

Chapter 3

Audit Education in the Polytechnic Institute of Cávado and Ave and the Audit Expectation Gap

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ABSTRACT

The audit expectation gap (AEG) is present in society and, while there, will encourage discrediting the auditors. Given the seriousness of this situation, several solutions have been pointed out, one of which is to promote audit education. The aim of this chapter is to verify if adult education, taught at the Polytechnic Institute of Cávado and Ave (IPCA), reduces the AEG, considering the perceptions of its students about the role assigned to the auditors and the degree of success of the auditors in certain situations. The application of a questionnaire allowed to conclude that, as the literature review showed, audit education changes the perceptions of IPCA students about the role and degree of success of the auditors, generally reducing the AEG.

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INTRODUCTION

The AEG has become an important issue for everyone because of the financial scandals and bankruptcies of enterprises. This situation has led to a crisis of public trust and raised concerns about the relationship between auditor and client (Wolf, Tackett, & Claypool, 1999). According to Almeida (2005), the AEG has been affecting audit professionals for several years, creating a critical and litigious environment, promoted by the courts, politicians, the press, and society in general, that hinders responsibilities and performance. Therefore, the AEG is due to the uncertainty associated with the objective, value, nature, and effect of an audit. As such, according to Otalor and Okafor (2013), the greater the AEG, the greater the negative impact on the financial statements of the entities.

It is therefore urgent to identify solutions to minimize the problem of the AEG. Audit education is one of the solutions pointed out because, according to Pierce and Kilcommins (1996) and Lee et al. (2008), this improves the knowledge and understanding of the auditor's role and responsibilities. Moreover, Okafor and Otalor (2013) and Devi and Devi (2014) argued that a lack of education about audit standards and audit practices is the main reason for the AEG. Thus, the importance of the effect of audit education on the AEG, which has already been investigated by several authors (Ali, Heang, Mohamad, & Ojo, 2008; Almeida, & Colomina, 2009; Bailey, Bylinski, & Shields, 1983; Enes, 2013; Epstein, & Geiger, 1994; Fadzly, & Ahmad, 2004; Ferguson, Richardson, & Wines, 2000; Gramling, Schatzberg, & Wallace, 1996; Idowu, & Oluwatoyin, 2014; Ihendinihu, & Robert, 2014; Kose, & Erdogan, 2015; Lee, Azham, & Kandasamy, 2008; Madsen, 2013; Monroe, & Woodliff, 1993; Pierce, & Kilcommins, 1996; Rehana, 2010).

Following this research line, the objective of this paper is to verify whether audit education as taught at the IPCA reduces the AEG, considering the students' perception of the role assigned to the auditors and the degree of success of the auditors in certain situations. Although it is not the aim of this research, it is also expected that its results will allow the identification of the subjects that students are not yet aware of and, therefore, to highlight the programmatic contents of education in financial auditing that should be improved.

In order to measure the students' perception of the role assigned to auditors, as well as the degree of success of the auditors in certain situations, a questionnaire was elaborated based on Enes (2013), Ferguson et al. (2000), and Gramling et al. (1996). The questionnaire was applied to two distinct groups of IPCA students: (1) students who had obtained audit training in the course and (2) students who had not obtained audit education in the course.

The analysis of the data reveals that audit education has an impact on the AEG, reducing it in all situations except the auditor's role regarding the internal control system, management, and continuity of the audited entity. Even after audit education, students continue to believe that the auditor is responsible for ensuring that the internal control system is well implemented, that the company is managed efficiently, and that its continuity is not in doubt. This denotes the problem of students' lack of knowledge.

This study also allows us to conclude that audit education increased the students' confidence in the work of the auditor, since they considered that, in the course of their work, auditors are successful in finding solutions to detected problems, complying with laws and regulations, as well as preventing and detecting the occurrence of errors and irregularities.

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