words, formal education effectively reduces the knowledge gap but has not yet mitigated the social expectation gap.

2. Experiential Learning and Real-World Case Instruction

Several studies recommend shifting pedagogical approaches from content-based learning to experiential learning.

According to Omodero & Okafor (2020) and Batumalai et al. (2022), case-based curricula that simulate actual audit situations can strengthen students' understanding of ethical boundaries, professional responsibilities, and auditors' legal obligations.

This approach also exposes students to the social dynamics of the profession, such as client pressure, independence conflicts, and moral dilemmas in audit decision-making. As a result, students become better prepared for professional realities and are less likely to adopt an idealized and overly expansive view of the auditor's role.

3. Audit Literacy for Non-Academic Stakeholders

Beyond formal education, several studies emphasize the importance of audit literacy for non-academic stakeholders such as investors, regulators, and the general public.

Studies in Bangladesh (Haque et al., 2019) and Iraq (2020) find that the public's limited understanding of the content and limitations of audit reports is a primary source of the communication gap and misinterpretation of auditor responsibilities.

Public literacy initiatives—such as simplified audit report guides, professional seminars, and media collaborations—have been shown to improve society's understanding of the purpose of auditing. Litjens et al. (2016); Kumari & Ajward, (2023) further emphasize that when users are educated about terms such as materiality, reasonable assurance, and audit scope, their trust in audit outcomes increases without expanding unrealistic expectations.

4. The Role of Institutions and Regulators in Professional Education

Oversight bodies and professional associations such as Public Oversight Boards, ACCA, and IFAC play strategic roles in designing Continuous Professional Development (CPD) programs.

Findings from the European Union (Jedidi, 2024) and Malaysia (Batumalai et al., 2022) show that policy reforms accompanied by mandatory periodic training in ethics and independence help reduce the deficient performance gap among senior auditors.

Moreover, regulator involvement in educating the public is also necessary to prevent media-driven expectation gaps—situations in which negative reporting on audit failures leads to exaggerated public perceptions of auditor shortcomings.

5. Synthesis of Findings on Education and Literacy

Based on the synthesis, educational strategies are effective in narrowing the AEG when they meet the following three criteria:

a. Cognitive: enhancing understanding of auditor responsibilities and the boundaries of reasonable assurance.

b. Practical: incorporating audit simulations and real-world cases so that students grasp the social context of the profession.
c. Communicative: expanding public literacy to help users understand the content and limitations of audit reports.

Thus, the role of audit education and literacy constitutes a key element that complements standard-based and oversight-based reforms. Without enhanced cross-stakeholder understanding, any technical policy risks failing to reduce the expectation gap in a sustainable manner.

Impact on Trust and Professional Accountability

The phenomenon of the Audit Expectation Gap (AEG) not only creates a disparity in understanding between auditors and users of financial statements but also has serious consequences for public trust and the accountability of the audit profession.

The synthesis of 35 articles shows that the wider the expectation gap, the lower the level of public trust in auditors, and the greater the risk of a decline in the social legitimacy of the auditing profession.

1. The Inverse Relationship Between AEG and Stakeholder Trust

Most empirical studies—including Haque et al. (2019) in Bangladesh, Al-Hamidy (2020) in Iraq, and Jedidi (2024) in the European Union—confirm a negative relationship between the expectation gap and stakeholder confidence.

When the public believes that auditors are fully responsible for detecting fraud or preventing business failure, any corporate collapse is automatically associated with an audit failure. This widens the trust deficit even when auditors have fully complied with professional standards.

Prominent examples come from developing countries such as Malaysia (Batumalai et al., 2022) and Vietnam (Dung, 2024; Dung & Tuan, 2019) where misunderstandings of the term reasonable assurance cause public trust in audit reports to remain low despite improvements in audit quality. In other words, public perception often plays a greater role in determining the profession's legitimacy than auditors' actual performance.

2. Impact on Professional Accountability and Ethical Perceptions

The audit expectation gap also affects the moral and ethical dimensions of professional accountability.

In this context, the deficient performance gap is viewed not only as a technical shortcoming but also as a failure to uphold the profession's moral obligation to protect the public interest. Studies by Omodero & Okafor (2020) and Masoud (2017) show that the public tends to view auditors as moral watchdogs safeguarding corporate transparency; thus, any audit failure is often interpreted as a betrayal of public trust.

However, the literature also highlights the ethical dilemmas faced by auditors, who must balance the obligation to maintain independence with client and market pressures. Research in the European Union (Jedidi, 2024) shows that the EU Directive

2014/56, which strengthens auditor independence, enhances perceptions of integrity but creates administrative pressure that may reduce audit efficiency.

3. Consequences for the Credibility of Financial Reporting

Cross-country studies emphasize that the AEG has direct implications for the reliability and credibility of financial statements. According to Litjens et al. (2016) and Al-Qahtani (2024), users who do not understand the scope and limitations of auditing tend to doubt the reliability of financial statements—even when they have been audited by large firms.

Findings from Palestine (2024) and Cameroon (2019) show that the AEG weakens perceived audit quality, especially when audit information is presented in technical language that is difficult for non-accountant investors and regulators to understand.

Consequently, the AEG contributes to market information asymmetry and reduces investment efficiency because users lose confidence in auditing as a trust mechanism. In the long term, this undermines the role of auditing as a foundational pillar of corporate governance.

4. Reforms and the Partial Restoration of Trust

Despite various reforms—such as the implementation of Key Audit Matters (KAM) and the establishment of Public Oversight Boards—most studies indicate that public trust has not fully recovered. Studies by Jedidi (2024) and Haque et al. (2019) note that regulatory reforms increase transparency perception but have not fully restored confidence levels diminished by financial scandals.

Social and emotional trust, in contrast, takes longer to rebuild because it depends on perceptions of auditors' moral standing rather than mere compliance with technical standards. Thus, the long-term success of reforms depends heavily on effective public communication and cross-stakeholder education.

5. Synthesis of Findings

Meta-analytic synthesis reveals a consistent pattern:

a. The Audit Expectation Gap has a direct negative effect on trust and professional accountability.

b. Standard-based and oversight-based reforms strengthen institutional legitimacy but do not address the social–emotional dimensions of public trust.

c. Restoring trust requires a combination of technical policies, ethical communication, and social education so that the audit profession can once again be viewed as a pillar of economic integrity.

Thus, the AEG is not merely a technical issue within the profession; it is a reputational challenge that shapes the long-term relationship between the audit profession and society.

Future Directions for Reform and Research

Findings from the 35 articles analyzed indicate that the Audit Expectation Gap (AEG) remains a structural problem within the modern auditing profession. Although reforms such as the adoption of international standards (ISA 701), the establishment of independent oversight bodies, and increased transparency in audit reporting have been implemented, the expectation gap persists because it is multidimensional—technical, social, and psychological.

Therefore, future reforms and research must shift from a compliance-based approach toward a trust-building and communication-based approach, grounded in three main pillars: digital audit technology, cross-stakeholder education, and the development of communication-based expectation models.

1. Integration of Digital Technology in the Audit Process

The future trajectory of the auditing profession will be heavily shaped by audit digitalization and technological advancements such as Artificial Intelligence (AI), Blockchain, and Data Analytics. Studies by (Fotoh & Lorentzon, 2023); Jedidi (2024), and Litjens et al. (2016) predict that the use of intelligent audit technologies can:

a. Enhance the efficiency and accuracy of audit evidence testing,
b. Reduce the likelihood of human error, and
c. Improve the transparency of the audit process through digital traceability.

However, cross-study findings also caution that these technological advancements may give rise to a technology-driven expectation gap, in which the public assumes that AI can eliminate all forms of error and fraud.

Thus, future research must focus on developing ethical governance models for digital audits and clarifying the boundaries of responsibility between human auditors and automated systems, to prevent trust from shifting blindly from auditors to technology.

2. Cross-Stakeholder Education and Literacy

Meta-analytic findings indicate that expectation alignment will not be effective without educational interventions across stakeholders, including auditors, regulators, investors, the media, and the general public. As suggested by Dung (2024) and Omodero & Okafor (2020), experiential learning in audit education must be complemented by public literacy programs addressing the scope, limitations, and value of auditing.

Future research should focus on developing collaborative curricula between universities, professional associations, and regulators that integrate audit theory with ethical storytelling and public communication skills. Public literacy initiatives—such as audit open houses or interactive audit reporting—may serve as mechanisms to reduce the communication gap and enhance public understanding of the auditor's role.

3. Developing Communication-Based Expectation Gap Models

The communication dimension has emerged as a central focus in contemporary AEG literature. Jedidi (2024) and Al-Qahtani (2024) emphasize the need to build a communication-based expectation gap (CBEG) model that bridges understanding between auditors and users of financial statements through three key strategies:

a. redesigning the audit report to be more narrative and accessible to the public without compromising professional substance;
b. providing public communication training for auditors so that audit messages do not lose meaning due to technical language;
c. implementing two-way transparency, allowing users to provide feedback on the structure and content of audit reports.

The CBEG model is expected to shift the audit paradigm from a mere verification mechanism to a communication mechanism that fosters sustainable social trust.

4. Directions for Theoretical and Practical Research

Based on the review, four major areas for future research remain wide open:
a. Empirical testing of the relationship between digital transparency and stakeholder trust within modern audit environments;
b. Development of interdisciplinary models integrating communication theory, ethics, and organizational psychology to explain AEG dynamics;
c. Longitudinal cross-country studies to map the influence of culture, legal systems, and regulation on shifts in public expectations;
d. Assessment of the effectiveness of Key Audit Matters (KAM) and Audit Analytics on public perceptions in both the public and private sectors.

5. Concluding Synthesis

Future reforms must move toward a more human-centered, communicative, and value-oriented audit profession. The integration of technology must be balanced with literacy initiatives, while regulation must be accompanied by education. Accordingly, narrowing the Audit Expectation Gap cannot be achieved solely through revisions to professional standards but also through the development of an ecosystem of trust among auditors, regulators, and society.

RESEARCH METHOD

The research approach employed in this study is a Systematic Literature Review (SLR) guided by the methodological principles of the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA 2020). This approach was selected because it enables a comprehensive synthesis of diverse and relevant research findings—quantitative, qualitative, and conceptual—that collectively illustrate the development and dynamics of the Audit Expectation Gap (AEG) across various national contexts.

Through the SLR framework, all procedures were conducted systematically, beginning with the identification, selection, and evaluation of articles and continuing through the stage of thematic synthesis. This approach allows researchers to identify patterns, similarities, and divergences in prior studies, thereby constructing an integrated understanding of the determinants, reforms, and future directions of AEG.

Search Strategy and Data Sources

The search strategy in this study aimed to identify and select articles that thoroughly examine the Audit Expectation Gap (AEG) phenomenon across different countries and institutional contexts. An evolutionary search strategy was employed through two systematic iterations to ensure broad, relevant, and verifiable literature coverage.

The initial step involved formulating key terms such as: audit expectation gap, audit expectations-performance gap, key audit matters (KAM), audit education, auditor independence, stakeholder perception, and ISA 701. These keywords were developed based on preliminary screenings of relevant articles and by referring to commonly used terminology in global auditing literature. The search strings were applied across major academic databases, including Scopus, Web of Science, Elsevier ScienceDirect, Emerald Insight, and Google Scholar.

The literature search was conducted without publication year restrictions to capture both classical studies and contemporary research on AEG, with the search scope covering article titles, abstracts, keywords, and full-text content. The objective was to obtain a comprehensive overview of the conceptual, methodological, and empirical evolution of the audit expectation gap over time.

During the first iteration, 132 articles were identified from the Scopus database using the keyword “audit expectation gap.”

A multilayered screening process was then undertaken as follows:

a. Initial screening:

132 articles were reviewed and filtered automatically and manually, resulting in:

1) 42 articles excluded for being outside the time frame of interest (2010–2025);
2) 28 articles excluded due to irrelevance (outside the topic or from non-reputable academic outlets);
3) duplicate articles and 0 articles without abstracts.

b. Total articles selected for further review: 62 articles.

c. Full-text review:

43 articles were screened in detail for full-text evaluation.

Following the full-text assessment, a final eligibility screening was conducted based on the depth of discussion related to the central topic. The final outcome consisted of 35 articles deemed suitable for inclusion in the final synthesis.

These articles were then categorized as follows:

1) Category A (n = 25): Articles with a primary focus on AEG, examining dimensions such as the reasonableness gap, deficient standards gap, deficient performance gap, and audit profession reforms (ISA, KAM, and oversight mechanisms).

2) Category B (n = 10): Articles that discuss AEG as a significant subtopic or as part of a broader analysis concerning transparency, public accountability, audit education, or stakeholder perceptions.

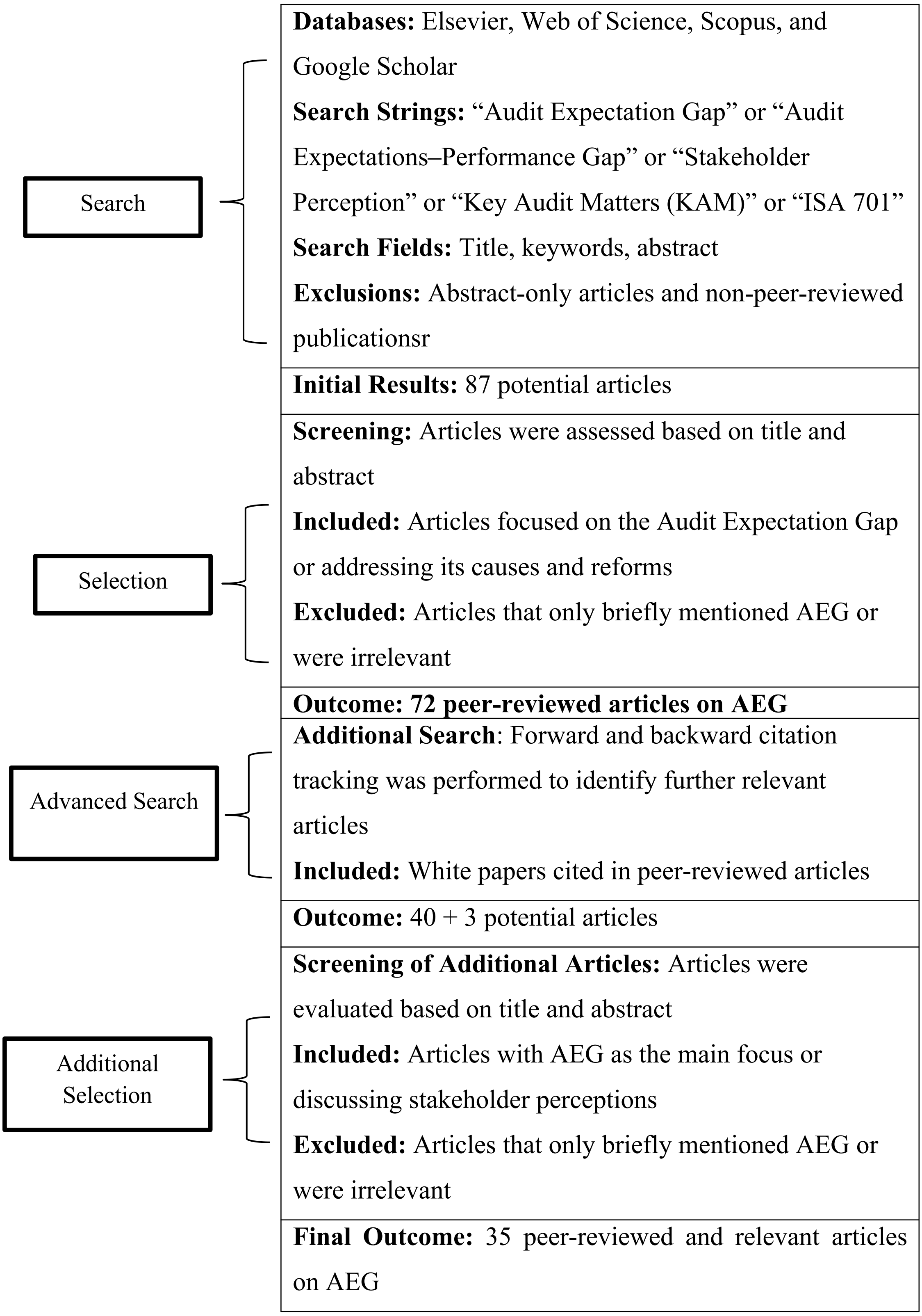
Search
Databases: Elsevier, Web of Science, Scopus, and Google Scholar
Search Strings: “Audit Expectation Gap” or “Audit Expectations–Performance Gap” or “Stakeholder Perception” or “Key Audit Matters (KAM)” or “ISA 701”
Search Fields: Title, keywords, abstract
Exclusions: Abstract-only articles and non-peer-reviewed publicationsr
Initial Results: 87 potential articles
Selection
Screening: Articles were assessed based on title and abstract
Included: Articles focused on the Audit Expectation Gap or addressing its causes and reforms
Excluded: Articles that only briefly mentioned AEG or were irrelevant
Outcome: 72 peer-reviewed articles on AEG
Advanced Search
Additional Search: Forward and backward citation tracking was performed to identify further relevant articles
Included: White papers cited in peer-reviewed articles
Outcome: 40 + 3 potential articles
Additional Selection
Screening of Additional Articles: Articles were evaluated based on title and abstract
Included: Articles with AEG as the main focus or discussing stakeholder perceptions
Excluded: Articles that only briefly mentioned AEG or were irrelevant
Final Outcome: 35 peer-reviewed and relevant articles on AEG

Figure 1

Table 1. Research Questions and Meta-Themes

Code	Meta-Question (MQ)	Analytical Purpose
MQ1	How does the study define and position the Audit Expectation Gap (AEG)?	To understand the conceptual foundations and models used (e.g., Porter Model, Reasonableness Gap, Deficient Standards Gap, Deficient Performance Gap)
MQ2	What are the main objectives of the research and what methods or approaches are employed?	To determine the research orientation (exploratory, quantitative, experimental, review, case study) as well as the geographical or sectoral context.
MQ3	Which stakeholders are involved and how do they perceive the auditor's responsibilities and roles?	To identify differences in expectations between auditors and users of financial statements (investors, regulators, academics, students, the public).
MQ4	What factors are identified as the causes of the Audit Expectation Gap?	To outline the key determinants such as auditor competence, standard complexity, independence, public literacy, and regulatory pressures.
MQ5	What reforms or initiatives are discussed in the literature to narrow the AEG, and how effective are they?	To evaluate professional reforms and audit policies (ISA 700–701, IFRS, EU Directive, oversight reforms, KAM, audit education, etc).
MQ6	What roles do audit education, professional training, or technology (digital audit, data analytics) play in addressing the AEG?	To assess the contribution of education and technological innovation to improving understanding and communication between auditors and the public.
MQ7	What are the implications of the research findings for policy, professional practice, or regional contexts (countries/sectors)?	To draw practical and academic conclusions and to provide contextual insights (public vs. private, developed vs. emerging markets).

Data Analysis and Synthesis Process

The data analysis process was conducted in three main stages:

1. Data Extraction

All selected articles were examined using the seven meta-questions (MQ1–MQ7) to explore definitions, objectives, stakeholders, determinants, reforms, educational components, and implications of the Audit Expectation Gap (AEG).

2. Coding

Each article was coded through open coding, followed by axial coding to identify relationships among variables, and finally summarized through selective coding to extract the overarching themes across studies.

3. Thematic Synthesis

The coding results were categorized into five major themes:

(1) Standards- and Regulation-Based Reforms,
(2) Audit Literacy and Education,
(3) Auditor Independence and Audit Quality,
(4) Stakeholder Trust, and
(5) Social and Institutional Contexts.

This approach enabled the researcher to trace patterns of relationships among causal variables and AEG reform mechanisms comprehensively across regions and time periods.

Article Quality and Validity

To ensure the validity of the review findings, each article was evaluated based on four criteria:

1. Substantive relevance to the concept of AEG and the auditing profession;
2. Methodological quality (clarity of design, population, and analytical tools);
3. Strength of empirical evidence and consistency of results across studies;
4. Topical currency in relation to global audit profession reforms (ISA 701, KAM, audit education, oversight).

Only articles that met all these criteria were included in the final analysis stage.

RESULTS AND DISCUSSION

Discussion of Findings

The systematic findings from the 35 reviewed articles demonstrate that the Audit Expectation Gap (AEG) is a multidimensional phenomenon encompassing technical, social, and communicative aspects. Porter's (1993) conceptualization—covering the reasonableness gap, deficient standards gap, and deficient performance gap—remains relevant today, yet it requires expansion through two additional dimensions: the communication gap and the literacy gap (Jedidi, 2024).

Cross-country analysis reveals that the AEG does not stem solely from deficiencies in auditing standards or auditor performance, but also from asymmetric understanding among stakeholders. This finding aligns with studies by Haque et al. (2019) in Bangladesh and by Dung & Tuan, (2019) in Vietnam, which show that divergent perceptions of auditor responsibilities constitute the primary driver of the expectation gap in developing countries. Auditors tend to frame their responsibilities within legal and professional boundaries, whereas the public and investors often perceive auditors as moral guardians and fraud detectors (Masoud, 2017);(Batumalai et al., 2022). These imbalances in perception are further reinforced by the complexity of auditing standards, the technical language used in audit reports, and the generally low level of public audit literacy (Omodero & Okafor, 2020).

International reforms such as ISA 701 (Key Audit Matters) and the EU Directive 2014/56/EU have indeed enhanced the transparency of audit reporting. However, the present review supports the findings of Litjens, Mock, & Roebuck (2016) and Al Qahtani et al., (2025) that the impact of such reforms is stronger on institutional legitimacy than on restoring social trust. The implementation of independent oversight mechanisms (public oversight boards) has also been shown to strengthen perceptions of professional integrity (Haque et al., 2019), yet these measures remain insufficient to bridge the trust deficit between auditors and the public, as similarly observed in the European Union context by Jedidi (2024).

Audit education emerges as a determinant of hope—one of the most promising factors for narrowing both cognitive and social gaps. This finding is consistent with the studies of Masoud (2017), Omodero & Okafor (2020), and Dung (2024), which emphasize that experiential learning approaches enhance realistic understanding of auditor responsibilities. Nevertheless, audit education in many countries remains predominantly theoretical and has yet to incorporate ethical and cross-stakeholder communication competencies. Accordingly, the AEG is increasingly viewed not merely as a technical failure of the auditing profession but also as a social communication failure that undermines the profession's legitimacy as a guardian of public information reliability (Jedidi, 2024); (Batumalai et al., 2022).

Theoretical Implications

The findings of this study extend theoretical understanding of the Audit Expectation Gap (AEG) through three key contributions:

1. Expansion of Porter's (1993) Model:

The results support the view that Porter's three-dimensional model remains a foundational framework; however, it must be expanded to include the communication gap and the literacy gap as the fourth and fifth dimensions. This reinforces the notion that the AEG cannot be explained solely through standards- and performance-based theories, but also requires integration with public communication theory and the social legitimacy theory of the profession.

2. Integration of a Multistakeholder Perspective:

Based on the synthesis, the AEG is an interactive phenomenon involving three principal actors—auditors, financial statement users, and regulators. Consequently, future research should adopt a systemic stakeholder model rather than a partial approach. Such a model enables mapping of causal relationships among actors and accounts for the social dynamics that shape trust in auditing.

3. Role of Technology and Audit Digitalization:

Audit digitalization has the potential to revolutionize assurance processes, but it also generates new expectations for an "error-free audit."

From the perspective of trust theory, technology does not automatically substitute for human credibility. Therefore, new theoretical developments must integrate digital audit ethics and human–AI accountability within the context of public expectations.

Practical and Policy Implications

The findings also offer direct implications for professional regulation, education, and public communication:

1. For Regulators and Policymakers:
    a. Standard-driven reforms (ISA, IFRS, EU Directive) must be complemented by public communication strategies that clarify audit boundaries and auditor responsibilities.
    b. The establishment of Public Oversight Boards should be accompanied by national audit literacy programs to reduce the information gap in society.
    c. Enforcement of audit violations must be balanced with the protection of auditor independence to prevent a chilling effect.
2. For Professional Bodies and Practicing Auditors:
    a. Professional associations such as IAI, IFAC, or ACCA should develop curricula on professional communication and social literacy within continuing professional development (CPD) programs.
    b. Auditors need to adjust the language style of audit reports to match public comprehension levels without compromising professional accuracy.
    c. Data-driven auditing must be supported by new ethical guidelines governing the use of AI and the protection of audit data.
3. For Educational Institutions:

Accounting and auditing programs should adopt case-based learning and audit simulation labs to enhance students' understanding of the social dynamics of the auditing profession. University–regulator–audit firm collaboration is necessary to create an experiential learning ecosystem that integrates theory, practice, and ethics.

4. For Researchers and Academics:
    a. Future studies should map the relationship between trust recovery and the effectiveness of post-ISA 701 audit reforms.
    b. Cross-country studies examining the role of culture, legal systems, and media in shaping the AEG will enrich the global conceptual model.

The Communication-Based Expectation Gap (CBEG) model proposed in this study may serve as an empirical framework for measuring the next generation of AEG constructs.

CONCLUSION

From the synthesis of 35 relevant articles on the Audit Expectation Gap (AEG), it can be concluded that the expectation gap between auditors and financial statement users is a complex and multidimensional phenomenon. The AEG arises from divergent perceptions regarding the auditor's responsibilities, the boundaries of audit assurance (reasonable assurance), and the reliability of audited financial statements.

Conceptually, the evolution of the AEG began with the reasonableness gap, deficient standards gap, and deficient performance gap (Porter, 1993), and has since expanded to include the communication gap and the literacy gap (Jedidi, 2024). This confirms that the AEG does not originate solely from technical limitations or weaknesses in audit standards, but also from social, communicative, and literacy-related factors that shape public understanding of the auditor's role.

Based on the SLR findings, there are five major factors shaping the AEG across national contexts: auditor competence; independence and professional integrity; the complexity of audit standards and regulation; the effectiveness of public communication; and societal literacy regarding audit. Global reforms such as the introduction of Key Audit Matters (ISA 701), EU Directive 2014/56/EU, and the establishment of Public Oversight Boards have improved transparency and strengthened professional legitimacy, yet they have not fully closed the gap in public perceptions and trust.

Beyond institutional reforms, audit education also plays a crucial role in narrowing the cognitive gap among students and early-career professionals. However, the prevailing theory-oriented approach to audit learning has not been sufficient to address the social expectation gap. Therefore, strengthening experiential learning and enhancing public literacy are essential for reducing perceptual gaps across stakeholders.

Overall, success in addressing the AEG is determined not only by compliance with professional standards, but also by the audit profession's ability to build a trust-based ecosystem through transparent communication, ethical audit technologies, and cross-sector education. With a holistic approach—integrating regulatory reforms, independent oversight, audit digitalization, and public literacy—the auditing profession can reinforce its credibility and accountability within an increasingly complex global economic system.

Limitations

Although this study provides a comprehensive understanding of the Audit Expectation Gap through a systematic analysis of 35 articles, several limitations must be acknowledged.

First, this study relies on secondary sources from scholarly journals published between 2010–2025. While this range is adequate for representing global research trends, the number and scope of sources may limit the depth of analysis for certain regional contexts, particularly in countries where AEG-related literature is scarce.

Second, most reviewed articles focus on developing countries in Asia, Europe, and the Middle East. Therefore, the findings may not fully reflect conditions in regions with different auditing systems and governance environments, such as Sub-Saharan Africa or Latin America. As a result, generalization should be made cautiously, taking into account variations in legal systems and corporate cultures.

Third, this study relies exclusively on secondary data from academic publications and does not include primary data, such as interviews with auditors, investors, or regulators. This limits contextual understanding of the direct perceptions of stakeholders involved in audit practice. Future research using fieldwork or mixed-method approaches may enrich the findings with deeper empirical insights.

Fourth, much of the reviewed literature discusses short-term impacts of reforms such as ISA 701 and the EU Directive. Long-term research on the sustained effects of these reforms on public trust and professional behavior remains limited. External factors such as economic dynamics, technological developments, and global regulatory changes are also not fully captured in this analysis.

As a Systematic Literature Review (SLR), this study is strong in synthesizing cross-country evidence and identifying emerging theoretical trends; however, it remains constrained by the availability of secondary data and the heterogeneity of research contexts. Accordingly, these findings are expected to serve as a foundation for future empirical studies that examine the long-term relationships among audit reforms, public literacy, and stakeholder trust.

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