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The impact of the pandemic of Covid-19 on the Audit Expectation Gap

The case of India

Master's Programme in Accounting and Finance

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Abstract

The purpose is to explore the impact of the Covid-19 pandemic on the AEG by exploring the perceptions of two groups namely, (i) auditors and (ii) the users of the audited financial statements. This research is conducted in the Indian context, meaning the participants of this study are Indian Chartered Accountants and users of financial statements.

The analysis of the findings of this study suggests that the audit expectation gap (AEG) existed in India during the pre-pandemic period and it has been widened further by the pandemic. Porter's (1996) AEG model suggests that there has been a deficient performance by the auditors, and also the users have excessive unreasonable expectations arising from the risk-perception of the financial crisis created by the pandemic. However, the analysis of the underlying reasons behind such impact of the pandemic on the AEG shows that the major contributor to this gap is the users and their unreasonable expectations. Also, the auditors faced numerous professional and personal challenges due to the changes brought by lockdowns and social distancing, which may have impacted the audit quality to some extent. But, with the support from the regulator, ICAI, in terms of guidance and training, they found alternate ways to conduct the audit procedures and put significant efforts to keep up the audit quality. The users, on the other hand, driven by the fear and uncertainty of a pandemic, developed unreasonable expectations from auditors demanding a higher level of assurances owing to the risk of frauds and misstatements arising during the pandemic. The users believe that both the auditing standards and auditor performance did not evolve to suit the needs and concerns of the pandemic, but rather stayed stagnant, causing the overall expectation gap to widen further.

Keywords

Auditors, Users, ICAI, Audit, Expectation gap, Agency theory, Role theory, Attribution theory, Covid-19, Pandemic, India.

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To my dearest husband Harsh and my beloved daughter Isiri! I am extremely grateful for your unending and unconditional support throughout! I dedicate this work to you with all the love and warmth – Asha.

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Chapter 1. Introduction

This chapter begins with explaining the background of the topic of this study, followed by the problematization. Next, the purpose of the study and research question is presented. This chapter ends with the outline of the report.

1.1 Background

Reliable financial reporting is critical to the smooth operation of financial markets, business investment, and the economy (Beis, 2021). It enables all interested parties to obtain information about a company's performance and protects a wide range of stakeholders from corporate mismanagement (Beis, 2021). Financial audit[1] adds credibility to financial statements and therefore serves a social interest (Ruhnke & Schmidt, 2014). Whether or not and to what extent the public believes auditors accomplish the social function is determined by the scope to which the perceived performance conforms to the public's expectations (Ruhnke & Schmidt, 2014). When auditors' performance does not meet the public's expectations, an audit expectation gap (AEG) occurs. Therefore, the confidence society places in the audit work's effectiveness and the auditor's opinion are the pivots on which the audit profession is built.

International Auditing and Assurance Standards Board (IASB) defines AEG as "the difference between what users expect from the auditor and the financial statement audit, and the reality of what an audit is" (IAASB, 2020 a, p.11). The gap is a crucial issue for the audit profession since it can impair the legitimacy of the audit in society (Ruhnke & Schmidt, 2014) and may have significant implications on the development of auditing standards and practices (Lin & Chen, 2004). Empirical studies conducted extensively in many countries all over the world, including the U.S. (McEnroe & Martens, 2001), Netherlands (Hassink et al.,2009), Germany (Ruhnke & Schmidt, 2014), Taiwan (Duh, R. R., Knechel, W. R., & Lin, C. C., 2019), Lybia (Masoud, 2017), Malaysia (Lee & Ali, 2008) and China (Lin & Chen, 2004), have confirmed the presence of the gap and observed that auditors' and the public's perspectives differ mainly on auditors' obligations to detect and report fraud and going concern issues.

[1]*In this paper when we use the term 'audit' we are referring to the statutory financial audit, unless otherwise specified*

The discussions about AEG have a perennial nature, which is further intensified by high-profile corporate failures such as Carillion, BHS, Luckin coffee, and Wirecard, coupled with regulatory fines and sanctions. Scandals increase the scale of criticism of the auditing profession, bring considerable reputational damage, and question its capability to serve the public interest (Beis, 2021). In recent years, India, one of the largest and fastest-growing economies in the world (Sinha, 2022), has also been plagued by many banking and corporate scandals. For example, frauds involving fake guarantees and improper and aggressive lending without due diligence (PNB, Punjab & Maharashtra Co-operative Bank, for example) have saddled banks with significant non-performing assets and eroded stakeholder wealth (Desai, 2020). Similarly, corporate frauds such as Manpasand Beverages, Kingfisher Airlines, United Distilleries, and Satyam involved top management siphoning off money for personal gain while causing widespread loss of shareholder value through related parties' transactions (Desai, 2020). Well-publicized scandals have put auditors and their failure to report significant irregularities under attack by the Indian government and investors. Moreover, the Institute of Chartered Accountants of India (ICAI), the national audit regulating body, is increasingly seen as ineffective in taking responding actions (Arora, 2022).

There is a new challenge at the doorstep of the auditors across the globe which is the pandemic of covid-19 which has impacted the world through stringent lockdowns, reorganizations, etc. Global economies, including India, causing a financial crisis in domestic and vulnerable sectors of the economy, sending shockwaves to the audit professionals to cope with newer challenges of collecting audit evidence (Deloitte, 2020). Their struggle to meet normal audit expectations has now been further increased by the added scrutiny they have to face in terms of their audited financial statements (ACCA, 2020; ICAI, 2020).

1.2 Problematization

The audit profession's capabilities and relevance will once again be tested by the rapid outbreak of the pandemic of COVID-19. The pandemic presents alarming health, economic and social crises that the world is grappling with and has already negatively influenced the worldwide economy (Goodell, 2020). The unprecedented state of emergency impacted the operating environment of entities and resulted in investors' increased appetite for more detailed and meaningful company disclosures (Beis, 2021). Moreover, stakeholders are expecting that companies will be able to explain how they are preparing to deal with liquidity, solvency, and operational risks during a period of prolonged uncertainty (Beis, 2021). In an interview with the Financial Times, PwC's global chairman Bob Moritz stated that during the pandemic, PwC had to "double down" on the quality of its audits because investors "needed more and better-trusted information from companies" given the economic turmoil unleashed by the crisis (Kinder, 2020 a).

In the light of increased scrutiny of financial reports, auditors face practical difficulties in fulfilling their social function. The most challenging areas highlighted by the Association of Chartered Certified Accountants (Acca, 2019) are identifying and assessing the risk of material misstatement, responding to those assessed risks, and obtaining sufficient and appropriate audit evidence. Furthermore, mass remote working and increased financial pressure on businesses have heightened the focus on fraud and going concerns (Kinder, 2020 a; IAASB, 2020 b) and intensified the importance of aligning users' and stakeholders' expectations about the auditor’s responsibilities in these areas (IAASB, 2020 b). Pandemic and remote working environment has also created concerns about the quality performance of smaller accounting firms that lack the IT systems and resources needed to manage complex audit work remotely (Kinder, 2020 b). The concern can even be more difficult to cope with for auditors in developing countries. For example, the Indian auditing industry lacks the managerial and analytical talent required to reap the full benefits of IT systems (Sharma et al., 2022).

Narrowing the AEG is essential for a resilient global financial reporting ecosystem (ACCA, 2019). Given the scale of corporate scandals and the perennial nature of discussions over the gap (Humphrey et al., 2021), the auditing profession and its regulators have emphasized enhancing the statutory audit function and restoring trust. Nevertheless, AEG remains present and highly visible (Humphrey et al., 2021). According to recent findings from some of the world's largest auditing firms and independent organizations such as ACCA, IFAC, IAASB, and ICAI, the Covid-19 pandemic will significantly challenge the audit community. Because the consequences of these challenges and restrictions are still largely unknown, they will be difficult to predict.

To the best of the authors’ knowledge and belief, there have been some recent studies that discuss the impact of the covid-19 pandemic on audit (Albitar et al., 2020; Levy, 2020; Ahn & Wickramasinghe, 2021; Goodell, 2020) but there are no studies that have explored the impact of the covid-19 pandemic on the AEG. Also, the same aspect applies to the Indian context as well. Therefore, by conceptualizing the relationship between the pandemic of Covid-19 and the AEG, our study aims to fill this research gap in the auditing and AEG literature.

1.3 Purpose and Research Question

The purpose is to explore the impact of the Covid-19 pandemic on the AEG and the reasons leading to such an impact. The aim is to achieve this by exploring the perception of two groups namely, (i) auditors, who are the qualified Chartered Accountants of India (referred to as the 'auditor/auditor group' throughout the report), and (ii) the users of the audited financial statements (referred to as 'users/user group' throughout the report). By doing so, the authors believe that the study will uncover the reasons behind the existence of the audit expectation gap during the pandemic period.

The research question of this study is:

How has the pandemic of Covid-19 impacted the way auditors and users of audited financial statements perceive auditor's roles and responsibilities?

1.4 Outline

This master thesis will be structured as follows. Firstly, the literature is divided into sub-topics, presenting the main ideas prevalent in the respective field of research and scientific literature. The literature review will be concluded by the development of a theoretical framework. This section will be followed by the methodology part, in which the arguments for the chosen research approach will be presented and the method described in detail. Afterward, the findings, structured into two main areas: Users' perceptions and Auditors' perceptions, will be presented. Each finding area is subdivided using three pillars of the AEG developed in the theoretical framework. Finally, the analysis part will deal with answering the research questions by analyzing the perceptions of interviewees on how the pandemic of Covid-19 impacted the audit process and AEG in India. Before concluding this thesis, the contribution to research, limitations, and further opportunities for research will be presented.

Chapter 2. Theoretical Framework & Literature Review

This chapter first introduces the conceptual framework on which this research is based, followed by three theories on which this study is analyzed, namely the agency theory, the role theory and the attribution theory. The following section will be the literature review of the topics related to this study.

2.1 Theoretical Framework

2.1.1. Porter’s Expectations Gap Model

Porter (1993, p. 50) redefined the earlier definitions of the audit expectations gap and introduced a new model called the ‘Audit Expectation-Performance Gap’ (referred to as AEG throughout this study), which referred to "the gap between society's expectations of auditors and auditors' performance, as perceived by society." This re-definition acknowledges the possibility of society's unreasonable expectations and a sub-standard performance by auditors. To distinguish the two, Porter (1993) split the AEG into three components: deficient performance, deficient auditing standards, and a reasonableness gap. Deficient performance represents the "gap between the expected standard of performance of auditors' existing duties and auditors' perceived performance as expected and perceived by society"(Porter, 1993, p. 50). Deficient standards represent the "gap between the duties that can reasonably be expected of auditors and auditors' existing duties defined by the law and professional promulgations" (Porter, 1993, p. 50). The reasonableness gap refers to the 'gap between what society expects auditors to achieve and what they can reasonably be expected to accomplish' (Porter, 1993, p. 50).

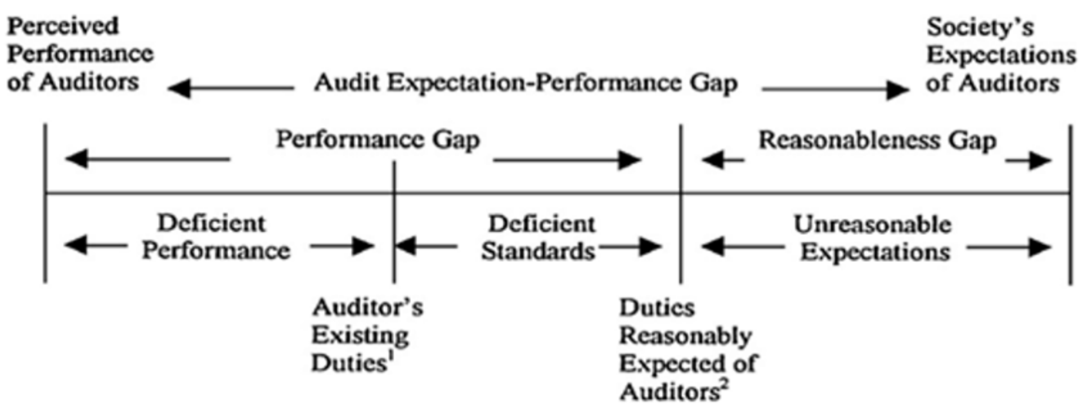

Figure 1: 'Expectation Gap' model by Porter (1993)

This distinction is important because each of the three components answers each other. Hassink et al. (2009) argued that reasonableness gaps can be narrowed by clarifying to society what can reasonably be expected from auditors. Furthermore, the authors suggest that expanding auditing standards with duties that society reasonably expects from them is the one way to bridge the deficient standards gap. In contrast, deficient performance gaps may be reduced by further training in the auditing profession and by improving audit quality control.

2.1.2. Agency theory

The agency theory is a tool that explains the information asymmetry problem that occurs between the principal and an agent (Jensen & Meckling, 1976). The agency relationship is a very old social concept that includes a person/group, the principal, who delegates tasks to another person/group, and the agent (Ross, 1973; Eisenhardt, 1985). So, this makes it clear that there is a separation of ownership and control (Collins, 2003). This form is one of the common business relationships that aid businesses to perform using different functional expertise (Jensen & Meckling, 1976; Eisenhardt, 1985). According to Eisenhardt (1989, p.59), this theory is based on seven main assumptions divided into three categories: (1) Human assumptions: (i) humans tend to act in their self-interests (ii) lack of information and time limits humans to be rational in their decision-making process and (ii) humans have different risk perceptions. The second category is (2) Organizational assumptions: (iv) both actors tend to have different goals (v) both actors aim at maximizing their prosperity and (vi) it exists asymmetric information among actors where one actor knows more than the other. The third category is (3) Information assumption: (vii) information is a commodity that can be bought.

The agency relationship gives rise to two kinds of information asymmetry problems (i) Adverse Selection and (ii) the Moral hazard. The agency theory assumes that the agents always aim to prioritize their self-interests and indulge in opportunistic behavior because they are in a powerful position that has access to a lot of information that the principal is not aware of (Jensen & Meckling, 1976). This information asymmetry provides a fertile ground for opportunistic behavior on the part of the agent and this is termed the 'adverse selection' problem. Watts and Zimmerman (1983) mention that the opportunistic behavior of the agents reduces the total value of the firm therefore this provides incentives to the principals to enter into contracts to curb such opportunistic behavior. By doing this, principals reduce their capacity for opportunism. But the theory also suggests that the agents tend to breach the contract to pursue opportunism both before and after they enter into a contract because they are aware that the principal cannot observe their behavior. This is termed the Moral hazard problem.

Adams (1994) mentions that the above problems arising from information asymmetry in the agency relationship lead to the principal seeking solutions by designing mechanisms and incurring certain costs, called agency costs. (i) Incentive structure: The principal cannot observe the agent's behavior hence he indirectly tries to align the agent's interests with those of his own and designs an incentive structure through contracting. (ii) monitoring and control: Because, the agency relationship suffers from self-interest, the principal needs to ensure that the agent acts in the interest of the principal. So, the principal tries to achieve this by entering into a contract based on the agent's behavior or the results. So, if the principal is interested in controlling the behavior of the agent, he enters into a behavior-based contract and if the principal is interested in the results, he enters into a results-based contract (Eisenhardt, 1989).

Eisenhardt (1989) mentions that the agency theory addresses two of the main agency problems (1) the problem that arises when there is a goal conflict between the agents and the principal, and the principal is not in a position to observe the agent's behavior (2) the problem that arises when the agents and the principal have different risk-appetite. In this first case, the goal conflict implies that information is an extremely valuable commodity and therefore there is a price to pay. Therefore, principals can exert control over the agents if they can control the information systems in the company. The goal conflicts in agency relationships also arise because the principals think on a long-time horizon basis and make decisions accordingly. On the other hand, the agents tend to expect quick results and have a short time horizon plan to accomplish them. So, the agency relationship also explains the difference in time perception of the agents and the principals (Luthans, 2002)

Agency theory and audit

Watts and Zimmerman (1983) mention that because the principals lack the expertise and skills to monitor and interpret the agent's actions, they turn to the auditors. The basic purpose of the existence of the 'auditor' is to monitor the agent's behavior and decision outcomes rightly and fairly and communicate it to the principals. So, an audit will be considered successful if the auditor reports the breaches that are discovered by the auditor in the contract (Jensen and Meckling, 1976). So, this form of relationship can also be considered an agency relationship, but between the principals and the auditors. So, the agents here are the auditors who are hired by the auditors to perform a task (Eisenhardt, 1985). This agency relationship between the auditor and the principals leads to newer agency problems of independence, trustworthiness, and threats to objectivity arising out of agency opportunism (Eisenhardt, 1989).

So, applying the above-mentioned tenet as mentioned by Watts and Zimmerman (1983), the principal expects the auditor to faithfully perform the job assigned to him, which is to present a true and fair state of the affairs of the entity they are auditing. But, when the auditor is driven by opportunistic behavior, he may prioritize economic benefits in the form of higher fees that he could receive by providing other professional services such as the non-audit services (Quick, Sattler & Wiemann, 2013). So, the agency theory gives the auditors an incentive to fix their behavior because as agents, they will carry the risk of this agency bias. So, they need to be conscious and apply safeguards to protect their objectivity and independence.

2.1.3. Role theory (also known as role-conflict theory)

The role theory is one of the most used theories in the AEG literature because of its ability to deconstruct society's expectations from the auditors and the actual role that they play in terms of the monitoring role that they play in the financial reporting field. The theory was developed by Rizzo, House, and Lirtzman (1970), who introduced four types of role conflicts. The first type is a conflict between a specific role and one's value system. The second type of role conflict occurs when one role sender assigns more than one role to another. The third is role overload, which occurs when multiple roles are imposed while considering accountability, time, and available resources. The fourth type is inter-sender role conflict, which manifests itself as mutually opposing role expectations, conflicting policies and needs of others, and incompatible criteria. Most studies in the AEG literature have focused on the fourth type, inter-gender role conflict because the AEG problem manifests in its very definition, which discusses the mutually opposing role expectations between the users of the audited financial statements and the auditors.

According to Koo and Sim (1999), the literature identifies the following three significant elements causing role conflict in the audit: First, structural inconsistency of two roles of monitoring and service provider to client managers, which the auditor has been pushed into. Second is the Free Engagement System, similar to a free-market supply-demand of audit contracting between auditors and clients. Managers can select their auditors and prefer to enter into audit contracts with partners over whom they have control. In this system, managers are deemed more powerful than auditors, which amplifies the auditor's role conflict. Finally, presence of an expectation gap between auditors and third parties, where the third party has high expectations, but the auditor cannot meet them all.

Role conflict occurs when an individual member of an organization is required to perform conflicting roles and includes the dimensions of congruency-incongruency or compatibility-incompatibility in role requirements. Congruency or compatibility is assessed with standards or conditions influencing role performance. Role theory also facilitates identifying the auditors' rights, obligations, and norms. Thus, it helps in analyzing the auditors' role in lending credibility to the financial statements by certifying them as true and fair, as well as in deconstructing the extent of the public's expectations of the auditor's role.

This role conflict assumes that the auditor must first serve the professional regulations and rules that govern auditor independence (Abiola, 2015). Then, meet the needs of the various interest groups (Koo & Sim, 1999). These groups include but are not limited to management, security commission, institutional investors, and analysts. The basis for role conflict is the multidimensional expectations of those interest groups (Olojede et al., 2020), which may change from time to time depending on the role expectations of the groups (Abiola, 2015). Furthermore, misunderstanding of auditor's responsibilities contributes to the varying expectations of those interest groups. The extent to which the auditor can provide a trade-off between all the conflicting interests determines the magnitude of the audit expectation gap (Olojede et al., 2020).

An auditor's role conflict may result in lower job satisfaction, lower job performance, and even a desire to leave the company (Senatra, 1980; cited in Koo & Sim, 1999). Moreover, auditor role conflicts harm auditor independence from a social standpoint. They are caught between two options: be obstinately ethical and risk being replaced by management, or bumble under management's pressure (Abiola, 2015). Goldman and Barlev (1974, cited in Koo & Sim

1999) identified three major conflicts of interest in the face of independence. These are conflicts between auditors and firms, conflicts between owners and managers, and conflicts between the auditor's economic motives and audit criteria. When competing interests are required simultaneously, the auditor's role conflict arises, impeding independence.

2.1.4. Attribution theory

From the psychology literature, this study utilizes attribution theory to investigate the effects of the covid-19 pandemic on the blaming behavior of the users of the audited financial statements in terms of how they perceive the role of the auditors in the society during the pandemic (Kelley, 1973; Weiner 1985). This theory explains how individuals make judgments about the reasons for an outcome and how they assign responsibility for that outcome (Arrington, Hillison & Williams 1983). In the context of this study, this applies to the blame game that the users of the audited financial statements place on the auditors for not fulfilling their role of gatekeeper. More precisely, as Weiner (1985) ad Hulme (2014) mentions in the case of negative events, people want to make sense of why they happened. Similarly, the users need to make sense of why the auditors underperformed during the pandemic because this would in turn help them cope with its negative effects.

Attribution theory stipulates that when events that are either new, unexpected, or even negative occur, individuals will try to make sense of these events by developing causal attributions of the event (Harvey & Liu. 2014). They can do this by explaining an event in different ways as mentioned below, depending on which, individuals could have different responses to such event (Weiner 1985; Martinko, Moss, Douglas, and Borkowski 2007b).

- Locus of causality: where it can be attributed to (i) themselves (internal), (ii) to others (external), or (iii) jointly to self and others (relational);
- Controllability: the degree to which the perceived cause of an event is under the control of the individual and
- Stability: Perceived permanence and continuity of the cause.

Heider (1944), categorized the causal attributions into (i) Internal (dispositional) and (ii) external (situational) attributions. The internal attributions are linked to the individual causing the observed behavior on a personal level and the external attributions are linked to the external environment in which the individual exists, over which he/she has no control. A study conducted by Lalljee, Watson, and White, (1982) showed that when the observer has little or no knowledge of the person/behavior being observed, he/she tends to make more internal attributions. In the context of an audit, this means that more knowledge about the audit practices will lead to a lower expectation gap between users and the auditors.

Jones and McGillis (1976) presented a different perspective of attribution theory by adding some nuances to the attribution theory literature. They suggested that a person who is observing a behavior generally uses his/her prior knowledge in setting the expectation about the person being observed. They listed two types of general expectations:

- Target-based expectations: based on prior information about a targeted specific individual (e.g., individual auditor) and
- Category-based expectations: based on the perceiver's knowledge of the target person as an affiliate of a stereotyped reference group/team (Example: profession/occupation/group of audit firms such as the Big Four audit firms (often referred to as the large audit firms KPMG, Deloitte, E&Y, and PwC)

These stereotyped expectations then influence the understanding and interpretation of such observed behavior (Williams, 2001; Wong-On-Wing, Reneau, & West, 1989). If the behavior of the observed person matches the expectation, then little attribution will be used to investigate its cause, owing to its predictability. In other words, this means that this could lead to quick assumptions without much thought (Lalljee, Watson & White, 1982). And, in case the behavior of the observed person does not match the expectation, then an attribution will be made (Hinton, 2000) to comprehend what makes this member an exception.

2.2. Literature Review

2.2.1. The concept of the Audit Expectation Gap

The concept of AEG was initially presented by Carl Liggio (1974) who defined it as the difference between the expected performance levels as conceived by the independent accountant and by the user of financial statements. Over time other definitions have also been developed, such as the gap between what the public expects from the auditing profession and what the profession provides (Jennings et al., 1993). Furthermore, Porter (1993) claimed that Liggio's definition of the AEG was too limited, failing to account for the possibility that auditors may not achieve "expected performance" or what they "can and reasonably should." Instead, Porter (1993) re-introduced the concept and called it an “audit expectation - performance gap where the AEG is broken down into two components, (i) the performance gap and (ii) the reasonableness gap. The performance gap is further divided into (i) deficient performance and (ii) deficient standards gap.

The model has been extensively used in empirical studies. For instance, Lee and Ali (2008), to obtain a comprehensive understanding of the AEG in the Malaysian context, examined the knowledge gap and deficient performance gap using the Porters (1993) model. The authors studied firstly the auditor's and corporate managers' knowledge of the auditors' duties by law and secondly, the perceived performance of auditors about these required duties. The results of a questionnaire survey demonstrated that the auditors in Malaysia were more knowledgeable about their duties, compared to corporate managers. Furthermore, managers were less satisfied with some of the duties performed by the auditors. Since the deficient performance gap reveals the level of satisfaction on work performed by the auditors, the authors argued that study findings can be beneficial to the auditing profession as it enables the audit profession to improve on the areas perceived to be underperformed.

Another study built on Porter's framework was conducted by Masoud (2017). The author investigated the influence of the audit expectation gap on the auditing profession in the case of Libya. The findings demonstrated that the performance gap exists and results from the following factors. Deficiency standards and deficient performance gaps constitute 49% and 15% of the audit expectation-performance gap. The author observed that auditing objectives were not as clear to the financial statement users as to the auditors and the financial statement preparers in the Libyan business environment Masoud (2017) suggested reducing the expectations gap by improving knowledge responsibilities between the auditors and user groups and understanding of the auditor's role and responsibilities through the provision of illegal auditing acts.

Porter's (1993) framework is not the only one that describes the gap as a broad construct consisting of several layers. For instance, in a report from 2019, ACCA defined the AEG as "the difference between what the public thinks auditors do and what the public wants auditors to do" (ACCA, 2019, p.7) and presented a framework with three elements: knowledge gap, performance gap, and evolution gap.

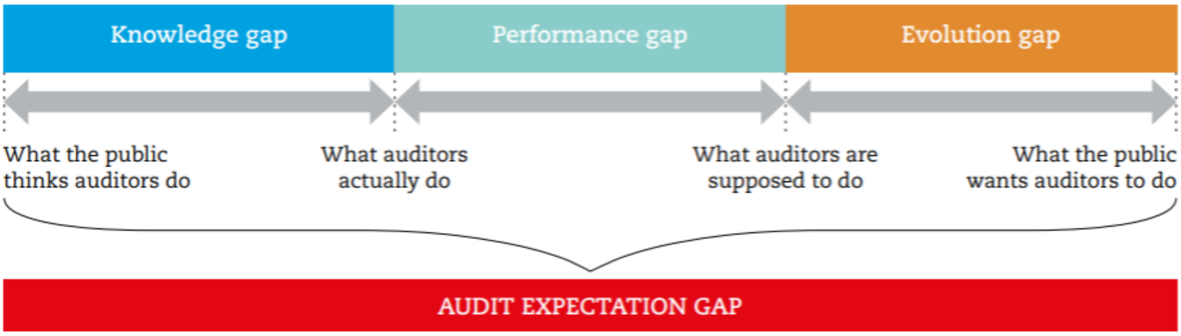

Figure 2: 'Expectation Gap' model by ACCA (2019)

According to ACCA (2019), The knowledge gap is the difference between what the public believes auditors do and what auditors are supposed to do. This definition acknowledges that the public can occasionally misunderstand audits, such as how auditors are accountable for preventing company failure.

The evolution gap describes the difference between what auditors are supposed to do and what the public wants auditors to do (ACCA, 2019). The evolution gap exists in audit areas where there is a need for evolution, taking into account public demand, technological changes, and the ways leading to an improved audit process that creates more value.

Lastly, the performance gap refers to the difference between what auditors do and what they are supposed to do (ACCA, 2019). The performance gap focuses on auditors failing to follow auditing standards or regulations. According to ACCA (2019), it could be due to a lack of focus on audit quality, the complexity of some auditing standards, or inconsistencies in practitioners' and regulators' interpretations of auditing standards or regulatory requirements. Furthermore, ACCA emphasized a critical need to close the performance gap, and non-compliance with standards is a significant source of public concern.

Accordingly, the gap is a two-folded issue, where one side represents standard setters and auditors, while the other constitutes the general understanding of financial statement users.

The literature on the expectations gap surveyed users from very diverse groups, such as investors (Mcenroe & Martens, 2001), bankers (Saha & Baruah, 2008; Hassink et al.,2009; Lin & Chen, 2004), business managers (Hassink et al., 2009), investment analysts (Lin & Chen, 2004). Findings highlighted that those different users of financial statements have varying levels of audit knowledge and diverse interests.

Since the expectation gap was first mentioned, the corporate landscape has evolved considerably. Following the global financial crisis in 2007–2008, worldwide financial reporting and auditing standards underwent significant adjustments. The European Union introduced audit reform legislation in 2016 such as restrictions on audits of public interest corporations, required audit firm rotation, prohibitions on non-audit services that audit firms can perform, and new audit quality assessment criteria for audit committees. New, stricter International Financial Reporting Standards for financial instruments, revenue recognition, leases, and insurance were also developed. Moreover, auditing standard setters responded with new proposals in auditor reporting, accounting estimates, quality management, and risk assessment (ACCA, 2019). Nevertheless, the AEG remains present and highly visible (Humphrey et al., 2021).

The survey conducted by ACCA in 2019, targeting public members of 11 countries, combined two types of questions: those that tested knowledge about audits and those that asked about audit expectations. The report's findings highlighted the failure of that gap to close and made it clear that the profession must continue to focus on improving audit quality and work proactively with other stakeholders to support a better understanding of the auditor’s role. Acca (2019) observed that users continue to expect more from auditors than they do.

There is a dearth of literature studying the AEG in the Indian context; however, after an extensive search, we identified an article by Saha and Baruah (2008), who gathered empirical evidence of the audit expectations gap in India. The study aimed to determine the significant, country-specific characteristics of the gap. A questionnaire was distributed to diverse groups of financial statement users, namely practicing chartered accountants, chief financial officers, bankers, and financial journalists. The study proved the presence of AEG and discovered the gap was caused by a combination of factors, including the nature of the audit process, integral boundaries around the audit, and performance of an auditor and audit function. The research also discovered a wide expectation gap, especially concerning auditor's roles and responsibilities to detect and prevent fraud, going concern assumption, reporting material misstatements, auditor's independence, and auditor's abilities to identify and respond to risks. Moreover, auditors' relationship with management, weak accounting standards, auditor's role in reporting on management efficiency, soundness of internal control system, and level of accountability to third parties were also found to have significant expectations gaps (Saha & Baruah, 2008).

2.2.2. Aspects contributing to the audit expectation gap

A review of the literature identifies various aspects which contribute to the existence of an AEG. Humphrey, Moizer, and Turley (1992) pointed out that unreasonable expectations of the users of financial statements; the backward-looking evaluation of audit performance; demand-based changes happening in the audit profession cause time lags in responding to changing expectations; the probabilistic nature of auditing, poor performance and corporate crisis leading to new requirements and expectations, could result in the audit expectation gap. Additionally, authors argued that corporate crisis places enhanced demands on the process of regulation and accountability, which in turn produces changes in the nature and standards of audit practice (Humphrey, C., Moizer, P. & Turley, S. 1992).

One area where the existence of an AEG has been proven to be particularly detrimental to the audit profession’s image and reputation is the role of auditors in fraud cases. The audit profession typically minimizes the importance of its role in discovering fraud and instead emphasizes the role of management. According to auditing standards ISA 240, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and with management (IAASB, 2009, ISA 240, para. 13). Moreover, because of the inherent limitations of an audit, there is always the risk that some material misstatements of the financial statements will go undetected, even if the audit is properly planned and performed following the ISAs (IAASB, 2020 b).

In the context of fraud, the study of Hassink et al. (2009) provided clear evidence that the existing standards cause a substantial audit expectations gap concerning the auditor's performance and the auditor's formal obligations. Auditors appeared to be unaware of their professional obligation to investigate every case of suspected fraud in all circumstances, creating a performance gap. On the other hand, the supervisory board and company managers were indifferent about materiality when reporting the identified fraud cases, implying the presence of a standard gap. Authors also pointed out the unreasonable expectations of business managers that auditors should detect non-material fraud (Hassink et al., 2009).

Mcenroe and Martens (2001) investigated the existence of an expectation gap by comparing audit partners' and investors' perceptions of auditors' responsibilities. The authors discovered significant differences in expectations about various audit facets and assurances, such as disclosure, internal control, fraud, and illegal operations. Investors were found to assign much greater, unreasonable responsibility to auditors than is required by the standards. They expected auditors to act as "public watchdogs” who protected investors' interests through the audit.

One more study analyzing the aspects contributing to the expectation gap was conducted by Ruhnke and Schmidt (2014), who distinguished two broad groups of users, namely, internal and external groups. Internal groups comprise the auditee's management and those charged with governance, and external groups include external users of financial statements, such as investors and creditors. The external groups were assumed to have poor knowledge of the auditing profession, gained from the media rather than audit standards, and therefore have a higher expectation of financial statement audits (Ruhnke & Schmidt, 2014). The authors observed that the limited information content of the audit opinion, the wide scope of uncertainties and estimations, procedural errors of the auditor, and lack of auditors’ independence cause the gap. The level of assurance that auditors are supposed to provide was also found to be a critical concern. The IAASB merely requires the auditor to obtain a reasonable level of assurance since inherent audit limitations exist to prevent auditors from achieving absolute assurance (IAASB, 2020 b). However, Ruhnke and Schmidt (2014) observed that the majority of the studied sample perceived that auditors provide an absolute level of assurance.

Auditor independence is also a matter of considerable importance that influences the user's perceptions of the audit quality and expectation gap, respectively. Deangelo (1981) defined audit quality as a joint likelihood that an auditor will detect and disclose a breach in the client's accounting system. The probability that an auditor may detect a breach is determined by different circumstances such as the auditor's technological capabilities, the audit procedures used, and the extent of sampling. At the same time, the conditional probability of disclosing a discovered breach measures an auditor's independence from a particular client (Deangelo, 1981). Auditors' independence is a crucial premise to the utility of auditing function and is based on the context of the auditor-client relationship; namely, auditors should not have any direct associations or material financial interests with their clients. The concept is also crucial to maintaining the integrity of financial reporting and the capital market's confidence. Lin and Chen (2004) argue that changes in social and economic conditions influence the concerns about auditor independence.

The concept of deficient standards in the AEG framework offered by Porter (1993) refers only to the professional standards applied by auditors in carrying out their mission and does not signify accounting standards. In the light of recent developments in accounting standards that made financial reporting more complex and more subjective, Astolfi (2021) examined the role of International Financial Reporting Standards (IFRS) in explaining increased AEG. The researcher recognized that IFRSs generated complexity contributes to AEG since such complexity facilitates managers' manipulation of financial statements and requires subjective judgment from auditors. Furthermore, Astolfi (2021) observed that the complexity challenges auditors' technical skills, leading them to rely more on external skills. The author argued that the principles-based approach of IFRS contributes to increasing the subjectivity of statutory audits and increasing the gap.

The role of Big Four firms concerning AEG is also interesting to highlight in this aspect. The Big Four networks generally provide the audit services to the world's largest corporations, and their successful operation is of direct personal interest to everyone who owns stocks, puts personal savings in a bank, and works for a company audited by one of the Big Four firms (Peterson, 2015). Indian auditing industry is as well denominated by Big Four firms (Sharma et al., 2022). Compared with small audit firms, the Big Four firms have more significant resources to invest in technological tools to accelerate various business processes, including audits. The adoption of technology is likely to be one reason that stakeholders in the auditing industry value the quality and credibility of audit reports from Big Four firms (Sharma et al., 2022). Nevertheless, the international string of corporate scandals, such as GE, Enron, Wirecard, and the financial crisis, brought considerable reputational damage to the Big Four firms and compromised the core role of the auditors as the guarantors of the financial data.

2.2.3. Mechanisms to narrow the audit expectation gap

ACCA (2019) argued that different remedies are necessary to reduce each type of gap and presented three different strategies. ACCA (2019) suggested minimizing the knowledge gap by educating the public in a fair, unbiased, and comprehensive manner on audit rules and auditing standards; Improving the performance by avoiding standard-setters to develop requirements that induce judgment biases or are challenging to execute objectively, and lastly, having a wide-ranging conversation about the evolution of audit profession should change to stay relevant and meet the public's needs.

McEnroe and Martens (2001) proposed aligning audit standards more closely with public expectations and informing the public more effectively of the extent and type of audit conducted to narrow down the gap. Several studies discussed the effects of enhanced information in the audit report. For instance, Coram and Wang (2020) investigated how disclosing Key Audit Matters affect (KAM) users' perceptions. The study was motivated by the IAASB's justification that disclosing KAM changes users' perceptions and reduces the gap. The authors observed that closing the AEG is not something additional disclosures can simply accomplish. Providing an objective KAM is making the gap larger in that users expect a higher level of reliability from the audit.

One more study that investigated the information content in audit reports to narrow down the AEG was conducted by Litjens, Buuren, and Vergoosen(2015). Three major audit stakeholder groups were surveyed: bank account managers as 'principals,' financial statement preparers as 'agents,' and auditors as 'monitors'. The authors concluded that bankers value additional audit procedures and entity information more than managers and auditors. According to the findings, only information about the audit process may reduce bankers' AEG. A change in the format of the auditor's report, on the other hand, did not affect bankers' AEG. Hence, Litjens, Buuren, and Vergoosen (2015) contend that auditors could develop new reporting methods like shifting from the current one-size-fits-all auditor's report and delivering reports suited to the needs of individual stakeholders (Litjens, R., Buuren, J. V. & Vergoosen, R., 2015).

By analyzing the data from a survey of audit professionals of 22 audit firms in Taiwan, Duh, Knechel, and Lin (2019) examined the effect of knowledge sharing in audit firms on audit quality and efficiency. The results indicate that knowledge sharing within an audit firm is positively associated with audit quality and higher audit efficiency represented by shorter audit lags. More importantly, the study identified that both higher audit quality and audit efficiency are simultaneously associated with higher levels of knowledge sharing, suggesting that effective knowledge sharing may help to improve audit quality and efficiency and eliminate the gap (Duh, R. R., Knechel, W. R., & Lin, C. C., 2019).

Furthermore, IAASB developed a comprehensive audit quality framework where environmental and contextual factors, such as laws and regulations and corporate governance, were identified to potentially impact the nature and quality of financial reporting and, directly or indirectly, audit quality (IAASB, 2014). In this context and to reduce AEG Litjens, Buuren, and Vergoosen (2015) proposed to include "reducing the AEG" as a quality factor in the quality framework and to develop a clear audit quality concept. Authors pointed out that a precise definition would focus auditors' and users' attention on the primary objectives of the audit function and gives auditors a clear target to strive for, allowing them to compete and differentiate themselves on the quality that is meaningful to consumers. According to ACCA, professional accountancy organizations, audits, and regulators have a significant role in monitoring the performance gap via audit quality reviews and supplying training materials to support smaller firms with resource challenges (ACCA, 2021). However, Ruhnke and Schmidt (2014) argued that a goal to narrow the AEG may be impossible, given that the social role and environment of the financial statement audit are in a constant state of flux. In other words, the public's expectations are constantly changing.

2.2.4. The impact of the pandemic of Covid-19 on audit practice

The Covid-19 virus was first noticed in the last few months of 2019 in China and subsequently spread rapidly to almost all countries of the world. To curb the spread, governments imposed mandatory lockdowns, including the imposition of social distancing, self-isolation, closure of institutions and public facilities, restrictions on mobility, and individuals having to work from home where possible (ACCA, 2021). In India, the first case was identified in March 2020. Awareness of the virus's detrimental consequences led the government to restrict the movement of the country's entire population by declaring five consecutive lockdowns nationwide. The lockdown measures used to curtail the spread of the virus had severe economic implications for the global economy, with India being no exception. According to the Asian Development

Bank (ADB), the Covid-19 outbreak could cost the country between 387 USD million and 29.9 USD billion in personal consumption losses and completely changed its economic growth scenario for the year 2020–2021 (Behera, Sabreen & Sharma, 2021).

The pandemic's unprecedented situation has disrupted most professions, including accounting and auditing. Auditors had to adapt quickly to the new normal to continue executing audits on a timely basis without compromising quality. Moving to a digital environment led to several practical challenges for them. For example, gathering audit evidence in some cases proved to be more complex, such as when auditors could not physically attend to planned inventory counts (ACCA, 2021). Suppose there is a positive side to this significant challenge for auditors. In that case, the audit profession was already on a journey to becoming more digital and the investment in digital capability has allowed many firms and practitioners to adapt to the new circumstances relatively quicker than in other industries (ACCA, 2019). Within the digitalization context, the study of Sharma et al. (2022) examined how pandemic-related restrictions disrupted the audit process in India and explored the perceptions of the profession on how technology was leveraged to conduct audits during this period. Researchers observed that auditors in India strongly supported the integration of emerging technologies into the audit. Furthermore, the interviewees displayed a keen interest in continuing remote audits in the future. According to the findings, the experience of the pandemic appears to have forced the auditing profession in India to overcome its reluctance to adopt technologies that were previously used by only the Big Four and other large audit companies (Sharma et al., 2022).

In March 2020, the Financial Reporting Council (FRC) had issued a specific notice related to the impact of the COVID-19 outbreak on audit quality and provided a guide for auditors on the matters that should be considered concerning the impact of social distancing measures on audit quality (FRC, 2020). Further, IAASB highlighted that the uncertainty and unpredictability caused by the pandemic might create risks of material misstatement that are new or intensified in the circumstances (IAASB, 2020 a). Keeping pace with the global reforms Chartered Accountants Institute of India has also issued a detailed auditing advisory and a series of auditing guidance documents covering specific auditing aspects such as going concerned, inventory verification, subsequent events, and auditor's reporting (Rawat, 2020).

While the pandemic has pushed many firms to adjust their operations significantly, its impact on entities varies depending on the specific conditions and events and management's plans. With increased uncertainty, some entities have to review preliminary going concern assessments, as prior estimates made during the pandemic may have been based on facts or assumptions that no longer apply (ACCA, 2021). The pandemic has also created ample opportunities for unethical behavior, as outlined in the IFAC (2021) report. For instance, many organizations have been pressured to implement digital strategies more quickly, posing a greater risk to the quality of related internal controls and a potential increase in fraud and error (ACCA, 2021).

According to a global survey conducted by ACCA (2021) in April 2020, 53 % of respondent auditors in public practice said they were under pressure to complete work, and more than one-third mentioned that they could not meet reporting deadlines. One-quarter faced difficulty acquiring audit evidence, and 27 % said they perceived increased risk related to asset valuation, liability completeness, or going concern issues (ACCA, 2021).

Albitar et al. (2020) discussed the theoretical impact of the pandemic of Covid-19 on audit quality using the desk study method and argued that the pandemic might affect and challenge audit quality. Theoretically, the authors expected that the pandemic might considerably impact the completion of the going concern assessment, levels of reliability and sufficiency of audit evidence, creating huge possibilities of personnel loss due to illness or quarantine, and reductions in audit personnel's salaries. Furthermore, IFAC (2021) highlighted the concern that pressures from the client and the rapidly shifting landscape during the recovery may lead to judgments and decisions regarding the use of non-traditional audit procedures, without proper regard for the fundamental principles of objectivity, professional competence, and due care in the context of audits of financial statements.

Studies show that digital auditing remotely during the pandemic would primarily need the Information and Communication Technologies (ICT) resources, staff who are ICT-skilled, and audit procedures that ensure uncompromised audit quality. In case the audit firms want to automate on a higher level by adopting more advanced technologies Robotic Process Automation (RPA), Artificial Intelligence (AI), Cloud Computing (CC), Machine Learning (ML), blockchain, and other emerging technologies in the field of audit (Butaka, 2022). Secondly, in the case of the clients of the audit firms, digital auditing would require the clients to be digitized enough to provide the auditor with their financial data electronically to facilitate such an audit (Deloitte, 2020). So, the performance of auditors during a crisis like the pandemic of covid-19 depends upon the ICT infrastructure that India has in place.

In terms of the ICT infrastructure, India is striving hard to accelerate its speed into an ICT-based smart economy. The Department of Commerce of the United States of America (2022) has published a commercial guide on India where it presents an ICT profile on India. The following are a few relevant highlights based on that. According to them, the Indian ICT sector contributes over 13% to the country's Gross Domestic Product (GDP) while the digital economy generates $200 billion yearly. The valuation of the Indian FinTech market is expected to grow to $84 billion by 2025. Information technology (IT) spending in India is institutionally well-supported by the government of India (GOI) and the Reserve Bank of India (RBI) which is the national bank of India. Furthermore, they highlight that with a score of 97.5/100, India's ranking was tenth in the world in the International Telecommunication Union's (ITU) Global Cybersecurity Index 2020. They also mention that "While the COVID-19 pandemic has impacted India's digital transformation, companies are realigning their IT strategies, managing operational costs, automating processes, and implementing new systems for better and improved efficiencies. These efforts are being realized with the help of emerging technologies such as robotic process automation, big data, artificial intelligence, machine learning, blockchain, cloud computing, the internet of things, cybersecurity, and augmented/virtual reality (Department of Commerce USA, 2022, p.1). So, this shows that India has accelerated the pace of development of ICT infrastructure in the last decade. However, it must also be noted that although the Indian E-commerce economy is one of the fastest-growing in the world, many traditional and small business organizations have either partly digitized or not digitized at all (Sinha and Sengupta, 2020). So, when there is an unevenness in the ICT adaptation, this can cause numerous hurdles and delays for the auditors to conduct audit procedures.

Chapter 3. Methodology

This chapter aims to explain the motivation of the selected research approach and research design. Secondly, present the data collection and analysis process. Lastly, introduce the author's reflection on the ethical considerations.

3.1 Research approach

Considering the complexity of research phenomena and the paper's purpose, the study adopts a qualitative research approach associated with the research philosophy of constructivism and interpretivism. The ambition of the study was to construct a profound understanding of the impact of the Covid 19 pandemic on the AEG. A defined purpose requires observing auditors' and users' perceptions of the subject matter in a contextualized manner. Since the qualitative research strategy emphasizes words and images it will help to increase the understanding and knowledge of the research context (Bell, Bryman & Harley, 2019). This study favors an abductive approach in which empirical data, existing theories, and prior literature are extensively used (Bell, Bryman & Harley, 2019). An abductive approach was deemed appropriate to incorporate theoretical and empirical findings in the constructed model. The AEG is a widely studied phenomenon, with much relevant material available. We created a full theoretical knowledge of the problem using deductive reasoning. Additionally, the inductive component was required to collect contextual elements developed throughout the interviews. Bell, Bryman, and Harley (2019) proposed to use an exploratory strategy when it comes to research with a piece of limited pre-existing knowledge. Thus, as this study seeks to understand new issues and variables from the Covid-19 pandemic, the exploratory approach is relevant.

3.2 Research Design

According to Bell, Bryman, and Harley (2019), the research design should be aligned with the proposed research questions and give a model for gathering data and evidence for the analysis. The first step in this study was selecting a key interest area, a statutory audit. After a thorough review of the literature, we identified the research gap about Covid-19 and narrowed down the topic to the AEG and Covid-19 pandemic. Secondly, the research question, the critical research area of this thesis, was determined and revised several times.

After specifying the research question, the theory review was performed to establish the literary context for the empirical part. To identify relevant articles and books, mainly databases such as Google Scholar and LUBsearch were used. To ensure the reliability and high quality of the source, peer-reviewed scientific/academic articles published in renowned academic journals were selected. Furthermore, most of the literature chosen is of significant influence; for example, Ruhnke and Schmidt (2014), Hassink et al. (2009), and Litjens, Buuren, and Vergoosen(2015) have been cited numerous times on the subject of the study, which increases the reliability of the source and the credibility of this study. The database searches were primarily based on the following keywords: audit, expectation, expectation gap, covid-19, pandemic, fraud, going concerned, and contributors. Since this study has a specific geographic context of India, the words "India" and "Indian" have also been included in to search. To build a more substantial base for the following empirical analysis in addition to the academic research papers, material from sources outside of the academic field, including statistical data and insights on the specific cases or particular statements, were also included.

Following that, the research design was created, introducing the criteria for reviewing relevant literature and theoretical frameworks and data analysis. The data was collected, evaluated, and coded. This step was closely interrelated with the conceptual and theoretical process built up while interpreting findings from the literature review. Finally, the research was concluded to determine key findings and form conclusions.

3.3 Data collection

To get access to the story behind a participant's experiences we used semi-structured interviews, which are relevant for qualitative studies. Semi-structured interviews allowed us to collect primary data and to flexibility to react to a topic while also ensuring that the interviews do not stray from the main subject (Bell, Bryman & Harley, 2019). Besides the central questions, we used follow-up, why, or how questions for additional information and to capture an in-depth understanding of participants' perceptions and opinions related to the topic.

To access accurate information relevant to the research, question the respondents were chosen on purpose rather than at random or for convenience. We decided to survey two groups of respondents, auditors, and users of the financial statements, who are most familiar and experienced within the study area and could identify new challenges and compare the potential effects of a pandemic to similar past events. The auditors' knowledge and experience and the users' expectations helped us gain novel insights into the impacts of the Covid-19 pandemic on AEG.

To this end, the following relevant participant selection criteria were developed. Firstly, the participants in the auditor group should be those who have 5 + years of experience in the Big Four and are holding senior positions. We believed that comprehensive knowledge of statutory audits would provide valuable insights. Secondly, the respondents in the user group should be those who use audit reports extensively, therefore, have sufficient knowledge of the audit and motivation to close the AEG. Thirdly, to maximize the representativeness of the samples, respondents in the user group were selected from a relatively wide range of professional backgrounds, including bankers, financial consultants, venture capitalists, and investors, which allowed them to get a broader perspective and valuable insights into the research questions.

In the preparation stage of data collection, we contacted the potential local participants in India through personal and business connections. We sent emails containing information regarding the introduction of researchers and the topic and purpose of this study. A total of 12 requests were sent out, which consisted of six auditors and six users. However, only ten agreed to participate in the interviews, and others declined. The below table provides details about the interviewees and the semi-structured interviews.

Respondent Number	Designation	Qualification	Years of experience	Gender	Code	Interview Date	Interview Time
Auditor Group							
1	Senior Audit Associate	Qualified Chartered Accountant	10	Female	Auditor 1	May 2nd 2022	57 Minutes
2	Senior Quality Analyst	Qualified Chartered Accountant	15	Male	Auditor 2	May 4th 2022	1 hour 15 Minutes

3	Manager	Qualified Chartered Accountant	11	Male	Auditor 3	May 8th 2022	1 hour 10 Minutes
4	Manager	Qualified Chartered Accountant	13	Male	Auditor 4	May 9th 2022	58 Minutes
5	Senior Audit Associate	Qualified Chartered Accountant	17	Female	Auditor 5	May 9th 2022	1 hour 10 Minutes
User Group							
6	Bank Manager	Master of Business Administration (Finance)	19	Male	User 1	May 2nd, 2022	1 hour 20 Minutes
7	Investment Advisor	Qualified Chartered Accountant	7	Male	User 2	May 4th, 2022	55 Minutes
8	Investor	Master of Commerce	9.5	Male	User 3	May 10th 2022	1 hour 15 Minutes
9	Proprietor and Manager	(need to check)	17	Male	User 4	May 10th 2022	1 hour 22 Minutes
10	Debt collection officer at a Private Bank	Masters of Business Administration (Finance)	11	Male	User 5	May 8th 2022	1 hour 17 minutes

Table 1: Interview details

Separate interview questions were developed for each group of respondents. The general interview structure consisted of two major topic fields. First, after a short introduction of the research background, the interviewee was asked to introduce their personal and professional profile, such as age, gender, current position in the organization they work in, and the number of years of work experience. After this initial foundation was established, we then focused on the core of our research question. The questions were formulated based on Porter's (1993) AEG framework and were grouped under the following subheadings: Deficient Standards Gap, Deficient Performance Gap, and Reasonableness Gap. An extensive review of the prior literature helped us to get familiar with the assumptions underlying the research phenomenon and develop interview questions afterward.

Because of the geographical distance between the researchers and the participants, data collection via face-to-face interviews in person was deemed infeasible and impractical for this study (the researchers located in Sweden and the participants located in India). As a result, all interviews were performed through online video conferencing services such as Zoom and Google Meet. The advantage of employing this method was that it was the most convenient for both the researchers and the participants and saved time and money. Individual interviews were conducted with each participant utilizing a pre-designed interview guide (see the subsequent section for details).

3.4 Data analysis

We have adopted an analytic strategy of thematic analysis, which was considered the most accurate and suitable method for this study. Thematic analysis generally involves "identifying, analyzing, and reporting themes within data" (Braun & Clarke, 2006, p. 79) and is often regarded as a general, flexible way of analyzing qualitative data. This strategy is a useful starting point for uncovering points of commonality and contrast in realities, recognizing relationships between themes, and finding connections suggestive of interdependence rather than just distinct issues.

The guiding principle of thematic analysis is to break down textual and verbal accounts into prevailing themes. According to Saunders, Thomhill, and Lewis (2019), the analysis procedure consists of the following elements: familiarizing with the data, coding the data, finding themes and recognizing relationships, and finally, refining the themes and testing propositions.

After completing the interviews and gathering unstandardized qualitative data, all audio recordings were transcribed and classified into analytical categories. We broke down raw data to find and name as many thoughts and ideas as possible and identify connections. The coding scheme was based on the analytical model and included keywords and themes related to one another. Coding means identifying specific data points from interviews as instances of theoretical constructs that are either predefined or emerge during the coding process. The thematic analysis provided an organized method of examining and establishing links between the actual data and the analysis model. Finally, we attempted to identify holistic patterns and themes that represented the respondents' experiences and responses for each aspect in the three separate parts based on the various keywords.

Choice of theory

Based on the nature of the research topic and its placement in the AEG literature, this study firstly chooses to use Porter's (1993) audit expectation-performance gap framework for data analysis. The authors believe that this can act as a conceptual framework that can help in re-defining the different components of the AEG in connection with the aspects of the covid-19 pandemic's impact on audit. Furthermore, this categorization by Porter (1993) facilitates an organized way of structuring the findings and analysis of the study, making it comprehensible to the reader.

Next, this study uses two of the most used theories in the context of audit and audit expectation gap for the data analysis. (i) Agency theory: The contribution of this theory in understanding the origins, and the development of the audit profession is immense. The basic tenets of this theory are relevant to the present context when the pandemic has exacerbated the problems such as the goal conflicts and information asymmetries arising in a principal-agent conflict eroding the principal's trust even further. Therefore, this theory helps explain the findings of this study regarding the expectation of the users of the audited financial statements and the actual responsibilities of the auditor. (ii) Role theory: Role theory helps explain the different perceptions of the role constructs that the auditing profession is expected to be. This theory can help explain why the auditor is expected to play a different role at different points of time and also why different stakeholders expect different roles and responsibilities from the auditor. This phenomenon is especially important in the times such as this pandemic, where the financial uncertainty and risk have added to the numerous perceptions of the auditor's role. Therefore, this theory helps explain the findings of this study regarding the different kinds of role-conflict the auditor experiences in discharging his duties.

Lastly, this study began by using the above-mentioned Porter's (1993) framework, agency theory, and role-conflict theory. However, this study's findings revealed an additional aspect of the psychological effects caused by the pandemic on the auditors and the users, which had a direct impact on the AEG. Therefore, the authors studied the underlying reasoning and connected it to the attribution theory (Heider, 1944) which explains how human beings tend to make causal attributions using their own experiences/observations in making judgments and building up expectations. So, because the authors believe that these findings are crucial to explaining the impact of the covid-19 pandemic on the AEG, the various tenets of the attribution theory were used.

3.5 Method discussion

Maintaining the high quality of the research design is the precondition for any kind of research to be credible and to stand up to the most rigorous scrutiny (Saunders, Thomhill & Lewis, 2019). The emphasis on credibility in qualitative research ensures that representations of participants' socially constructed realities accurately reflect what participants intended (Saunders, Thomhill & Lewis, 2019). We took several steps to increase the credibility of this study. All interviews were audio-recorded and transcribed to represent the participants' perspectives accurately. Second, this study used a respondent validation technique by distributing its findings to all participants for review, ensuring that their perspectives were not misjudged.

Further, the recording of interviews also helped us to maximize transferability and validity, and avoid missing important information. Also, when selecting participants from the user group, we considered the participants' professional backgrounds and the diversity of their industry backgrounds, which made the data collected more representative. The respondents' anonymity allowed them to speak freely without fear of offending themselves or the company they represent. Giving respondents anonymity was also a way to reduce the risk of receiving biased answers, particularly auditor independence.

We benefited from reviews provided by peers and supervisors to ensure that the accuracy of the dependability was high, which served as an extra layer of "Sense check" of our interpretations of the data. Moreover, we remained neutral throughout the interview process, refraining from interrupting and commenting or guiding the participants with their values instead of asking questions based on the interview guide to allow the respondents to express their views.

3.6. Ethical considerations

Several ethical issues had to be highlighted and addressed in seeking access to organizations and individuals, collecting, analyzing, and reporting data. In the first contact with potential interviewees, when research requests were sent by email, we ensured that the aim of the research, the use of the data gathered, the promise of confidentially, and finally, the description of the research output were well presented. Participants usually gave consent verbally and were immediately informed that they could withdraw anytime. To create a trust that provided information would not lead interviewees into a problematic situation, we ensured the participants' anonymity and the confidentiality of the information. This approach also facilitated the participants to provide relatively reliable information from their professional roles rather than representatives of their companies. Furthermore, the entire interview process has been audio recorded to facilitate transcription. However, this was done with the participants' prior consent. These recordings are kept in a secure place, accessible only to the study's researchers, and will only be kept for the time necessary to complete the study, after which they will be destroyed.

Chapter 4: Empirical Findings

In this chapter, we would be discussing the results obtained from the interviewees in the form of semi-structured interviews. This chapter has been divided into two sections The first section would present the opinions and views of the auditors and the second section would present the opinions and views of the users of the audited financial statements.

4.1. Auditor Group

4.1.1. Reasonableness gap

The findings of this study suggest that during the pandemic the auditors have been under intense scrutiny regarding their role as an auditor because the users had unreasonable expectations from them. They mentioned that although the users had over-expectations from them in the pre-pandemic times, the pandemic multiplied such expectations. Some of them provided examples of unreasonable expectations which they believe were not required to be fulfilled by them. In this context,

Auditor 1 mentioned that,

"the users think we are the detectives who will hunt down all the perpetrators of fraud and crime during the pandemic"

In the same context, Auditor 3, stated that,

"some part of the society thinks that during the pandemic, our role has changed to being a kind of detective. They think that we should be held criminally accountable for any frauds that crop up in the entities audited by us".

Another aspect that four out of five auditors mentioned is that the users are not putting any effort into educating themselves as to the role and responsibility of auditors. In this context, Auditor 2 mentioned that the regulators and the auditing profession around the world have been putting a lot of effort into winning the users' trust. But the user group is not doing the same. Auditor 3 mentioned that we have never claimed to be detectors of fraud, but the public still holds us accountable whenever society hears of a scam. That is one of the issues that the auditing profession faces. Auditor 5 mentions that there is a lot of information on the internet in the present times and the users can educate themselves about the auditors' role. But, the users choose to blindly blame the auditors

4.1.2. Performance gap

4.1.2.1. Deficient standards gap

Four out of five auditors were very appreciative of the regulators' role_during the pandemic and considered that the current standards are robust enough to assure good audit quality if they are strictly complied with.

In this context, Auditor 1 stated that,

"ICAI has always maintained high standards in all aspects and works at par with the IASB. It has two boards, i.e. Accounting Standards Board (ASB) and Auditing & Assurance Standards Board (AASB), and they have issued advisory guidance highlighting the areas that require special attention in terms of reporting from the financial year 2019-20 onwards"

Another auditor, auditor 2, mentioned that the ICAI has done a great job by issuing guidance and rules for audit practice amid the Covid-19 pandemic on various matters where the impact of the pandemic can be seen such as key audit matter (KAM), with emphasis on the matter (EOM), going concern assessment, etc.

Auditor 3 stated that,

"I believe that the present standards are of high quality and the users of the financial statements can safely trust that the auditing profession is doing their best in their role as auditors. But the users don't agree as they think that the standards rather the protect us (auditors) than the general public and that is a baseless accusation"

Furthermore, one area that received a strong opinion from all the auditors was the joint provision of 'audit' and 'non-audit' services (NAS) by audit firms. All five of the auditors started by admitting that during the pandemic they played a dual role of being non-audit advisors (management advisory) and also external auditors to help their clients cope with the pandemic. They tried to justify it by saying that it was necessary because many livelihoods depend upon the businesses and the economy must run, so it was the right thing to do. This is one of the nuanced findings of this study because the auditors acknowledged they felt conflicted between being morally helpful during the crisis period to their clients by risking their reputation of indulging in providing excessive NAS at the same time.

In this context, Auditor 4 on the other hand added that

"the concern during the pandemic for most auditors in India providing NAS was not the fees but the relationship with their clients who were with them since years. It is morally not a right thing to ignore their calls for professional guidance and help when they were going through one of the toughest financial crises during the pandemic".

Auditor 4 further added that it also helped them understand the client's business even better. So, as the need is mutual, it does not lead to losing independence and objectivity. He stated that,

"[....] ....by doing so, we have neither let our guards down nor compromised the external audit quality. We have duly followed all the audit procedures and exercised professional skepticism all the time".

4.1.2.2. Deficient performance gap

The findings of this study show that all the auditors opined that they had to face numerous challenges during the pandemic to ensure that their audit performance ensures that the audit quality is not affected.

Firstly, the auditors (Auditors 2,3 & 5) discussed the challenges of assessing the client's internal control environment in the light of new changes brought by the pandemic. Auditors 2 & 5 mentioned that as they could not visit the premises, they believed that there was a risk that they would miss out on some crucial information, such as a lapse/loophole in the internal controls. So, they had to redesign and implement some additional checks and controls in place, thereby increasing time and effort. Auditor 3 on the other hand mentioned that the knowledge that they acquired about the client's internal control environment over the years had to be abandoned and a fresh reassessment had to be done. He stated that,

"Now, we had to reassess the new organizational changes and if the internal control environment could be trusted. To fast-track operations during the resource crunch posed by

the pandemic, organizations could choose to bypass various internal checks such as those required by the SOX (Sarbanes and Oxley Act of 2002)".

Another aspect that was extensively discussed was in the case of a remote audit, the auditors mentioned that they had several hurdles. Auditor 1 mentioned that they had to re-plan the audit processes, procedures, and schedules to suit the new travel restrictions and remote working conditions, making them lose a lot of time. But she said that as the deadlines were fast approaching, so they had to work under a lot of pressure. In the same context, Auditor 2 mentioned that although many of their clientele could facilitate a remote audit, some were not effectively digitized in terms of their data security and access, making them completely new to this practice. So, they had to collaborate with them and educate them about aspects such as data security, integrity, working on ERP systems, cloud computing, etc. Auditor 3 stated that,

"In India, there are a lot of power cuts (electricity) and internet connectivity issues. The pandemic worsened it even further. So, conducting an audit remotely is a herculean task and causes delays and errors"

Another important aspect that the auditors mentioned was the issue of psychological stress during the pandemic. All five auditors concurred that they experienced severe stress and anxiety while conducting audits. Auditor 3 stated that there were a lot of small practical problems which may not be worth mentioning but do impact the smooth flow of the audit, such as the availability of reference material needed for the audit, availability of colleagues for a quick discussion, etc. Auditor 4 mentioned that conducting a remote audit by communicating only on virtual platforms can lead to miscommunication because this is a novel experience, and they were yet to be familiar with it. Auditor 5 stated that,

"Working from home was a lot more difficult because there were distractions during the day, as my kids were home. So, so I had to stay up and work at night".

4.2. User group

4.2.1. Reasonableness gap

This study finds that the pandemic has created fear and uncertainty in the minds of users where they expect that the business organizations will indulge in unethical and fraudulent activities to survive the financial crisis brought by the pandemic. This awareness and fear have led them to distrust their motives in all forms, and they are turning to the auditors to keep a close watch on their financial decisions. The users opine that they are unaware of the steps the management is taking to keep the business running. It is the auditors who have access to their financials and who communicate with the company's management regularly, therefore the users expect them to revert by disclosing all the discrepancies that they find.

In the context of the pandemic, all the user's believed that when an auditor issues an unqualified audit report, they are certifying that the entity has not indulged in fraudulent activities and that the company is trustworthy and that their investments are safe. One of the users, User 5, the debt collection officer, stated that,

"For an auditor, issuing an unqualified audit report during this financial crisis such as the one caused by the pandemic is a very risky thing. It is risky because he is assuring the readers that I have verified the credibility of the numbers that are in the annual report, and I approve that they are 100% fraud-free and your money is safe!"

Two of the users opined that auditor are provided access to the company's most sensitive financial information, so they are in a position to observe the management's decisions and thus report them to the company's investors. User 3, the investor, stated that

"[…] especially in this pandemic, when we risk losing our hard-earned money in the blink of an eye, it is not acceptable that the auditor does not do the job he is appointed for. He must pull up his socks and conduct day-to-day surveillance into the management's affairs to ensure they are operating ethically and faithfully"

The users also did not want the auditors to only review what the management's evaluation was in terms of going-concern assessment but rather wanted the auditors to examine the circumstances thoroughly themselves and make an assessment on their own. In this context, one of the users, User 1, the bank manager, stated that,

"[..] everybody is aware that the management any company cannot be trusted during uncertain times, and they can choose to hide information and assess that the company will be in continue to be in business to avoid investors from withdrawing their investment. So, it's the auditors who should do the going-concern evaluation and not the management. Because, like banks, the future creditworthiness of the customer is crucial to our survival".

All the users also opined that they expect the Big Four audit firms to do a better job at detecting frauds that are on the rise during the pandemic because they believe that they are the market leaders who have the resources to invest in technology and forensic audit capabilities. Two users also mentioned that the impact of the pandemic can be better handled by the Big Fours because they have highly qualified and well-experienced audit experts to conduct well-organized and structured audit procedures digitally. In this context, user 4's, the business manager's opinion is noteworthy. He stated that,

> "The Big Four auditors are conducting remote audits for a very long time and they already have a time-tested set of standardized processes and audit procedures to do so. So, I trust the quality of their audits. But, what about the small audit firms that are reluctant to go digital? There are many such firms in India and therefore the majority of audit reports cannot be trusted during this pandemic".

So, they demanded that they make the pandemic an exception and used such advanced technology to detect fraudulent transactions. In this context, User 1, the bank manager, questioned that,

> *"I am aware that one of the Big Four audit firms uses forensic technology to detect fraud. It assumes it is one of the artificial intelligence technologies. So, why don't they use it in every audit during the pandemic? What is stopping them?"*

4.2.2. Performance gap

4.2.2.1. Deficient standards gap

The findings of this study suggest that the users are disappointed with the performance of the regulatory and professional bodies of India. They expressed that the auditing standards have not evolved to suit the needs of the pandemic. In this context User 1, the bank manager, mentioned that

> *"when there is an event like the pandemic when the majority of the business organizations suffer because of their incapability to adapt to the changing dynamic environment, the auditing standards also must rise to meet the challenges that this new crisis will throw at them. But, that has not happened at all."*

In the context of materiality, the majority of the user group expressed disappointment. User 2, the investment advisor, mentioned that, *"during the pandemic, every small mistake by the company's management's decision-making ability can wreak havoc on its business and continuity. So, the regulators must force the auditors to report every small deviation from the rules, so that we public are aware of them"*

User 3, on the other hand, mentioned that

"Auditors that I am acquainted with always mention that we only report large discrepancies because only that matter and have an impact. But, who decides what matters or what doesn't matter? That's a dangerous game to play during the pandemic and the undercurrent of the financial crisis"

Users believed that the audit standards are too shallow and allow auditors to use the materiality concept to protect the management. In this context, User 4, the business manager, stated that,

"I, in my capacity as a manager running a business, have seen auditors make their judgment as to what is considered material and what is not. There are no standards that can tell that for sure, so the auditors can tweak their materiality assumption in our favor sometimes. Which is helpful to us, of course!".

On the other hand, User 1, the bank manager believed that,

"The auditing profession is suffering from the pandemic too. Many bank customers have withdrawn their loan applications because they have canceled their projects. So, this affects the auditors' business too. So, they are trying to make money through NAS. I believe that's one of the ways to survive this pandemic for the auditing profession as long as their objective in their role as auditors".

Another aspect where the user group believed that the standards fall short is that of the joint provision of audit and non-audit services (NAS). User 3, the investor, mentioned that,

"During the pandemic, in my opinion, the line between the company's management and the auditing profession got blurred. The auditors were acting as if they were part of the company's management, drawing up strategies to overcome the liquidity crunch. The regulators just watched and did nothing. When such a comradery exists in an auditor-client relationship, you know you can't trust the audit report".

User 5, the debt collecting officer, stated that,

"auditor's independence has been an issue for a long time when they provide NAS, but shouldn't the laws be updated to be a little extra-cautious during the pandemic? Many countries are facing financial crises and change, and professional bodies are acting to protect their public. India should amend their auditing standards too".

However, one user, User 4, the business manager, assured that the auditor independence is not affected when providing NAS. In this context, he mentioned that,

"[…] our external auditors are with us for almost a decade, they know how we function, and they are the best to guide us by highlighting the risky areas for our business and suggesting solutions to them. They still conduct their audits as they should, and we do not interfere there".

4.2.2.2. Deficient performance gap

The findings of this study suggest that firstly, the users differed in their perception of what auditor performance meant to them. User 1, the bank manager, mentioned that,

"as banks, we run huge credit risk and thus we want auditors to do their job of investigation and assure us that their clients, who are our customers are not overly leveraged which can cause them to default loan repayments."

User 3 and User 2, both wanted the auditor to help make investment decisions. For instance, User 2, the investment advisor, stated that,

"as an investment advisor, I suggest to my clients where to put their money. I do that by analyzing the company's fundamentals and also based on the fact that the company's financials are audited by an independent chartered accountant in India. So, as he is aware of the company's financials in detail, he must help me make such investment decisions".

Users 1, 4, and 5, opined that the auditor's performance to mainly be that of the fraud detector who can investigate if any fraudulent transactions have been conducted.

In the case of going-concern assumption, four out of five users demanded that the auditors must make a strict going concern evaluation. In this context, User 2 opined stated that

"Earlier in the pre-pandemic period, the auditors took the going concern assumption for granted but they cannot do so anymore as there is no guarantee that the company will be running in the next year".

All of them reasoned that the definition of performance before and after the pandemic cannot be expected to be similar and suggested that the auditors deserve additional scrutiny during the pandemic. However, on the contrary, User 4, the business manager, stated that,

"Once the lockdown is lifted and there will be public movement, many companies will be back in business again. So, the auditor should quit asking for the going-concern assessment from us because circumstances will surely change. Such rules should be followed in ordinary circumstances when there is stability all around. Performance does not mean following procedures blindly, it also means knowing what "not to follow" and "when". So, I think the auditing profession has failed to understand that."

Furthermore, the study found that owing to the pandemic, the users had some additional concerns that were unique and could be attributed to the existence of the pandemic. Firstly, an aspect that the user group expressed concern about was the socio-economic standards of India, where India as an economy is still in the development stages in terms of technology and skills and suffered from the lack of technological skills and infrastructure (IT controls) to conduct audits remotely during the lockdown phase. In this context, User 2 stated that,

"It is difficult to trust financial statements in India during the pandemic, including the audited ones because we are not sure if the audit procedures were updated to fit the pandemic. The country is lacking in the ICT infrastructure and even if audit firms like Big4 are capable of conducting an audit, the companies may or may not be digitized enough to facilitate it".

In a similar vein, User 3, the investor, cast serious doubt on the aspect of the ability to conduct an audit of internal controls in financial reporting by citing an example of segregation of duties, the delegation of authority, and access controls to information. He mentioned that understanding and running a smart and tech-savvy virtual environment takes time and although many small and large companies are already doing it either partially or completely, modifying existing controls to adapt to a fully virtual accounting system in a short period would be dangerous. So, he stated that

“Such a scenario is a fertile ground for fraudsters to misappropriate funds by overriding controls and there is no way an Indian auditor, reasonably inexperienced in such complexities, could have performed a foolproof audit under these circumstances”.

Secondly, a few users also expressed their concerns about the psychological effects of the pandemic on the auditors and consequently on the audit quality. In this context, User 1 discussed the psychological effects of deferred promotion in the Big Four audit firms by citing an example of his Big Four auditor-cum-friend. He stated that,

“I could sense that his overall morale was down, and he cannot be the only one. So, when this happens, how can you expect him to put his 100% into his job. It is only human, and it has happened to many other professions and auditors are not immune to it either”.

Another psychological aspect that the users discussed was regarding working from home and its effects on the quality of work. Their concern was that an auditor’s job requires great focus and accuracy which is easy to achieve in an office setting where things are predictable, and resources are handy. So, very difficult to achieve a high quality of work output, not just for auditors but for other professions as well. In this context, user 3, stated that,

“remote working means working from home where there are many distractions such as kids, family, pets, unstructured schedules, personal chores, etc. A lot of work-life spills into personal life, adding to extended working hours and stress. This has psychological effects and in turn, affects the quality of the audit”.

Lastly, users also cited instances where the lockdown and restriction in the physical access could lead to poor audit quality of audit procedures being conducted by the auditors. User 2, the bank manager, mentioned that the banks' clients who were from various business organizations mentioned that owing to the national lockdowns and travel restrictions, physical access to stock or inventory for the audits was not possible as planned. Also, premises and warehouses could be understaffed or not manned, which could have caused theft of stored inventory. So, in the light of these challenges, User 2 stated that

“during the pandemic, it is difficult to trust that the numbers arrived at by the management on balance sheet items like this (inventory) are trustworthy. So, when the auditor does not visit the premises at all, they are failing to perform their duties as an auditor”.

In the same context, User 3 explained that while conducting an audit it is very important to physically be present and interact with the company officials/management because there are a lot of subtle signals that auditors can observe, which could lead to uncovering hidden information. So, he stated that

"Although communication can happen virtually, an investigation like an audit can be trusted a lot more if the auditor has conducted the procedures in person".

Chapter 5. Analysis and discussion

This chapter *would provide the readers of this study with a combined insight into the analysis of the empirical findings, from both the auditors' and users' perspectives, which were presented in the previous chapter, with its comparison to the theories presented in the theoretical framework chapter, which was in chapter two of this study.*

5.1 Reasonableness Gap

According to Porter (1993, p.50), "the gap between what society expects auditors to achieve and what they can reasonably be expected to accomplish is designated as the reasonableness gap". This gap provides the scope to explain the unreasonable expectations of the users from auditors in them roles and responsibilities. The findings of this study show that due to the pandemic, the user group expects the companies in India to resort to fraudulent activities to compensate for the lost business and window-dress the numbers. This is in line with the report published by Deloitte (2020), which says that the economic risks brought by the pandemic consist of all three components of a "fraud triangle", that provide motivation and justification to individuals and the management alike to commit fraud. They are (i) under pressure: to survive this crisis, (ii) opportunity: access to assets and information creates an opportunity to create and conceal the fraud, and (iii) rationalization: justifying that, tough times need tough measures for the sake of survival. This awareness in users has made them develop unreasonable expectations from the auditors during the pandemic. Some examples that the user group's expectations that can be labeled as unreasonable are: expecting absolute assurance that the financial statements are free from fraud (All Users), surveillance into the company's management affairs on an everyday basis to ensure that they are not operating ethically during the pandemic (User 3,4), expecting the auditors to conduct the risk management activities and evaluate the going-concern themselves rather than they're just reviewing the management's assessment (All users), expecting auditors to guarantee that their unqualified opinion means zero risk of corporate failure (All users), etc.

Studies have shown that the Big Four audit firms when compared to the small and medium-sized audit firms have the deep pockets to invest in technological tools to accelerate various audit processes (Janvrin, Bierstaker & Lowe 2008), and using technology is an integral part of their audit practices (Lowe et al., 2018). This study finds that the users had the same beliefs about the Big Four which made them have unreasonable expectations such as that the

Big Four firms must use forensic audit procedures in every audit to uncover frauds that are on the rise during the pandemic (User 3). Analyzing this through the lens of agency theory shows that because the users (principals) lack the resources, expertise, and skills to monitor and interpret the company's (agent's) actions, they turn to monitor mechanism (auditors) (Watts & Zimmerman, 1983; Eisenhardt, 1985) who are perceived to possess all of them. And, in comparison, owing to the sheer size of the market share, the users unreasonably perceived that the Big Four audit firms must use all their resources in fraud detection.

And one of the most important points emerging from this finding is that during the pandemic, the main contributors to the overall AEG during the pandemic are the small and medium-sized audit firms and not the Big Four audit firms. This study shows that the users believe that, due to the above-mentioned reasons, the Big Four audit firms are in a better position to conduct quality audits, and hence their audit quality can be considered more trustworthy when compared to the perceived audit quality of the smaller audit firms. Watts and Zimmerman's (1983) interpretation of the agency theory can be connected to this aspect which suggests that the principals perceive that the monitoring activity on agents is successful if the auditor's expertise and resources can perform the vigilance effectively. Therefore, in an agency relationship between the principals (users) and the agents (company), the monitoring professional who is perceived to be more effective in carrying out the monitoring task is considered trustworthy and to be meeting the principal's expectations.

Additionally, the Role theory (Rizzo, House, and Lirtzman, 1970) could also offer a suitable explanation for the unreasonable expectations of the users that lead to the reasonableness gap (Porter, 1993). According to the role, theory, the auditor's role is to examine the books of accounts and give credence to the financial reports prepared by the management of a company and the stakeholders of the company expect the auditors to play their role faithfully (Rizzo, House, and Lirtzman, 1970). But the role that the auditors assume in providing such assurance is 'reasonable' in nature and is not 'absolute' (Nguyen & Nguyen, 2020). So, there is a difference in perception of such a role in terms of its nature and objectives, by these two groups which leads to an audit expectation gap (Lee, Azham & Kandasamy, 2008). The findings of this study are in line with the theoretical underpinnings of this theory that the user group which consists of various stakeholders expects the auditors to independently examine the books of accounts drawn by the corporates during the tumultuous period of the covid-19 pandemic and assure the users that they can be trusted to make future financial decisions. The user group is aware of the pandemic's potential to push the company's management into engaging in fraudulent transactions and making false representations in the financial statements to make their stakeholders, including shareholders, believe that their business is not under financial stress. So, they expected the auditors to detect any such instances where the management could have committed fraud and alert them so that they could be warned in time to protect their interests. The users also expected the auditors to provide divestment advice in case they notice any danger to their investments due to the financial crisis brought by the pandemic (User 5, the investor). But, from the auditors' perspective, these tasks contradict the basic tenets of the audit because metaphorically speaking, they are neither a burglar alarm system, a safety net, investment advisors, nor a radar system (Tweedie, 1987). Therefore, a major part of this role conflict is the gap between the auditors' statutory role and public expectation of their responsibilities.

5.2. Performance Gap

5.2.1. Deficient Standards Gap

Materiality assumption

According to Porter (1993, p.50), "the first component of the performance gap is the 'deficient standards gap'. This is a gap between the duties that can reasonably be expected of auditors and auditors' existing duties as defined by the regulations can be termed as a deficient standards gap". In this context, the findings of this study suggest that the user group considered that the auditing standards in India are lacking in a way because they believed that they need to evolve into a more robust set of standards during the pandemic. For instance, the user expectation during the pandemic is that the auditor should detect every discrepancy there is in the company's books of accounts, irrespective of its value (User 2). But, as per the standards, auditors can only consider discrepancies as materially significant if it carries a risk of significant misstatement, thereby affecting the users' financial decisions (McKee & Eilifsen, 2000).

The results are also in line with the tenets of the agency theory, which says that the principals (users) believe that they have assigned the monitoring job to the auditors in their professional capacity to reduce the agent's (company's) capacity to act opportunistically. Watts and Zimmerman (1983) mention that opportunistic behavior reduces the total value of the firm and monitoring (auditing) helps bring in a sense of control because the agent is now aware that he is being watched. So, auditing will be successful if the users are assured that the auditor will report all kinds of contract breaches that are discovered by the auditor because those may lead to investment losses eventually. This phenomenon that the auditors will report a discovered breach is in substance, the auditing profession's definition of independence. So, the users' group expected the auditors to report all discrepancies because they believe that a minor breach could have huge hidden costs in the future. However, the auditing profession cites the materiality assumption and reasons that all errors or frauds are not material enough to affect the stakeholders' decision-making process. Hence, they would rather report the discrepancies large enough to make a difference. But again, this is a very subjective valuation method and thus there is inconsistency in the auditing profession because every auditor sets his materiality threshold citing contextual factors and there are no standards that can fixate a defined value to it. So, the deficient standards gap (Porter, 1993) represents the lack of contractual binding that the agency theory speaks about (Jensen and Meckling, 1976) that the regulatory and professional bodies could have achieved in case they amended the materiality concept to force the auditors to report all discrepancies, irrespective of their size and value, to suit the needs of the pandemic. So, the users expect the regulator to enter into a contracting agreement with the auditors through the auditing standards to enforce them to report all discrepancies during the uncertain period of the pandemic.

Joint provision of audit and non-audit services (NAS)

Another instance where the standards were considered deficient by the users was in the case of the joint provision for Non-Audit Services (NAS). The User group (All users) complained that Indian auditors blatantly engage in providing NAS to their clients for the greed of higher and consistent audit revenue and consequently risk compromising their independence. These claims cannot be sidelined because there have been studies that have confirmed that companies who avail of NAS and pay higher fees rarely get a qualified audit report (Ahadiat, 2011, Beattie, Brandt & Fearnley, 1999). After all, it is logical to believe that audit firms fear losing business from such clients. So, the users demanded that the regulatory standards should prohibit them from doing so and impose heavy penalties for any breach. Agency theory posits that the principal(user) thinks on a long-term horizon while the agent(auditor) thinks on a short-term horizon prioritizing his benefits, resulting in goal conflicts between the users and the auditors (Luthans, 2002). So, the goal conflict implies that information is an extremely valuable commodity and therefore there is a price to pay. Therefore, principals can exert control over the agents if they can control the information systems in the company (Eisenhardt, 1989). Therefore, when users(principals) demand a change in regulatory standards, they are attempting to exert control on the auditors (agents). However, in response to this, the auditor group's reasoning to provide NAS during the pandemic was to help streamline their client's operation by providing professional guidance. So, the pandemic in its logical sense can be believed to have introduced various kinds of complexities. Alexeyeva & Svanstrom (2015) mention in their study that one of the reasons why the clients demand NAS from their auditors is the complexity of operations which makes them reach out and seek help from the audit professionals with who they are familiar. Also, in India, there is no legal restriction on auditors for providing NAS, provided they belong to the twenty-six 'management consultancy and other services' that are approved by the ICAI (ICAI, n.d). So, there is no compulsion arising out of the standards on the auditors to halt the provision of NAS, but this does not match users' expectations. Therefore, this signifies a deficient standards gap arising out of the failure of the regulator's part to evolve to suit the dynamic needs of the pandemic.

Agency theory could explain this phenomenon because it provides an alternative school of thought, where the auditor could be considered the agent. Looking into the same aspect from the agency theory's lens and applying the above-mentioned tenet as mentioned by Watts and Zimmerman (1983), the principal (stakeholders) expects the auditor to faithfully perform the job assigned to him, which is to present a true and fair state of the affairs of the entity they are auditing. But, when the auditor is driven by opportunistic behavior, he may prioritize economic benefits in the form of higher fees that he could receive by providing other professional services such as the NAS. This is nothing but one of the causes that could lead to the moral hazard problem (Quick, Sattler & Wiemann, 2013). So, this can be interpreted that when the auditor provides NAS along with the audit services, there is a chance that he could be getting paid secretly for collaborating with the company's management and acting in their interests. This means that the auditor is not doing his monitoring job assigned to him by his principals, the stakeholders, as an independent professional leading to distrust in his role as an auditor. The findings of this study follow the same lines because the user group expressed that during the pandemic, the auditors were acting as professional advisors to the company's management and therefore failed to act independently. They believed that during the pandemic, there is a greater need for the auditors to independently point out the discrepancies so that the public is aware and cautious, but the auditors failed to do so, causing the expectation gap to widen further.

The issue of the joint provision of audit services and NAS has also been analyzed using the role conflict theory. Rizzo, House, and Lirtzman (1970) mention a kind of role conflict called the person role-conflict which refers to the conflict that one undergoes when the role that you are required to play does not match with your belief systems. The findings of this study suggest that majority of the auditors from the auditor group acknowledged that they felt intense role conflict during the pandemic because they did understand the concerns that the users of the financial statements, and the general public had about auditors not issuing a timely warning ongoing concern, fraud detection, cash crunch, etc. But, on the other hand, they mentioned that they were also privy to the financial turmoil their clients were going through, due to the loss of business and because there was a chance of recovery once the lockdowns were lifted and there was the free movement for the economy in general, they were conflicted as to whether they should issue a going-concern warning for instance. While Byington and Sutton (1991) say that when in a role conflict, the auditor acts in favor of economic motives and not the professional norms, the sufferings brought by the pandemic have introduced a moral angle to it as well. Thus, while the majority of the expectation gap literature has dealt with the fourth kind of conflict listed by Rizzo et al. (1970), which is the inter-sender role conflict, the pandemic has brought the focus on the person-role conflict, which depicts a role-conflict between a specific role and the individual's value system.

5.2.2. Deficient performance gap

According to Porter (1993, p.50), "the gap between what the society can reasonably expect auditors to accomplish and what they are perceived to accomplish is designated as the performance gap". In other words, this gap refers to the situation when auditors do not perform as required based on the standards. In India, as soon as the pandemic set in, similar to many other countries, the Government of India imposed a strict lockdown restricting all kinds of movement to facilitate social distancing to curb the spread of the covid-19 virus. The analysis of the findings of this study from the auditor's point of view suggests that among many professions and occupations, the audit practitioners were also affected. Olagunju and Leyira (2012) term the performance gap as a gap caused by the auditor's failure to conform to statutory requirements and professional standards by auditors.

The findings of this study suggested that they faced several challenges in audit due to the lockdown because of which they could not perform audit procedures in the manner the standards required them to do. The lockdowns made it almost impossible to visit the client's premises for conducting the regular audit procedures such as observing and testing the internal controls, inventory audits, physical verification of assets, etc, all of which are required by the regulations. The infrastructure and corporate work culture in various professions in India are one of the main challenges to adopting emerging technologies such as big data, blockchain, digitalization, and artificial intelligence (Sinha and Sengupta, 2020). Along similar lines, the auditors explained that some of their clients were either partly digitized or not digitized at all, so they had to resort to alternative audit procedures to ensure that the audit procedures are carried out in presumably the next best way possible. Two of the examples were: (i) in the case of inventory counting, where the auditors calculated the value of the stock on a particular using a reverse calculation approach (Auditor 4) (ii) the external auditors collaborated with the internal auditors to assess the effectiveness of the internal controls. Senior auditors in India, who are set in their ways of traditional audit cannot make this transformation overnight and hence the audit quality can suffer (Sinha and Sengupta, 2020). So, this shows that although the auditors did conduct the audit, the methods of conducting those would not suffice the requirements of the regulatory standards. So, this implies a performance gap in terms of compliance with the standards.

The tenets of the role theory could explain why the users perceive that the auditors have deficiently performed. The perception of the auditor's role and performance is a result of interactions of the normative expectations of different interest groups of the society (Biddle, 1986). Rizzo, House, and Lirtzman (1970) provide four different categories of role conflict, namely (i) person role conflict, (ii) intra-sender role conflict, (iii) role overload role conflict, and (ii) inter-sender role conflict. The role conflict that is relevant to this study is the fourth one, which is the inter-sender role conflict which posits that different interest groups act as different role senders who demand the auditors to act in various roles. So, the findings of this study follow this tenet, where the user group that consisted of representatives of investors, business managers, investment advisors, etc have different expectations from the auditors during the pandemic. For instance, in the case of going-concern assessments, while all users demanded the auditor to make a strict evaluation of whether a company will be in business in the next twelve months, a user 4, who is a business manager contradicted this expectation. He reasoned that the pandemic is a special but temporary event and must be treated as an exception because he believed that once the Indian government lifted the lockdown restrictions, the business would be on its road to recovery. This would make the GC assessments made earlier based on assumptions and forecasts, would be redundant and of no relevance, hence he demanded that the auditor's responsibility to evaluate the GC assessment would be relevant only after the pandemic ends. Also, based on the classification provided by Rizzo, House, and Lirtzman (1970), this can also be termed a role-overload conflict that occurs when many roles are imposed on the individual considering his/her ability, available time, and resources. Based on this logic, the users could base their assumption on the fact that the auditor does not have the resources (in this case, relevant and complete information) to base his GC assessment. Hence, what the auditor does maybe a complete performance for one stakeholder and deficient performance for the other.

As a corollary to the above argument, the user's expectation that the role of the auditor should not include a GC assessment during the pandemic and should rather be continued after the pandemic is over shows that the public expectations evolve occasionally (Davidson, 1975) making them redefine the auditor's role specifications based on the changes happening in their external environment. The expectations change based on the risk and uncertainty leading to a role conflict.

The Attribution Gap

This study argues that the traditional expectation gap model can further evolve during the pandemic to include newer elements that could either increase/decrease the gap. In this study, the analysis of the findings shows that in terms of users' perception of considering the auditors' performance deficient is attributable to the fact that they are making such a perception during the pandemic period. This is an addition to the existing reasons that contribute to the performance gap. In other words, the crisis of the covid-19 pandemic adds another element to the performance gap, and the authors of this study, choose to call it the "attribution gap". This attribution gap can be defined as the marginal increase in the performance gap component of the AEG, which is increased due to the users having assumptions about auditors' performance, based on the attributions they make using their own experiences of the pandemic. The authors use attribution theory to analyze and explain the 'attribution gap'.

<table>
<tr><th colspan="4">Audit Expectation-
performance gap</th></tr>
<tr><th colspan="3">Perceived performance of auditors</th><th>Users’ expectations of Auditors</th></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><th colspan="3">Performance Gap</th><th>Reasonableness Gap</th></tr>
<tr><th>Deficient Performance</th><th>Deficient Standards</th><th>Attribution Gap</th><th>Unreasonable expectations of users</th></tr>
<tr><td>Reasonable expectation of auditors’ performance</td><td>Reasonable expectation of the audit standards</td><td>Gap caused due to the users having assumptions about auditors’ performance, based on the attributions they make using their own experiences of the pandemic.</td><td>Over-expectation / Unawareness / Ignorance</td></tr>
</table>

Figure 3: Author’s creation of a re-defined Porter’s (1993) conceptual framework on AEG based on the findings of this study

Users’ attribution of auditor’s performance:

Based on the findings of this study, it can be said that the users make assumptions about the auditor's performance by attributing their experiences/observations to two aspects. The attribution theory can explain these findings.

(i) Effects of the pandemic on the psychological health of auditors

Firstly, the psychological health of the auditors during the pandemic is one of the aspects that indirectly affects the expectation gap in the audit practice. Like many other professionals, auditors too transitioned their workspace from office spaces to their homes during the pandemic. Schieman (2020) mentions that such transition could create opportunities for work-life to spill into non-work life, paving way for a work-life conflict. Such work-life conflict could lead to auditors engaging in audit quality threatening behaviors (Mohd Nor, 2011) that can not only harm the audit quality and audit opinion, but also the reputation of the audit profession (Herrbach, 2001; Sweeney, Arnold & Pierce, 2006). Some examples of such audit quality threatening behaviors could be a reduction of work below what would normally be considered reasonable; a partial or superficial collection of audit evidence; acceptance of weak client explanations, applying an accounting principle in its form rather than its substance, failure to investigate a questionable item and a false sign-off, etc (Herrbach, 2001; Sweeney, Arnold & Pierce, 2006).

The findings of this study suggest that the auditors did feel more pressured and stressed during the pandemic because they had to face various challenges both professionally and personally. Professionally, they had to undertake additional audit procedures to ensure that the quality of the audit does not deteriorate by finding alternative solutions to the traditional audit procedures under strict deadline pressures. And on the personal front, firstly they mentioned that due to the pandemic they were deprived of overtime bonuses, salary hikes, promotions, etc. Secondly, they did acknowledge a kind of work-life conflict and that working from home affects their focus and attention as they need to be cautious about not getting distracted and overlooking any audit evidence. The users on the other hand having experienced the same kind of work-life conflict themselves during the pandemic and its impact on their performance in their respective professions, attribute the same to the auditors by assuming that the same has happened to them. According to the attribution theory (Heider 1944), such causal attribution is termed as a dispositional or internal attribution where an individual observing their behavior makes judgments about the reasons for someone else's behavior. Such individuals project their internal feelings, and experiences onto the other person and believe that the other person (in this case, auditors) underwent a similar kind of work-life conflict causing them to fall short in their performance. Therefore, this kind of assumption and judgment creates an illusion of their expectations not being met and thus widens the expectation gap furthermore.

(ii) The Information, communication, and technology (ICT) infrastructure of India.

The findings of this study suggest that the users attribute their perceived lack of performance by auditors to the socio-economic conditions in India where they assume that the country inherently as an economy lacks the technological infrastructure and skills that are required to keep up the standards of the audit quality even during the pandemic. According to the attribution theory (Heider, 1944), such causal attribution can be termed as an external or situational attribution where individuals (here, the users) try to reason that the auditors are underperforming because of the challenging situation or the environment they are in owing to the lack of ICT resources. The theory can be understood as perfectly capable of explaining the user's assumptions and expectations from auditors during the pandemic because Heider (1944) mentions that such external attributions that are made are often related to the situation in which individuals have no control. Hence, the deficiency is not just on the part of auditors but also on the socio-economic status of India, which does not reflect an even development on the technological front. Therefore, the performance of auditors during a crisis like the pandemic of covid-19 depends upon the technological advancements that India has achieved. Therefore, the assumptions of the users caused by such external attribution have made them believe that the environment the auditors are in is also conducive enough to facilitate better performance that is required during the pandemic, causing the expectation gap to widen furthermore.

Chapter 6. Conclusion

This study began with understanding the different components of the AEG and the impact of the pandemic of covid-19 on it using Porter's (1993) framework of the audit expectation gap. Based on the analysis of the findings of this study, it can be concluded that there has been an AEG during the pre-pandemic period, and it has widened even further during the pandemic of covid-19. Porter's (1996) AEG model suggests that the expectation gap exists when there is a deficient performance in the case of auditors and unreasonable expectations from the society/users. Due to the underlying reasons explored and reported in this study, it is argued that in India, there has been a deficient performance by the auditors, and also the users have excessive unreasonable expectations arising from the risk-perception of the financial crisis created by the pandemic. However, as this is an explorative study, the analysis of the underlying reasons behind such impact of the pandemic on the AEG shows that the major contributor to this gap is the users and their unreasonable expectations. This is because although the study finds that there is a performance gap, a part of it is the 'attribution gap' which is a result of users perceiving an underperformance by auditors, owing to the attributions they make from their own/observed experiences of the pandemic. Although the Indian auditors faced numerous challenges during the lockdowns imposed by the Government of India during the pandemic, they found alternate ways to conduct the audit procedures and put significant efforts to keep the quality of the audit. The users, on the other hand, driven by the fear of a pandemic, developed unreasonable expectations of the role and responsibilities of the auditor. The major takeaway from this study in this context is that the users believe that both the auditing standards and auditor performance did not evolve to suit the needs and concerns of the pandemic, but rather stayed stagnant. So, in essence, it can be termed an evolution gap (ACCA, 2020) which refers to the expectation gap that occurs when the standards fail to keep up with the changes happening in the external environment.

So, referring back to the premise of the agency theory, the auditor is expected to not be trustworthy and fall short of expectations, meaning that the AEG will always exist (Eisenhardt, 1989). This means that the AEG can never be closed completely but can be narrowed to the best possible extent by putting efforts from both the sides, the auditor's side, and the users' side. And this can be done only when the auditors' performance is enhanced to a user-acceptable level and the users' expectations are reduced to a reasonable level.

Recommendations

Based on the above-mentioned conclusions, the authors of this study would like to make the following recommendations:

A. To the regulators: As shown in this study, the users' expectations have evolved and unlike before, they are not limited and fixated on the aspect of absolute assurance on fraud detection ((Masoud, 2017; Ellul & Scicluna, 2020; Nguyen & Nguyen, 2020; Olojede et al., 2020), etc). The pandemic has caused the users to face and overcome myriad challenges, making them internally more resilient and externally more alert and aware of the external environment they are in. The pandemic has pushed the users to transform themselves to adapt to the digital revolution and having experienced the benefits of such technological advancements, they expect the audit profession to rise to the challenge and deliver higher audit quality. Therefore, now the focus is on the regulators to ensure that the auditing standards suit the smart auditing methods and processes such as data analytics, big data, blockchain, etc, by providing a legal and conceptual framework that facilitates this expectation.

B. To the auditors: The users expect the auditors to reduce the information asymmetry that the pandemic has exaggerated even further. Given that the pandemic is not over and the business organizations are still recovering, they can continue to seek professional guidance by turning to their auditors and avoid additional cost complications of consulting new advisors. Furthermore, the pressures arising from the pandemic should not be allowed to undermine auditor independence. Therefore, during the provision of the NAS to the clients, the auditors need to ensure independence by clearly demarcating the role conflict that they undergo and maintaining the highest ethical standards.

C. To the users: Although the general public is equally affected by the pandemic in various forms, they must educate themselves about the role and responsibilities of the auditors as stipulated by the regulatory standards. Before they make judgments and develop unreasonable expectations from the auditors, the users must understand the practicality and feasibility of their expectations. The findings of this study suggest that the users demand criminal punishment for auditors during the pandemic for falsely claiming to be the watchdogs of the society in detecting fraud, while in reality, they do shrug off their responsibilities. So, in instances such as these, it would be wise to educate themselves as to the reasonable role of the auditors in line with the auditing standards, which have not changed during the pandemic. The pandemic has accelerated a transformation in the regulatory space as well, hence the users could voice their concerns and get their expectations addressed in the right forum.

Empirical, Theoretical, and Practical Contribution

This study contributes theoretically, empirically, and methodologically to the AEG literature. Firstly, in the case of empirical contribution, to the best of knowledge and belief of the authors, there have not been any studies that have explored the impact of the pandemic on the AEG. Also, this is the first of its kind in the context of the Indian AEG that makes empirical contributions to the literature.

Secondly, in the case of theoretical contribution, this study makes two crucial contributions. (i) Firstly, adds to the tenets of the role theory by making the person-role theory (Rizzo, House & Lirtzman, 1970) relevant to the AEG literature. So far, studies have only made use of inter-sender theory which talks about the role conflict arising from mutually opposing role expectations, conflicting policies, and other incompatible criteria (Rizzo, House & Lirtzman, 1970). But, as this study explores the effects of the pandemic on the AEG, which involves emotional and psychological relevance, the person-role theory discusses the conflict between one's belief system and the role auditors are expected to play. This study has shown that this person-role conflict can manifest itself in auditors when extraordinary and uncertain events such as the pandemic of covid-19 occur. (ii) Secondly, this study argues that a crisis such as the pandemic influences human beings on a psychological level by instilling the feeling of fear and uncertainty, and affects the way they perceive and expect assurances from monitoring professionals such as the auditors. This study shows that humans tend to attribute their experiences/observations during the pandemic to making judgments. In the context of AEG, this study shows that such attributions have increased the users' unreasonable expectations making them demand assurances for added financial security from the auditors. This has caused the performance gap to expand further during the pandemic.

Thirdly, in the case of methodological contribution, this study is the first of its kind to qualitatively engage with the auditors through semi-structured interviews, facilitating a deep discussion over relevant topics that could benefit the purpose of this study. This qualitative exploration technique has facilitated the identification of an additional component of the performance gap as mentioned above, called the attribution gap.

Chapter 7. Limitations & Future research avenues

Limitations

This study involves a reasonable number of limitations. Firstly, in case of dependability of the findings of this study, the data collection was based on a small number of participants, which may or may not represent a wide sample of participants. Secondly, although the authors have tried to select participants from varied professional backgrounds as much as possible, it may have been so that the interviewees all have similar backgrounds which may distort the overall generalizability of the findings of this study. Thirdly, this study is limited to the views of Indian auditors and Indian users' group only, hence the limitation of only one national context may limit their transferability. Lastly, all the interviews were conducted virtually, hence the authors could have missed non-verbal communication of the participants through body language, gestures, etc., which verbal information, may have contributed some bias to the data collected.

Future research avenues

As stated in our purpose and method, this is an exploratory study, and the findings of this report provide preliminary insights and indications of how Covid-19 will affect AEG using a qualitative approach. We propose that within 3-5 years when the full scope of the pandemic has been revealed, a quantitative research study of the effects on the audit profession and AEG be conducted. Furthermore, future research could assess stakeholder groups' perceptions, of the impact of Covid-19 on audit regulation. Since, corporate crisis places enhanced demands on the process of regulation and accountability, which in turn produces changes in the nature and standards of audit practice (Humphrey, C., Moizer, P. & Turley, S., 1992). Finally, this study was conducted in the context of India, an emerging economy, and there is ample opportunity for researchers to add to the existing knowledge on audit expectation gap by conducting contextual variation within emerging nations (by studying countries such as Sri Lanka, Bangladesh, Brazil, etc.).

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APPENDIX 1: Interview Consent Form

Title of the Master's Thesis

THE IMPACT OF THE PANDEMIC OF COVID-19 ON THE AUDIT EXPECTATION GAP IN INDIA

The Project Details

We are a team of two students studying MSc in Accounting and Finance at Lund University School of Economics and Management, Lund, Sweden, and researching for the master thesis. The purpose of this study is to examine how the pandemic of covid-19 has impacted the 'Audit expectation gap' in India. The main research question of this thesis is "How has the pandemic of Covid-19 impacted the way Indian auditors and users of audited financial statements perceive auditor's roles and rresponsibilities? To do this, we plan to interview two groups: (a) Qualified Auditors and (b) User of audited financial statements in India.

Contact Details

For further details about the research or your interview data, please contact:

Asha Harshavardhan Kittur (+46764344843; ash811m@gmail.com)
Salome Samniashvili (+46760893361;samniashvilisalome@gmail.com)

In addition, for further verification or have concerns about the research, please contact our project supervisor at the University: Wenjun Wen, PhD (Wenjun.wen@gmail.com)

Data Storage

The interview transcripts will be stored in confidence and under the data protection Act as well as the university's general data protection guidelines.

Anonymity

Any data that the researcher extracts from this project for use in reports or published findings will not, under any circumstance, contain names or reveal your identity.

Consent

I agree to participate and to the use of the interview data for the purposes specified above. I have read and understood the explanatory information. Also, I understand that I have the right to withdraw from the study at any time. I can choose to not answer any questions asked should I feel uncomfortable at any time during the interview.

Note: ***Your contact details are kept separately from your interview data.***

Your interview appointment

SIGNATURE:	**DATE**
Name of interviewee:	
Email/Phone:	
Signature of researchers:	

APPENDIX 2 Interview Guide

Part I – Respondents' profile:

1. Could you please tell us a bit about your designation and role in this organization?
2. How many years of work experience do you have as an auditor?
3. Do you think that an 'audit expectation gap' existed in India before the pandemic? If yes, could you elaborate on why you think so?

PART II

Questions for Auditors:

1. What are the hurdles that you faced when conducting the audit procedures during the pandemic? And how did you overcome those hurdles?
2. Do you think that the pandemic had a psychological effect on you in anyway, which in turn affected your performance as an auditor?
3. Have you or the regulator (ICAI) communicated about the challenges you faced during the pandemic during the process of conducting audits?
4. Can you tell us a little bit about the role of the regulators (ICAI) in helping auditors cope with their job as an auditor during the pandemic?
5. Are there any accounting or auditing standards/rules that you would like the regulators to amend to suit the pandemic?
6. Are you aware of any accounting or auditing standards/rules that the users of the financial statements expect changes in?
7. Do you think the public has unreasonable expectations from auditors? If yes, in what way?
8. How have their expectations changed when you compare the pre-pandemic and the post-pandemic period?
9. Do you think that the pandemic can narrow the expectation gap between the auditing profession and the users group?

PART III

Questions for Users:

1. How do you think the auditors in India have performed during the pandemic?
2. What according to you are the some of the challenges that the auditors could have faced during the pandemic?
3. Do you think that the auditing profession in India is well-equipped to handle the challenges of the pandemic?
4. Given that the world is going through the covid-19 pandemic, do you want to see any changes in the auditing standards in India? If yes, why?
5. Do you think that during the pandemic, the auditors should provide 100% assurance on the financial statement's accuracy to the public?
6. In your opinion, considering the risks of the pandemic, in which areas do you want the auditor to provide a 100% assurance?
7. Do you think that during the pandemic the auditors need to take the responsibility of detecting fraud?

APPENDIX 3: List of Abbreviations

ACCA	Association of Chartered Certified Accountants
ADB	Asian Development Bank
AEG	Audit Expectation Gap
AI	Artificial Intelligence
CA	Chartered Accountant
CC	Cloud Computing
FRC	Financial Reporting Council
GDP	Gross Domestic Product
GOI	Government of India
IAASB	International Auditing and Assurance Standards Board
ICAI	Institute of Chartered Accountants of India
IFAC	International Federation of Accountants
ISA	International Standards on Auditing
ITU	Information Technology
RBI	International Telecommunication Union
MI	Machine Learning
RBI	Reserve Bank of India
RPA	Robotic process automation