Original Research Article

GOVERNMENT AUDIT QUALITY: AUDIT EXPECTATION – PERFORMANCE GAP

ABSTRACT

This paper seeks to explore the audit expectation and performance gap in the Indonesian government audit. This research utilized a qualitative approach involving three methods of data collection namely interviews, focus group discussions, and document analysis with a total of 32 government auditors of the Indonesian Supreme Audit Institution (BPK-RI). The data from all methods were analyzed through a qualitative thematic analysis framework. This research found that there are three types of occur in the context of Indonesian government audit quality namely deficient performance, deficient standards, and reasonableness gap.

Keywords: Government audit quality, audit expectation, performance gap, deficient performance, deficient standards

1. INTRODUCTION

The quality of audit is difficult to measure directly and is not easily observable (DeAngelo 1981; Power 1997). Although the audit process is universal which is typically similar from country to country and from context to context, it is affected by certain condition. For example, audit quality may be influenced by perception of the users of audit report's expectation (Porter, 1993). If the users are fully aware that the auditors do the sample to test transactions they will accept that there will be audit risk due to sampling error. The users who do not will judge an immaterial misstatement that will be discovered later will be the failure of the audit. Indeed, there will always be a gap between society's expectations of auditors and what the real performance of auditor can be achieved (Porter, 1993). The quality of financial reporting by the central government has significantly improved in recent years (Tiurmaida, J., Murwaningsari, E., Simanjuntak, B., & Mayangsari, S., 2021; Putri, P. K., & Wibowo, P., 2023). Since 2015, a significant increase in ministries and agencies seeking unqualified opinions has also been noted. The quality of reporting has improved, especially in 2020, when just two national governments reported to be qualified in their financial reporting, but there are still a number of issues with the delivery of public services.

Other factor that may affect the perception of audit quality is the prevalent of reduced audit quality practice (RAQP). RAQP can be defined as auditors' inappropriate actions during an audit engagement that compromise audit quality (Coram et al. 2008; Herrbach 2001; Malone and Roberts 1996). Prior research suggests that RAQP varied among countries Rhode (1978) and is believed to be a worldwide phenomenon including in the United States (e.g., Alderman and Deitrick 1982; Malone and Roberts 1996; Donelly et al. 2003), United Kingdom (Willett and Page 1996), Ireland (Pierce and Sweeney 2004), Sweden (Jan Svanberg and Ohman 2013), New Zealand (Cook and Kelley 1988), France (Herrbach 2001), Malaysia (Paino et al. 2011), Uganda (Kasigwa et al. 2013) and Indonesia (Simanjuntak 2008). Particularly in Indonesia, Seliamang, Y. M., & Tapatfeto, J. D. (2022) explain that Auditors who maintain integrity will act honestly and decisively in considering facts regardless of personal interest. Auditor competence and auditor independence have a significantly positive impact on audit quality. Due to the existence of auditor ethics, the relationship between auditor competence and auditor independence in audit quality will also be strengthened. Auditors become more aware of and engaged in the practice of audit ethics.

This paper seeks to explore first the gap between the expected performance of auditors meeting the auditing standards and the perceived auditors' existing performance (deficient performance). Second, it is intended to find the answer whether there is deficient standard in government audit i.e., the gap between the duties which can reasonably be expected of auditors and auditors' existing duties as defined by the law and professional promulgations. Lastly, this paper seek to examine the reasonableness gap (a gap between what society expects auditors to achieve and what they can "reasonably" be expected to accomplish).

The Framework of Audit Quality

Audit quality has been interpreted in many ways. According to Watkins et al. (2004), the practitioner literature suggests that audit quality refers to the degree to which audit complies with the relevant applicable auditing standards (Krishnan and Schauer 2001; Tie 1999; McConnell and Banks 1998; Aldhizer et al. 1995; Cook 1987). On the other hand, accounting researchers have proposed multiple dimensions of audit quality, including 'the market-assessed joint probability that a given auditor will both (a) discover a breach in the client's accounting system, and (b) report the breach' (DeAngelo 1981, 186), the probability that an auditor may fail to modify the opinion of financial statements that are materially misstated (Lee et al. 1999), the accuracy of auditors' reporting information (Titman and Trueman 1986; Beatty 1989), the degree of audit failures or violations found by an oversight body (Feroz et al. 1991), process measures in relation to auditor performance (Sutton 1993; Malone and Roberts 1996) and the degree to which bias within an audit may be reduced and the quality of accounting data improved (Wallace 1980).

Audit quality is an abstract notion, is difficult to measure directly and is not easily observable (DeAngelo 1981; Power 1997). The US General Accountability Office or GAO (1986, 4) defines audit quality as 'compliance with professional standards and contractual terms set out for the particular type of audit being conducted'. On the other hand, DeAngelo (1981) argues that audit quality is the probability that auditors discover and report a breach and irregularity in the client's financial reporting. Similar to growing concern about audit quality in the private sector, government audit quality has also become a vital issue since the US GAO (1986) released a report indicating that 34 per cent of 120 audits examined were substandard.

In 2008, the UK's Financial Reporting Council proposed five drivers of audit quality and a number of potential indicators of audit quality for each driver (Knechel, 2009) including the audit firm culture, the skills and personal qualities of audit partners and staff, the effectiveness of the audit process, the reliability and usefulness of audit reports, factors outside the control of auditors, such as the existence of active and professional audit committees able to address any issues that arise as part of the audit process.

Subsequently, in 2013, the PCAOB proposed the concept of an audit quality indicator to identify quantitative measures related to higher audit quality. In 2015, it issued 28 potential indicators falling into three groups, namely audit professionals, audit process and audit results (PCAOB 2015). The set of indicators can be used to improve the ability of someone involved in the evaluation of audit quality and also to stimulate competition for audit quality among audit firms. Similarly, in 2014, the International Auditing and Assurance Standards (IAASB) issued a framework for audit quality applicable to both private and public sector audit. The framework comprises five elements, namely input, process, outputs, key interactions within the financial reporting supply chain and contextual factors (IAASB 2014). 'The Framework applies to both private sector and public sector audits although, due to their societal role and constitutional mandate, public sector audit bodies may give specific emphasis to certain factors' (IAASB 2013, p. 62). Besides the input, one of the studies on audit quality includes the perceptions.

Previous literature suggests that the users, prepares, and auditors view audit quality differently (Sulaiman 2011). Sutton (1993) argues that the difference is mainly caused by conflicting roles of the "triangular relationship" of three audit market participants comprising (1) external users consisting of both current and potential investors and creditors, (2) the client comprising top management, the accounting staff, and the audit committee, and (3) the auditors incorporating the engagement audit team and the management of the audit firm.

With regard to this triangular relationship, there have been several studies examined the audit quality perception of those three parties. For example, Schroeder et al. (1986) have investigated the audit quality perception of the audit committee chairpersons and audit partners. They divided audit quality based on the audit team-specific factors (such as the expected team members skills and experience, level of partner/manager attention given to the audit, planning and conduct of audit team work, and audit team independence) and the firm-wide factors (such as the firm's litigation experience and peer review outcomes). They found that audit team factors are perceived to be more important than firm wide-factors by both audit committee chairpersons and audit partners.

Although it can be seen from the three views, however, the measurement of audit quality requires similar diversity. Moizer (1986) suggests that the diverse measures of audit quality require the combination of process and outcome measures. Process measures focus on the work performed by the auditors and the adherence to standards while the outcome measures, on the other hand, concentrate on the increased confidence derived from the audit reports by financial statements users. The preparers of financial statements and the auditors who can directly observe the audit process will concentrate on the process measures while the external users who are not able to directly observe the audit process will focus on the outcome measures.

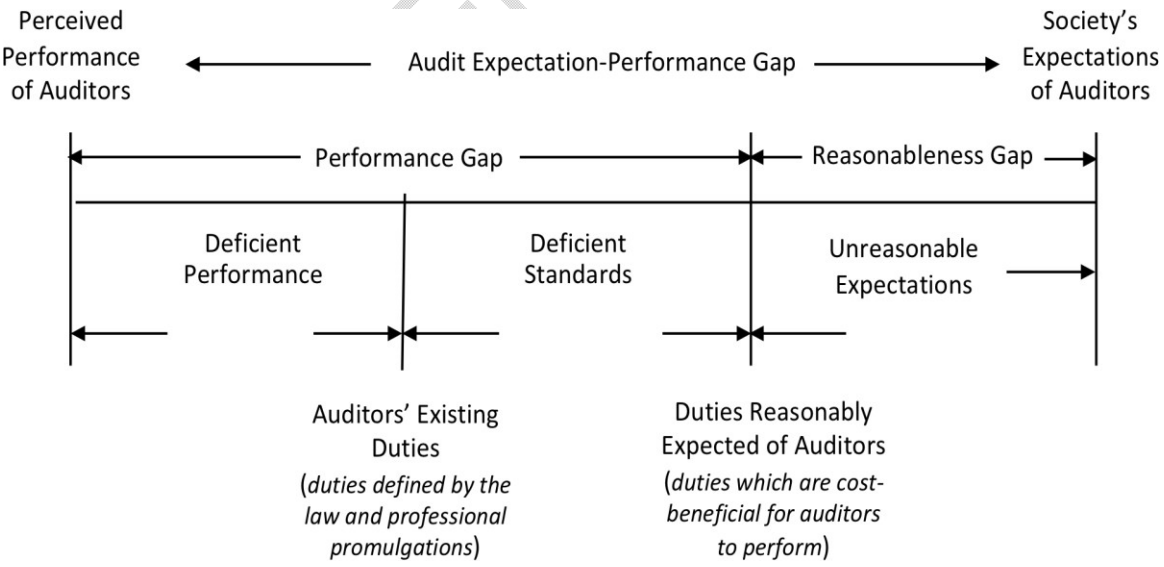
In a more comprehensive way, Carcello et al. (1992) have conducted a study examined the survey of the perception of audit quality from three different groups: high- ranking auditors (audit partners), financial statement prepares (companies controllers), and users (institutional and individual investors and also creditors). The respondents evaluated the attributes of the audit quality from their own frame of reference since the study did not provide the definition of the audit quality. The study found that the most important perceived audit quality attributes from the three groups were (1) audit team and firm experience with the client, (2) industry expertise, (3) CPA firm responsiveness to client needs, and (4) CPA firm compliance with general audit standards.

Audit Expectation Performance Gap

However, notwithstanding perception of the audit qualities from the parties, there would always be a long-standing gap between society's expectation of auditors and auditors' performance, as perceived by society, i.e., the audit expectation-performance gap (Porter 1993; Gray and Manson 2011; Dunn 1996). Chowdhury and John Innes (1998) stated that the auditing literature has recognised the existence of an audit expectations gap between the perceptions of auditors and the perceptions of users of such audit reports (see for example, Lee, 1970; Liggio, 1974; Cohen Commission, 1978; Crasswell, 1985; ICAEW, 1986;

CICA, 1988; Holt and Moizer, 1990; Steen, 1990; Porter, 1991; Hatherly et al., 1991; Humphrey et al.,1992; Sikka et al., 1992; Moizer et al., 1996). Humphrey (1991) (p. 7) viewed the 'gap' 'as a representation of the feeling that the auditors are performing in a manner at variance with the beliefs and desires of those for whose benefit the audit is being carried out'. Although the introduction of the term 'Expectation Gap' only appeared in the literature in the 1970s (Liggio, 1974), the idea underlying the concept existed before that. The earliest discussion of this gap by Liggio (p. 29) stated that '. . . this expectation is aided and abetted by the profession'. Four years later, the conclusion of the Cohen Commission (Cohen Commission, 1978) (p. 1) was similar. The Cohen Commission defined it as 'the gap between what the public expects or needs and what auditors can and should reasonably expect to accomplish'. The Cohen Commission considered the primary cause of this audit expectations gap to be the failure of the public accounting profession to react and evolve rapidly enough to keep pace with the speed of change in the American business environment.

Figure 1: Audit Expectation-Performance Gap (adapted from Porter 1993)



As illustrated in Figure 1, (Porter 1993) suggest that the gaps can be classified into two major components, i.e. reasonableness gap (a gap between what society expects auditors to achieve and what they can "reasonably" be

expected to accomplish) and performance gap (a gap between what society can reasonably expect auditors to accomplish and what they are perceived to achieve). Performance gap may be subdivided into deficient standards (a gap between the duties which can reasonably be expected of auditors and auditors' existing duties as defined by the law and professional promulgations) and deficient performance (a gap between the expected standard of performance of auditors' existing duties and auditors' perceived performance, as expected and perceived by society). Gray and Manson (2011) suggest that reasonableness gap or unreasonable expectation relates to the perception of society that expect more of audit than it can give in practical terms. For example, people believe that the auditor examines every single transaction in a company audited and auditors may be able detect all frauds while in practice it would be clearly unreasonable. In fact, auditors examine the samples of transactions when drawing conclusions about the population. Porter (1993) found that some quarters of people investigated believe that auditors examine every transaction entered into by a client company. In addition, Dunn (1996) suggests that the users of audit reports do not fully understand the nature and purpose of and audit and the extent of the auditor's duties. For example, Lee (1970) found that many investors thought that the auditor guaranteed the accuracy of the company's financial statements. Gray and Manson (2011) provide an example of a deficient standards gap and a deficient performance gap. If there is no regulation that expects the auditors to report the incidence of misappropriation of assets by directors while the society expects the report on it, then there is a deficient standards gap. On the other hand, if the auditing standards have said that auditors should observe the client's inventory-count procedures but the auditors fail to do so, then a deficient performance gap exists.

Reduced Audit Quality Practice (RAQB)

One of the performance gap that can emerge is in the form of Reduced Audit Quality Practices (RAQP). RAQP can be defined as auditors' inappropriate actions during an audit engagement that compromise audit quality and threaten the validity of the audit opinion (Coram et al. 2008; Herrbach 2001; Malone and Roberts 1996). It could be argued that the first seminal study to investigate RAQB was conducted by Rhode (1978) for the Commission on Auditors' Responsibilities to 'ascertain the influence of selected aspects of auditors' work environment on professional performance of CPAs' (AICPA 1978, 175). The questionnaire survey used in the study revealed two main findings concerning the prevalence of alarming RAQP practice among the auditors surveyed: Premature Sign Off and the under-reporting of chargeable time (i.e. the completion of audit work without reporting chargeable hours) (Rhode 1978; AICPA 1978). In 1990, a subsequent significant study was conducted by Kelley and Margheim (1990) looking at seven types of RAQB. They examined the influence of time budget pressure and other moderating variables (senior consideration, senior structuring behaviour, senior Type A personality and staff Type A personality) on the seven types of RAQB studied, including: (1) UCT (not directly reducing audit quality); (2) PSO; (3) reducing the amount of work performed on an audit step to a level below what the auditor would consider reasonable; (4) failing to research an accounting principle; (5) making superficial reviews of client documents; and (6) accepting weak client explanations. The first and second behaviours are derived from the previous studies noted above, with the third and fourth based solely on a study conducted by Fleming (1979). The final two types of RAQB acts are new actions that have not been examined in previous studies (Fleming 1979, as cited in Kelley and Margheim 1990; Kelley and Margheim 1990).

The specific RAQBs and their definitions, as identified from the main previous studies, are given in Table 1 below.

Table 1 Specific RAQBs Identified from Main Previous Studies

Specific RAQBs Investigated	Definitions	References
(1) Premature sign-off (PSO)	Prematurely signing off a required audit step, which is not covered by other steps, without completing the work or noting the omission procedures.	Rhode (1978), Fleming (1979), Margheim and Pany (1986), Alderman and Deitrick (1982), Kelley and Margheim (1990), Raghunathan (1991), Malone and Roberts (1996), Coram et al. (2008).
(2) Under-reporting chargeable time (UCT)	Completing audit work withoutreporting the chargeable hours.	Fleming (1979), Kelley and Seiler (1982), Lightner et al. (1982), Lightner et al. (1983) Margheim and Pany (1986), Kelley and Margheim (1987), Kelley and Margheim (1990).
(3) Reducing the amountof work performed on anaudit step below what the auditor would consider reasonable	Doing less work than normal andreducing the work and effort to produce quality audit when executing audit procedures.	Fleming (1979), Kelley and Margheim (1990), Malone and Roberts (1996), Otley and Pierce (1996a).

(4) Failing to research anaccounting principle or technical issue	Not checking the technical and professional standards relevant to the issue, even though the auditor isunsure of the correct accounting treatment.	Fleming (1979), Kelley and Margheim (1990), Malone and Roberts (1996), Otley and Pierce (1996a), Coram et al.(2008).
(5) Making superficialreviews of client documents	Quickly reviewing the supportingdocuments without paying much attention to their validity and accuracy.	Kelley and Margheim (1990), Malone and Roberts (1996), Otley and Pierce (1996a), Coram et al. (2008).
(6) Accepting weakclient explanations	Accepting audit evidence about which they were doubtful or accepting client explanations and using them as a substitute for otherevidence that the auditor could reasonably expect to be available.	Kelley and Margheim (1990), Willett and Page (1996) Malone and Roberts(1996), Otley and Pierce (1996a), Coram et al. (2008).
(7) Failure to pursue questionable items	Failure to extend the scope of examination when suspicious transactions are detected.	Malone and Roberts (1996), Coram etal. (2008).
(8) Rejecting awkward-looking items from a sample	Discarding items that seem complexand/or time-consuming and replacing them with others during examination of the sample, or speeding up testing by rejecting awkward-looking items from samples and taking shortcuts.	Willett and Page (1996), Coram et al.(2008).
(9) Not testing all theitems in a reported sample	Not performing designated audit procedures on each item selected.	Willett and Page (1996), Coram et al.(2008).

Several studies have been conducted investigating factors that may be associated with RAQB. Several studies have also examined independent variables that may influence such behaviour that can be grouped into four categories: individual, audit team, organisation and external. Initially, through a questionnaire survey, Rhode (1978) identified factors attributable to the incidence of PSO. The top five responses include time budget pressure (34%), audit steps not considered material or necessary (21%), audit steps not understood (12%), client-imposed deadline pressure (7%) and laziness or boredom arising from tedious work (6%).

It is argued that the phenomenon of RAQB is likely to persist because at the heart of audit, there is always a tension between cost and quality (McNair 1991). Pierce and Sweeney (2006) argue that because it is difficult to measure the quality of auditors' work and to control auditors' behaviour, audit companies place considerable reliance on the recruitment and training process and audit partners' personal commitment to preventing misconduct. Furthermore, the control of such behaviour might not always be effective due to factors such as a lack of continuous supervision in the field (Sweeney and Pierce 2004), the absence of re-performance of audit work (Pierce and Sweeney 2005) and minimal levels of audit file documentation (Barrett et al. 2005).

Kaplan (1995a) argued that attempts at the formal prohibition of RAQB have received little attention because RAQB is perceived to have a low risk of detection, let alone eradication. Another difficulty of preventing RAQB could be the lack of high standards of integrity and moral reasoning among audit professionals (Pierce and Sweeney 2006). The quality of auditors' professional judgement depends on their level of moral reasoning (Gibbins and Mason 1988). Moizer (1995) argued that codes of ethics in the accounting profession are viewed as a series of duties that are morally obligatory for its members, but there is a lack of sufficiently clear rules such that problems arising in accounting may not easily be resolved by reference to ethical codes of conduct (Gibbins and Mason 1988; Hull et al. 1999).

2. METHODOLOGY

This research utilised a qualitative approach involving three methods of data collection namely interviews, focus group discussions, and document analysis. Data has been collected by carrying out interviews and focus group discussions with a total of 32 government auditors of Indonesian Supreme Audit Institution (BPK-RI).

Interviews were carried out according to snowball sampling (Bryman, 2012). Some interviewees were selected following the recommendation of a previous interviewee in order to obtain further relevant information regarding a topic being explored. The collection of data was an iterative process, meaning additional interviewees were required until we believed a point of data saturation had been reached (Lee and Lings, 2008, Strauss and Corbin, 1998).

An interview protocol or interview guide was developed for this research. According to Creswell (1998), an interview protocol refers to 'a form about four or five pages in length, with approximately five open-ended questions and ample space between the questions to write responses to the interview's comments'. It contains a heading (date, place, interviewer, interviewee), an instruction to be followed, four or five questions, probes for the questions, spaces between the questions in which to record responses and a final thank you (Creswell, 2009). The demographic sheet includes the interviewee's gender, age, work experience and current position. The interviews were digitally recorded.

The data from all methods were analysed through a qualitative thematic analysis framework developed by National Centre for Social Research in the UK (Marshall and Rossman, 1999). Malsch et al. (2013) point out that "thematic analysis is a method for identifying, analysing and reporting patterns (themes) within data". A thematic analysis framework is a process of classifying and organising data based on key themes, concepts, and emergent categories (Creswell, 2009). With the assistance of Microsoft Word and Excel software, recurring themes were identified. They were then indexed by identifying links between categories and then grouping them thematically.

The process of data analysis was further developed by creating thematic charts. In this process the data were sorted or ordered in a way so that materials with similar content were located together. Each main theme and its subthemes were plotted on a separate thematic chart or matrix. The last phase was summarising or synthesising the key points of each piece of data and then putting it into the thematic chart/matrix. This process required extreme care in order to ensure the data were synthesised without losing content, context and the language in which it was expressed.

Finally, we employed respondent validation to increase its internal validity of the overall analysis. Respondent validation or member validation adds credibility (internal validity in quantitative research) and refers to "a process whereby a researcher provides the people on whom he or she has conducted research with an account of his or her findings" (Ahrens and Chapman, 2006, Malsch et al., 2013, Pentland, 1993). It is intended to seek corroboration and confirmation and to ensure the findings are congruent with the view of those on whom the research was conducted.

3. RESULTS AND DISCUSSION

The thematic analysis of the responses from interviews and focus group discussions points out that the government auditors' perceptions of audit quality are influenced by the audit expectation-performance gap. The coding reveals the occurrence of standards violation as the proxy of bad audit, i.e. the deficient performance (a gap between the expected performance of auditors meeting the auditing standards and the perceived auditors' existing performance).

Deficient Performance (Gap No. 1)

The auditing standards, law, and professional promulgation are intended to be complied with and are used to ensure the audit practitioners conduct their work properly Gray and Manson (2011). The values of the audit profession are reflected in the way auditors conduct audits and in the auditing standards (Abbott 1983, 1988). Krishnan and Schauer (2001) argue that the compliance with the standards disclosure requirements would be likely directly to be associated with poor audit quality. Similarly, Aldhizer et al. (1995) identified the compliance with the standards as one of common attributes associated with achieving good quality audit work. Healy and Palepu (2001) point out that the credibility of audit reports and financial statements is affected by the differences in auditing standards, the legal framework that governs the audit profession, enforcement of standards and rules, and professional training requirements. Burns and Fogarty (2010) suggest that the development and existence of appropriate and high quality auditing standards is crucial to efforts to enhance audit quality because auditing standards promote several important purposes such as defining the audit, promoting consistency, creating comparability and uniformity, facilitating education, providing a means to judge performance, and, most of all, affecting auditor behaviour. The standards have been developed to describe a desired set of auditor behaviour to meet the audit objective. The auditor behaviour may be influenced by the standards in terms of the implementation of, for example, firm methodologies, inspection, enforcement, and the sound exercise of professional judgment.

Zhang (2007) points out that the due care test can be achieved if auditors have complied with the auditing standards. The standards are the guides for the quality of audit examinations. Standards are important to assess the adequacy of professional practice (Turley and Cooper 1991). Schwartz (1998) identified the association between professional auditing standards and auditors' legal liability. She found that auditors who negligent in carrying out the audit are liable for losses from reliance on misstated financial statements. The benchmark that have been often used by the courts to determine due care is the auditing standards because what constitutes negligence for auditors is not clearly defined in the law.

Curtis (2006) has identified five roles of auditing standards at the level of the auditing profession based on prior literature. First, audit standards provide a benchmark for the minimum audit quality that should be achieved. They improve consistency and provide auditors with a framework for professional judgment where no guidance exists (Ferrier 1991). Second, audit standards are a defence in the event of challenge to audit quality because the courts or peer reviewers will refer to the standards to examine whether the auditor has exercised due care. Third, they are a source of legitimacy for audit methodology. The firms develop the methodologies that are consistent with the standards to maintain the legitimacy of the audit process. Fourth, auditing standards may generate an abstract body of knowledge. It means that the auditing standards may represent the auditor as a rational expert, for example by using statistical sampling as an audit method (Power 1992, 1995; Abbott 1988; Carpenter and Dirsmith 1993). Finally, they may be a weapon in jurisdictional battles, for example, with other profession such as management consultant by using an innovation in audit methodology.

In the course of this study, we found that most government auditors strongly associated the perception of audit quality with adherence to auditing standards. "In general, audit quality is an audit that adheres to standards, auditing standards" (Auditor 14, Male, Supervisor, External Auditor). The auditors believe that if they satisfy the requirements of the standards from the beginning to the end of the engagement, they are able to produce good audit work. In other words, the whole process of audit should conform to the standards. Three auditors made comments:

> *Audit quality means how to satisfy the requirements of the standards [...] so audit report, audit procedures, beginning from the planning, executing, and reporting that can meet the standards can display good quality. (Auditor 36, Male, Team Leader, Internal Auditor).*
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> *Audit quality is when the audit is carried out in accordance with the auditing standards beginning from the planning, executing, for instance how to determine its sampling, and including the reporting [...] so the whole audit process is adherent to the auditing standards. (Auditor 28, Male, Manager, External Auditor).*
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> *Auditor must comply with the standards in the audit planning, fieldwork, reporting, supervising, no exception. If they do not conform in just one of them, the quality will decrease. (Auditor 41, Male, Manager, Internal).*

The auditors consider auditing standards very important and suggest that auditing standards "are used to guarantee the quality" (Auditor 2, Male, Supervisor, External). Lack of this will impose serious quality decrease.

> *"We already have* [*auditing*] *standards. We also have technical guidelines and* [*ethical*] *codes. However, in practice, perhaps we do not fully fulfil them"* (Auditor 10, Female, Team leader, External Auditor).

The analysis of auditors' responses also reveals that standards could be used as a means of assessing audit quality and auditor performance (Curtis 2006; Schwartz 1998; Turley and Cooper 1991; Zhang 2007). "Quality measurement is the standards" (Auditor 36, Male, Team Leader, Internal Auditor) and "the process of quality assessment could be carried out by comparing whether the planning, executing, and reporting are complied with the standards" (Auditor 11, Male, Team Member, External). The organisations' audit quality has been regularly assessed by third parties including internal control unit and peer review from other audit organisations. Interviews with some informants from internal control unit indicate that they utilise the standards, guidance, and codes to assess the performance of the audit and also the auditors.

There are some limitations that may decrease the performance of audit. Analysis of the empirical data implies that auditors' views on the factors can be grouped into three main phases in the audit process (planning, fieldwork, and reporting) and three loci (individual auditor, audit organisation, and external factor). The five factors in the three main phases can be related directly to the audit process in the completion of an audit engagement regardless of where they may derive from. On the other hand, the six other factors are intrinsic to and can be traced to the three discrete loci.

Auditors' responses predominantly suggest that the critical point in the audit process is the planning. Without a good audit planning, *"it means (the auditor is) planning failure. It is really important*" (Auditor 4, Male, Team Member, External Auditor). "*If the planning is good, even though the degree of competence of the auditors is average, a minimum quality can be achieved*" (Auditor 23, Male, Team Member, External Auditor). An auditor added:

> *The most important thing, in my opinion is, audit planning. If the planning is good, I can say, at least 80% of the overall results will be good. So, if the quality of the planning is high, I think, the final results will be good (Auditor 12, Female, Team Member, External Auditor).*

Inadequate and improper audit planning has multiplier effects. It may prevent auditors from being able to develop a proper audit approach, methodology, programme, and procedure. Auditors argue that a considerable time must be allocated in the planning. They suggest that every audited entity has different business environment and unique characteristic. Therefore, an inappropriate approach or methodology may lead to audit failure. One auditor recalled that because of

failing to use appropriate approaches to several accounts, her audit team failed to detect fraud committed by the auditee and it was detected after the assignment (Auditor 10, Female, Team Leader, External Auditor).

Due to lack of time allocated in the planning in an engagement, the auditors are more likely to copy the audit procedures from previous assignment in similar industry. Consequently, the procedures may not correspond precisely with the current engagement since they are not specifically designed for the audited entity. In addition, this may not lead them to be able to arrange a proper audit schedule. One auditor recalled:

> *"….because the time allocated to plan the audit is so limited, the audit procedures are too general. It means that every auditor can have a different interpretation to execute the procedures. They even say nothing about the source of documents needs to be collected or analysed. We frequently do not make proper time schedule when or how long one procedure or step needs to be signed off" (Auditor 23, Male, Team Member, External).*

Some auditors also admitted that because lack of preparation and planning, they may not be able to have a good understanding on the procedures when they start the fieldwork. They are "[...] *doing and trying to understand [the audit procedures] at the same time during the field work*" (Auditor 43, Male, Team Member, Internal Auditor). As a consequence, they may waste their time learning the procedures in the field while at the same time they have limited time to sign them off.

Deficient Standards (Gap No. 2)

However, the auditors also suggest that the standards are not like a holy book that has no deficiencies. Standards are deficient. They sometimes *"tend to be principle based, containing only general matters*" (Auditor 40, Male, Team Leader, Internal Auditor). They are certain aspects that are not in the standards and sometimes need the auditors' judgement. They believe that standards need be accompanied by audit manual, technical and operational guidelines dealing with more specific and technical audit matters. Three auditors recalled:

> *Besides the standards, we need more specific technical and operational guidelines, including ethical codes*. (Auditor 11, Male, Team Member, External Auditor).

They feel that these may be essential supplements to the standards and all of them support each other. The absence of one of them may affect the quality of the audit as a whole. One auditor suggests that "*a quality audit means we conduct an audit in accordance with the standards and also other specific guidance produced by the office*" (Auditor 7, Female, Manager, External Auditor), and "*including the ethical codes*" (Auditor 49, Male, Team member, Internal Auditor).

Furthermore, auditors also noted that for certain points standards are too rigid and need to be revised regularly as audit is a complex job involving judgment and an unexpected audit environment. "*When we have less confidence in the standards. They may not to prevent us from doing poor audit*". (Auditor 15, Female, Team Leader, External Auditor).

Auditing involves regulatory requirements both for the auditors and the audited organisations. Some auditors argue that the regulations affect the way the way they achieve quality. For example, in the regulation of audit of local governments financial statement, the auditors are mandated to complete the audit and issue a report to parliament in only 60 days. One auditor said that "*it is a big constraint and it affects largely our quality ... because we do not have enough resources to do the audit that quick*" (Auditor 8, Female, Supervisor, External Auditor).

The accounting systems of government sector have also been developing quite rapidly. This has caused some gaps in regulations and some regulations that are ambiguous and sometimes tend to contradict each other. This "grey area" might be likely to give different interpretations among auditors, auditees, and the users of auditor's report. This prevents the auditors from making good and solid criteria to support their findings.

Unreasonable Expectation/Reasonableness Gap (Gap No 3)

One of the dimensions of audit quality proposed in the literature is associated with the probability that the auditor will both discover a breach and irregularity in the client's accounting system and report them (DeAngelo 1981). In other words, the auditors may be able to detect material misstatements and then produce appropriate audit reports (Eilifsen and Willekens 2008; Lee et al. 1999). This is in line with the perceived formative days of auditing that it had the only objective to detect and prevent fraud and errors (Knechel 2009).

However, Knechel (2009) suggest that this definition poses some problems. Although the public expects auditors to find fraud (Johnstone et al. 2014), auditors cannot minimize the risk of being unable to detect it to the zero level. The audit risk

model suggests that an auditor has an assurance target. It could be quite high but it is not complete or perfect. Thus, offering absolute assurance that the auditor will detect any breach, errors, irregularities, and material misstatements could be impossible. There are two reasons why the perfect assurance is impossible. First, providing perfect assurance will cost the society and auditors more than they can afford. Second, perfect assurance cannot be achieved when auditor deals with, for example, the completeness of liabilities where the auditor needs to determine and search the unrecorded and unknown liabilities. Auditors are dealing with estimates when conducting an audit and auditors do not know the future. ICAEW (2010) states that:

> *Neither a user of audited financial statements nor an academic researcher can tell whether a specific audit report accurately reflects the presence or absence of material misstatements. Even when misstatements that were not reported by an auditor subsequently come to light, that does not represent conclusive evidence of a failure in audit quality, since audits are not intended to provide absolute assurance. (ICAEW 2010, 15)*

During the interviews and focus group discussions, frequently the external and internal government auditors stated that from the perspective of the users of the audit report, a quality audit should be able to ascertain the real condition of the auditee. In other words, they need to find every fraud, error, and misstatement. This would be impossible. Auditor said, they would be very ashamed if after the audit, there will be fraud found by others institution.

One auditor noted that "audit quality, probably, is related to the report that can ascertain the real condition [of the auditee] that can be reflected in the appropriate opinion that is given (Auditor 18, Male, Team Member, External Auditor). This means that the auditor can "portray the real actual condition [of the auditee], disclose it clearly. In other words, "audit quality is when the audit can detect irregularities or fraud" (Auditor 23, Male, Team Member, External Auditor) and "...the auditors can find out the errors" (Auditor 20, Male, Team Member).

This view is also summed up by the auditee. The auditee may regard auditor's work as being good if the auditor may be able to detect breach and deficiency in their financial statements. They sometimes have already known the erroneous area and let the auditors find out themselves. One auditee recalled:

> "*If we know that there is something wrong in our financial statements but the auditors cannot detect it, I think their audit is not good."* (Auditee 1, Male).

Auditing involves regulatory requirements both for the auditors and the audited organisations. Some auditors argue that the regulations affect the way the way they achieve quality. For example, in the regulation of audit of local governments' financial statement, the auditors are mandated to complete the audit and issue a report to parliament in only 60 days. One auditor said that "it is a big constraint and it affects largely our quality ... because we do not have enough resources to do the audit that quick" (Auditor 8, Female, Supervisor, External Auditor).

The accounting systems of government sector have also been developing quite rapidly. This has caused some gaps in regulations and some regulations that are ambiguous and sometimes tend to contradict each other. This "grey area" might be likely to give different interpretations among auditors, auditees, and the users of auditor's report. This prevents the auditors from making good and solid criteria to support their findings.

4. CONCLUSION

This paper found that the government auditors' perceptions of audit quality are influenced by the audit expectation-performance gap. The findings reveals the occurrence of standards violation as the proxy of bad audit, i.e. the deficient performance (a gap between the expected performance of auditors meeting the auditing standards and the perceived auditors' existing performance). Moreover, the auditors also suggest that the standards are not like a holy book that has no deficiencies. Standards are deficient. They are certain aspects that are not in the standards and sometimes need the auditors' judgement. They believe that standards need be accompanied by audit manual, technical and operational guidelines dealing with more specific and technical audit matters. This research also found that the reasonableness gap exists in the context of government audit. This is the gap between what society expects auditors to achieve and what they can "reasonably" be expected to accomplish. Reasonableness gap or unreasonable expectation relates to the perception of society that expect more of audit than it can give in practical terms. People believe that the auditor examines every single transaction in a company audited and auditors may be able detect all frauds while in practice it would be clearly unreasonable. In fact, auditors examine the samples of transactions when drawing conclusions about the population. Users of financial statements and Financial Auditing Board auditors in the public sector have different expectations regarding audits. The auditors and the readers of the financial statements have different perspectives. Because users have a far greater awareness of their responsibilities than Financial Auditing Board auditors, there is a perception gap between the two groups.

Consent

As per international standard or university standard, respondents' written consent has been collected and preserved by the author(s).

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