AUDIT EXPECTATION GAP IN PUBLIC SECTOR: A CASE OF SRI LANKA

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Abstract

Increasing number of financial issues and corruptions in the public sector and allegations on Auditor General Department inspired to investigate whether there is an Audit Expectation Gap (AEG) between public sector auditors and the users of audit reports in Sri Lanka. This is a mixed research method focused mainly on quantitative approach followed by qualitative approach. The study design is primarily a descriptive survey. The sample was total of 42 respondents including 21 auditors of Auditor General Department and 21 members of Committee on Public Accounts (COPA) of three provincial councils. The data was collected using pre-tested questionnaires developed based on the accountability theoretical framework and six audit concepts adopted from the literature. The same questionnaire was administered to auditors and the users to explore the AEG in public sector. In addition, interviews were conducted. The Mann-Whitney U-test was used to analyze data. The study found that there were statistical differences in perception between public sector auditors and the report users on 9 variables out of 25 variables. This revealed that the audit reports do not fully address the requirements of the users and some auditors have not identified their role and the skills to be equipped with to cater the needs of the users. Moreover, it showed that some users have over expectation on these reports. This is a pioneering study contributes to the public auditing literature about the existence of AEG in Sri Lankan context using mix approach. The findings could assist the Auditor General, auditors and members of COPA to evaluate their roles and to understand what they must expect from each other to be accountable for their duties and roles.

Keywords: *Accountability, Audit Expectation Gap (AEG), Auditor General (AG), Committee on Public Accounts (COPA), Public Sector*