Appendix 1: Details of sub-populations

Population	**Sub-population**
Practicing auditors	Practicing auditors included audit partners and staff (i.e. Practicing charted accountants, including audit partners, senior audit managers, audit managers and assistant audit managers in Sri Lanka).
Auditing and accounting regulators	Auditing and accounting regulators included the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), Securities & Exchange Commission (SEC), Registrar of Companies (RoC), and Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB).
Company officers	Company officers included officers responsible for managing the listed firms in the Colombo Stock Exchange (CSE), holding both accounting and non-accounting positions. Accordingly, managerial level company officers (representing top, middle, and operational levels), both in accounting positions and non-accounting positions who work in CSE-listed companies.
Auditing academics	Auditing academics included all the academics in the national universities of Sri Lanka.
Undergraduate students	Undergraduate students included all undergraduates of national universities who were majoring in accounting and non-accounting subjects.
Shareholders	Shareholders included those holding shares in listed firms in CSE.
Creditors	Creditors included all suppliers and bankers with lending transactions conduct transactions with Sri Lankan listed companies.
Financial Analysts	Financial Analysts included individuals in investment banking, brokering and other related firms in Sri Lanka.
General public	General public included individuals engaged in various non-accounting professions (i.e. lawyers, teachers, doctors, non-accounting lecturers, engineers, etc.). *Extant research studies have also included public groups comprised of professionals who were from the non-financial community (Masoud, 2017; Porter, 1993). According to the extant literature, the general public comprises groups such as journalists engaged in reporting on financial matters, lawyers, and other professional members, who could be likely to be lesser aware of the independent (external) audit function (Porter, 1993). Further, Porter et al. (2012) have pointed out that the general public is supposed to represent parties external to the business community, who indirectly benefit from the external audit function.*

Appendix 2: The Detailed Methodology in Estimation of AEG

This appendix explains in detail the methodology adopted in assessing AEG, which is briefly described in the methodology section of this study.

This study used a self-administered structured questionnaire, which consists of two parts. Part 1 of the questionnaire is used to gather personal information about the respondents for demographic analysis (i.e. position, age, educational level, professional qualification, experience, etc.) of respondents. On the other hand, Part 2 of the questionnaire is related to the expectations on external auditing of stakeholder groups and the auditor's performance of a duty. It consists of existing and suggested auditors' duties. Duties in this part were selected based on the auditing standards, existing legal requirements, promulgations for auditors, and suggested duties from extant literature (i.e. new and revised Auditor Reporting standards issued by IAASB; Code of Ethics for Professional Accountants (2017) issued by the IESBA; Porter *et al.,* 2012; Fossung *et al.,* 2020). Accordingly, Part 2 of this structured questionnaire listed 49 duties (i.e. duties 1 to 20 capture deficient performance gap; 21 to 35 deficient standards gap; and 36 to 49 unreasonable expectation gap) of auditors, and the opinions of the respondents were obtained as to whether such duties are auditors' existing duties (Part 2: Section 1 of the questionnaire), the level of auditors' performance of these duties (Part 2: Section 2 of the questionnaire), and whether such duties should be performed by the auditors (Part 2: Section 3 of the questionnaire).

Accordingly, in Part 2: Section 1, if a respondent had considered a particular duty as an 'existing duty of auditors' (by opting 'Is' or 'Is not an existing duty of auditors' under Part 2: Section 1 of the questionnaire), then under Part 2: Section 2 of the questionnaire, the respondent is asked 'How well is it performed?' The respondents were to rate this using a Likert scale that ranged from 'poorly' (1) to 'excellently' (5). Finally, Part 2: Section 3 of the questionnaire poses the following question: 'Should this duty be performed by auditors?' To answer Sections (1 and 3), the options 'Yes' (+1), 'No' (–1) and 'Not Sure' (0) were available. The opinions of the respondents were obtained as to whether such duties are auditors' existing duties (Part 2: Section 01 of the questionnaire), the level of auditors' performance of these duties (Part 2: Section 2 of the questionnaire), and whether such duties should be performed by the auditors (Part 2: Section 3 of the questionnaire). Accordingly, as explained above, Part 2: Section 1 of the questionnaire focus on whether the listed duty 'Is' or 'Is not an existing duty' of auditors, or whether the respondent is 'Not sure', which were coded as +1,

–1 and 0, respectively. When the mean of an interest group's responses is positive, this indicates that the group considered the duty is or should be (as applicable), a duty of auditors. The opposite applies when the mean of the responses is negative.

Stakeholder groups shall consider carefully and establish a clear distinction between the obligatory duties of auditors and those tasks and duties that are not really a part of their duties. Any differences of opinion among the stakeholder groups are identified based on the average or representative opinion of each group. This is indicated by the mean (expressed as a percentage) of the 'Yes, 'No', and 'Not sure' answers from the group in question, for each of the suggested duties listed in the questionnaire. When the mean of responses from an interest group is positive, it suggests that the group considers the particular duty is (Part 2: Section 1 of the questionnaire), or should be (as applicable) (section 3 of the questionnaire), an obligatory duty of auditors. The converse applies when the mean of a group's responses is negative. In Part 2: Section 2 of the questionnaire ('How well do auditors perform their duty?'), the respondents were asked to select from the options 'Poorly', 'Cannot judge', 'Adequately', 'Satisfactorily' and 'Completely satisfactorily'. These were coded 1, 2, 3, 4, and 5, respectively. The absolute value of the mean (ranging from a possible 0 to 100) indicates how widely the opinion was shared by members of the group.

Then, AEG is determined using the updated model introduced in this study (the outcome of this model shows in Figure 1 in the body of the study). The audit expectation-performance gap was composed of three components: the 'reasonableness gap' (unreasonable expectations), and the 'performance gap', which is further subdivided into 'deficient performance' and 'deficient standards' gaps. The separation of the total AEG into these components is as follows:

Deficient Performance Gap

As explained methodology section of the study, a 1-5 Likert scale is used to identify the extent to which duties of auditors are performed in Part 2: Section 2 of the questionnaire. As explained earlier, the respondents were asked to select from the options 'Poorly', 'Cannot judge', 'Adequately', 'Satisfactorily' and 'Completely satisfactorily'. These were coded as 1, 2, 3, 4, and 5, respectively. Thus, if the mean of a group's responses for a duty is less than 3.0, this suggests that members of the group considered auditors' performance of the duty is not satisfactory. However, judging performance as adequately or otherwise tends to involve a range rather than a point measurement. Hence, while recognizing the arbitrary nature of any number selected to distinguish between adequate and inadequate performance, for this study the value of 2.9 was adopted as the point of differentiation based on extant literature. This measure was supported by an additional test to identify perceived sub-standard performance of auditors' duties, namely, 20 per cent or more of an interest group signifying that auditors perform the duties 'poorly'. The mean of responses from an interest group provides a useful indicator of the group's overall assessment of auditors' performance of a particular duty; however, an interest group as a whole may adjudge auditors' performance of a duty to be satisfactory, but a significant proportion of the group may hold a contrary view. This may result in harmful criticism of auditors and undermine confidence in the audit function. Since the point measure might lead to an arbitrary interpretation, for the research a measure of 20 per cents also was adopted. The results of this analysis are given in Section 4.2 of the main body of the study.

Deficient Standards Gap and Unreasonable Expectations Gap

As noted earlier, for each duty of auditors listed in the questionnaire of the present study, respondents were asked to indicate whether that particular duty should or should not be performed by auditors, or whether they were not sure about it (Part 2: Section 3 of the questionnaire). As the mean values of the responses to these duties were positive, it implied that these were duties that auditors should perform. Whilst acknowledging the arbitrary nature of any point measurement used to define 'a significant proportion', it is considered that if 20% or more of an identified interest group signifies that a duty should be performed by auditors, it warrants further examination to ascertain whether it is (or is not) a duty that is reasonable to expect of auditors. In order for auditors to take on a duty as a duty, that duty must be cost-beneficial for auditors to perform. That is if duties are to be reasonably assigned to auditors they must be perceived as cost-beneficial by them. In the absence of any formal cost-benefit analysis, it is assumed that, for the purposes of the study, the duties identified by both auditees (company officers) and financial community audit beneficiaries (auditing academics, students, regulators, shareholders, creditors, and financial analysts) as duties auditors should perform provide an acceptable surrogate for cost-benefit analysis. These interest groups may be assumed to be reasonably well-informed about the audit function, but their perspectives may differ. Auditees are subject to the auditor's examination and are likely to be particularly cognizant of the costs involved. As a consequence, this interest group may limit the duties ascribed to auditors. Financial community audit beneficiaries, on the other hand, rely on the auditor's work and are, therefore, likely to be particularly conscious of the benefits which may flow therefrom. Thus, the opinions of these two interest groups, one focusing on costs, and the other on benefits, may be expected to counter each other so that a cost-benefit consensus may be arrived at. In identifying an acceptable surrogate for cost-benefit analysis, it was considered appropriate to ignore the opinions of auditors and general public audit beneficiaries because auditors are too closely (and personally) involved in the audit function and general public audit beneficiaries are too remote from it.

Accordingly, if listed duties of deficient standards were to meet cost-benefit analysis, they are taken as part of the deficient standards gap. And if listed duties of unreasonable expectations do not meet the cost-benefit criteria, these duties are considered as 'unreasonable expectation gap duties'. As for the reasonableness gap, an estimate of the relative contribution of each duty to the deficient standards gap may be derived from the proportion of the societal group who indicated that they expect the duty in question to be performed by auditors (i.e. duties of deficient standards). The results of this analysis are given in Section 4.2 of the main body of the study.

Further, the results of the analysis mentioned in this supplementary material were shown in Figure 1 in the main body of the study.

Appendix 3: Existing Duties of External Auditors

1. Obtain reasonable assurance that the financial statements taken as a whole are free from fraud or error.
2. Report on the financial statements and convey the auditor's findings as mandated by auditing standards.
3. Disclose financial information distortion that is intentional in the audit report.
4. Identify illegal deeds by corporate officers that directly impact the company's accounts.
5. Reveal unlawful acts that directly impact an entity's accounts in the published audit report.
6. Verify material (significant) accounting estimates in the financial statements.
7. Comply with the Code of Ethics for professional accountants.
8. Maintain confidentiality and safe custody of the audit working papers.

9. Express doubts about the solvency of the company under audit in the published auditor’s report (if applicable).
10. Evaluate whether the financial statements are prepared and presented, in all material (significant) respects, in accordance with the requirements of the applicable financial reporting framework.
11. Report failures (if any) by the external auditors to acquire the relevant information and explanations in order to render an opinion on the company's financial statements in the auditor's report.
12. Report any deficiencies or failures in the company's appropriate accounting and other record-keeping procedures including registers in the published auditor's report.
13. Look for serious (significant) discrepancies between the company's audited financial statements and other information in the annual report (e.g., the chairman's statement).
14. Identify and assess risks of material (significant) misstatement whether due to fraud or error, at the financial statement and assertion level
15. Obtain an understanding of an entity and its environment (information system; business process, financial reporting and communication) including entity internal control.
16. Communicate in the audit report any contingency relating to the future outcomes of unusual lawsuits or regulatory procedures that are likely to occur.
17. Report in the audit report that is published about the pre-adoption of any new or updated accounting standards.
18. Report a major catastrophe that impacted the entity's financial status in the audit report.
19. Determine whether the comparatives comply in all material (significant) respects with the financial reporting framework applicable to the financial statements being audited
20. Disclose any material (significant) uncertainty regarding the entity's capacity to continue as a going concern based on audit evidence.

Appendix 4: Evaluation by Societal Group[1] of External Auditors' Discharge of their Duties

	Mean of Responses[2]	Poorly[4]	Can't judge[4]	Adequately	Satisfactory	Completely Satisfactory	Contributing to Deficient Performance Gap[5]
Duties of Auditors[3]		%	%	%	%	%	%
Duty No. Duties on Deficient Performance Gap							
03	2.8	10	31	32	20	05	10
04	2.8	12	28	33	20	07	10
05	2.8	11	32	30	21	06	10
09	2.9	09	29	36	19	07	09
11	2.9	07	33	32	23	05	10
12	2.8	09	37	28	19	07	11
13	2.9	07	32	30	23	08	09
16	2.8	07	37	30	21	05	11
17	2.9	10	29	29	27	05	09
20	2.9	11	32	25	24	08	10

Non-deficient performance gap duties							
01	3.0	07	26	36	24	07	-
02	3.1	06	22	36	30	05	-
06	3.0	07	24	35	26	07	-
07	3.0	09	27	33	20	11	-
08	3.0	06	31	31	22	10	-
10	3.1	15	20	38	26	11	-
14	3.0	05	31	28	28	08	-
15	3.1	07	25	28	32	08	-
18	3.0	07	30	28	24	11	-
19	3.0	07	32	26	26	09	-

[1] All non-auditor respondents.
[2] The duties as shown here are abbreviated from their expression in the questionnaires.
[3] The value 2.9 has been taken as the point of distinction between the unsatisfactory and satisfactory performance of duties (estimated from responses from 1 to 5).
[4] Signifies the responses that are less than ‘adequately’.
[5] This is estimated using the proportion (i.e. relative amount) of the societal group that indicated that external auditors discharge their duty quite sub-standardly.

Appendix 5: Cost-benefit Measure for External Auditors' Duties of Reasonableness Gap

Duties[1]	*Company officers*[2]	*Audit beneficiaries*[3]	*Society Group*
Cost-benefit satisfied[4]	Mean[5]	Mean[6]	Mean
21. Review and report on internal controls of the entity.	55	61	68
22. Examine and report on the fairness of financial forecasts in the financial statements.	54	58	64
23. Disclose in the audit report embezzlement of auditee's assets by directors/senior management.	41	45	58
24. Examine and report on the auditee's risk management practices to its directors (or equivalent).	53	52	55
25. Report bribery, fraud, or corruption that has taken place in the auditee to the relevant authorities.	48	52	62
26. Report to relevant authorities of regulated entities of matters of such significance as to threaten their license to operate.	46	58	62
27. Report to relevant authorities of entities listed on a securities exchange where the matter could result in adverse consequences to the fair and orderly market in the entity's securities or pose a systemic risk to the financial markets.	52	60	65
28. Report to relevant authorities regarding the products that are harmful to public health or safety and would likely be sold by the entity.	49	45	60
29. Report to relevant authorities when the auditee is promoting a scheme to its clients to assist them in evading taxes.	49	50	56
30. Report significant breaches of environmental laws and regulations to the appropriate authorities.	43	-12	59
31. Report to the appropriate agencies if the entity is engaged in laundering money, dealing with illegal takings, or terrorist financing.	51	64	68
32. Consider and report on the company's impact that is significant on its local community.	43	42	71
33. Communicate in the audit report the areas of higher assessed risk and significant risks.	50	69	52
34. Communicate in the audit report the areas of significant management judgment and estimation uncertainty.	47	58	69
35. Convey in the published audit report material/significant transactions or events.	46	54	68

36. Examine & report in the audit report on the effectiveness of the auditee's non-financial internal controls.	30	31	53
37. Perform the audit to prevent fraud in the auditee.	22	11	49
39. Examine and report in the audit report on the reliability of the information in the client's entire annual report.	16	15	43
40. Examine and report on the efficiency and effectiveness of the company's management.	16	-06	40
42. Evaluate the entity's going concern ability while preparing financial statements.	25	51	56
43. Provide the relevant disclosures about the going concern status in the financial statements.	17	37	51
Cost-benefit not satisfied			
38. Conduct the audit to spot all of the client's frauds.	13	-06	38
41. Prepare financial statements of the audit client.	04	-14	42
44. Guarantee that the financial statements audited are correct.	00	-06	47
45. Guarantee the solvency of the audit client.	-05	07	39
46. Verify every audit client transaction.	-08	03	36
47. Guarantee that the auditee is financially sound via a clean audit report.	-05	02	40
48. Detect small (but not petty) asset thefts by non-managerial staff.	-18	03	36
49. Audit all the auditee's interim financial statements.	-07	04	43

[1] The duties mentioned in this list are abbreviated from the version in the questionnaire.
[2] Company officers (i.e. the auditees) who have experienced external audit examination are expected to be aware of the costs associated.
[3] Auditing academics, students, regulators, shareholders, and creditors, financial analysts who are familiar with external audit examinations are expected to be aware of the related benefits.
[4] The duties recognized by both the company officers and the audit beneficiaries of the financial community as duties that the external auditors should discharge.
[5] Mean value of the auditees (i.e. company officers).
[6] Average (mean) value of the beneficiaries of an external audit (average mean of groups of academics, students, regulators, shareholders, creditors, and financial analysts).