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FRAUD AND THE AUDIT EXPECTATION GAP

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FRAUD AND THE AUDIT EXPECTATION GAP

An Honors Thesis submitted in partial fulfillment of the requirements for Honors in the

School of Accountancy.

By

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Under the mentorship of Professor Paula Mooney and Dr. Xinfang Wang

ABSTRACT

This study seeks to explore the expectation gap Georgia Southern University business and non-business majors have toward the work of an auditor. This study aims to assess the understanding of Auditors' responsibility for preventing and detecting fraud. This study will help assess the roles of an auditor, a forensic accountant, and management in fraud detection and prevention. The study will also highlight the importance of equipping students with accounting knowledge relevant to the business environment. The research for the study is conducted through a survey questionnaire and interpreted with Excel software. The hypothesis is that students that are majoring in business will have a better understanding of the importance and roles of an auditor than non-business majors.

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Thesis Topic and Research Question

Accounting is the process of reporting and communicating financial information about an organization or individual. Basic knowledge of accounting is needed to make informed decisions in any profession. In fact, according to Harvard Business School (2015), there is a common misconception that only financing and accounting professionals need to be familiar with accounting concepts. Whether being a business major or not, a job may require the preparation of financial records, understanding, and contributing to an organization's financial decision-making process, and making sense of finances. Studying basic accounting can provide many benefits and opportunities. With accounting knowledge, employees will be able to determine the financial health of the organization. With this information, employees can gain meaningful insights and suggest various ways to improve the company to upper management. Ultimately, having a basic understanding of finances will help employees be more successful in different roles when joining the workforce (HBS, 2015). Another benefit of knowing accounting concepts is that it creates an opportunity to transition into a finance or accounting role. According to the 2022 Bureau of Labor Statistics, employment in financial occupations is expected to grow five percent by 2029, which is faster than the average rate for all occupations. By having these tools, the skills needed to qualify for such roles can be developed (HBS, 2015). No matter the current role students are in, learning about accounting will be highly beneficial.

Accounting is the language of business. It is critical because it is the quantitative financial information provided to investment firms, financial institutions, and the government to inform business decisions and ensure compliance with laws and regulations (Woods, 2019). A basic understanding of accounting will help college students be well prepared for the business workforce. This thesis is focused on assessing the college student's perspective of the expectation gap which is "difference between what the users of financial statements perceive an audit to be and what the audit profession claims is expected of them in conducting an audit" (Olojede, 2020). To do this, a survey questionnaire is generated. The questionnaire includes questions tailored to assessing students' perceptions of who is responsible for preventing and detecting fraud, and the auditor's role. To gauge students' perception of the business world, this study assessed students' knowledge regarding the responsibility of an auditor which is an important aspect of accounting and business. The main research questions this study seeks to address is "What is the public (in this case, college students) expectation of auditors in uncovering fraud during a financial statement audit? As the main research question, this study will assess college students' perceptions of auditing responsibilities. The results of the study will show the different perspectives business and non-business majors have toward the role and responsibility of an auditor. A non-experimental descriptive survey is conducted, which asks GSU students to complete a questionnaire. The items assess perceptions of fraud prevention and detection held by college students. Is it the responsibility of an auditor, forensic accountant, or management to detect fraudulent activity?

Past research primarily focused on students' perceptions of the importance of competencies and skills needed in accounting (Grabowski, 2019). However, this study focuses on students' perceptions of an auditor's role and the responsibility to prevent and detect fraud. This study compared statistical differences in trends between business and non-business majors to determine whether non-business majors understand the role of an auditor. Financial scandals and crises have been on the rise, causing an adverse impact on the public trust. As a result, this suspicion has contributed to the expectation gap that exists in auditing. This has also created a need for change in how auditing is reported for a more informed decision-making process. For example, due to the ENRON scandal new regulations were designed to boost the accuracy of financial reporting for publicly traded companies. The Sarbanes-Oxley Act (2002) also sanctioned harsh penalties for destroying or fabricating financial records. This study provides information so the public can be better informed on the role of an auditor in preventing and detecting fraud.

The remainder of this paper is organized as follows. In the next section, the literature review of the main ideas from past research provide background on the expectation gap that exists between auditing and educational experiences or lack of learning opportunities that contribute to perceptions of auditing. The Method section refers to the development of the hypothesis, research design, and statistical measurement used to conduct this study. The Results section explains the summary of the statistical analysis conducted and comparison between the various groups looked at and finally the Conclusion section explains the results and discusses whether our hypothesis is supported or not.

Literature Review

The nature of business is constantly evolving. Therefore, schools need to design their curriculum with experiential learning activities to prepare students for the unknown in the business workforce. This understanding will prepare the next generation of leaders and drive the decision-making practices of these organizations. Organizations are not only looking for smart students but students who can think outside the box, they want students who can take initiative, be creative and solve problems. To achieve this, schools must ensure that students are well prepared in all areas before they enter the business workforce. It is impossible to solve complex problems without knowing the information needed to do so and where to start. To prepare graduates to do well in business, schools must create programming and provide learning opportunities adaptable to the evolving needs of the profession. For instance, students should be given access to data and software programs used to analyze data. Making these resources accessible on campus gives students the opportunity to explore various ways to solve problems, equipping them with the experiences needed to support decision-making skills as future leaders in business (Mullins, 2019). Employers perceive that liberal arts and non-professional degree graduates require some essential business set of skills. Employers recognize that new business professionals are falling short due to lack of preparedness needed to join the business workforce. As a result, the desired qualities have become more difficult to find in college graduates (Khlebnikov, 2015). Business majors and accounting students believe that the knowledge of basic accounting concepts and information will help students who are planning to work for companies and those who are planning to start their own business. The knowledge of accounting concepts helps them to make better predictions about a company's future and in the long run, help make smarter financial decisions.

A basic understanding of accounting concepts is also an integral skill needed to make quick but informed operational decisions daily. The accounting knowledge will help recover company time and money, which are two of the most valuable assets of an entrepreneur (Grigg, 2020). The objective of a business is to make a profit: To determine the profitability of a business, flow of transactions should be documented. Generally, those revenue and expense transactions tell you how money is generated and spent. It will also show if more is being spent than made. The better a person understands how to record the transactions, the more value they can add to an organization" (University of North Carolina Kenan-Flagler Business School (UNC 2021). Even if students are not accounting or business majors, it is still essential to have a foundational understanding of this accounting concept to help them be more successful in any situation they find themselves in. Over the years accounting skills have been crucial in every company and every department in the company has also been impacted by the work of the accounting department. To ensure that proper accounting standards and regulations are being adhered to, companies are now required to go through an official inspection of their accounts. This is typically done by an independent body also known as "Auditors". According to accounting historian John L. Carey, a former administrative vice president of the American Institute of Certified Public Accountants (AICPA),

"audits were required by law in England as early as 1845 to protect shareholders from improper actions by promoters and directors. At the inception of this practice, there was neither an organized profession of accountants or auditors, nor uniform auditing standards or rules.

There was also no established training, requirements, or other qualifications for auditors. During this period, auditors had no professional status. However, they were required to be stockholders, so they had to have a stake in the audit client entity, a common interest with those that they were engaged to protect and at the same time be independent in other significant respects". (Levy, 2020).

As a result, auditors were asked to assess financial operations and ensure that day-to-day functions of the organization ran effectively. They were also required to check if the organization's funds were reported fairly in conformity with Generally Accepted Accounting Principles (GAAP). The Securities and Exchange Commission (SEC) required that the books of all public accounting companies be regularly audited by an external independent auditor in compliance with the official auditing standards that were set up by the International Auditing and Assurance Standards Board (IAASB). After an audit, the auditor issues an opinion as a written letter attached to a company's financial statements. To express the auditor's opinion on a company's compliance with the standard accounting practices. According to Kenton (2021), "an auditor's report is not an evaluation of whether a company is a good investment, it is not an analysis of the company's earnings performance for the period. Instead, the report is merely a measure of the reliability of the financial statements". In a situation where people are going to decide on what company to invest in, especially a choice between alternatives, investors will base their decision on the reliability and the completeness of the company's information.

Auditing is a process to ensure consistency and reliability. An audit assures that the information the public is looking at is free from material misstatement (Nicholls, 2021). The most concerning issue we have today is that the public does not recognize the discrepancy between standards and performance. The deficient standard gap explains what can be judiciously expected of auditors and auditors' existing duties as defined by the law and professional standards. The deficient performance gap also known as the "expectation gap" is the difference between the types of tasks the public expects of an auditor especially when it comes to the level of performance and the auditing standards auditors are required to maintain. Unfortunately, there is generally a misconception about these roles causing limitations in public perception of auditing expectations. As a result of limited experiences in auditing education, the public lacks the ability to discriminate between standards and actual performance of auditors. In a previous study, it was concluded that "current stakeholders cannot be expected to fully understand the outcome of an audit mission and have reasonable expectations from an auditor when even graduates or students with accounting and auditing background sometimes lack fundamental knowledge in this area of expertise" (Fulop et al., 2019). To close the expectation gap, new auditing standards were issued. These standards helped to clarify auditors' responsibilities, especially as it concerns identifying material misstatements due to fraud. These statements require that auditors carry out specific fraud-related procedures such as: brainstorming to discuss how and where the financial statements could be prone to material misstatements due to fraud, asking management about the fraud risks, critically examining fraud risk factors, considering analytical results when planning the audit, outlining various methods of control, and predicting the risks of material misstatements throughout the audit (Kreuter, 2020).

The Expectation Gap

As noted earlier, the expectation gap is the "difference between what the users of financial statements perceive an audit to be and what the audit profession claims is expected of them in conducting an audit" (Olojede, 2020). According to (Greene, 2022), "an average amount of money companies lose to fraud is about 5% of its annual revenue each year, with a median loss of $117,000 before detection". Because auditors are individuals who examine business transactions to verify that financial statements meet certain accounting criteria, it is difficult to explain to the public what exactly the responsibility of an auditor is. A reason why the public may believe that it is the responsibility of an auditor to detect and prevent fraud is because the auditor's report becomes a document that represents a financial image of the company. According to Olojede, the confidence that the society places in the thoroughness of the audit work and the opinion of the auditor are the pillars on which the audit function rests. When there is a breach in this confidence, the efficacy of the audit function is undermined (Olojede, 2020). A consequence of this expectation gap is that it may have a negative effect on the audit profession because it may undermine the credibility, earnings potential, and reputation associated with audit work. To ensure that auditors' responsibilities are not misunderstood, this research will help to create an awareness of the responsibility of an auditor according to the regulations and standards.

Types of auditors

An auditor is an individual who examines recorded business transactions to verify that financial statements meet certain accounting criteria and that the financial statements produced by an organization fairly reflect its operational and financial results. There are different auditors that help to perform different audits i.e., external audits, internal audits, forensic audits and government audits such as Internal Revenue Service (IRS) audits. The public is most familiar with external auditors. An external auditor is a third-party consultant who is responsible for independently reviewing the financial records of a company. External auditors are not employed by the company but are hired just to look for material misstatements resulting from errors, fraud, or embezzlement. Because they are external to the business, they have no stake in determining the results of operations and financial position. As a result, after examining records of business transactions, external auditors make informed and unbiased decisions. They also prepare and present to management reports on audit findings, which might include material misstatements of financial information or severe control deficiencies and provide recommendations on improving these shortcomings in the future.

Internal auditors are auditors employed by companies to focus on risk management, corporate governance, organizational objectives, operational efficiency, and compliance. They also help to evaluate systems of internal controls and recommend improvements in controls. Internal auditors ensure that a company and its employees are in compliance with federal and state laws and regulations.

Forensic auditors are auditors who conduct audits with the understanding that what they find will be used in the court of law for trial or a form of mediation. Forensic audits are used to investigate fraud, embezzlement, or other financial crimes and forensic auditors may be called upon to testify during trial proceedings. It is also important to know that forensic audits are conducted by Certified Fraud Examiners (CFEs) or accountants who specialize in the field of forensic accounting. Forensic auditors also help in aiding in risk management and risk reduction through financial policies and procedures.

Government auditors are auditors who perform the audits of government agencies, private companies, and individuals who are subject to government regulations. These auditors also ensure revenues are received and spent according to laws and regulations. Government auditors also detect embezzlement and fraud, analyze agency accounting controls, and evaluate risk management. (Liberto, 2021).

What is Fraud?

Prior to determining whether it is the auditor’s responsibility to detect fraud, one must understand fraud. “Fraud is an intentional act (or failure to act) to obtain an unauthorized benefit, either for oneself or for the institution” (University of Southern Indiana (USI), 2022). This is achieved by deceiving or giving false suggestions. Fraud is also carried out by suppressing the truth or by other unethical means, which are believed and relied upon by others. “Depriving another person or the institution of a benefit to which he/she/it is entitled by using any of the means described above also constitutes fraud” (University of Southern Indiana (USI), 2022). Based on PriceWaterhouseCoopers research,

“Fraud is carried out globally, and at least one fraudulent activity occurs with an average of six per company. Based on research the most common frauds are customer fraud, cybercrime, and asset misappropriation. And there is roughly even split between frauds committed by internal and external perpetrators, at almost 40% each with the rest being mostly collusion between the two" (PriceWaterhouseCoopers, 2020).

Why do people commit fraud?

According to criminologist Dr. Cressey's who was a penologist, sociologist, and criminologist who made innovative contributions to the study of organized crime, prisons, criminology, the sociology of criminal law, white-collar crime hypothesized that: "Trusted persons become trust violators when they conceive of themselves as having a financial problem that is non-shareable, are aware that the problem can be secretly resolved by violation of the position of financial trust, and can apply to their conduct in that situation justifications which enable them to adjust their conceptions of themselves as trusted persons with their conceptions of themselves as users of the entrusted funds or property" (Taylor, 2016). People commit fraud for different reasons. It is important to understand what motivates people to commit fraud so organizations can better assess risk and assist employers or clients in implementing appropriate preventive and detective measures. Based on research done by Joseph T. Wells, "One element common to most occupational fraud offenders, from the CEO to the rank-and-file employee, is that almost none of them took their jobs with the intent to commit fraud; they are typically first-time offenders" (Wells, 2001). There is a concept known as the fraud triangle which is used by auditors to explain why individuals commit fraud. "The fraud triangle identifies the three components in Dr. Cressey's hypothesis that contributes to fraud: opportunity, pressure, and rationalization" (Embroker 2022).

People commit fraud because some companies may have weak internal controls and employees may see that as an opportunity to commit fraud. Some commit fraud because they are dissatisfied with what they earn and therefore consider that the best way to earn more money. Donald R. Cressey, described this situation as "wages in kind." We all have a sense of our worth and believe that when we are not being fairly treated or adequately compensated, statistically we are at a much higher risk of trying to balance the scales and committing fraud (Wells, 2001).

Using Audits to Prevent Fraud

During a financial audit process, the auditor can unveil certain things about the company that people might not have known, which will then be reported to the management of the company. This will help to identify risks in the company and determine if adequate controls are in place to alleviate these risks. Auditors are sometimes asked by management to show up unexpectedly when fraud has been suspected. Other times, audits occur randomly as part of the company's anti-fraud strategies to review the company's account and suspicious activity. A surprise audit gives an element of surprise which is critical because most fraud perpetrators are constantly on guard. Announcing an upcoming audit gives wrongdoers time to cover their tracks by shredding or creating false documents, altering records or financial statements, or hiding evidence (Pina, 2019). Fraud perpetrators might have paid attention to how previous financial audits were conducted and the order in which the auditor proceeded. In a surprise audit, the auditor might follow a different process. For example, instead of beginning audit procedures with receivables, the auditor might first start with cash.

Hypothesis

Based on information revealed in the literature review, and taking into consideration different student majors, this study aims to assess students' knowledge especially as it relates to the audit expectation gap. This study tests the following hypotheses:

H1a: Accounting students would have a better understanding of the role of an auditor than other (non-accounting) business students.

H1b: Business students would have a better understanding of the role of an auditor than non-business students.

Students who have business backgrounds have taken accounting classes and should have a basic understanding of who an auditor is and what is the role of an auditor in detecting fraud, but non-business students may not have any basic knowledge on this topic because they may not have taken any accounting courses. The hypotheses were tested using a survey questionnaire. The answers provided by the different respondents were analyzed using Microsoft Excel.

Materials and Methods

The study uses a non-experimental, cross-sectional descriptive survey design to collect data to be able to make comparisons across different types of students described above in the hypothesis. Based on past research (Fulop et al 2019), to investigate whether audit education influences the existence of the audit expectation gap, a survey analysis was conducted and taking that into consideration, this study also used the same method.

An anonymous survey was created in Survey monkey for Georgia Southern students that contained the following questions:

1.) It is the responsibility of the Auditor to prevent fraud.

2.) It is the responsibility of Management to prevent fraud.

3.) It is the responsibility of the Forensic accountant to prevent fraud.

4.) It is the responsibility of the Auditor to detect fraud.

5.) It is the responsibility of Management to detect fraud.

6.) It is the responsibility of the Forensic accountant to detect fraud.

7.) It is the responsibility of the Auditor to detect material fraud.

8.) It is the responsibility of Management to detect material fraud.

9.) It is the responsibility of the Forensic accountant to detect material fraud.

10.) Auditors do not have any responsibility for preventing or detecting fraud.

Note: located in the Appendix section is more in-depth information regarding the survey questions used for this thesis.

The survey was sent via email to both Business and Non-business majors professors. A total of 629 responses were received from the survey which resulted in 625 responses fully completed and an average completion rate of 99%. Due to the large number of responses, an excel sheet was created for each research question to analyze each question better. A two-sample, one tail T-test analysis was conducted in the Excel for each question. This step was because the T-test estimates the true difference between two group means using the ratio of the difference in group means over the pooled standard error of both groups. The focus was on these questions because it was discovered that there was a significant difference between Business and Non-Business. We were able to statistically test these differences based on the P-value for each question using a 0.05 level of significance.

Table 1 shows a subset of the summary of cleaned data of some of the responses from students created to conduct the analysis and test the hypothesis. After cleaning the data, each question was grouped to discover the mean, variance and to discover the number of business and non-business students.

Table 1: Subset of the Data

Respondent Observation	It is the responsibility of the Auditor to prevent fraud	It is the responsibility of Management to prevent fraud.	It is the responsibility of the Forensic accountant to prevent fraud	It is the responsibility of the Auditor to detect fraud.	It is the responsibility of Management to detect fraud	It is the responsibility of the Forensic accountant to detect fraud.	It is the responsibility of the Auditor to detect material fraud.	It is the responsibility of Management to detect material fraud.	It is the responsibility of the Forensic accountant to detect material fraud	Auditors do not have any responsibility for preventing or detecting fraud.	Classification	Major
Resp001	4	5	5	5	4	5	3	5	4	2	4	9
Resp002	5	4	5	4	2	4	5	3	4	1	4	3
Resp003	4	4	4	3	4	4	3	4	4	4	2	5
Resp004	4	4	4	4	4	4	4	4	4	4	1	7
Resp005	4	4	4	4	4	4	4	4	4	4	3	9
Resp006	3	4	1	4	4	5	3	5	4	2	2	3
Resp007	3	3	4	4	3	4	3	4	4	3	3	7
Resp008	4	4	4	5	3	2	4	4	3	1	2	7
Resp009	3	3	3	3	3	3	3	3	3	3	1	1
Resp010	2	4	2	4	4	5	4	5	4	3	2	5
Resp011	5	4	4	3	3	3	3	3	3	3	2	8
Resp012	3	3	3	3	3	3	3	3	3	3	2	1
Resp013	4	4	3	3	3	3	3	3	3	3	2	1
Resp014	4	4	3	3	3	3	3	3	3	3	1	7
Resp015	2	2	3	2	3	2	1	2	2	2	3	7
Resp016	4	4	4	4	4	4	4	4	4	4	3	7
Resp017	4	4	4	4	4	4	4	4	4	4	2	4
Resp018	4	4	3	4	4	4	3	4	2	1	2	7
Resp019	4	4	3	4	4	3	2	2	4	4	1	3
Resp020	4	4	2	4	4	2	4	4	3	4	1	3

Table 2: Responses

Shows the summary of the surveyed responses received from both Business and Non-Business students for each question. It also shows percentages of students that agreed/totally agreed or disagreed/ totally disagreed.

QUESTIONS	TOTAL RESPONSES	RESPONSES RECEIVED {STRONGLY AGREE & AGREE}	RESPONSES RECEIVED {STRONGLY DISAGREE & DISAGREE}	PERCENTAGE % {STRONGLY AGREE & AGREE}	PERCENTAGE % {STRONGLY DISAGREE & DISAGREE}	MAJORITY RIGHT / WRONG
It is the responsibility of the Auditor to prevent fraud	629	369	147	59%	23%	WRONG
It was the responsibility of Management to prevent fraud	629	484	55	77%	9%	**RIGHT**
It was the responsibility of Forensic Accountant to prevent fraud	629	363	134	57%	21%	WRONG
It was the responsibility of Auditor to detect fraud	629	516	30	82%	5%	WRONG
It was the responsibility of Management to detect fraud	629	424	72	68%	11%	**RIGHT**

It was the responsibility of Forensic Accountant to detect fraud	629	487	44	77%	8%	WRONG
It was the responsibility of Auditor to detect material fraud	629	452	50	72%	8%	**RIGHT**
It was the responsibility of Management to detect material fraud	629	434	60	69%	10%	**RIGHT**
It was the responsibility of Forensic Accountant to detect material fraud	629	444	57	71%	9%	**RIGHT**
Auditors do not have any responsibility for preventing or detecting fraud	629	185	325	29%	52%	**RIGHT**

Based on the responses received from the questionnaires, the students that had the correct perspectives were:

Figure 1: Responsibility of Management to Prevent Fraud

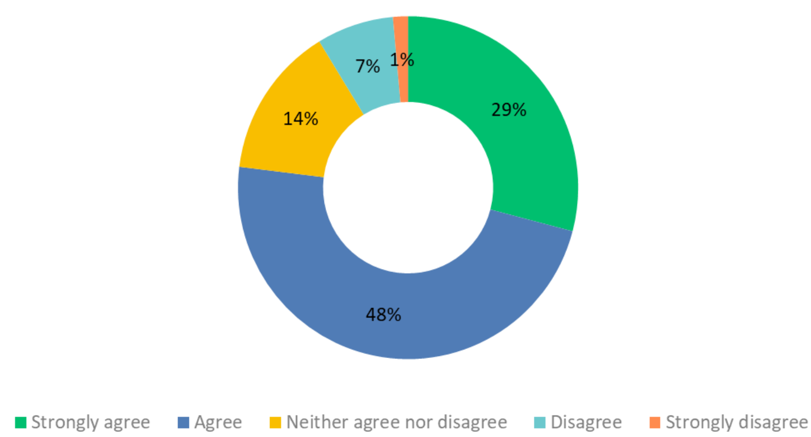

Fig 1: Shows that 77% of the surveyed students agreed that it was the responsibility of management to prevent fraud. 14% of the students neither disagree nor agree and this might be because they did not know, or they did not understand the question asked.

Figure 2: Responsibility of Management to Detect Fraud.

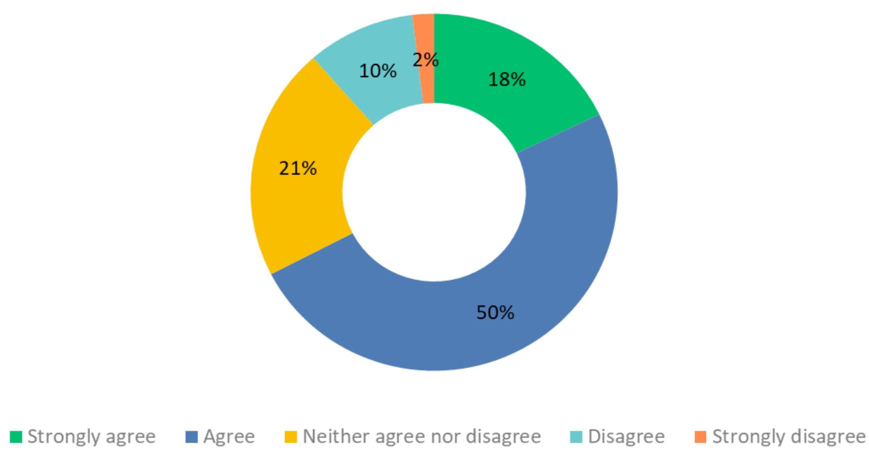

Fig 2: Shows that 68% of the survey responses said that it was the responsibility of management to detect fraud. Compared to Figure 1 there is a slight increase in the percentage of students that disagreed. However, there is still an increasing trend in students that agree that it is the responsibility of management to detect fraud.

Figure 3: Responsibility of the Auditor to detect Material Fraud.

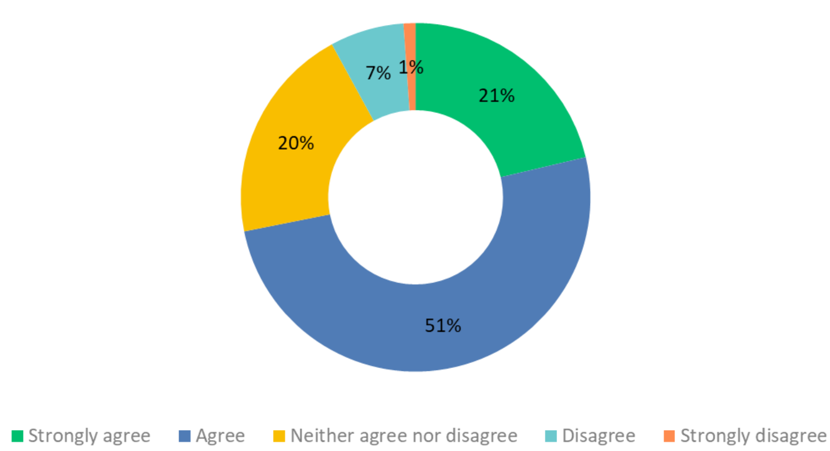

Fig 3: Shows that 72% of the surveyed responses agreed that it was the responsibility of the Auditor to detect material fraud. There is a trend in the percentage of students that strongly disagree, probably because they believe it is the responsibility of the auditor to detect material fraud. There is also a gradual increase in the percentage of students that agree that it is the responsibility of the auditor to detect material fraud compared to Figure 1.

Figure 4: Responsibility of the Auditor to Management to Detect Material Fraud.

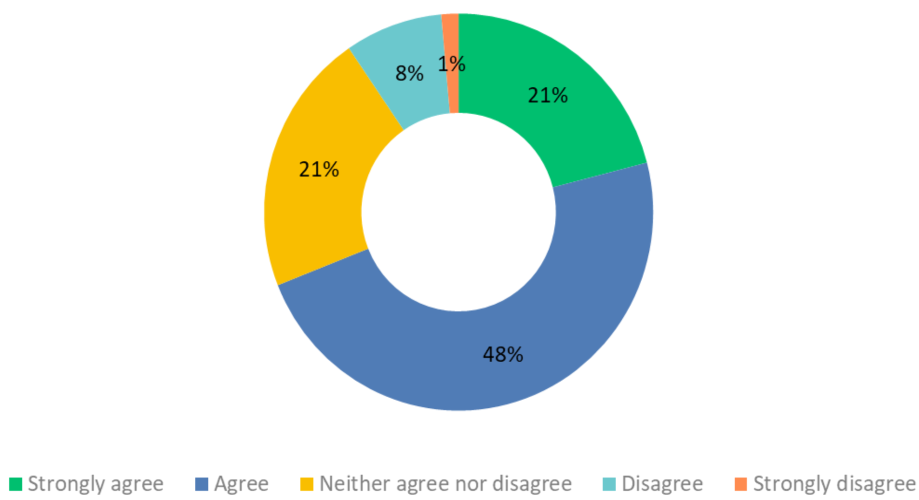

Fig 4: Shows that 69% of the surveyed responses agreed that it was the responsibility of management to detect material fraud. Compared to figure 2 there is a decrease in the percentage of students that agree that it is the responsibility of management to detect material fraud, this can be because they may not fully understand what material fraud is and how it is a little bit different from general fraud.

Figure 5: Responsibility of the Forensic Accountant to Detect Material Fraud.

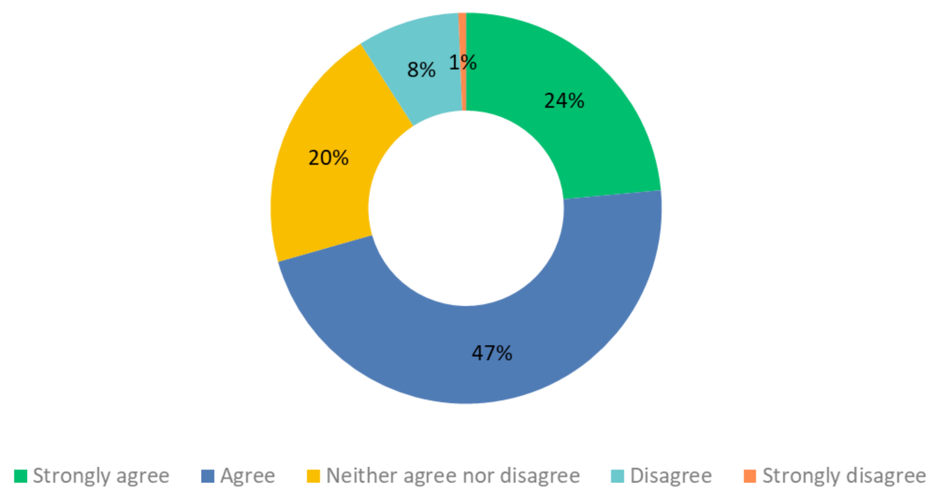

Fig 5: Shows that 71% of the surveyed responses agreed that it was the responsibility of the forensic accountant to detect material fraud. There is an increase in the percentage of students that agreed that it is the responsibility of forensic accountants to detect material fraud.

Figure 6: Responsibility of the Auditor to Prevent or Detect Fraud.

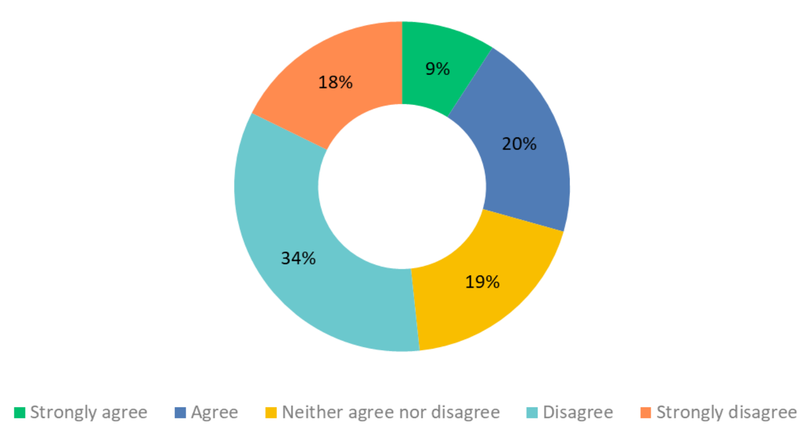

Fig 6: Shows that 52% of the surveyed responses disagreed that Auditors do not have any responsibility for preventing or detecting fraud. The huge drop in the percentage of students that agree or strongly agree that it is the responsibility of the auditor to detect and prevent fraud and more students strongly disagreed.

Table 3: **It is the responsibility of the Auditor to detect fraud.**

It is the responsibility of the Auditor to detect fraud.		
t-Test: Two-Sample Assuming Unequal Variances		
	Business	***Non-Business***
Mean	**3.621212121**	2.971962617
Variance	1.06359045	1.653419513
Observations	396	107
Hypothesized Mean Difference	0	
df		
t Stat	7.75679E-08	
P(T<=t) one-tail		
t Critical one-tail		
P(T<=t) two-tail		
t Critical two-tail		

We compared the mean of the Business students against the mean of the Non-business students, and we discovered that there was not a significant difference, in most questions the numbers discovered from calculations for between Business and the Non-Business majors were almost similar but there was only one question that showed a clear difference between both parties and that was the question that asked if it is the responsibility of the Auditor to detect fraud.

Even though the difference between the Business and Non-Business majors were not that clear the Business majors still got more questions than non-Business majors and due to this factor, we decided to evaluate the response of accounting majors against Business majors to determine if this would result in a statistical difference in their means.

Tables 4 - Table 12 show the summary of the surveyed responses of both Business and Accounting students for each question. It also shows the mean, variance and the total number of responses between Business and Accounting students. The number in a bold font shows which student group was closest to the correct answer (either 1 or 5)

Table 4. **It is the responsibility of the Auditor to prevent fraud.**

It is the responsibility of the Auditor to prevent fraud		
t-Test: Two-Sample Assuming Unequal Variances		
	Business	***Accounting***
Mean	3.623471883	**2.981818182**
Variance	1.056270587	1.61785124
Observations	409	110
Hypothesized Mean Difference	0	
df		
t Stat	5.98002E-08	
P(T<=t) one-tail		
t Critical one-tail		
P(T<=t) two-tail		
t Critical two-tail		

Table 5. **It is the responsibility of Management to prevent fraud.**

It is the responsibility of Management to prevent fraud.		
t-Test: Two-Sample Assuming Unequal Variances		
	Business	***Accounting***
Mean	3.892420538	**4.236363636**
Variance	0.814832527	0.798677686
Observations	409	110
Hypothesized Mean Difference	0	
df		
t Stat	0.000423268	
P(T<=t) one-tail		
t Critical one-tail		
P(T<=t) two-tail		
t Critical two-tail		

Table 6. **It is the responsibility of Forensic Accountant to prevent fraud.**

It is the responsibility of the Forensic accountant to prevent fraud		
t-Test: Two-Sample Assuming Unequal Variances		
	Business	***Accounting***
Mean	3.650366748	**3.136363636**
Variance	0.985336051	1.681404959
Observations	409	110
Hypothesized Mean Difference	0	
df		
t Stat	8.88619E-06	
P(T<=t) one-tail		
t Critical one-tail		
P(T<=t) two-tail		
t Critical two-tail		

Table 7. **It is the responsibility of Auditor to detect fraud.**

It is the responsibility of the Auditor to detect fraud.		
t-Test: Two-Sample Assuming Unequal Variances		
	Business	***Accounting***
Mean	4.080684597	**4.036363636**
Variance	0.631631805	0.835041322
Observations	409	110
Hypothesized Mean Difference	0	
df		
t Stat	0.616310098	
P(T<=t) one-tail		
t Critical one-tail		
P(T<=t) two-tail		
t Critical two-tail		

Table 8. **<u>It is the responsibility of Management to detect fraud.</u>**

It is the responsibility of Management to detect fraud		
t-Test: Two-Sample Assuming Unequal Variances		
	Business	***Accounting***
Mean	3.696821516	**3.909090909**
Variance	0.846958112	0.773553719
Observations	409	110
Hypothesized Mean Difference	0	
df		
t Stat	0.030975075	
P(T<=t) one-tail		
t Critical one-tail		
P(T<=t) two-tail		
t Critical two-tail		

Table 9. **<u>It is the responsibility of Forensic Accountant to detect fraud.</u>**

It is the responsibility of the Forensic accountant to detect fraud.		
t-Test: Two-Sample Assuming Unequal Variances		
	Business	***Accounting***
Mean	**3.91198044**	4.290909091
Variance	0.76975867	0.569917355
Observations	409	110
Hypothesized Mean Difference	0	
df		
t Stat	4.25427E-05	
P(T<=t) one-tail		
t Critical one-tail		
P(T<=t) two-tail		
t Critical two-tail		

Table 10. **It is the responsibility of Auditor to detect material fraud.**

It is the responsibility of the Auditor to detect material fraud.		
t-Test: Two-Sample Assuming Unequal Variances		
	Business	***Accounting***
Mean	3.797066015	**3.981818182**
Variance	0.7583288	0.745123967
Observations	409	110
Hypothesized Mean Difference	0	
df		
t Stat	0.048782893	
P(T<=t) one-tail		
t Critical one-tail		
P(T<=t) two-tail		
t Critical two-tail		

Table 11. **It is the responsibility of Management to detect material fraud.**

It is the responsibility of Management to detect material fraud.		
t-Test: Two-Sample Assuming Unequal Variances		
	Business	***Accounting***
Mean	3.782396088	**3.890909091**
Variance	0.781499393	0.897190083
Observations	409	110
Hypothesized Mean Difference	0	
df		
t Stat	0.261887244	
P(T<=t) one-tail		
t Critical one-tail		
P(T<=t) two-tail		
t Critical two-tail		

Table 12. **It is the responsibility of Forensic Accountant to detect material fraud.**

It is the responsibility of the Forensic accountant to detect material fraud		
t-Test: Two-Sample Assuming Unequal Variances		
	Business	***Accounting***
Mean	3.7701711	**4.1000000**
Variance	0.7540247	0.7081818
Observations	409.0000000	110.0000000
Hypothesized Mean Difference	0.0000000	
df		
t Stat	0.0004163	
P(T<=t) one-tail		
t Critical one-tail		
P(T<=t) two-tail		
t Critical two-tail		

After comparing the mean of the accounting majors and Business majors we also discovered that there was a clear difference between Accounting major's responses and Business majors. Questions such as.

- It is the responsibility of the Auditor to prevent fraud. (Table 4)
- It is the responsibility of Management to prevent fraud. (Table 5)
- It is the responsibility of the Forensic accountant to prevent fraud. (Table 6)
- It is the responsibility of the Auditor to detect fraud. (Table 7)
- It is the responsibility of Management to detect fraud. (Table 8)
- It is the responsibility of the Auditor to detect material fraud. (Table 10)
- It is the responsibility of Management to detect material fraud. (Table 11)
- It is the responsibility of the Forensic accountant to detect material fraud. (Table 12).

Business majors only did better in Table 9 which was It is the responsibility of the Forensic accountant to detect fraud.

After conducting the T-test analysis for each question we decided to conduct a p-value statistical measurement to confirm the hypothesis against the data. A p-value is important because it measures the probability of obtaining the observed results and the lower the p-value, the greater the statistical significance of the observed difference. The following table below shows the P-values for each question.

Table 13. **P-value statistical measurement results for Business vs. Non-Business data.**

Business vs. Non-Business	**Forensic Accountant**	**Auditor**	**Management**
Detect Fraud	0.126393528	**0.044530429**	0.098355168
Prevent Fraud	0.160895143	0.332227429	0.354789773
Detect Material Fraud	0.410863599	0.383666454	0.195251051

Table 14. **P-value statistical measurement results for Business vs. Accounting data.**

Business vs. Accounting	**Forensic Accountant**	**Auditor**	**Management**
Detect Fraud	**0.00000603**	0.322416222	**0.013967235**
Prevent Fraud	**0.00000889**	**0.00000147**	**0.0002379**
Detect Material Fraud	**0.00019913**	**0.024568001**	0.141475381

Conclusion

There were no statistical differences between the responses from business and non-business majors in discerning the role of a forensic accountant and management in detecting fraud, preventing fraud, and detecting material fraud. However, as noted in Table 13 there was a slight statistical difference in the perception of the role of an auditor in detecting fraud but not in preventing fraud and detecting fraud materials. The P-values obtained from the statistical tests in Table 13 showed that the P-value for if it was the role of an Auditor to detect fraud was less than 0.05 because just like in the Result table 2, 59% of students believed that it was the responsibility of the auditor to prevent fraud. This confirms our hypothesis that the public assumes that one of the responsibilities of an auditor when conducting an audit is to detect fraud. However, auditors are only responsible when it is a material fraud or a financial statement fraud.

Table 14 shows that there was a statistical difference in almost all the questions except for the two questions that asked if it was the responsibility of the auditor to prevent fraud and if it is the responsibility of management to detect material fraud. There is a significant statistical difference in the P-values in the accounting vs non accounting business majors. However, there is no statistically significant difference in their opinion about the auditor's role in the prevention and detection of fraud. We believe this was also because 39% of students were freshmen and the accounting students have not taken accounting classes to be able to understand the responsibility of an Auditor. After comparing Table 13 and 14, we discovered that in the Business and Accounting major's category (Table 14), there are significant statistical differences in their perception of the role of a forensic accountant, auditor and management in fraud detection, prevention, and fraud material detection. The two categories with no significant differences are in Business versus Accounting majors' perceptions on the role of an auditor in detecting fraud and the role of management in detecting material fraud. The Accounting students did better because they have taken classes that may have taught them about the responsibilities and role of an auditor. We also believe that accounting seniors and graduate students got most of the questions right because as a senior student they might have or are taking an Audit class which would have taught them the responsibility of an auditor.

The statistical analysis from the survey responses corroborated the hypothesis that accounting majors understand the role and responsibilities of an auditor more than non-accounting business students. One possible explanation for this is that accounting majors have taken classes that made them aware of the responsibility of an Auditor.

Therefore hypothesis 1a which supported that accounting students would have a better understanding of the role of an auditor than other (non-accounting) business students was correct. For the business vs non-business major category, even though accounting majors were included in business majors there was no statistical evidence to support the hypothesis that business majors would know more than non-business majors, therefore, the hypothesis 1b which supported that business students would have a better understanding of the role of an auditor than non-business students were incorrect.

Ultimately, we believe that taking relevant classes will inform students on the responsibilities of management, forensic accounting and auditor in fraud prevention and detection. This will better equip them for situations they may likely encounter at work. It is essential that the expectation gap is closed so as to focus on ways audit can evolve to meet the society's expectation and also positively impact shareholders confidence.

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Appendix

The survey questionnaire was created to allow participants to answer a series of questions regarding their knowledge about what the role of an auditor is. The questionnaire followed this format “Hello, my name is Samuel Olatunde, an honors accounting student at Georgia Southern University conducting this survey on fraud and audit expectation gap for the purpose of scholarly research. The benefit of this research is to better understand the public’s perspective on the responsibility of an auditor regarding fraud and help to discover ways to close the expectation gap. Although participation in this survey is voluntary, students participating may get extra credit for participation and completion. All data collected will be anonymous and there will be no connection between your identity and the results. Only the investigators on this project will have access to your anonymous data. If there are any questions or problems with the survey, or if you would like a copy of the results of the research project, please contact Samuel Olatunde at (404) 782-9701 or so04774@georgiasouthern.edu”.

To ensure that the confidentiality of participants in this study remained secure, students' names were omitted. This was also done to maintain anonymity in the dataset and any reports using information obtained from this study.

This study focused on Georgia's Southern business and non-business students. To facilitate participation and prompt responses, emails were sent to professors suggesting they offer the students the survey during or after classes. The survey was in the form of a questionnaire.

The questions asked included:

Major:

Auditor: an individual who examines the recorded business transactions to verify that financial statements meet certain accounting criteria and that the financial statements produced by an organization fairly reflect its operational and financial results.

Forensic accountant: an individual who combines accounting knowledge with investigative skills in various litigation support and investigative accounting settings.

Management: a group of individuals that coordinate and organize business activities, oversee operations, and help employees reach their top productivity levels.

1.) It is the responsibility of the Auditor to prevent fraud.

(1) Strongly disagree

(2) Disagree

(3) Neither agree nor disagree

(4) Agree

(5) Strongly agree.

2.) It is the responsibility of Management to prevent fraud.

(1) Strongly disagree

(2) Disagree

(3) Neither agree nor disagree

(4) Agree

(5) Strongly agree.

3.) It is the responsibility of the Forensic accountant to prevent fraud.

(1) Strongly disagree

(2) Disagree

(3) Neither agree nor disagree

(4) Agree

(5) Strongly agree.

4.) It is the responsibility of the Auditor to detect fraud.

(1) Strongly disagree

(2) Disagree

(3) Neither agree nor disagree

(4) Agree

(5) Strongly agree.

5.) It is the responsibility of Management to detect fraud.

(1) Strongly disagree

(2) Disagree

(3) Neither agree nor disagree

(4) Agree

(5) Strongly agree.

6.) It is the responsibility of the Forensic accountant to detect fraud.

(1) Strongly disagree

(2) Disagree

(3) Neither agree nor disagree

(4) Agree

(5) Strongly agree.

7.) It is the responsibility of the Auditor to detect material fraud.

(1) Strongly disagree

(2) Disagree

(3) Neither agree nor disagree

(4) Agree

(5) Strongly agree.

8.) It is the responsibility of Management to detect material fraud.

(1) Strongly disagree

(2) Disagree

(3) Neither agree nor disagree

(4) Agree

(5) Strongly agree.

9.) It is the responsibility of the Forensic accountant to detect material fraud.

(1) Strongly disagree

(2) Disagree

(3) Neither agree nor disagree

(4) Agree

(5) Strongly agree.

10.) Auditors do not have any responsibility for preventing or detecting fraud.

(1) Strongly disagree

(2) Disagree

(3) Neither agree nor disagree

(4) Agree

(5) Strongly agree.